

REPORT TO: WEST OF ENGLAND JOINT COMMITTEE

DATE: 16 JULY 2023

REPORT TITLE: LEP & IBB OUTTURN 2022/23

DIRECTOR: STEPHEN FITZGERALD, INTERIM DIRECTOR OF INVESTMENT AND CORPORATE SERVICES

AUTHOR: SELONGE RUSSELL, HEAD OF FINANCE AND PETE DAVIS, HEAD OF GRANT AND MANAGEMENT ASSURANCE

Purpose of Report

- 1 This report represents the revenue and capital outturn to the West of England Joint Committee for the financial year 2022/23 based on data from the period April 2022 to March 2023. The report covers the Local Enterprise Partnership (LEP) and Invest Bristol and Bath (IBB) revenue budgets. Change request approvals are also included as part of this reporting process.

RECOMMENDATIONS:

The voting on the following recommendations will be as follows:

The Joint Committee:

1. **Notes the Revised Analysis of LEP External Grants as at the end of March 2023 as set out in Figure 1; The LEP Revenue Outturn as set out in Appendix 1; The LEP Capital Outturn as set out in Appendix 2;**
2. **Approve the change requests for schemes in the Local Growth and Getting Building Fund programmes as set out in Appendix 3;**
3. **Approve the change requests for schemes in the Economic Development Fund and Revolving Infrastructure Fund programmes as set out in Appendix 4.**

Voting Arrangements:

Item 1: None required – Recommendations are for noting purposes.

Item 2: Decision requires majority agreement of Committee Members in attendance, or their substitutes (one vote representing each Authority) and including the West of England Combined Authority Mayor.

- Item 3: Decision requires majority agreement of Committee Members in attendance, or their substitutes (one vote representing each Authority) and excluding the West of England Combined Authority Mayor.

Background / Issues for Consideration

- 2 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 West of England Combined Authority Financial Regulations require that it regularly reports on the financial monitoring position of these funds.

Local Enterprise Partnership Revenue Outturn

- 3.1 **Appendix 1** details the LEP revenue outturn for the 2022/23 financial year based on actual information to the end of March 2023 which shows spend of £14m against an original budget of £9m. The difference of **£5m** 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 three-year period is circa **£23.1m**. 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 @ 31st March 2023

LEP Grant Income

	2022/23 £'000s	2023/24 £'000s	2024/25 £'000s	Total £'000s
IBB	1,080	1000	1000	3,080
Growth Hub	350	350	0	700
AMIF	63	65	0	128
Low Carbon Challenge	307	0	0	307
Creative Scale Up	341	488	614	1,443
Skills Advisory Panel	67	0	0	67
Career Hub	886	665	579	2,130
Net Zero Hub and Green Homes	9,308	3,296	1,357	13,961
LEP Capacity Fund Additional Capacity	95	9	0	104
EDF Business Case Review	75	67	0	142
One Public Estate	198	678	0	876
Leader	18	0	0	18
Infrastructure & Investment Plan	19	183	0	202
Space Agency	5	0	0	5
Total	12,812	6,801	3,550	23,163

- 3.3 The original 2022/23 budget for external grants was £7.7m. Net Zero Hub, Careers Hub and Creative Scale Up 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 Outturn

	Budget 2022/23 £'000s	Outturn 2022/23 £'000s	Funding Difference £'000s	Comments
A - Investment Bristol & Bath (RIF)	1,000	1,080	80	Grant carried forward from previous years together with ad hoc contribution
B - Growth Hub (BEIS)	700	350	-350	Reduction in grant from BEIS
C – Asylum Migration Integration (Ashley Housing)	59	63	4	
D - Low Carbon Challenge (DLUHC)	375	307	-68	Grant carried forward from previous years
E - Creative Scale Up (DCMS)	174	341	167	Increase grants from DCMS
F - Skills Advisory Panel (DfE)	0	67	67	Grant carried forward from previous years
G - Career Hub (CEC/DLHUC)	439	886	447	Increased grants from CEC and DLHUC
H -Net Zero Hub and Green Homes (BEIS)	4,570	9,308	4,738	Grant carried forward from previous years and increased funding.
I - LEP Capacity Fund Additional Capacity (DLHUC)	80	95	15	Grant carried forward from previous year
J - EDF Management	67	75	8	Increase activity which resulted in increase grant
K - One Public Estate (DLHUC)	105	198	93	Grant carried forward from previous year
L – Leader (ESIF)	0	18	18	
M - Infrastructure & Investment Plan (DLHUC)	112	19	-93	The underspend will be carried forward into next year
N - Space Agency (UKSA)	0	5	5	Grant carried forward from previous year
Total	7,681	12,812	5,131	

- 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.
- C. Asylum Migration Integration Fund (AMIF): Funded by Ashley Housing, 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 supports the delivery of the West of England Climate Emergency Action plan and Local Industrial strategy.
- E. Creative Scale Ups: Government grant to help creative industries grow by improving access to expert knowledge and training as well as supporting businesses through training and advice on securing investments.
- F. Skills Advisory Panel: Provided to the West of England Combined Authority to provide high quality local-level skills analysis and help maintain relationships between local employers and skill providers.
- G. Careers Hub: Activity to match business volunteers with schools and colleges to support with their strategic employer engagement.
- H. Net Zero 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. This grant serves the wider South West Region.
- I. LEP Capacity Fund Additional Capacity: Provided to the West of England Combined Authority in order to develop an evidence base Local Industrial Strategy.
- J. EDF Management: For managing EDF programme.
- K. 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 with match funding required from the Investment Fund. The OPE programme is administered by the Local Government Association, with the West of England Combined Authority currently acting as the partnership lead for the region. It focuses on providing funds for projects and programmes that focus on housing, co-location & integration, town centre regeneration surplus public sector land deposits and strategic solutions. Through OPE, funds have been given to a range of projects across the region, including recent funding that was announced in November from the Brownfield Land Release Fund which helps councils transform unused, redundant or derelict sites into new housing sites.
- L. Leader Programme: To support the development of disadvantage rural regions through projects addressing local needs.

- M. Infrastructure and Investment Delivery Plan: Provided to the UAs to support a strategic planning policy framework to sustainably boost the overall housing supply, deliver affordable housing and accelerate sustainable housing.
- N. Space Agency – contribution towards the funding requirement for the development of space cluster development

Drawdown from Reserves

- 3.4 The accumulated LEP Reserve, held by the West of England 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 outturn position is £418k. 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.	5
Contributions towards LEP operating costs (to reduce the corresponding UA contribution for ‘match funding’ LEP Capacity Fund)	160
Drawdown of reserve due to shortfall in LEP Capacity Grant	118
Drawdown for specialised work to develop an evidence-based picture of current digital connectivity across the West of England	58
Space Cluster grant balance transferred to reserves	1
LEP Reserve balance c/fwd 31st March 2023	-418

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. A £118k has been 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.

LEP Capital Outturn

- 3.5 **Appendix 2** details the LEP Capital Outturn for the 2022/23 financial year based on actual information to the end of March 2023.

Interest on Balance

- 3.6 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 interest at the end of the financial year is £23k.

Change Requests

- 4 The change requests recommended for approval by the Programme Review Board for projects in the Local Growth and Getting Building Fund programmes are shown in Appendix 3. Those in the Economic Development Fund and Revolving Infrastructure Fund programmes are shown in Appendix 4.

Consultation

- 5 Consultation has been carried out with the Chief Executives and the Combined Authority Monitoring Officer.

Other Options Considered

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

Risk Management/Assessment

- 7 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 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 West of England budgets administered by the Authority, it acts as “agent” with a straight pass through of funding and related costs.

Public Sector Equality Duties

- 8 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.

8.1 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.

8.2 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.

8.3 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

9 Several of the specific LEP workstreams have a strong focus on improving climate change especially the Southwest Local Energy Hub, 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.

Report and advice reviewed and signed off by: Roger Hoare, Head of Environment

Finance Implications, including economic impact assessment where appropriate:

10 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.

Report and advice reviewed and signed off by: Stephen Fitzgerald, 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.

Report and advice reviewed and signed off by: Stephen Gerrard, Interim Director of Law and Governance.

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 People and Assets

Appendices

Appendix 1: LEP Revenue Outturn Position

Appendix 2: LEP Capital Outturn Position

Appendix 3: Local Growth and Getting Building Fund Change Requests

Appendix 4: Economic Development Fund Change Requests

Background papers:

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

LEP Revenue Budget Setting Report 2023/24 – Joint Committee 27 January 2023

LEP Budget Monitoring Reports to Joint Committee throughout 2022

APPENDIX 1

LEP Revenue Outturn as at 31st March 2023

	2022/23 Budget £'000s	2022/23 Outturn £'000s	Variance £'000s
Core staff and related overheads	1,287	1,111	-176
<u>Project Spend</u>			
Staff	2,908	2,765	-143
Services and third-party payments	4,120	9,505	5,385
Overheads	650	633	-17
Transfer to Reserves	0	0	0
Total Expenditure	8,965	14,015	5,050
Funded by:			
UA Contribution	440	440	0
Other Government Grants	7,681	12,812	5,131
RIF Admin Grant	184	23	-161
DCLG Core & Capacity Grant	500	375	-125
Interest on Balances	0	23	23
Transfer from Reserves	160	342	182
Total Income	8,965	14,015	5,050
Surplus/Deficit	0	0	0

APPENDIX 2

LEP Capital Outturn as at 31st March 2023

	2022/23 Outturn £'000s
Low Carbon Challenge	796
Bath Quays North Infrastructure Development Works	7
Bath Fashion Museum	7,901
On Bus Contactless Payment	89
Net Zero and Greenhomes	33,834
Total Expenditure	42,627
Funded by:	
Other Government Grants	42,627
Total Income	42,627
Surplus	0

APPENDIX 3

Change Requests Seeking Approval from Committee - Local Growth Fund and Getting Building Fund Programmes

Bath & North East Somerset Council

Project	Bath Quays South
Funding awarded	£14.638m
Source:	Local Growth Fund/Getting Building Fund (LGF/GBF), Economic Development Fund (EDF), Department of Levelling Up Housing and Communities (DLUHC) In Year Capital
Cost/ Spend:	Decrease of overall funding by £151k to £34.349m Increase to DLUHC funding of £163k to £2.813m and £314k reduction in match funding. Revised DLUHC funding profile £2.813m in 22/23
Milestones:	Delay of 5 months (to May 23) to public realm works practical completion.
Stated reason for change: Less 22/23 spending than expected on Bath Quays North so transferring £163k underspend to Bath Quays South to ensure total £3m DLUHC funding for Bath Quays is utilised.	

Project	Bath Quays North Infrastructure Development Works
Funding awarded	£37.085m
Source:	LGF/GBF, EDF, DLUHC
Cost/ Spend:	No change to overall funding Reduction of DLUHC funding of £163k with equivalent increase in match funding Reprofiling £5.873m from 22/23 into 23/24 Revised EDF profile pre 22/23 924k, 22/23 £0, 23/24 £15.904m, 24/25 £12.943m, 25/26 £1m, total £30.771 Revised DLUHC profile £187k in 22/23
Milestones	Delay to Phase 1 milestones of up to 7 months and Phase 2 milestones of up to 12 months.
Stated reason for change: Delays due to the current economic uncertainty. The partners have been working to ensure a route forward is identified that delivers the core scheme economic targets.	

Bristol City Council

Project	Bristol Beacon Phase 2 Transformation Project
Funding awarded	£11.847m
Source:	LGF
Cost/ Spend:	Increase in match funding from Bristol City Council and Arts Council England to meet increased overall cost of £132m. No change to LGF funding or profile.
Milestones:	Delay to construction completion of 2 months now scheduled for August 23.
Stated reason for change: The need to find solutions to address challenges encountered and the weather delays have extended the programme A full review of costs by the project Quantity Surveyor has resulted in a revised cost forecast.	

South Gloucestershire Council

Project	Cribbs Patchway Metrobus Extension
Funding awarded	£47,200,000
Source:	LGF, IF/TCF and EDF
Cost/ Spend:	No change to overall funding. Reprofiling £40k EDF from 24/24 into 22/23 Reduction of £198k EDF replaced by S106 Revised EDF profile pre 21/22 £858k, 21/22 £1.010m, 22/23 - £1.010m, 23/24 £992k, 24/25 £5.162m, total £7.012 Reallocation of spend across costs headings
Stated reason for change: Swap of EDF for match funding due to S106 funding being identified that will reduce need to utilise EDF. Reallocation of spend across cost headings as it has been necessary to use more specialist consultants than originally budgeted due to complexity of the project.	

Project	Emersons Green Local Transport Enhancements
Funding awarded	£5.512m
Source:	LGF/GBF, EDF and TCF
Cost/ Spend:	No change to overall funding. Reprofiling forward £116k from 23/24 into 22/23 and reprofiling back £680k from 23/24 to 24/25 Revised EDF profile pre 21/22 £182k, 22/23 -£66k, 23/24 931k, 24/25 £680k, total £1.727m
Milestones:	Delay of 4 months to Completion of Newlands Bridge refurbishment and approaches, delays have also resulted in forecast spend extending into 24/25.
Stated reason for change: Delays in signing of the Deed of Variation to the S106 agreement which still outstanding.	

Project	South Gloucestershire Sustainable Transport Package 18-21
Funding awarded	£3.305m
Source:	LGF, EDF, TCF
Cost/ Spend:	Increase of £158k TCF taking overall cost to £3.774m, including match funding Revised TCF £668k in 22/23
Stated reason for change: Increased costs of the scheme due to inflationary pressures for the Badminton Road cycle element.	

West of England Combined Authority

Project	MetroWest Phase 1
Funding awarded	£78.361m
Source:	LGF, EDF, IF, TCF
Cost/ Spend:	No change to overall funding Reprofiling £301k from IF in 25/26 to TCF in 22/23 Revised profile 21/22 £5.245m TCF, 22/23 £958k TCF, £9.657m 25/26 IF, total £15.86m
Stated reason for change: Funding brought forward to utilise TCF spend	

Project	MetroWest Phase 2
Funding awarded	£32m
Source:	LGF, TCF/IF, EDF
Cost/ Spend:	No change to overall funding. Reprofiling of funds across all financial years with reduction in spend to 22/23 of £1.6m, Revised EDF profile 23/24 £1.759m, 24/25 £1.920m, 25/26 £5.515m, total £9.194m Revised IF/TCF profile 20/21 £588k (TCF), 21/22 £1.660m (TCF), 22/23 £3.869m (TCF), 23/24 £7.546m (IF), 26/27 £5.583m (IF), 27/28 £662k (IF), total £19.908
Milestones:	Delay of 8 months to securing statutory power Henbury and 4 months to FBC Approval – Phase 2.
Stated reason for change: The project spend profile has been updated to reflect the receipt of detailed cost plan from Network Rail for the delivery phase of Ashley Down Station. Delays to securing statutory powers Henbury due to safety audit identifying concerns of crossing close to the road junction meaning the crossing had to be moved and reconfigured. FBC approval delayed as a result of changed procurement strategy driven by uncertainty over North Filton Station public realm.	

APPENDIX 4

Change Requests Seeking Approval from Committee – Economic Development Fund and Revolving Infrastructure Fund

Bath & North East Somerset Council

Project	Bath Fashion Museum
Funding awarded	£8,147,770
Source:	Revolving Infrastructure Fund (RIF)
Cost/ Spend:	No change to overall funding. Reprofiling £144k from 22/23 into 23/24 and 25/26 Revised profile £7.923m 22/23, £168k 23/24, £40k 24/25 & £16k 25/26, total £8.147m
Stated reason for change: Following a delay in the acquisition and exchange of contracts only 6 months of holding costs are now anticipated in Year 1, resulting in an underspend of £16k of holding costs in 22/23. In addition, the acquisition costs were £128k less than anticipated, this funding is to be reprofiled into 23/24.	

Bristol City Council

Project	Temple Island Enabling Works
Funding awarded	£32m
Source:	EDF
Cost/ Spend:	No change to overall funding Reprofiling of spend across financial years including carrying forward £94k for period to 22/23 and extension to 25/26 Revised profile £1.294m 20/21, £1.838m 21/22, £1.664 22/23, £7.088m, 24/25 £19.560m, £555k 25/26, total £32m Spend reallocated across cost headings.
Milestones:	Delays of 24 months to Haul Road milestones including completion from Oct 22 to Oct 24. Plot 12 milestones brought forward up to 12 months from Aug 24 to Aug 23.
Stated reason for change: Project programme has been extended due to a variety of programme issues including delay to third party programmes and planning submission and increased input required from consultants to deliver Royal Institute of British Architects (RIBA) stages 4/5. Changes to the programme have also resulted in cost changes and spend reprofiling.	

South Gloucestershire Council

Project	Kingswood Regeneration Project
Funding awarded	£7.560m (£1.613m IF and £5.947m EDF)
Source:	TCF, IF and EDF
Cost/ Spend:	No change to overall funding Reprofiling £529k IF from pre 22/23 and 22/23 into 23/24 Revised IF profile £590k 22/23 and £1.023m in 23/24. Reprofiling £408k EDF from 23/24 into 24/25 Revised EDF profile £2.499m 23/24 and £3.448m in 24/25.
Milestones:	2-5 months delay across 2 milestones including Pedestrianisation Start of Construction from Nov 23 to Jan 24 and Complete Tabernacle Construction from Dec 23 to May 24.
Stated reason for change: Additional work was needed to support robust decision making with full oversight of technical data, assessing the diversion options and changes that will occur in traffic movements and the associated impacts on air quality. This work has been delayed due to resource issues with external consultants deferring the construction phase. Original programme for the Tabernacle were overly ambitious with delays to contract awards and the complexities in formalising legal agreements.	

Project	Avonmouth Severnside Ecology Mitigation and Flood Defences
Funding awarded	£63.9m
Source:	EDF
Cost/ Spend:	No change to overall funding Reprofiling of £2.645m EDF from 22/23 into 23/24 and 24/25 Revised EDF profile pre 22/23 £20.63m, 22/23 £18.71m, 23/24 £15.17m, 24/25 £5.35m, 27/28+ £4.04m, total £63.9m Reprofiling of match funding Reallocation of spend across cost headings
Milestones:	Delay of 2 months Main Construction Works – Flood Defences & Wetland Areas (to Mar 24)
Stated reason for the change: Delay due to earthwork seasons for construction and then seeding into March 2024. For Area 3B, wet weather also delayed earthworks. As construction progresses and issues are identified and costed, costs are transferred from the risk allowance to the construction budget	

Project	Thornbury High Street
Funding awarded	£4.577m
Source:	EDF and TCF
Cost/ Spend:	No change to overall funding Reprofiling of £1.252m EDF from 22/23 into 23/24 Revised profile £1.323m (£400k TCF, £923k EDF) 22/23, £3.254m EDF 23/24, total £4.177m Reallocation of spend across cost headings
Milestones:	Delays of 5 months to minor TRO amendments (to May 23) and 4 months to scheme completion (to Jan 24).
Stated reason for change: Delay to scheme completion due to approval decision being taken at July 22 Committee and delays to TRO amendments to ensure these were all captured through a single process. Funding for cost inflation and scope changes drawn from risk budget.	