

REPORT TO: WEST OF ENGLAND JOINT COMMITTEE ITEM 11

DATE: 17 December 2021

REPORT TITLE: LEP & IBB BUDGET OUTTURN APRIL- OCTOBER 21

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Purpose of Report

- 1 This report presents the forecasted revenue outturn for the West of England Joint Committee for the financial year 2021/22 based on data for the period April 2021 to October 2021. The report covers the Local Enterprise Partnership (LEP) and Invest Bristol and Bath (IBB) revenue budgets.
- 2 To present a high-level overview of performance of the Invest Bristol and Bath (IBB) service.

Impact of Covid-19 pandemic

- 3 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 future year revenue budgets as activity is re-prioritised and focused on supporting economic recovery. Activity, and corresponding budgets, will be kept under regular review over the coming months.

RECOMMENDATIONS:

The voting on the following recommendations will be as follows:

The Joint Committee:

- a) **Notes the LEP revenue outturn as set out in Appendix 1;**
- b) **Notes the IBB performance overview as set out in Appendix 2.**

Background / Issues for Consideration

- 3 The West of England Combined Authority acts as the Accountable Body for a range of funding streams on behalf of the West of England Councils and LEP. The Combined Authority Financial Regulations require that it regularly reports on the financial monitoring position of these funds.

Local Enterprise Partnership Budget Out-turn

- 3.1 **Appendix 1** details the LEP revenue out-turn for the 2021/22 financial year based on actual information to the end of October 2021 which shows spend of £14.8m against an original budget of £5.98m. The difference of **£8.8m** is mainly due to the receipt and phasing of additional government grants in relation to the South West Energy Hub and associated Green Homes grant.
- 3.2 There is a forecast net underspend of £79k on core staffing due to greater costs allocated to specific projects which is partially offset by a shortfall in forecasted treasury income of £18k. The overall net revenue budget is forecasted to deliver a balanced position at year end.
- 3.3 Total grants attained across the three-year period is circa **£19.1m**. We continue to review and update the anticipated timing of spend against these grants and re-profile the income accordingly as detailed in *Figure 1*.

Figure 1: Analysis of LEP External Grants revised as @ October 2021

	2021/22 £000s	2022/23 £000s	2023/24 £000s	Total
Asylum Migration Integration Fund	120	0	0	120
Careers Hub	546	0	0	546
Creative Scale Up	471	145	0	616
EDF Business Case Review	61	61	62	184
(South West) Energy Hub	2,059	2,678	0	4,737
Green Homes grant	7,341	0	0	7,341
Growth Hub	850	0	0	850
Invest in Bristol and Bath	1,142	1,000	1,000	3,142
Infrastructure & Investment Plan	109	123	123	355
Low Carbon Challenge	273	380	0	653
LEADER	3	0	0	3
LEP Additional Capacity	185	145	0	330
One Public Estate	209	0	0	209
Skills Advisory Panel	75	0	0	75
Total	13,444	4,532	1,185	19,161

- 3.4 The original 2021/22 budget for external grants was £4.7m. For Growth Hub, Green Homes, (South West) Energy and Careers Hub, we have been successful, in significantly increasing the overall funding available as detailed in *Figure 2*.

Figure 2: Original 2020/21 Grant Budget compared to Year End Forecast.

	Budget 2021/22 £000s	Forecast 2021/22 £000s	Funding Difference £000s	Comments
Asylum Migration Integ. Fund	140	120	(20)	Re-phasing of expenditure
Careers Hub	178	546	368	Additional Funding
Creative Scale Up	473	471	(2)	Re-phasing of expenditure
EDF Business Case Review	61	61	0	
(South West) Energy Hub	902	2,059	1,157	Re-phasing of expenditure and additional funding
Green Homes grant	148	7,341	7,193	Additional Funding
Growth Hub	328	850	522	Additional Funding
Housing Advisers Programme	7	0	(7)	-
Invest in Bristol and Bath	1,000	1,142	142	Carried forward from 20/21
Infrastructure & Invest Plan	109	109	0	
Low Carbon Challenge	1,076	273	(803)	Funding transferred to capital expenditure
LEADER	0	3	3	-
LEP Additional Capacity	84	185	101	Carried forward from 20/21
One Public Estate	209	209	0	-
Skills Advisory Panel	0	75	75	Additional Funding
Totals	4,715	13,444	8,729	

- 3.5 In July 2020, the chancellor announced £2 billion of support through the Green Homes Grant, targeted at saving households money, cutting carbon and creating green jobs. The Combined Authority has received a total of £53.3m, (for the wider South West region), which comprises of £7.3m of revenue costs for delivering the scheme with the remainder being capital spend in terms of the grants provided. The terms of the government grant requires the spend to be fully incurred by the end of the 2021/22 financial year.

Drawdown from Reserves

- 3.6 The accumulated LEP Reserve, held by the Combined Authority as Accountable Body, was £1,002k at the beginning of the financial year. Accounting for drawdown and receipt of funds, as approved by the Joint Committee, the reserve balance is forecasted to be £723k. This is detailed in *Figure 3*:

Figure 3: LEP Reserve Balances £'000s

LEP Reserve balance b/fwd 1st April 2021	(1002)
Drawdown for Local Industrial Strategy – to deliver our region’s ambition to be a driving force for clean and inclusive growth.	77
Contributions towards LEP operating costs (to reduce the corresponding UA contribution for ‘match funding’ LEP Capacity Fund)	102
Drawdown for specialised work to develop an evidence based picture of current digital connectivity across the West of England	100
Forecasted LEP Reserve balance c/fwd 31st March 2022	(723)

Interest on Balance

- 3.7 Investment interest earned on LEP balances held relates entirely to cash holding of the Local Growth Fund, (LGF), and Getting Building Fund (GBF). LGF was fully exhausted, (as per the terms of the grant), by 31 March 2021, thereby LEP interest is now only calculated against a diminishing GBF balance along with any holding of general LEP reserves. As a result, forecasted interest at year end is £18k lower than the £50k income budget set. Forecasted income will continue to be reviewed regularly and updated in future budget monitoring reports to the Committee.

Consultation

- 4 Consultation has been carried out with the Chief Executives, West of England Section 151 Officers and the Combined Authority Monitoring Officer.

Other Options Considered

- 5 Value for Money and appropriate use of resources are constantly considered when allocating, monitoring and managing all revenue and capital budgets.

Risk Management/Assessment

- 6 This report forms a core part of the governance and risk management process. The forecast budgets presented in this report take account of known financial risks and their potential impact on the outturn financial position. The West of England Office agreement underpins the LEP; a Memorandum of Understanding between the four West of England UAs underpins the IBB service. These agreements deal with the risk sharing mechanisms between the four West of England councils. For all other WoE budgets administered by the Combined Authority, it acts as “agent” with a straight pass through of funding and related costs.

Public Sector Equality Duties

- 7 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.

7.1 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.

7.2 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.

7.3 There are no specific public sector equalities issues arising from this report although budget managers are reminded to consider how they could positively contribute to the advancement of equality and good relations.

Climate Change Implications

8 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

8.1 Several of the specific LEP workstreams have a strong focus on improving climate change especially the *South West Energy Hub*, *Green Homes Grant*, *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, including economic impact assessment where appropriate:

- 9 The financial implications are contained within the body of the report. The LEP and IBB functions support the economic growth and vitality of the region.

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

Legal Implications:

- 10 This report monitors how the Local Enterprise Partnership (LEP), and Invest in Bristol and Bath (IBB) revenue budgets are performing against the financial targets as set in January 2021 through the Budget setting process.

Advice given by: Shahzia Daya, Director of Legal Services

Human Resources Implications:

- 11 Fixed term contracts are applied where staff are appointed against specific LEP grant funding streams that are time limited in nature.

Advice given by: Alex Holly, Head of Human Resources

Appendices

Appendix 1: LEP revenue Out-turn position

Appendix 2: Invest Bristol and Bath – Latest Performance Overview

Background papers:

LEP Revenue Budget Setting Report 2021/22 – Joint Committee 29 January 2021

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 07436 600313; email:

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APPENDIX 1

LEP Budget Monitoring Out-turn as at October 2021

	2021/22 Budget £'000s	2021/22 Forecast £'000s	Variance £'000s
Core staff and related overheads	1,262	1,183	(79)
<u>Project Spend</u>			
Staff	1,791	3,021	1,230
Services and third-party payments	2,482	10,081	7,599
Overheads	442	522	80
Total Expenditure	5,977	14,807	8,830
Funded by:			
UA Contribution	440	440	0
Other Government Grants	4,715	13,444	(8,729)
RIF Admin Grant	112	112	0
DCLG Core & Capacity Grant	500	500	0
Interest on Balances	50	32	18
Use of Reserves	160	279	(119)
Total Income	6,977	14,807	(8,830)
Surplus	0	0	0

Invest Bristol and Bath – Latest Performance Overview

Invest Bristol & Bath (IBB) – the Combined Authority’s inward investment service – seeks to attract new investment, development and employment for the region to drive growth in our economy.

The service, working closely with the West of England unitary authority economic development teams, provides extensive tailored support to businesses that want to relocate or expand in the area through a dedicated team of specialists who can help with any query, from introductions to potential partners or industry contacts, to property searches.

The service forms part of the Combined Authority’s Business and Skills Directorate, working closely with its dedicated business support team West of England growth Hub) and employment and skills functions.

Performance overview

Although the Covid-19 pandemic has had a significant impact on the regional economy, inward investment has remained relatively buoyant. Between April and October 2021, IBB generated 246 active leads – a 30% increase on the same period a year ago. The majority of inward investment interest has been generated through proactive lead generation, where the team have focussed resource on strategically significant sectors to the region.

High tech, Professional service and creative industries continue to be the most significant sectors, collectively accounting for around 65% of leads.

The last full year of data (2020/21) shows the highest record level of jobs created and safeguarded (at 2,660). Data so far for 2021/22 looks equally encouraging.

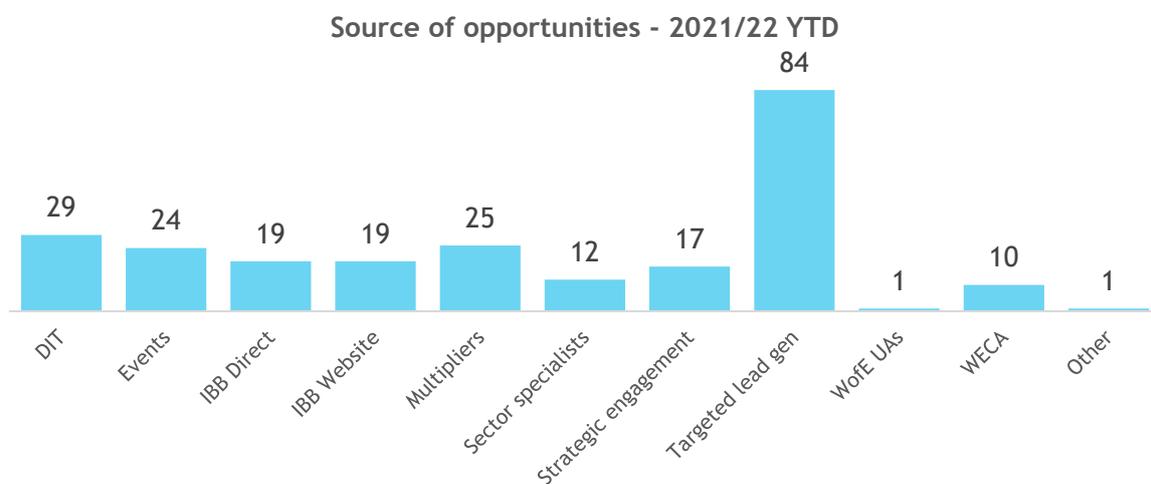
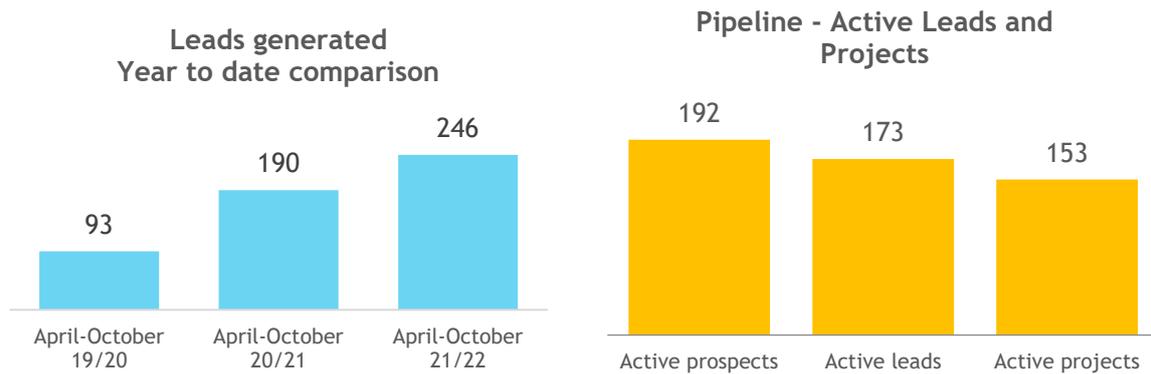
There has been an increase in the number of international visits to the region and successes since the lifting of Covid restrictions, with an increase of 21% in new jobs created by FDI investments compared to 20/21. Wins are mainly in high tech, digital, professional services and low carbon/nuclear and we continue to see an increase in enquiries and leads from sustainable aviation and advanced air mobility, life sciences and clean energy sectors.

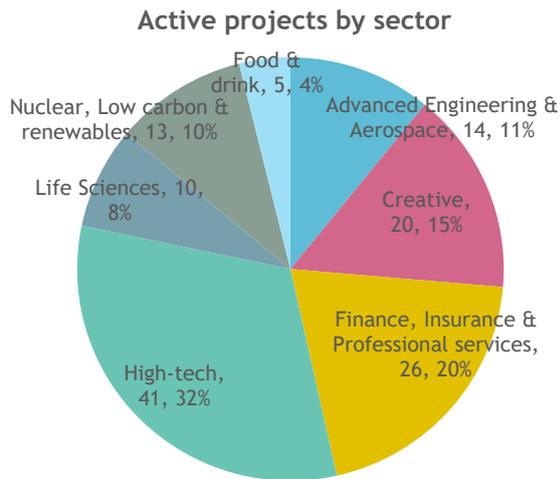
Some of the new leads and major opportunities the team is currently supporting include:

- A quantum technology company based in Silicon Valley looking to establish a headquarters in Europe with the West of England as one of its selected potential locations. This major investment will to a return of £4.8 billion (across the 9-year project build) and the creation of over 4,000 high value jobs nationally.
- A space sector company looking at the UK to potentially set-up its solar array manufacturing factory for satellite applications creating 200 jobs. We have supplied an overview of the region, skills and talent, and property options. We are awaiting short listing and direct company engagement.
- An Argentinian space company interested in setting up R&D facility in the UK. IBB to assist putting together a visit programme to the region.

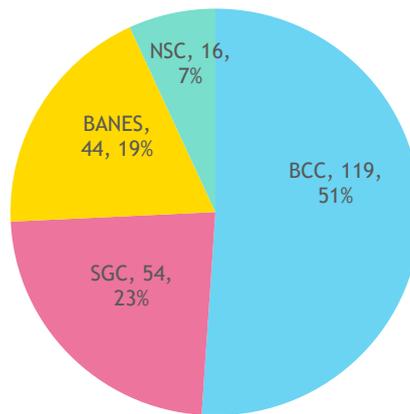
- A software company looking to rapidly scale from 3 employees to 60 over the next 3 years. IBB supporting with talent pipeline and industry connections to support them in raising profile.
- A US FinTech company looking at expanding into the UK. IBB was approached directly as Bristol is amongst a long list of 15-20 other city regions. A shortlist is being created in early December. Expected job creation is 150 engineering jobs.

Performance Dashboard

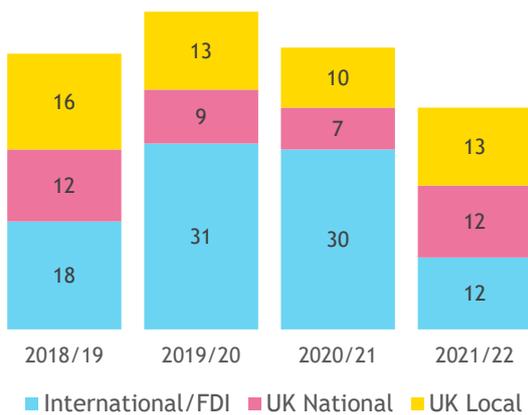




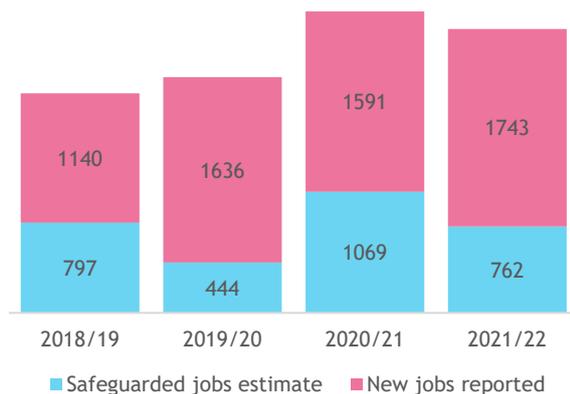
UAs Breakdown - Active Projects



IBB successes by financial year and origin



New and safeguarded job estimates by year



NB figures for 2021/22 as of November 2021

Campaign activity

The service has targeted a number of events to secure active leads. These include:

Global Investment Summit: successful attendance at DIT COP26 London investment event (19th Oct) including a showcase of West of England companies (Graphcore, Vertical, AUAR, OVO etc.) and meetings with the Metro Mayor and prospective investors. The region's Smart and Sustainable Aviation High Potential Opportunity (HPO) was launched as part of the DIT Investment Atlas campaign.

Aerospace, Advanced Engineering and Sustainable Aviation: supporting launch of GKN Global Technology Centre and the Institute of Advanced Automotive Propulsion Systems (IAAPs) with IBB and DIT orientation tours and a number of visits from prospective investors; attending UK Advanced Engineering event in Birmingham (Nov '21) and planning for Amsterdam Drone Week (Jan '22) and GUUAS, Farnborough (Jan '22).

Space & Satellite campaign: following a successful bid for the Regional Space Development Fund, additional funds to support targeted inward investment activities working with DIT and UK Space Agency, including a bespoke HPO and national and international activities with the Australia Space bridge, showcase at Singapore Airshow (Feb '22) and Paris Space Week (Mar '22).

Nuclear South West: the service is seeing a strong pipeline of new leads and investments related to Hinkley PC and the EPR Design centre; the team has been liaising with DIT France on specific opportunities and planning attendance at World Nuclear Expo, Paris (Dec '21). Further opportunities may arise from development of Small Modular Reactors.

International Multipliers: an ongoing Innovate Bristol & Bath campaign to target overseas networks and DIT posts in the key markets identified by the West of England International Market Prioritisation study (by OCO Ltd); in October the team engaged with international trade and investments teams in India, Singapore, Germany, France, Australia, Brazil, and the US.

Regional events – the team has supported a number of regional business events in October including Bristol Tech Festival, Bath Digital Festival, South Gloucestershire Business Show, launch of UMBRELLA, and worked with Netflix to support its Made in the South West event in Bath (Nov '21).