

REPORT TO: WEST OF ENGLAND JOINT COMMITTEE ITEM

DATE: 08 April 2022

REPORT TITLE: LEP & IBB BUDGET OUTTURN APRIL- FEB 2022

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Purpose of Report

- 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 February 2022. The report covers the Local Enterprise Partnership (LEP) and Invest Bristol and Bath (IBB) revenue budgets.

Impact of Covid-19 pandemic

- 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:

- **Notes the Revised Analysis of LEP External Grants as at the end of February 2022 as set out in Figure 1;**
- **Notes the LEP revenue outturn as set out in Appendix 1;**
- **Approve the Full Business Case for the acquisition of property in Milsom Quarter, Bath for the Fashion Museum and the award of funding in line with the Red Book valuation and able to be accommodated within the headroom in the Revolving Infrastructure Fund programme.**
- **Approve the change requests for schemes in the Local Growth and Getting Building Fund programme as set out in Appendix 2**

- **Approve the change requests for schemes in the Economic Development and Revolving Infrastructure Fund programmes as set out in Appendix 3**

Background / Issues for Consideration

- 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 February 2022 which shows spend of £9.8m against an original budget of £5.98m. The difference of **£3.8m** 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 £98k 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.
- Total grants attained across the three-year period is circa **£22m**. 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 @ February 2022

	2021/22 £'000s	2022/23 £'000s	2023/24 £'000s	Total £'000s
IBB - Revolving Infrastructure Fund	991	1,000	1,000	2,991
Growth Hub	850	700	0	1,550
AMIF	119	59	0	178
Low Carbon Challenge	271	375	0	646
Creative Scale Up	453	164	0	617
Skills Advisory Panel	138	0	0	138
Career Hub	636	436	0	1,072
Energy Hub	1,347	5,260	0	6,607
Green homes	2,934	4,186	0	7,120
LEP Capacity Fund Additional Capacity	197	79	0	276
EDF Business Case Review	61	67	69	197
One Public Estate	224	105	0	329
Infrastructure & Investment Plan	109	112	47	268
Space Agency	100	0	0	100
Total	8,430	12,543	1,116	22,089

- 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 2021/22 Grant Budget compared to Year End Forecast.

	Budget 2021/22 £'000s	Forecast 2021/22 £'000s	Funding Difference £'000s	Comments
IBB - Revolving Infrastructure Fund	1,000	991	-9	
Growth Hub	328	850	522	Additional Funding
AMIF	140	119	-21	Re-phasing of expenditure
Low Carbon Challenge	1,076	271	-805	Funding transferred to Capital
Creative Scale Up	473	453	-20	Re-phasing of expenditure
Skills Advisory Panel	0	138	138	Additional Funding
Career Hub	178	636	458	Additional Funding
Energy Hub	902	1,347	445	Additional Funding
Green homes	148	2,934	2,786	Additional Funding
LEP Capacity Fund Additional Capacity	84	197	113	Funding carried forward
EDF Business Case Review	61	61	0	
One Public Estate	209	224	15	
Infrastructure & Investment Plan	109	109	0	
Space Agency	0	100	100	Additional Funding
Housing Advisor Programme	7	0	-7	
Total	4,715	8,430	3,715	

- In July 2020, the chancellor announced £2 billion of support through the Green Homes Grant, targeted at saving household's 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 £7.2m 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 require the spend to be fully incurred by June 2022.

The procured delivery organisation has forecast to sign up all required households by the end of March 2022, with work to be completed by end of June, when this funded programme ends.

In February 2022 following a successful bid, an additional £5.3m was awarded for con housing retrofit improvements in Swindon and Wiltshire. A further successful bid £4.6m (85% Capital in nature) was awarded from the Social Housing Decarbonisation Fund for housing retrofit improvement across the wider South West, working with a consortium of eight social housing landlords.

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 £693k. 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.	65
Contributions towards LEP operating costs (to reduce the corresponding UA contribution for ‘match funding’ LEP Capacity Fund)	144
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	-693

In line with the Financial Reserves Strategy that was approved in January 2022 – it is prudent to ensure that reserves are in place to ensure that in the event of funding withdrawals, there is sufficient reserves in place to maintain a required smooth over, and manage, any potential transitional periods that may be required.

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.

Revolving Infrastructure Fund

- 4 A [Full Business Case](#) has been submitted by B&NES for the acquisition of a site in Milsom Quarter, Bath. The acquisition will provide the catalyst for significant regeneration in a key area of the city centre impacted significantly by the Covid pandemic. The Council proposes to use the site as part of a significant cultural infrastructure project – the creation of a new Fashion Museum. This new institution will be an anchor tenant in Milsom Quarter, vital to the overall success of the masterplan through its ability to attract additional footfall, drive higher spend, increase dwell time, improve the desirability of the area to commercial and private tenants and underpin a unique sense of place in what has long been the city’s fashion retail hub. This will be funded by the repayable Revolving Infrastructure Fund and in line with the principles agreed at the Joint Committee in December repayment will be underwritten by the Council.

Change Requests

- 5 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 2 and 3 respectively.

Consultation

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

Other Options Considered

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

Risk Management/Assessment

- 8 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

- 9 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.
- 9.1 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.

- 9.2 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.
- 9.3 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

- 10 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

- 10.1 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:

- 11 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: Richard Ennis, Interim Director of Investment & Corporate Services

Legal Implications:

- 12 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: Stephen Gerrard, Interim Strategic Director - Legal Services

Human Resources Implications:

- 13 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: Local Growth and Getting Building Fund Change Requests

Appendix 3: Economic Development and Revolving Infrastructure Fund Change Requests

Background papers:

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

LEP Revenue Budget Setting Report 2022/23 – Joint Committee 28 January 2022

LEP Budget Monitoring Reports to Joint Committee throughout 2021

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APPENDIX 1

**LEP Budget Monitoring Out-turn as at
February 2022**

	2021/22 Budget £'000s	2021/22 Forecast £'000s	Variance £'000s
Core staff and related overheads	1,262	1,164	(98)
<u>Project Spend</u>			
Staff	1,791	2,899	1,108
Services and third-party payments	2,482	5,233	2,751
Overheads	442	527	85
Total Expenditure	5,977	9,823	3,846
Funded by:			
UA Contribution	440	440	-
Other Government Grants	4,715	8,430	(3,715)
RIF Admin Grant	112	112	-
DCLG Core & Capacity Grant	500	500	-
Interest on Balances	50	32	(18)
Use of Reserves	160	309	149
Total Income	5,977	9,823	(3,846)
Surplus	0	0	0

Local Growth Fund and Getting Building Fund

Change Requests Approved through Delegation

Emersons Green Local Transport Enhancements	
Scope:	Change of scope due to cancellation of Westerleigh Rd/PROW scheme and inclusion of alternative traffic management scheme in Emersons Green/Lyde Green.
Spend:	Reprofiling £210k EDF from 22/23 to 21/22 and swop of £386k GBF for EDF with Portway Station and reprofiling £410k match funding
Profile:	Revised EDF profile: 22/23 £2.264m, EDF total: £2.264m, revised GBF profile: pre 20/21 £901k, 20/21 £477k, 21/22 £1.408m, LGF/GBF total: 2.786m. Revised match funding profile: pre 18/19 £129k, 21/22 £410k, 22/23 £904k, total £1.443m

Portway Station	
Milestones:	Delays of up to 8 months for signing of the offer letter, construction commencing and operation
Scope:	Descoping of the amenity building
Spend:	Increase in match funding of £281k and overall total cost from £3.915m to £4.196m and addition of new cost headings to include GWR PM / Legal / Entry into Service and GWR infrastructure. Reprofiling of £600k from 21/22 into 22/23 Swap £600k of GBF for EDF with Emersons Green Local Transport Enhancements (£386k) and Bath Quays South (£214k).
Profile:	Revised LGF/GBF profile: total £953k in 21/22, revised EDF profile: total £600k in 22/23

Weston General Stores	
Spend:	Reprofiling £450k of funding from 21/22 to 22/23 Swap of £450k of GBF for EDF with Bath Quays South receiving the GBF for the EDF Reallocation of spend across cost headings
Profile:	Revised GBF profile: total £1.25m in 21/22, revised EDF profile: £450k total in 22/23

Bath Quays South	
Spend:	Swap of £450k of GBF for EDF with Weston General Stores receiving the EDF for the GBF and swap of £214k of GBF for EDF with Portway Station receiving the EDF for the GBF.
Profile:	LGF/GBF total £11.489m profiled as £10.241m up to 20/21, £1.248m 21/22. EDF total £336k profiled as £336k 21/22

Change Requests Seeking Approval from Committee

A4018 Corridor Improvements	
Milestones:	Milestone delays of 8-10 months including operational, procurement, statutory notices and construction.
Spend:	Increase of overall cost by £581k and match funding increase to £4.38m using CRSTS funding.

South Gloucestershire Sustainable Transport Package	
Scope:	Reallocation of funding between Active Travel package and A4174 Bus Reliability Improvements element

Appendix 3

Economic Development Fund

Cribbs Patchway Metrobus Extension	
Spend:	Change to total scheme cost of £2.8m and reduction of total EDF from £21.92m to £19.12m, with reduced EDF spend in 22/23 and 23/24. Change to cost headings including £800k increase to Highways Construction and reduction of several other cost categories.
Profile:	Revised EDF profile: pre 18/19 £858k, 21/22 £683k, 22/23 £12.360m, 23/24 £5.219m, total £19.12m

Avonmouth Severnside Ecology Mitigation & Flood Defences	
Spend:	Swapping funds between EDF and match due to revised sequence of funding. Reprofiling £12.256m from 24/25+ to 21/22, 22/23 and 23/24 and reprofile of match. Reallocation of spend across cost headings including increase to Estates, EA Management costs, Contract administration and land purchase at Severnside
Profile:	Revised EDF profile: 19/20 £4.378m, 20/21 £7.397m, 21.22 £11.603m, 22/23 £24.416m, 23/24 £11.198m, 24/24+ 4.907m, total £63.9m

Bath Quays North Infrastructure Development Works	
Spend:	Increase to overall project cost of £6.5m from £59.356m to £65.856m. Transfer of £6.5m EDF from East of Bath Transport Improvements to achieve viability and delivery of the project due to a combination of Covid impacts.
Profile:	Revised EDF profile: 21/22 £1.691m, 22/23 £4.154m, 23/24 £10.990m, 24/25 £12.943m, 25/26 £1m, total: £30.778m

East of Bath Transport Improvements	
Spend	Transfer of all £6.5m EDF allocation to Bath Quays North Infrastructure
Profile	Revised EDF balance nil

Revolving Infrastructure Fund

Weston Business Quarter	
Milestones:	Delay of up to 7 months to submission of FBC
Invest Bristol and Bath	
Spend:	Reprofiling of £247k from 20/21 and 21/22 into 22/23, 23/24 and 24/25 and reallocation of spend between cost headings
Profile:	Revised RIF profile: 20/21 £767k, 21/22 £986k, 22/23 £1.075m, 23/24 £1.083m, 24/25 £1.089m, total £5m