

**West of England Local Enterprise Partnership
Board meeting – Tuesday 13 September**

LEP & IBB FORECAST 2022/23

Purpose of the report

1. This report represents the forecasted revenue for the financial year 2022/23 based on data from the period April 2022 to July 2022. The report covers the Local Enterprise Partnership (LEP) and Invest Bristol & Bath (IBB) revenue budgets.

Recommendation

2. Notes the Revised Analysis of LEP External Grants as at the end of July 2022 as set out in Figure 1;
3. Notes the LEP revenue forecast as set out in Appendix 1;

Background

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 Revenue Forecast

- 3.1 **Appendix 1** details the LEP revenue forecast for the 2022/23 financial year based on actual information to the end of July 2022 which shows spend of £15.88m against an original budget of £8.96m. The difference of **£6.91m** is mainly due to the receipt and phasing of additional government grants in relation to the Net Zero Hub and associated Green Homes grant together with IBB and Career Hub.
- 3.2 Total grants attained across the third grants attained across the three-year period is circa **£16.6m**. 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 @ 31st July 2022

LEP Grant Income

	2022/23 Forecast £000s	2023/24 Forecast £000s	2024/25 Forecast £000s	Total
IBB	1,320	1,000	1,000	3,320
Skills Advisor Panel	95	0	0	95
Careers	744	0	0	744
Low Carbon Challenge	424	0	0	424
Creative Scale Up	176	0	0	176
Growth Hub	350	0	0	350
AMIF	46	0	0	46
EDF	67	67	67	201
Leader	4	0	0	4
OPE	113	0	0	113
Infrastructure & Investment Plan	112	0	0	112
LEP Capacity Fund Additional Capacity	80	0	0	80
South West Net Zero Hub	5,381	0	0	5,381
Green Homes	5,568	0	0	5,568
Total	14,480	1,067	1,067	16,614

3.3 The original 2022/23 budget for external grants was £7.7m. For Green Homes, Net Zero Hub and Careers Hub, we have been successful, in increasing the overall funding available for this year as detailed in *Figure 2*.

Figure 2: Original 2022/23 Grant Budget compared to Year End Forecast.

	2022/23 Budget £000s	2022/23 Forecast £000s	Variance £000s	Comments
IBB	1,000	1,320	320	Funding carried forward into 22/23
Skills Advisor Panel	0	95	95	
Careers	439	744	305	
Low Carbon Challenge	375	424	49	
Creative Scale Up	174	176	2	
Growth Hub	700	350	-350	Reduction in funding from BEIS
AMIF	59	46	-13	
EDF	67	67	0	
Leader	0	4	4	
OPE	105	113	8	
Infrastructure & Investment Plan	112	112	0	

LEP Capacity Fund Additional Capacity	80	80	0	
South West Net Zero Hub	3,285	5,381	2,096	Additional funding together with reprofiling of existing grants
Green Homes	1,285	5,568	4,283	Rephasing of funding
Total	7,681	14,480	6,799	

Drawdown from Reserves

3.6 The accumulated LEP Reserve, held by the Combined Authority as Accountable Body, was £760k at the beginning of the financial year. Accounting for drawdown and receipt of funds, as approved by the Joint Committee, the reserve balance is forecast to be £483k. This is detailed in *Figure 3*:

Figure 3: LEP Reserve Balances £'000s

LEP Reserve balance b/fwd 1st April 2022	760
Drawdown for Local Industrial Strategy – To deliver our region’s ambition to be a driving force for clean and inclusive growth.	-36
Contributions towards LEP operating costs (To reduce the corresponding UA contribution for ‘match funding’ LEP Capacity Fund).	-160
Drawdown for specialised work to develop an evidence-based picture of current digital connectivity across the West of England	-71
Space Cluster grant balance transferred to reserves	-10
Forecasted LEP Reserve balance c/fwd 31st March 2023	483

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.

The LEP Capacity Core Grant was budgeted at £500k in line with previous years allocations. In July 2022 confirmation on the arrangements for 2022-23 LEP Core Funding was received at £375k. An request of £125k will be recommended to be drawdown to support this year’s revenue budget as a result of this shortfall.

When setting the 2022/23 LEP Revenue budget, (January 2022), the Committee approved a further drawdown against reserves of £160k to maintain the constituent authority contributions for LEP operating costs at £110k per authority. Considering the

position in the reserves and the reduction in the LEP Core funding for 2022/23, further consideration will need to be given to reviewing the level of the authority contribution in future years.

Interest on Balance

- 3.7 Investment interest earned on LEP balances held related 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 was only calculated against a diminishing GBF balance along with any holding of general LEP reserves. As a result, there was no budget set for 2022/23 and corresponding forecasted interest at the end of the financial year is expected to be a marginal £3k.

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 budgets presented in this report take account of known financial risks and their potential impact on the forecast 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.

The impact of Covid has had a significant impact on the region and resulted in changes to the way CA funds have been utilised. The UK and global economy are continuing to

feel the effects of Covid and broader pressures, with significantly increasing inflation rates impacting families, communities, employers and businesses and the probability of economic decline through negative growth over the next 5 quarters. A recession is defined as negative growth over 2 consecutive quarters which underlines the serious situation ahead.

In recent months the economic outlook has, as previously reported, become less positive. The Russian invasion of Ukraine and continuing international supply chain challenges have caused a sharp increase in inflation. Residents and businesses across the region are facing significantly higher prices – inflation was 9% in the year to April 2022. Observers including the Bank of England and Office for Budget Responsibility have revised downwards their forecasts for economic growth over the next two to three years. For the Combined Authority, this both increases the costs of delivery, and shapes future priorities as the region's challenges shift.

With continuing uncertainty around the national economic outlook, a review of CA funding allocations has been taking place to consider where additional budget pressures might be felt, particularly due to inflation, and to identify action that can be taken to minimise any impact of the current economic climate.

Advice given by: Richard Ennis, Interim Director of Investment & Corporate Services

Legal Implications:

- 11 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 2022 through the Budget setting process.

Advice given by: Stephen Gerrard, Interim Strategic Director - Legal Services

Human Resources Implications:

- 12 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 Forecast position

Background papers:

LEP Revenue Budget Setting Report 2022/23 – Joint Committee 28 January 2022
LEP Budget Monitoring Reports to Joint Committee throughout 2022

LEP Budget Monitoring Forecast as at 31st July 2022

	2022/23 Budget £000s	2022/23 Forecast £000s	Variance £000s
Core Staff and Related Overheads	1,287	1,287	0
<u>Project Spend</u>			
Staff	2,908	3,165	257
Services & Third Party Payments	4,120	10,574	6,454
Overhead	650	855	205
Total Expenditure	8,965	15,881	6,916
<u>Income</u>			
UA Contribution	440	440	0
Other Government Grants	7,681	14,480	6,799
RIF Admin Grant	184	181	-3
DCLG Core and Capacity Grant	500	375	-125
Interest	0	3	3
Reserve	160	277	117
Total Income	8,965	15,756	6,791
Deficit	0	125	125

Note:

(a) Increases are a direct result of new Government Grants.

(b) Reference Figure 2: Original 2022/23 Grant Budget compared to Year End Forecast.