

**REPORT TO: West of England Joint Committee**

**DATE: 29 January 2021**

**REPORT TITLE: LEP REVENUE BUDGET SETTING REPORT – 2021/22**

**DIRECTOR: MALCOLM COE – DIRECTOR OF INVESTMENT & CORPORATE SERVICES**

**AUTHOR: MALCOLM COE**

#### **Purpose of Report**

- 1 To consider and approve the Budget in respect of the Local Enterprise Partnership (LEP) for 2021/22.

#### **Impact of Covid-19 pandemic**

- 2 The Combined Authority has actively reviewed its key activities and work programme to reflect changing priorities as a result of the Covid-19 pandemic. Specific issues relating to the Covid-19 situation that impact on, or are addressed through, this report are as follows:
  - (a) There is a potential impact on 2021/22 revenue budgets as activity is re-prioritised and focused on supporting economic recovery. Activity, and corresponding budgets, will be kept under regular review.

#### **RECOMMENDATIONS:**

##### **The Joint Committee are requested to:**

- a) approve the LEP Budget for 2021/22 as set out in Appendix 1;
- b) approve a 2021/22 contribution of £110k per each West of England Unitary Authority, (to be reviewed for 2022/23 onwards), as match funding to attract the government's LEP Capacity Funding;
- c) approve a £160k drawdown from the LEP General Reserve to fund the shortfall in 2021/22 LEP operating costs;
- d) Notes the forecasted LEP revenue outturn for 2020/21 as set out in Appendix 2.

### Background / Issues for Consideration

- 3 The West of England Combined Authority (WECA) acts as the Accountable Body for the range of funding streams on behalf of the West of England Councils and LEP. This report sets out details of the proposed budgets for the LEP for the 2021/22 financial year.

### LEP Delivery and Running Costs and Medium-Term Forecast

- 4 The core running costs of operating the LEP in terms of furnishing the Joint Committee, operating the LEP Board and applying for, receiving, and managing various grant streams has been circa £1.1m for several years now. Savings have been enacted where possible, however such opportunities are limited due to the need to retain a two-committee structure within the region. With increments and staff pay awards, the core costs for 2021/22 amount to £1.039m which are funded by:
- (a) A core (LEP Capacity) grant of £500k which is approved on a year by year basis and;
  - (b) Match funding contributions from the four West of England Unitary Councils.
- 5 For the last four financial years the required contribution from each local authority has been reduced from £150k to £110k with the funding gap being met through higher than budgeted returns on cash investments (Treasury Management). However, with the Local Growth Fund drawing to a conclusion in March 2021, LEP cash balances are low and can no longer generate sufficient revenue returns to support the committed operating costs. For 2021/22 it is recommended that this shortfall is met through drawing down £160k from the LEP General Reserve. However, with annual increases in staffing costs and diminishing returns on investments, local authority contributions will need to be reviewed from 2022/23 onwards.
- 6 Activities covered by the LEP have significantly expanded over the last 18 months due to successfully attracting numerous grants into the region. Despite this, we have retained the core staffing levels, and costs, at a relatively steady state. As the majority of spend is staff related, pay award increases will continue to impact on budget requirements over the coming years. A 1% pay uplift has been modelled for 2021/22 and 2% per annum thereafter. The resulting anticipated spend compared to the resources available is detailed in Figure 1.

**Figure 1: LEP core running costs net of Specific Grant allocations**

	2020/21 £'000s	2021/22 £'000s	2022/23 £'000s	2023/24 £'000s	2024/25 £'000s
<b>Core Operating costs and overheads</b>	1,157	1,262	1,071	1,098	1,120
<b>Funded by :</b>					
Unitary Authority Contributions	440	440	600	600	600
LEP Capacity Grant	500	500	500	500	500
Interest on cash balances	200	50	0	0	0
LEP General Reserve	0	160	0	0	0
RIF Admin grant	0	112	0	0	0
<b>Total Funds</b>	1,140	1,262	1,100	1,100	1,100
<b>Increase / (Shortfall) in funding</b>	(17)	0	29	2	(20)

## Specific Grants and Activities from the LEP Budget

- 7 WECA and the LEP continue to be successful in expanding its activities through attracting a number of new specific funding streams to the region. From a relatively low base in 2019/20 of £1.8m, specific grant funding of £5.7m was generated in 2020/21, and £4.7m for 2021/22 as detailed in Figure 2.

**Figure 2: LEP Specific Grant Income – Medium Term Forecast**

LEP Grant Income	2020/21 £'000s	2021/22 £'000s	2022/23 £'000s	2023/24 £'000s	2024/25 £'000s	Total £'000s
IBB - Revolving Infrastructure Fund	1,000	1,000	1,000	1,000	1,000	5,000
Growth Hub	985	328	0	0	0	1,313
Asylum Migration Integration Fund	0	140	0	0	0	140
Low Carbon Challenge	244	1,076	738	0	0	2,058
Creative Scale Up	676	473	0	0	0	1,149
Women in Digital Education & Training	43	0	0	0	0	43
Skills Advisory Panel	119	0	0	0	0	119
Careers Hub	431	178	0	0	0	609
South West Energy Hub	1,521	902	1,253	0	0	3,676
Green homes	177	148	0	0	0	325
LEP Capacity Fund Additional Capacity	210	84	66	0	0	360
EDF Business Case Review	61	61	62	63	0	247
One Public Estate	169	209	0	0	0	378
Housing Advisers Programme	41	7	0	0	0	48
Infrastructure & Investment Plan	21	109	123	123	0	376
	<b>5,698</b>	<b>4,715</b>	<b>3,242</b>	<b>1,186</b>	<b>1,000</b>	<b>15,841</b>

- (a) Invest Bristol & Bath: IBB is funded through the Revolving Infrastructure Fund, (RIF), as part of a five-year deal, (to be reviewed after year three), as approved by the Joint Committee in October 2019.
- (b) Growth Hub: Funding to support local providers and business looking to grow, establishing a stronger local economic region. Additional funding has been secured throughout 2020/21
- (c) Asylum Migration Integration Fund (AMIF): This is digital entrepreneurship and business support for refugee and migrants project starting in 2021, aiming to support the launch, stabilisation and growth of refugee and migrant business through personalised business support.
- (d) Low Carbon Challenge Fund: ERDF grant programme to help decarbonise the regional economy through: improving energy efficiency in SMEs, the implementation of small-scale generation projects using renewable sources, and improving the efficiency of public housing/other buildings.
- (e) Creative Scale Ups: Government grant to help creative industries grow by improving access to expert knowledge and training as well as supporting business through training and advice on securing investments;

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- (f) South West Local Energy Hub: Business, Energy and Industrial Strategy (BEIS) grant to increase the number, quality and scale of local energy projects, to raise local awareness of opportunities and attract private and public finance for energy projects.
  - (g) Enterprise Advisor Network: aligned to Careers Hub, activity to match business volunteers with schools and colleges to support with their strategic employer engagement.
  - (h) One Public Estate: Grant funding to support and deliver land initiatives with government and other public sector partners with the aim of rationalising the overall ownership of public sector assets.
  - (i) Infrastructure and Investment Delivery Plan: To provide a strategic planning policy framework to sustainably boost the overall housing supply, deliver affordable housing and accelerate sustainable housing
- 8 Overall LEP Grant Funding that has been attracted is now circa £16m over the Medium Term Financial, (MTF), period. We will continue to focus our attention on attracting further grant funding into the LEP, maintaining confidence that the income figures currently stated for 2022/23, and beyond, will significantly increase over the coming months.
- 9 Many of the grants attracted by the LEP are relatively short term in nature. Any staff recruited to support specific grant funded activities are engaged on a fixed term basis linked to the duration and security of the relevant funding stream.
- 10 The majority of spend relates directly to staff administering the specific initiatives and third-party grant payments being made to local businesses and organisations to help build the local economy and skills of the local workforce.

### Revenue Outturn Position

- 11 **Appendix 2** details the LEP, (including IBB), forecast revenue out-turn for the 2020/21 financial year based on actual information as at the end of December 2020 which shows spend of £7m against an original budget of £6.6m. The difference of £0.4m is mainly due to the receipt and phasing of spend for government grants. Overall, there is a forecast net underspend of £104k which is due to a surplus in treasury management.

### Consultation

- 12 Consultation has been carried out with the Chief Executives, S151 Officers and the WECA Monitoring Officer. Relevant officers within BANES, Bristol, North Somerset and South Gloucestershire have been consulted with regard to the overall economic recovery activities planned within the region.

### Other Options Considered

- 13 LEP budgets mainly relate to the specific grant income that has been attracted. Consideration was given to increasing the Unitary Authority match funding contributions back to their original levels. However, with a small amount of income still being generated through Treasury Management, and the ability to drawdown funding against the LEP reserve, the contributions have again been retained at £110k per authority for 2021/22.

### Risk Management/Assessment

- 14 The West of England Office agreement underpins the LEP. This agreement deals with the risk sharing mechanisms between the relevant councils.
- 15 Uncertainty still remains in relation to the annual notification, and approval, of the £500k LEP Capacity Grant which creates volatility in terms of medium-term budget setting. The LEP hold a reasonably modest unearmarked reserve to manage financial risk. It is estimated that this reserve will be circa £765k at the start of the 2021/22 financial year, against which £160k is recommended to be drawdown to support next year's revenue budget.

### Public Sector Equality Duties

- 16 The public sector equality duty created under the Equality Act 2010 means that public authorities must have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimization and other conduct prohibited by the Act.
  - Advance equality of opportunity between people who share a protected characteristic and those who do not.
  - Foster good relations between people who share a protected characteristic and those who do not.
- 17 The Act explains that having due regard for advancing equality involves:
- Removing or minimising disadvantages suffered by people due to their protected characteristics.
  - Taking steps to meet the needs of people from protected groups where these are different from the needs of other people.
  - Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.
- 18 The general equality duty therefore requires organisations to consider how they could positively contribute to the advancement of equality and good relations. It requires equality considerations to be reflected in the design of policies and the delivery of services, including policies, and for these issues to be kept under review.

### Climate Change Implications

- 19 On 19 July 2019, the West of England Combined Authority declared a climate emergency, recognising the huge significance of climate change and its impact on the health, safety and wellbeing of the region's residents. The Combined Authority is committed to taking climate change considerations fully into account as an integral part of its governance and decision-making process.

Each report/proposal submitted for Combined Authority / Joint Committee approval is assessed in terms of the following:

Will the proposal impact positively or negatively on:

- The emission of climate changing gases?
- The region's resilience to the effects of climate change?
- Consumption of non-renewable resources?
- Pollution to land, water or air?

Particular projects will also be subject to more detailed environmental assessment/consideration as necessary as part of their detailed project-specific management arrangements.

- 20 Several of the specific LEP workstreams have a strong focus on improving climate change especially the South West Local Energy Hub, Low Carbon Challenge Fund and One Public Estate. Where funds are allocated as grants to local businesses and organisations, the criteria used to prioritise funding allocations will incorporate climate improvement.

**Finance Implications:**

- 21 All financial implications are contained within the body of the report.

*Advice given by: Malcolm Coe, Director of Investment & Corporate Services*

**Legal Implications:**

- 22 This report sets out the proposed Budgets for LEP for 2021/22. The budgets have been prepared in accordance with relevant Local Government Financial Regulations, Accounting Standards and relevant Grant Offer Letters. The West of England Combined Authority acts as the accountable body for the transactions of the LEP.

*Advice given by: Shahzia Daya, Director of Legal*

**Human Resources Implications:**

- 23 The proposed Budgets include all appropriate staff costs for continuing activities for the LEP.

*Advice given by: Alex Holly, Head of Human Resources*

**Appendices:**

Appendix 1 - Local Enterprise Partnership Budget 2021/22

Appendix 2 - Local Enterprise Partnership Revenue Outturn forecast 2020/21

**Background papers:**

(LEP) 2020/21 Revenue Budget Setting Report – Joint Committee 31 January 2020

(LEP) Budget Monitoring Reports to Joint Committee throughout 2020

**West of England Combined Authority Contact:**

Any person seeking background information relating to this item should seek the assistance of the contact officer for the meeting who is Ian Hird on 07436 600313; or by email: [democratic.services@westofengland-ca.gov.uk](mailto:democratic.services@westofengland-ca.gov.uk)

## Local Enterprise Partnership Budget 2021/22 (including Invest in Bristol &amp; Bath)

	2020/21 Budget £'000s	2021/22 Budget £'000s	Increase(+)/ Decrease (-) £'000s
Core Staff and related overheads	1,157	1,262	105
<b><u>Grant Funded Spend</u></b>			
Staff	1,495	1,791	296
Services and Third Party Payments	3,549	2,482	-1,067
Overheads	390	442	52
<b>Total Expenditure</b>	<b>6,591</b>	<b>5,977</b>	<b>-614</b>
<b><u>Funded by</u></b>			
UA Contribution	440	440	0
Other Government Grants	5,454	4,715	-739
RIF Admin Grant	0	112	112
DLCG Core and Capacity Grant	500	500	0
Other Contribution	33	0	-33
Interest	200	50	-150
Reserves	-36	160	196
<b>Total Income</b>	<b>6,591</b>	<b>5,977</b>	<b>-614</b>
<b>Surplus</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Local Enterprise Partnership Forecasted Revenue Outturn 2020/21

	2020/21 Budget £'000s	2020/21 Forecast £'000s	Variance £'000s
<b>Core staff and related overheads</b>	1,157	1,130	-27
<b><u>Project Spend</u></b>			
Staff	1,495	1,880	385
Services and third-party payments	3,549	3,521	-28
Overheads	390	424	34
<b>Total Expenditure</b>	<b>6,591</b>	<b>6,955</b>	<b>364</b>
<b>Funded by :</b>			
UA Contribution	440	440	0
Government Grants	5,454	5,595	141
DCLG Core & Capacity Grant	500	500	0
Interest on Balances	200	300	100
Other Contribution	33	55	22
Use of Reserves	-36	169	205
<b>Total Income</b>	<b>6,591</b>	<b>7,059</b>	<b>468</b>
<b>Surplus:</b>	<b>0</b>	<b>104</b>	<b>104</b>