

**REPORT TO: JOINT COMMITTEE**

**DATE: 30 NOVEMBER 2018**

**REPORT TITLE: LEP AND IBB BUDGET OUTTURN APRIL – SEPTEMBER 2018**

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### **Purpose of Report**

- 1 This report presents the forecast revenue outturn budget monitoring information for the West of England Joint Committee for the financial year 2018/19 based on actual data for the period April 2018 to September 2018. This report covers the Local Enterprise Partnership (LEP) and Invest in Bristol and Bath (IBB) revenue budgets.

### **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 WECA financial regulations require that it regularly reports on the financial monitoring position of these funds.
  - 2.1 **Appendix 1** outlines the LEP Budget current forecast revenue position for the 2018/19 financial year based on actual information to the end of September 2018. This shows the current projection is an underspend of £367k. The main points to note are:
    - 2.1.1 Salary costs are estimated to be £43k above budget. This primarily reflects the new Careers Hub staffing structure, operational with effect from the 2018/19 Academic Year, where additional enterprise co-ordination posts are funded from increased funding from the Careers Enterprise Company, Further Education contributions as well as the £25k budget virement agreed by the Joint Committee on 1 June 2018.
    - 2.1.2 As identified in Quarter 1, the £66k provision included within the 2018/19 budget as a contribution to meeting any historic pensions deficit costs are no longer required as the actuarial assessment completed in March 2018 revealed there to be no longer any liability.
    - 2.1.3. The initial budget of £62k set aside for Project expenditure was increased to reflect the drawdown of the earmarked reserves approved by the Joint Committee in April 2018 for the following uses;

**Table A – Drawdown of Earmarked Reserves 2018/19**

Stepping Up			50
5G Bid			150
Digital Strategy c/fwd			18
			<b>218</b>

In addition, expenditure of £18k is included within the forecast for completion of the work on the Energy Strategy, funded by the carry forward of the remainder of the unspent BEIS Grant from 2017/18.

- 2.1.4 Following decision on 27 July 2018, up to £364k is set aside to meet the costs of development of the Local Industrial Strategy; to provide capacity to undertake the evidence gathering and policy development work to support the strategy and ensure that it has broad support across the region.
- 2.1.5 As described in last quarter's report, the interest return forecast has now been revisited and updated to take account of the latest Local Growth Fund grant expenditure profiles and increased average interest rates achieved, which has resulted in an increased level of investment returns for the 2018/19 Financial Year. Surplus interest returns of £274k are now forecast to be generated above the budgeted income target.
- 2.1.6 It is proposed that the total net surplus forecast, £367k, is transferred to the LEP surplus reserve balances, held on behalf of the Unitary Authorities, the future use of which will be determined by the Joint Committee. At this point in the 2019/20 budget cycle, the LEP is yet to receive confirmation of MHCLG core and capacity funding (£500k) for next Financial Year and Investment returns are likely to be reduced in 2019/20, as the level of LGF grant tapers downwards.
- 2.1.7 The accumulated LEP Reserves held by WECA as Accountable Body, would therefore stand as follows, based on the forecast outturn position described above;

**Table B – Projected LEP Surplus Balances held on behalf of the Unitary Authorities**

LGF Interest (For 2016/17 FY)	-191
4UA contributions in previous years (surpluses to 31/3/17)	-360
Transferred to LEP Reserve (surplus for 2017/18 FY)	-40
	<b>-591</b>
Maximum drawdown for Local Industrial Strategy development	364
Forecast surplus for 2018/19 FY	-367
	<b>-594</b>

- 2.1.8 In addition, the Authority holds a balance of £85k Local Transport Grant which is earmarked to fund the costs of undertaking the independent appraisal/evaluation of LGF Business Cases as they are brought forward for Transport schemes.
- 2.1.9 WECA also administers the following funding streams, acting as an agent on behalf of the LEP and partners;

	Exp	Inc	Net
	£000	£000	£000
Growth Hub	328	-328	0
Energy Hub	1075	-1075	0
LEADER Management & Administration	85	-85	0
ERDF Technical Assistance Administration	39	-39	0

Funding matches expenditure in each Financial Year, with a straight pass through of funding and related costs.

2.2 **Appendix 2** outlines IBB's current forecast revenue position for the 2018/19 financial year based on actual information to the end of September 2018. This shows the current forecast as a breakeven position. The main points to note are:

- 2.2.1 Staff Costs are forecast to be £38k less than budgeted due to vacancies. In addition, a £20k underspend is generated through the freeing up of the provision for a historic pensions deficit which is no longer required.
- 2.2.2 Sector Specialist costs that have been incurred via external consultancy, rather than direct employment, are expected to be £30k underspent.
- 2.2.3 Marketing expenses are forecast at £409k for the Financial Year. This includes £145k on attendance at trade conferences and Farnborough and South West Aerospace activities, which weren't included in the 2018/19 budget, but are fully covered by sponsorship income and contributions. The remaining variance reflects consultancy cover for staff vacancies and maintenance of historic levels of marketing activity through application of underspends on staffing and sector specialists while drawing down £89k of EDF underspend.
- 2.2.4 The WECA has been operating as the Accountable Body for the IBB inward investment team since staff transferred from Bristol City Council in May 2017. BCC remains named within the Grant Offer Letter and Memorandum of Understanding for the five-year funding term as the lead body. The Expert Group's review of the IBB Inward Investment service is reported in another paper to the Committee on this agenda. For 2019/20, budgets will be set in alignment with the new business plan and refocused activities.

Investigations will take place to identify a sustainable medium-term source of revenue funding and proposals will be brought back to the Committee as part of the budget process in February 2019. Once the future direction and resourcing of the service has been determined, a new agreement will be put in place to regularise the position of WECA acting as lead and acting on behalf of the partners.

### Consultation

- 3 Consultation has been carried out with the Chief Executives, S151 Officers and Monitoring Officer.

### Other Options Considered

- 4 None.

### Risk Management/Assessment

- 5 This report forms a core part of the WECA's 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 WECA, it acts as "agent" with a straight pass through of funding and related costs.

### Public Sector Equality Duties

- 6 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.
- 6.1 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.
- 6.2 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.
- 6.3 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.

**Finance Implications, including economic impact assessment where appropriate:**

- 7 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:**

- 8 This report monitors how the Local Enterprise Partnership (LEP), and Invest in Bristol and Bath (IBB) revenue budgets are performing against the financial targets set in February 2018 through the Budget setting process.

Advice given by: Shahzia Daya, Director of Legal Services

**Land/property implications**

- 9 There are no land/property implications arising as a result of this report.

**Human Resources Implications:**

- 10 These are set out in the body of the report, including the use of interim staffing resources and the proposals for the on-going WECA staffing resources.

Advice given by: Alex Holly, Head of Human Resources

**RECOMMENDATION:**

**11.1 The Joint Committee agrees:**

**11.1.1 The LEP Budget as set out in Appendix 1 is noted.**

**11.1.2 The forecast out-turn surplus for the LEP is added to the overall revenue balances held on behalf of the Unitary Authorities as detailed.**

**11.1.3 The IBB Budget as set out in Appendix 2 is noted recognising the use of prior year underspends in EDF Grant drawdown to balance the outturn position.**

**Appendices & Background papers:**

**Appendix 1:** Revenue position LEP

**Appendix 2:** Revenue position IBB

**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 6ER; email: [democratic.services@westofengland-ca.gov.uk](mailto:democratic.services@westofengland-ca.gov.uk)

## APPENDIX 1

<b>LEP April to September 2018/19</b>			
	£000s		
	Budget	Forecast	Variance
<b>EXPENDITURE</b>			
<b>Staff</b>	<b>896</b>	<b>939</b>	<b>-43</b>
<b>Additional Pensions costs</b>	<b>66</b>	<b>0</b>	<b>66</b>
<b>Supplies &amp; Services</b>			
Support Services	95	95	0
Property costs	102	102	0
Project Spend	279	302	-23
Local Industrial Strategy	364	364	0
<b>Total Supplies &amp; Services</b>	<b>840</b>	<b>863</b>	<b>-23</b>
<b>Total Expenditure</b>	<b>1,802</b>	<b>1,802</b>	<b>0</b>
<b>INCOME</b>			
UA Grants	440	463	23
DCLG Core Grant	250	250	0
Capacity Grant Funding	250	250	0
Skills Grants	75	109	34
Energy Grant	0	18	18
Interest Received	223	497	274
LEP Reserve	564	582	18
<b>Total Income</b>	<b>1,802</b>	<b>2,169</b>	<b>367</b>
<b>NET TOTAL - Under /(Over) Spent</b>	<b>0</b>	<b>367</b>	<b>367</b>

## APPENDIX 2

<b>IBB April to September 2018/19</b>			
	£000s		
	Budget	Forecast	Variance
<b>EXPENDITURE</b>			
<b>Staff</b>	<b>516</b>	<b>478</b>	<b>38</b>
<b>Additional Pensions costs</b>	<b>20</b>	<b>0</b>	<b>20</b>
<b>Supplies &amp; Services</b>			
Support Services	67	67	0
Property costs	85	85	0
Sector Specialists	200	170	30
Marketing Expenses	92	409	-317
Review	20	20	0
<b>Total Supplies &amp; Services</b>	<b>464</b>	<b>751</b>	<b>-287</b>
<b>Total Expenditure</b>	<b>1,000</b>	<b>1,229</b>	<b>-229</b>
<b>INCOME</b>			
Economic Development Fund Grant	1,000	1,089	89
Grant Income	0	0	0
Sponsorship Income	0	117	117
Contributions	0	15	15
Internal Recharges	0	8	8
<b>Total Income</b>	<b>1,000</b>	<b>1,229</b>	<b>229</b>
<b>NET TOTAL - Under /(Over) Spent</b>	<b>0</b>	<b>0</b>	<b>0</b>