

REPORT TO: West of England Joint Committee

DATE: 28 January 2022

REPORT TITLE: LEP BUDGET SETTING REPORT – 2022/23

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 2022/23.

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 2022/23 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 2022/23 as set out in Appendix 1;
- b) Approve a 2022/23 contribution of £110k per each West of England Unitary Authority, (to be reviewed for 2023/24 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 2022/23 LEP operating costs;
- d) Notes the forecasted LEP revenue outturn for 2021/22 as set out in Appendix 2.
- e) Delegate the approval of the reallocation of funds through the Getting Building Fund, (GBF), and Economic Development Fund for schemes within the programme on an overall cost neutral basis, to the Combined Authority Chief Executive in consultation with the Chief Executives of the constituent Councils.

- f) Approve the Outline Business Case for Thornbury High Street and allocate £4.577m for the delivery of the scheme from the EDF, pending ongoing discussions about Investment Fund headroom, and where there is urgency to delegate the approval of the Full Business Case to the Combined Authority Chief Executive in consultation with the West of England Chief Executives.
- g) Approve the change requests for schemes within the Local Growth and Getting Building Fund programmes as set out in Appendix 3.
- h) Approve the change requests for schemes within the Economic Development and Revolving Infrastructure Fund programmes as set out in Appendix 4.

Background / Issues for Consideration

- 3 The West of England Combined Authority, (CA), 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 revenue budgets for the LEP for the 2022/23 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 consistent for several years now. Savings have been enacted where possible, however such opportunities are limited due to the need to retain a two-tier committee structure for managing funding within the region. With increments and staff pay awards, the core costs for 2022/23 amount to £1.28m which are mainly funded by:
 - (a) A core LEP Capacity grant of £500k which is approved on a year-by-year basis;
 - (b) Match funding contributions from the four West of England Unitary Councils;
 - (c) A time limited RIF administrative grant which will be fully utilised by 2022/23
- 5 For the last four financial years the required match funding 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 concluding in March 2021, LEP cash balances have been low and can no longer generate sufficient revenue returns to support the committed operating costs. Similar to 2021/22, for 2022/23 it is recommended that the funding shortfall is met through drawing down £160k from the LEP General Reserve. With annual increases in staffing costs and diminishing returns on investments, local authority contributions will need to be reviewed from 2023/24 onwards.
- 6 Activities covered by the LEP have significantly expanded 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 2% pay uplift has been modelled for 2022/23 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

	2021/22 Budget £'000s	2022/23 Budget £'000s	2023/24 Budget £'000s	2024/25 Budget £'000s	2025/26 Budget £'000s
Core Staff and related overheads	1,262	1,287	1,310	1,335	1,360
Funded by :					
Unitary Authority Contribution	440	440	600	600	600
Core Grant	500	500	500	500	500
Interest on cash balances	50	0	0	0	0
Reserve	160	160	160	0	0
RIF Admin grant	112	187	37	0	0
Total Funds	1,262	1,287	1,137	1,100	1,100
Increase / (Shortfall) in funding	0	0	(173)	(235)	(260)

Specific Grants and Activities from the LEP Budget

- 7 The Combined Authority 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 £11.9m was generated in 2021/22, and £7.6m for 2022/23 as detailed in Figure 2.

Figure 2: LEP Specific Grant Income – Medium Term Forecast

LEP Grant Income	2021/22 £'000s	2022/23 £'000s	2023/24 £'000s	2024/25 £'000s	Total £'000s
IBB - Revolving Infrastructure Fund	1,142	1,000	1,000	1,000	4,142
Growth Hub	850	700	0	0	1,550
Asylum Mitigation Investment Fund	120	59	0	0	179
Low Carbon Challenge	271	375	0	0	646
Creative Scale Up	443	174	0	0	617
Skills Advisory Panel	137	0	0	0	137
Career Hub	632	440	0	0	1,072
Energy Hub	1,836	3,286	0	0	5,122
Green Homes	5,836	1,284	0	0	7,120
LEP Capacity Fund Additional Capacity	224	79	0	0	303
EDF Business Case Review	67	67	69	70	273
One Public Estate	209	105	0	0	314
Infrastructure & Investment Plan	109	112	47	0	268
Space Agency	100	0	0	0	100

11,976	7,681	1,116	1,070	21,843
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- (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 businesses looking to grow, establishing a stronger local economic region. The security of this funding is uncertain beyond 2022/23 although there will be spend commitments beyond this period which will need accounting for.
 - (c) Asylum Migration Integration Fund (AMIF): This is digital entrepreneurship and business support for refugee and migrants project, aiming to support the launch, stabilisation and growth of refugee and migrant business through personalised business support.
 - (d) Low Carbon Challenge Fund: European 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;
 - (f) Career Hub: activity to match business volunteers with schools and colleges to support with their strategic employer engagement. There is also additional funding for career projects including Hub Incubation £73k, Effective Transition Funds £200k and Apprenticeship £20k.
 - (g) 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.
 - (h) Green Homes: This scheme sets out to improve low energy performance homes. The Revenue element is reflected in *Figure 2* along with £45m of planned spend on capital grants as detailed in paragraph 13.
 - (i) 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.
 - (j) 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 £21.8m 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 2021/22 financial year based on actual information as at the end of December 2021 which shows spend of £13.3m against an original budget of £5.9m. The difference is mainly due to the receipt and phasing of spend for government grants in particular the Green Homes Grant which is administered through the South West Energy Hub. Overall, there is a net balanced position at year end.

LEP CAPITAL BUDGETS

5G to boost business

- 12 Leading a consortium of 12 partners to demonstrate how 5G private network capabilities can increase efficiency and productivity for the logistics sector. By supporting smaller players to develop 5G private networks and services, we are helping to diversify supply – meaning our business can take up these communication networks sooner. There is £2.6m profiled grant spend in 21/22 and £0.4m in 22/23.

Green Homes to improve energy efficiency in homes

- 13 The LEP received £52.9m of government funding as part of phase 2 of the local authority delivery scheme. There is £45m allocated for capital grants to improve the energy efficiency of homes of low-income households. Green Homes will underspend in 2021/22 due to the challenges of contract mobilisation and delivery with other similar government grant schemes running beyond their original end dates. In acknowledgement of this BEIS has approved an extension until 30 June 2022.

Getting Building Fund

- 14 There is a requirement that all GBF funds are spent by March 2022. In the absence of any flexibility around this government deadline, it may be necessary to undertake further funding swaps with the Economic Development Fund as several schemes are challenged to achieve full spend this year. This is the approach successfully deployed for the Local Growth Fund. There is less flexibility offered for the GBF and we do not have the opportunity to add new projects to the programme without first seeking Government approval. The inclusion of new projects to ensure full spend would therefore be the last option. To ensure necessary actions can be undertaken working to the end of the financial year, a delegation to the Combined Authority Chief Executive in consultation with the Chief Executives of the constituent Councils to approve such changes is requested.

Economic Development Fund

Thornbury High Street

- 15 Following the award of £200k of funding through the Investment Fund to develop the scheme agreed at the Combined Authority Committee in June 2021, an Outline Business Case has been submitted by South Gloucestershire Council seeking an allocation of £4.557m from

the Economic Development Fund (EDF). This funding can be accommodated within the Council's EDF funding and profile. The project would build upon the interim scheme introduced in July 2020, and would involve reducing through traffic, widening footways, increasing cycle parking and improving seating, planting and wayfinding. The Assessment Summary Table is shown in Appendix 5 and the Outline Business Case is published on the [website](#).

Changes to Schemes within the LEP One Front Door Programme

- 16 The Joint Committee in October 2019 agreed to delegate approval of changes within stated tolerances for schemes within the approved programme to the Combined Authority Chief Executive in consultation with the Chief Executives of the constituent Councils. The changes to the LGF, GBF, EDF and RIF programmes which fall outside of these tolerances, and require a Committee decision, are set out in Appendix 3 and 4 respectively.

Consultation

- 17 Consultation has been carried out with the Chief Executives, S151 Officers and the Combined Authority 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

- 18 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 the inclusion of the RIF admin grant and the ability to drawdown funding against the LEP reserve, the contributions have again been retained at £110k per authority for 2022/23.

Risk Management/Assessment

- 19 The West of England Office agreement underpins the LEP. This agreement deals with the risk sharing mechanisms between the relevant councils.
- 20 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 £723k at the start of the 2022/23 financial year, against which £160k is recommended to be drawdown to support next year's revenue budget.
- 21 Uncertainty also exists with regard to the future of Growth Hub funding. We have assumed in the budget that the annual grant will be extended into 2022/23 but we have yet to receive confirmation of this and, with on-going spend commitments against the growth hub, this represents a financial risk.
- 22 There is also risk of not being able to fully spend the Energy Hub and Green Homes grants within the required, (extended), timescale as expenditure is affected by external stakeholders timelines and capacity. This could result in having to repay a proportion of unspent grant to government. We will keep this situation under regular review and update members through 2022/23 budget monitoring reports.

Public Sector Equality Duties

- 23 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.
- 24 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.
- 25 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

- 26 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.

- 27 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:

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

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

Legal Implications:

- 29 This report sets out the proposed Budgets for LEP for 2022/23. 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 agent for the transactions of the LEP.

Advice given by: Shahzia Daya, Director of Legal

Human Resources Implications:

- 30 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 2022/23
- Appendix 2 Local Enterprise Partnership Revenue Outturn forecast 2021/22
- Appendix 3 Local Growth Fund and Getting Building Fund – Change Requests
- Appendix 4 Economic Development Fund – Change Requests
- Appendix 5 Thornbury High Street Assessment Summary Table

Background papers:

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

(LEP) Budget Monitoring Reports to Joint Committee throughout 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 / Tim Milgate on 0117 332 1486; or by writing to West of England Combined Authority, 3 Rivergate, Temple Way, Bristol BS1 6EW; email: democratic.services@westofengland-ca.gov.uk

APPENDIX 1

Local Enterprise Partnership Revenue Budget 2022/23 (Inc. Invest in Bristol & Bath)

	2021/22 Budget £'000s	2022/23 Budget £'000s	Increase(+)/ Decrease (-) £'000s
Core Staff and related overheads	1,262	1,287	25
Grant Funded Spend			
Staff	1,791	2,908	1,117
Services and Third Party Payments	2,482	4,120	1,638
Overheads	442	650	208
Total Expenditure	5,977	8,965	2,988
Funded by			
UA Contribution	440	440	0
Other Government Grants	4,715	7,681	2,966
RIF Admin Grant	112	184	72
DLCG Core and Capacity Grant	500	500	0
Other Contribution	0	0	0
Interest	50	0	-50
Reserves	160	160	0
Total Income	5,977	8,965	2,988
Deficit	0	0	0

APPENDIX 2

Local Enterprise Partnership Forecasted Revenue Outturn 2021/22

	2021/22 Budget £'000s	2021/22 Forecast £'000s	Variance £'000s
Core staff and related overheads	1,262	1,180	-82
<u>Project Spend</u>			
Staff	1,791	2,898	1,107
Services and third-party payments	2,482	8,725	6,243
Overheads	442	532	90
Total Expenditure	5,977	13,335	7,358
Funded by:			
UA Contribution	440	440	0
Government Grants	4,715	11,976	7,261
DCLG Core & Capacity Grant	112	112	0
Interest on Balances	500	500	0
Other Contribution	50	32	-18
Use of Reserves	160	275	115
Total Income	5,977	13,335	7,358
Surplus:	0	0	0

Appendix 3

Change Requests Recommended for Approval

Local Growth Fund and Getting Building Fund

- **Emersons Green Local Transport Enhancements**
Milestones: Delays of 3-7 months to completion of composite bridge, path and road works and completion of connectivity and sustainable transport.
Cost: Reprofiting £591k EDF from 21/22 to 22/23 [revised EDF profile: 21/22 £176k, 22/23 £2.474m, EDF total: £2.650m]
- **Weston-Super-Mare Town Centre Transport Enhancement Scheme**
Milestones: Delays of two months to operational and construction completion.
Cost: Increase to total project cost of £305k due to unforeseen ground conditions and unmapped utilities to be met from other sources. Change to cost categories for Works increased from £5.845m to £6.034m
- **Bath Quays South (Phase 1A of Innovation Quay)**
Milestones: Delays to public realm structural works and finishes design of up to 4 months.
Cost: Additional costs due to infrastructure programme prolongation and cost inflation. Transfer of £1m EDF from Bath Quays North to support public realm and highway packages.
Spend: Additional £1m EDF profiled in 21/22 [Revised profile: LGF/GBF £10.241m up to 20/21, £584k 21/22 and EDF £1m 21/22, total £11.825m]
- **Bath Quays North**
Milestones: New milestone added for Planning Committee Decision.
Delay for demolition of Avon Street car park and impact on all subsequent milestones from 8 to 28 months.
Cost: Reallocation of £1m EDF to Bath Quays South and changes to cost headings.
Spend: Reprofiting £13m EDF from 20/21, 22/23 and 23/24 into 21/22, 24/25 and 25/26 [revised EDF profile: 21/22 £1.691m, 22/23 £2.154m, 23/24 £8.990m, 24/25 £10.443m, 25/26 £1m, total £24.278m.]

Change Requests Recommended for Approval

Economic Development Fund

- **Cribbs Patchway Metrobus Extension** - reprofiling £3.957m from 21/22 and 22/23 to 23/24 [Revised EDF profile: pre 18/19 £858k, 21/22 £683k, 22/23 £14.888m, 23/24 £5.492m, total £21.92m. Revised IF profile: 18/19 791k, 19/20 11.918m, 20/21 £2.126m, 21/22 £7.317m, total £22.151m]
- **Avonmouth Severnside Ecology Mitigation & Flood Defences** - reprofiling £135k from 21/22 to 23/24 [revised EDF profile: £18,027 pre 20/21, £7,734 21/22, £22,138 22/23, £5,090 23/24, £17,163 24/25, total £63.9m]

Revolving Infrastructure Fund

- **Weston Business Quarter**
Milestones: Delays to a number of milestones of 4 – 10 months for planning-related milestones and delay of -20 12months to start on site and completion of works. Further milestones added for procurement activities.
Cost: Reprofiling £8.682m from 21/22 and 22/23 to 23/24 and 24/25 [revised profile: £382k 21/22, 890k 22/23, £9.576m 23/24, 170k 24/25, 30k 25/26, 30k 26/27, total: £11.078m]

Appendix 5 - Assessment Summary Table

Scheme Details		Appraisal Summary		Recommendation/ Conditions	
Project Name	Thornbury High Street	Strategic Case	<p>In response to the pandemic and social distancing requirements, the Department for Transport issued statutory guidance enabling and encouraging local authorities to reallocate road space in favour of walking and cycling. Responding to this guidance the Council implemented temporary measures along the High Street in Thornbury town centre to reallocate road space to enable and encourage people to walk or cycle.</p> <p>This project aims to build upon this interim scheme to implement permanent revisions to the High Street area with the aim of supporting the development of a new strategic vision for the role of the area and creating a thriving centre, incorporating changes in the way that people interact with it.</p> <p>Alignment with regional and local strategy is reported including the Joint Local Transport Plan 4 2020-2036, the South Gloucestershire Core Strategy policy CS32 which sets out the vision for Thornbury, and the proposals within the West of England Recovery Plan, in particular the theme of 'Renewing Places'.</p>	Funding Source(s)	Economic Development Fund
Scheme Promoter	South Gloucestershire Council	Subsidy Control	The scheme will provide open access infrastructure and is non-economic in nature.	Approval Requested	Outline Business Case

Date of Submission	19/11/21	Economic Case and Value for Money	Based upon the monetised scheme impacts the core BCR is estimated at 2.1 which represents 'High' value for money, drawing largely on active mode benefits. The value for money statement is shown below. A letter has been provided by the South Gloucestershire S151 Officer confirming approval of the business case and endorsing the value for money statement	Funding Award	To be confirmed at Full Business Case
Funding Requested	£4.577m profiled in 22/23 and 23/24				
Total Scheme Cost	£4.577m (£229k Preparation and Project Management; Construction £3.515m; Risk £833k)	Risk	A Quantified Risk Assessment has been undertaken which includes the key risks and £833k has been allowed for in the costings (22% of the base cost).	Grant Recipient	South Gloucestershire Council
Match Funding %	0%	Delivery	All the interventions contained within the proposed package are contained within the highway boundary and therefore do not require any land acquisition or planning permission. It has been confirmed that the scheme would not require conservation area consent or Historic England approval. The anticipated construction programme starts from July 2022 and ends in October 2023.	Payment Basis	In line with the principles set out in the EDF agreement

<i>Scheme Description</i>	<i>Recommendation to the Joint Committee</i>	Approval of the Outline Business Case
<p>Measures proposed include:</p> <ul style="list-style-type: none"> • Removal of through traffic and limiting access to functional purposes that support the High Street and town centre economy. • Provision for drop-off and collection of goods and passengers. • Cycling access maintained and additional cycle parking. • Improved walking routes and controlled crossings. • Placemaking features and high-quality materials preserving and enhancing the character of the Conservation Area and listed buildings. 	<i>Conditions of Approval</i>	None

Record of Approval

<i>Combined Authority S73 Officer</i>		<i>Joint Committee</i>	
<i>Name</i>	Malcolm Coe	<i>Date of Meeting</i>	28 January 2022
<i>Date</i>	18 January 2022	<i>Decision</i>	
<i>Signature</i>			

Value for Money Statement

Category	Present Values (£'000s)
Economic efficiency – Commuting	£575
Economic efficiency – Other	£1,088
Economic efficiency – Business	£479
Accidents	£19
Local Air Quality	£2
Noise	£1
Greenhouse Gases	£5
Physical Activity	£3,723
Journey Quality	£581
Wider Public Finances (Indirect Tax Revenues)	-£10
Present Value of Benefits	£6,465
Investment costs – Capex	£3,016
Operating costs	£-
Investment costs – Maintenance and renewals	£-
Investment costs – MECs	-£0.6
Present Value of Costs	£3,016
Net Present Value	£3,449
Benefit to Cost Ratio	2.1