

REPORT TO: WEST OF ENGLAND JOINT COMMITTEE

DATE: 26 JANUARY 2024

REPORT TITLE: LEP BUDGET SETTING REPORT – 2024/2025

RESPONSIBLE OFFICER: RACHEL MUSSON, STRATEGIC DIRECTOR OF RESOURCES

Purpose of Report

To consider and approve the Budget in respect of the Local Enterprise Partnership (LEP) and Invest Bristol and Bath (IBB) for 2024/25. Including the revenue and capital forecast for the financial year 2023/24 based on data from the period April 2023 to December 2023. Change request approvals are also included as part of this reporting process.

Recommendation

That Committee:

- 1) Approve a 2024/25 contribution of £110k per each West of England Unitary Authorities, (to be reviewed for 2025/26 onwards).
- 2) Approve the (LEP) Revenue and Capital Budget for 2024/25 as set out in Appendix 1 and 2;
- 3) Note the LEP Revenue and Capital Forecast for 2023/24 as set out in Appendix 3 and Appendix 4;
- 4) Approve a £66k drawdown from the LEP General Reserve to fund the shortfall in the 2023/24 LEP Capacity Core Grant;
- 5) Approve the change requests for schemes in the Economic Development Fund programme as set out in Appendix 5;
- 6) Delegate authority for grant giving for the Careers Hub RONI Data project to the West of England Mayoral Combined Authority's Strategic Director of Economy and Skills, in consultation with the Directors of Economy and Skills of the relevant Unitary Authorities. In the event of a consensus not being reached at Director level, decision making will be escalated to the West of England Mayoral Combined Authority's Chief Executive Officer (CEO) in consultation with the Unitary Authority CEOs.
- 7) Approve the award of £49.531m of previously allocated funding from the Economic Development Fund for MetroWest Phase 1 (Portishead Line) subject to the Department for Transport approving the project Full Business Case, addressing any remaining project capital funding shortfall and formally committing (in writing) to taking on any future capital cost risk on the project, as set out in section 20 of this report.
- 8) To delegate the approval of grant giving for the Create Growth programme to the West of England Mayoral Combined Authority's Strategic Director of Economy and Skills in consultation with Unitary Authority Economy and Skills Directors. In the event of a consensus not being reached at Director level, decision making will be escalated to the West of England Mayoral Combined Authority's Chief Executive Officer (CEO) in consultation with the Unitary Authority CEOs.

Reasons for recommendation

- Statutory Requirements and Recommended Best Practice.

Voting arrangements

Recommendations 1,2,4,6,8: To be determined by a majority of those Members in attendance, or their substitutes (one vote representing each Authority).

Recommendation 3: None required – Recommendations are for noting with any comments.

Recommendations 5, 7: To be determined by a majority of those Members in attendance, or their substitutes (one vote representing each Authority).

Background

1. The purpose of the West of England LEP is to secure the region's continuing and ambitious economic success and attractiveness as a place for its residents to live and thrive and for businesses and communities to grow in a sustainable way.
2. Over recent years, Government funding streams have tended to be allocated to places through either Mayoral Combined Authorities or through Local Authorities, and the role of LEPs in overseeing funding allocations has shifted towards more of a strategic advisory function. This is consistent with the direction of travel set out in the Levelling Up white paper and conclusion of the LEP Review which has set out Government's intention to integrate LEPs into local democratic institutions.
3. In August 2023, following a Government Review on the future of LEPs, the Government announced that capacity funding to LEPs will cease from April 2024. LEP functions will integrate into MCAs (or groups of LAs where MCAs do not exist). On agreement of an integration plan that is approved by Government, capacity funding to support transfer and integration of functions will be provided to MCAs (or groups of LAs where MCAs do not exist). The West of England Mayoral Combined Authority is working with partners to develop an integration plan. In developing this plan we will ensure that a strong business voice continues to inform decision making across the region.
4. While the West of England LEP Board is due to be superseded by a new Business Board, a range of legacy LEP funds remain in place. The West of England Mayoral Combined Authority 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 and capital budgets for the LEP for the 2024/25 financial year and provides a forecast against current year budgets.

LEP Core Delivery and Running Costs

5. For the last five 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 concluded in March 2021, LEP cash balances have been low and have not been able to generate sufficient revenue returns to support the committed operating costs. In addition to this, In June 2023 confirmation on the arrangements for the 2023-24 LEP Core Funding allocation was received at £250k against a reduced

budget of £375k creating a shortfall. It is recommended that the further funding shortfall for 2023/24 is met through drawing down £66k from the LEP General Reserve.

6. There have been subsequent communications (as noted in paragraph 3) that the government has decided the withdraw central government support (core funding) for Local Enterprise Partnerships (LEPs) from April 2024. In December 2023, the Government confirmed that eligible combined authorities would receive up to £240,000 to deliver the functions previously delivered by LEPs – namely business representation, local economic planning, and the delivery of Government programmes where directed subject to final business case and integration plan approvals (where plans are required and/or not yet approved). Funding beyond 2024/25 is subject to future Spending Review decisions.
7. As the majority of spend is staff related, pay award increases will continue to impact on budget requirements over the coming years. 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:

| | 2023/24 Budget £'000s | 2024/25 Budget £'000s | 2025/26 Budget £'000s | 2026/27 Budget £'000s | 2027/28 Budget £'000s |
|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Core Staff and Related Overheads | 1,086 | 1,124 | 1,163 | 1,204 | 1,246 |
| Funded by : | | | | | |
| Unitary Authority Contribution | 440 | 440 | 440 | 440 | 440 |
| LEP Core Grant* | 375 | 240 | 0 | 0 | 0 |
| Reserve | 160 | 0 | 0 | 0 | 0 |
| Interest | 0 | 300 | 0 | 0 | 0 |
| RIF Admin grant | 112 | 0 | 0 | 0 | 0 |
| Combined Authority Subsidy | 0 | 144 | 0 | 0 | 0 |
| Total Funds | 1,087 | 1,124 | 440 | 440 | 440 |
| Increase / (Shortfall) in funding | 1 | (0) | (723) | (764) | (806) |

*Reference paragraphs 5 and 6 for further details.

Specific Revenue Grants and Activities from the LEP Budget

8. Specific revenue grant funding of £12.7m was generated in 2023/24 and correspondingly, £11.6m for 2024/25. Overall LEP Grant Funding that has been attracted is now circa £24.6m over the Medium-Term Financial Strategy period, (MTFS) as detailed in Figure 2.

Figure 2: LEP Specific Revenue Grant Income – Medium Term Forecast

| | 23/24 £'000s | 2024/25 £'000s | 25/26 £'000s | 26/27 £'000s | 25/26 £'000s | Total £'000s |
|--|-----------------|-------------------|-----------------|-----------------|-----------------|-----------------|
| A - Net Zero Hub (DESNZ) | 9,236 | 8,791 | 0 | 0 | 0 | 18,027 |
| B - Growth Hub (DBT) | 455 | 350 | 0 | 0 | 0 | 805 |
| | 9,691 | 9,141 | 0 | 0 | 0 | 18,832 |
| C - One Public Estate (DLUHC) | 265 | 0 | 0 | 0 | 0 | 265 |
| D - Infrastructure & Investment Plan (DLUHC) | 0 | 53 | 0 | 0 | 0 | 53 |
| E - Career Hub (CEC + DLUHC) | 861 | 779 | 0 | 0 | 0 | 1,640 |
| | 1,126 | 832 | 0 | 0 | 0 | 1,958 |
| F - Creative Scale UP (DCMS) | 604 | 498 | 0 | 0 | 0 | 1,102 |
| G - AMIF (Ashley Housing) | 48 | 0 | 0 | 0 | 0 | 48 |
| H - IBB (RIF) | 1,185 | 1,057 | 0 | 0 | 0 | 2,242 |
| I - EDF Management | 75 | 75 | 75 | 75 | 75 | 375 |
| | 12,729 | 11,603 | 75 | 75 | 75 | 24,557 |

- A. Net Zero Hub: Department for Energy Security and Net Zero (DESNZ) 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 Southwest Region.
- B. Growth Hub: Funding to support local providers and businesses looking to grow, establishing a stronger local economic region. Confirmation for this has been obtained for 2024/25.
- C. 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 CA 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.
- D. 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.
- E. Careers Hub: Activity to match business volunteers with schools and colleges to support with their strategic employer engagement.
- F. 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.
- G. 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.

- H. Invest Bristol & Bath: IBB is funded through the Revolving Infrastructure Fund, (RIF), as part of a five-year deal, as approved by the Joint Committee in October 2019.
 - I. EDF Management: For managing EDF programme.
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.

LEP Capital Budgets

11. **Appendix 2** details the LEP Capital Budget for the 2024/25 financial year for approval.

Accountable Body Functions

12. The Mayoral Combined Authority acts as Accountable Body for the Local Enterprise Partnership, (LEP), activities, which includes significant capital investment in the region. The capital funding streams administered by the Accountable Body include:
- The Revolving Infrastructure Fund (RIF) - £57m
 - The Economic Development Fund (EDF) - £500m
13. The RIF was created in 2012 from funding awards from Government through Regional Growth Fund and Growing Places to create a revolving funding programme aimed at providing the upfront funding to enable development. All the grant funding has been awarded out and claimed, and repayment back to the fund has enabled further schemes to be approved. In line with the RIF principles approved at the Joint Committee in October 2021, the Councils have underwritten repayment and its timing. Aside from IBB, all of the projects within the RIF programme are delivered by the constituent authorities. The Mayoral Combined Authority are the accountable body for the RIF funding, a function transferred from B&NES (the then LEP accountable body) with the creation of the Mayoral Combined Authority. Full details of the RIF Capital Programme can be found in Appendix 9. The RIF Capital Programme is detailed in *Figure 3*:

Figure 3: RIF Medium Term Capital Programme

| Forecast payments / receipts | Mar-23 | 23/24 | 24/25 | 25/26 | 26/27 | 27/28 | 28/29+ |
|------------------------------|---------------|--------------|---------------|---------------|---------------|---------------|---------------|
| | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| Total Spend all Schemes | 59,347 | 12,173 | 1,380 | 46 | 30 | 0 | 0 |
| Total Revolved Funds | -23,306 | -3,495 | -4,595 | -5,809 | -6,143 | -10,950 | -16,174 |
| Balance Held | 17,673 | 8,995 | 12,209 | 17,973 | 24,085 | 35,035 | 51,209 |

14. The Economic Development Fund (EDF) was created in 2012 as part of the Growth Incentive through the City Deal and is a £500m fund sourced from retained business rates growth in the area's Enterprise Zones and Areas. The overall funding, which will operate over 25 years to 2039, is managed by South Gloucestershire Council but the Mayoral Combined Authority is the Accountable Body for the EDF. The Fund seeks to deliver the schemes which will unlock growth and generate the business rates uplift that will provide the £500m. The EDF is predicated on the Councils borrowing to fund the schemes with the EDF repaying the capital and interest over the term of the fund. The full breakdown of the EDF programme is detailed in Appendix 8. The table below shows the estimated practical EDF completions within the time frame of this report:

Figure 4: EDF Estimated Spend within the Medium-Term Financial Strategy (MTFS) period

| Forecast Completions | 2014 - 2023 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29+ |
|----------------------|-------------|---------|---------|---------|---------|---------|----------|
| | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| EDF | 65,627 | 86,346 | 52,420 | 73,784 | 26,173 | 308 | 101,687 |

*EDF Estimated spend above is only looking at the capital repayments over the term of the fund and does not include the interest costs.

Forecast Position

15. **Appendix 3** details the LEP, (including IBB), revenue forecast for the 2023/24 financial year based on actual information as at the end of December 2023 which shows spend of £13.8m against an original budget of £7.88m. The difference is mainly due to the receipt and phasing of additional government grants in relation to the Net Zero Hub. The net forecasted deficit is £66k which is due to the reduction in the Core Capacity Grant. An approval of £66k is recommended to be drawdown to support this year's revenue budget as a result of this shortfall.
16. **Appendix 4** details the LEP Capital Forecast for the 2023/24 financial year based on actual information to the end of December 2023.

Change Requests

17. 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 schemes in the Economic Development Fund programme which fall outside of these tolerances and require a committee decision are set out in **Appendix 5**. No changes requests for schemes in the Local Growth Fund, Getting Building Fund or Revolving Infrastructure Fund programmes have been submitted this reporting cycle.

Effective Transitional Career Grant

18. In 2020 the Careers and Enterprise Company launched a £2 million Investment Fund to deliver targeted support and build the evidence on effective careers education for disadvantaged young people at points of transition. This project built on the delivery of the Realising Talent programme which ran from 2020 to 2022 and was funded by the Mayoral Combined Authority and delivered by Bristol, B&NES and South Gloucestershire UAs. The MCA has been chosen as one of 5 pilot projects to take part in a next pilot phase to further test approaches to supporting risk of NEET (Not in Education, Employment or Training) students. Appendix 6 sets out the financial implications.

Create Growth Programme Cohort 2 Mentoring Grant

19. The West of England & Cornwall and Isles of Scilly are one of 6 successful Local Area Partnerships that have been awarded £1.275m from DCMS to support local creative businesses to unlock economic growth. The Create Growth Programme will build on the success of the Creative Scale Up Pilot (2019-2022) and aims to support high-growth creative businesses to scale and become investment ready through a targeted business support package. To date the Create Growth Programme has supported 30 businesses in the West of England through a 12-month bespoke business support programme, delivered by Watershed and the Combined Authority which started in May 2023 and will wrap up in April 2024. Support includes sector specific training, workshops, facilitated peer to peer support, founder talks and networking opportunities and a £2,500 mentoring grant per business. The programme will support a further 32 businesses in the West of England through a second cohort starting in March 2024. All 32 businesses on Cohort 2 of the Create Growth Programme will be invited to apply for a mentoring grant in July 2024. Applicants will be required to set out a mentoring plan including the types of mentoring/consultancy needed for their business, detail how they would spend the grant and confirm that they have attended the required number of training sessions. A grant of £2,500 per businesses has been allocated which will come to a total of £80,000 if all business apply to unlock their grant.

MetroWest Phase 1 (Portishead Line)

20. The MetroWest 1 scheme, which includes re-opening of the Portishead Line, is jointly promoted by North Somerset Council (NSC) and the MCA with a funding contribution from the Department for Transport (DfT).
21. The MetroWest 1 scheme is split into two key phases;

- MW1a - Severn Beach Line infrastructure and service enhancements, including two services per hour to Avonmouth, with one continuing to/from Severn Beach. Additional trains and necessary upgrades to existing infrastructure to create an overall half-hourly service calling at all stations between Bristol Temple Meads and Westbury.
 - MW1b - New hourly service between Portishead and Bristol Temple Meads, consisting of existing 9km freight-only and re-opening 5km of disused railway, with two new stations at Portishead and Pill.
22. For MW1a, the infrastructure enhancement works required to operate the Severn Beach and Westbury service enhancements have been delivered. The services between Bristol Temple Meads and Severn Beach have been operational since December 2021, and the enhanced service between Bristol Temple Meads and Westbury was introduced in May 2023.
 23. For MW1b, the delivery of the infrastructure required to support the re-opening of the Portishead line will be primarily designed and delivered by Network Rail (NR) with minor scope, including vegetation clearance, ecological enabling works and highways works, to be delivered by NSC and the MCA.
 24. The following are the primary benefits of the scheme:
 - Reduced travel time into Bristol from Portishead (23min by train);
 - Over 50,000 people brought within direct catchment of a rail station;
 - 1.2m additional rail journeys and £7m revenue within 15 years of opening;
 - Delivers the removal of 13 million car-km annually by 2041;
 - Benefits to the regional economy in Gross Value Added (GVA) of £43m per annum.
 25. In July 2022, the project secured an increased capital funding allocation of £152.02m. The March 2022 estimate that supported this funding allocation was produced by NR, in conjunction with the MCA and NSC. The estimate was based on Q3 2021/22 prices and excluded any allowance for inflation, on instruction from DfT.
 26. This paper recommends the award of the full £49.531m of previously allocated funding through the Economic Development Fund.
 27. Should the Committee approve the award of this funding, drawdown of the monies would be subject to the following other criteria being met.
 - DfT and West of England CEOs approving the project Full Business Case.
 - North Somerset Council drawing down their total funding allocation.
 - DfT formally (in writing) committing to meet any remaining project capital and revenue funding shortfall at FBC approval stage.
 - DfT formally committing (in writing) to taking on any future cost risk on the project. As such, the MCA project funding contribution would be fixed.
 28. Formal sign-off of the Full Business Case and value for money case for this project is the responsibility of DfT. The current MetroWest 1b project schedule assumes the submission of the project FBC at the end of February 2024. This date allows for the time (13 weeks) that the DfT has requested to review and approve the FBC and related funding, prior to their summer recess.
 29. Given the DfT's role in assuring the Full Business Case, formal local assurance of the Full Business Case by the Combined Authority will not be required.

30. There is an estimated £0.66m shortfall in revenue funding for the project. This includes £0.5m for the operation of the Portishead line rail services for the first 3-years and £0.16m for the operation of Portishead and Pill stations for the first 3-years post opening. A formal request was sent to DfT in July 2023, requesting that they meet this funding shortfall. A decision on this is expected from DfT by February 2024. Confidence that DfT will meet this funding shortfall is based on modelling work that has been commissioned by the MCA which shows a progressively increasing revenue surplus within the first 5-years of Portishead line rail service operations. Should DfT funding not be released, there is currently no revenue funding allocated by the Mayoral Combined Authority to support with further rail operational costs.
31. The West of England Mayoral Combined Authority, and specially the West of England Metro Mayor, has actively engaged with government departments in support of securing support and funding for the project. A site visit to Portishead was undertaken in July 2023 with the Secretary of State for Transport to promote the project.
32. Extensive public consultation has been undertaken over several years on the project proposals. The response to the consultations was very high with almost 2,000 separate responses received over both stages and the level of support for the scheme is also very high with 95% of community respondents fully or mainly in support of the proposals.
33. MetroWest Phase 1 required an Environmental Statement to support the DCO process. Climate change and environmental impacts have been assessed in the Environmental Statement. The project is a vital intervention which directly supports the move towards a decarbonised transport system and providing a viable alternative to the private car.
34. DfT provided an initial £13.8m of funding to support the current detailed design phase to enable the MCA, NSC and Network Rail to undertake activities to de-risk the programme and to increase cost certainty. This funding was provided on agreement that prior to the Full Business Case being submitted, market prices would be secured for the construction phase. An updated market estimate is due to be issued by Network Rail in mid-February 2024. This will support the project Full Business Case submission which is programmed to be issued at the end of February 2024.
35. The total capital project funding allocation approved in July 2022 was £152.016m. The funding was to be provided through the following funding sources:
 - Local Growth Fund - £18.868m.
 - Economic Development Fund - £49.535m.
 - Local Authority Contributions - £4.413m.
 - NSC Contributions (2019) - £15.860m.
 - Transforming Cities Fund - £6.203m.
 - Investment Fund - £9.657m.
 - DfT RNEP contribution (2019) - £47.480m.
36. The West of England Mayoral Combined Authority is aware of potential emerging cost pressures on the project. This position is subject to further change as detailed design works continue in parallel with supplier pricing and estimating. An updated project estimate is due to be released by Network Rail in mid-February 2024 to support the Full Business Case submission. The MCA stance remains that no further funding contribution will be made to the project by the MCA beyond the additional £10m allocated in July 2022.
37. The most recent (July 2022) economic appraisal of the scheme forecasts a Benefit-Cost Ratio (BCR) of greater than 1.5:1 (with wider benefits). A BCR of greater than 1.5

represents medium value for money. The BCR calculation will be re-run upon receipt of the updated market estimate in mid-February 2024.

38. Figure 4 below outlines the current total authorised project budget (£44.79m), the build-up to the current overall project funding and the recommended funding allocation for approval.

Figure 4: Summary of project funding structure

| Type | Authorised | Stage | Funding Source | Total (in £ms) |
|--|---------------------------|-------------------|--|-----------------|
| Capital Costs | Authorised Spend | Pre-FBC Approval | Local Growth Fund | £18,868 |
| | | | Transforming Cities Fund | £6,203 |
| | | | Department for Transport RNEP Capital | £13,805 |
| | | | Public Match Revenue (LAs) | £4,413 |
| | | | Public Match Capital (NSC) | £1,504 |
| | | | Current total project funding approved to spend | £44,793 |
| | Allocated, not authorised | Post-FBC Approval | Investment Fund | £9,657 |
| | | | Economic Development Fund | £49,535 |
| | | | Total funding allocation recommended for approval to spend (Jan 2025) | £59,192 |
| | | | DfT RNEP Capital | £33,675 |
| | | | Local Contribution (NSC) | £10,000 |
| | | | Public Match Capital (NSC) | £4,356 |
| | | | Total remaining funding allocations to be approved by Others | £48,031 |
| | | | | |
| | | | Total funding allocation outstanding formal approval to spend | £107,224 |
| Total Project Capital Funding Allocation | | | £152,016 | |

Alternative Options Considered

39. The LEP budget relates to the specific grant income that has been attracted. Value for Money and appropriate use of resources are constantly considered when allocating, monitoring and managing all revenue and capital budgets.

Consultation and Engagement

40. Consultation has been carried out with the Chief Executives, and the West of England Section 151 UA Officers. The change requests set out in Appendices 4 and 5 were considered at the 14 December meeting of the Programme Review Board, involving the Combined and Unitary Authority Directors and S73/S151 officers, and were recommended to Committee by the Board for approval.

Key Risks

41. The West of England Office agreement underpins the LEP. This agreement deals with the risk sharing mechanisms between the relevant councils. There is uncertainty moving forward on the shape and structure of this agreement. Failure to deliver Local Enterprise Partnerships (LEP) integration following the government's decision to withdraw central government support for LEPs from April 2024 and transfer their functions to local and Combined Authorities is a fundamental risk.
42. There is also the risk we will need to repay any unspent balances on Net Zero Hub relating to Decarbonisation Funding if social housing providers use their allocations as originally profiled.
43. The continuing reducing general reserve position is shown in the relevant table below:

Figure 5: LEP Forecast Reserve Balance

| | |
|---|------|
| LEP Reserve balance b/fwd 1st April 2023 | 418 |
| Drawdown for Local Industrial Strategy – To deliver our region’s ambition to be a driving force for clean and inclusive growth. | -31 |
| 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. | -12 |
| Forecast LEP Reserve balance c/fwd 31st March 2024 | 215 |

***£66k drawdown recommendation not included at this stage - awaiting approval.**

Equality, Diversity and Inclusion Implications

44. The Public Sector Equality duties will be considered within each individual project or area of work.

Climate Change Implications

45. Several of the specific LEP workstreams have a strong focus on improving climate change especially the South-West Net Zero Hub. Where funds are allocated as grants to local businesses and organisations, the criteria used to prioritise funding allocations will incorporate climate improvement.

Finance Implications

46. All financial implications are contained within the body of the report. The LEP and IBB functions support the economic growth and vitality of the region.

Legal Implications

47. This report sets out the proposed budget in respect of The West of England Local Enterprise Partnership (the LEP) and Invest Bristol and Bath (IBB) for 2024/25.

48. The West of England Combined Authority acts as the Accountable Body for the transactions of the LEP.

49. The budget proposals set out in this Report have been developed in accordance with appropriate Local Government legislation and regulations, including the specific funding and related governance requirements set out in:

- a. Part 2 of the Local Government Act 2003 (Financial Administration);
- b. The West of England Combined Authority Order 2017; and
- c. The Combined Authorities (Finance) Order 2017.

Human Resources Implications

50. The proposed Budgets include all appropriate staff costs for continuing activities for the LEP Project Specific functions.
51. Any future staffing implications associated with the change in the LEP funding model will be fully considered at the appropriate point, in line with HR policy and best practice.

Land/property Implications

52. There are no direct land or property implications arising as a result of this report.

Commercial Implications

53. There are no direct Commercial implications arising as a result of this report.

Appendices

- Appendix 1 Local Enterprise Partnership Revenue Budget 2024/25
- Appendix 2 Local Enterprise Partnership Capital Budget 2024/25
- Appendix 3 Local Enterprise Partnership Revenue Forecast 2023/24
- Appendix 4 Local Enterprise Partnership Capital Forecast 2023/24
- Appendix 5 Economic Development Fund – Change Requests
- Appendix 6 Effective Transitional Career Grant Allocations
- Appendix 7 Glossary of Terms
- Appendix 8 EDF Programme
- Appendix 9 RIF Schemes

Background papers:

LEP Revenue Budget Setting Report 2023/24 – Joint Committee 27 January 2023
LEP Budget Monitoring Reports and Change Requests to Joint Committee throughout 2023

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Appendix 1: Local Enterprise Partnership Revenue Budget 2024/25

| | 2023/24 Budget £'000s | 2024/25 Budget £'000s | Increase(+)/ Decrease (-) £'000s |
|-----------------------------------|-----------------------------|-----------------------------|--|
| Core Staff and related overheads | 1,086 | 1,124 | 38 |
| <u>Grant Funded Spend</u> | | | |
| Staff | 2,349 | 3,448 | 1,099 |
| Services and Third-Party Payments | 3,882 | 7,358 | 3,476 |
| Overheads | 562 | 797 | 235 |
| Total Expenditure | 7,879 | 12,727 | 4,848 |
| <u>Funded by</u> | | | |
| UA Contribution | 440 | 440 | 0 |
| Other Government Grants * | 6,792 | 11,603 | 4,811 |
| RIF Admin Grant | 112 | 0 | (112) |
| DLUHC Core and Capacity Grant ** | 375 | 240 | (135) |
| Interest | 0 | 300 | 300 |
| Reserves | 160 | 0 | (160) |
| Combined Authority Subsidy | 0 | 144 | 144 |
| Total Income | 7,879 | 12,727 | 4,848 |
| Surplus / (Deficit) | 0 | 0 | 0 |

* See breakdown for 2024/25 in Figure 2.

** Reference Paragraphs 5 and 6.

Appendix 2: Local Enterprise Partnership Capital Budget 2024/25

| | 2024/25 Budget £'000s |
|---|--------------------------------------|
| MetroWest Phase 2 | 7,919 |
| Net Zero - Social Housing Decarbonisation | 17,560 |
| Total Capital Expenditure | 25,479 |
| Funded by: | |
| MetroWest Phase 2 – EDF/DLUHC | 7,919 |
| Net Zero - Social Housing Decarbonisation - DESNZ | 17,560 |
| Total Capital Grants | 25,479 |
| Surplus / (Deficit) | 0 |

Appendix 3: Local Enterprise Partnership Revenue Forecast 2023/24

| | 2023/24 Budget £000s | 2023/24 Forecast £000s | Variance £000s |
|---|----------------------------|------------------------------|-------------------|
| Core Staff and Related Overheads | 1,086 | 1,086 | 0 |
| Project Spend | | | |
| Staff (A) | 2,349 | 2,830 | 481 |
| Services & Third-Party Payments (B) | 3,882 | 9,297 | 5,415 |
| Overhead (C) | 562 | 647 | 85 |
| Total Expenditure | 7,879 | 13,860 | 5,981 |
| Income | | | |
| UA Contribution | 440 | 440 | 0 |
| Other Government Grants (D) | 6,792 | 12,729 | 5,937 |
| RIF Admin Grant | 112 | 112 | 0 |
| Core and Capacity Grant (E) | 375 | 250 | -125 |
| Interest (F) | 0 | 60 | 60 |
| Reserve (G) | 160 | 203 | 43 |
| Total Income | 7,879 | 13,794 | 5,915 |
| Surplus / (Deficit) | 0 | (66) | (66) |

Notes:

- A Direct result of the additional grants in Figure 1 of this report.
- B Direct result of the additional grants in Figure 1 of this report.
- C Direct result of the additional grants in Figure 1 of this report.
- D Reference Figure 1 of the report for Breakdown.
- E In June 2023 confirmation on the arrangements for 2023-24 LEP Core Funding was reduced to £250k.
- F Grants relating to LEP which form part of our overall cash balances that are invested.
- G Reference Figure 4 of the report for Breakdown.

Appendix 4: Local Enterprise Partnership Capital Forecast 2023/24

| | 2023/24 Forecast £'000s |
|---|--|
| Low Carbon Challenge - ERDF | 438 |
| Net Zero - Social Housing Decarbonisation (DESNZ) | 14,043 |
| MetroWest | 15,989 |
| Total Expenditure | 30,470 |
| Funded by: | |
| Low Carbon Challenge - ERDF | 438 |
| Net Zero Hub - Social Housing Decarbonisation (DESNZ) | 14,043 |
| MetroWest - EDF /DLUHC | 15,989 |
| Other Government Grants | 30,470 |
| Surplus / (Deficit) | 0 |

Appendix 5: Economic Development Fund – Change Requests

| | | |
|---|---|--|
| Project | Emersons Green Local Transport Enhancements | |
| Funding awarded | £5,050,000 | |
| Source: | Local Growth Fund (LGF)/Getting Building Fund (GBF) - £2.786m, Economic Development Fund (EDF) - £1.727m and TCF - £537k | |
| Cost/Spend: | Reprofiling £442k EDF funding from 23/24 and 24/25 into 25/26. Revised EDF Profile: £116k to 22/23, £671k 23/24, £498k 24/25 and £442k 25/26. | |
| Milestones: | 11-21 months delay across 2 milestones including completion of Newlands Bridge refurbishment from Apr 24 to Mar 25 and connectivity and sustainable transport works completion delayed from Sep 23 to Jun 25. | |
| <p>Stated reason for change: The signing of the deed of variation to the section 106 agreement and release of funds associated with the bridge refurbishment remains outstanding. Two landowners for the Pucklechurch B4465 shared use path have signed agreements but one has accepted but not signed. Works began in Apr 23 and made substantial progress, but the final section is subject to landowner negotiation in which compulsory purchase proceedings are currently being initiated, causing delays and the need to reprofile funding.</p> | | |

| | | |
|--|---|--|
| Project | MetroWest Phase 2 | |
| Funding awarded | £30.674m awarded plus £38.1m allocated, total £68.774m | |
| Source: | EDF (£45.666m), TCF/IF (£19.908m) and LGF (3.2m) | |
| Cost/Spend: | Requesting the award of an additional £1.894m EDF from the total allocation, increasing the overall stage 1 total from £30.674m to £32.568m. Revised EDF profile £7.258m 23/24, £8.447m 24/25 and £29.961m 24/25, total £45.666m | |
| Milestones: | 5 months delay to secure statutory powers Henbury from Oct 23 to Mar 24 | |
| <p>Stated reason for change: To improve the robustness of pricing of Henbury Station and to de-risk the construction phase, a decision was made to progress the detailed design works ahead of the FBC submission as the outline design is nearing completion. Additional information has been requested by the planning authority which has delayed the planning application by 5 months along with the need for further flood modelling work.</p> | | |

Appendix 6: Effective Transitions Fund Grant Allocations

| | Number of Students | Grant Allocation |
|----------------------|--------------------|------------------|
| Bristol City Council | 100 | 200,731 |
| South Gos. Council | 83 | 109,052 |
| B&NES | 83 | 109,051 |
| North Somerset | 66 | 86,943 |
| Project Management | | 16,000 |
| | | 521,777 |

Appendix 7: Glossary of Terms

| | |
|-------|---|
| BEIS | Department for Business, Energy and Industrial Strategy |
| CEC | Careers and Enterprise Company |
| DCMS | Department for Culture, Media and Sport |
| DESNZ | Department for Energy Security and Net Zero |
| DfE | Department for Education |
| DBT | Department for Business and Trade |
| DLUHC | Department for Levelling Up, Housing and Communities |
| EDF | Economic Development Fund |
| ERDF | European Regional Development Fund |
| ESIF | European Structural and Investment Funds |
| IBB | Invest Bristol and Bath |
| IF | Investment Fund |
| LEP | Local Enterprise Partnership |
| LGF | Local Growth Fund |
| OPE | One Public Estate |
| RIF | Revolving Infrastructure Fund |
| TCF | Transforming Cities Fund |

Appendix 8: EDF Programme

| EDF PROGRAMME | |
|--|---------------------|
| Scheme | TOTAL £m |
| Overall Programme | |
| Invest in Bristol & Bath | 4.819 |
| B&NES | |
| Bath Enterprise Zone Programme Team | 0.685 |
| Bath Quays North Infrastructure Development Works | 30.771 |
| Bath Quays South Phase 1a Enabling Infrastructure | 0.234 |
| Flagship Release - Bath Quays North & South + Bath Innovation | 9.239 |
| BCC | |
| TQEZ Investment Programme Team | 2.500 |
| Avonmouth/Sevenside Ecology & Flood Mitigation/ Development Costs | 0.950 |
| Avonmouth/Sevenside Flood Mitigation & Ecology 18 | 31.945 |
| MetroWest Phase 2 | 9.194 |
| Engine Shed 2 | 4.000 |
| Central BRS & TQ EZ Flood Defence | 10.000 |
| M32 Park & Ride | 20.000 |
| Temple Island Enabling Infrastructure | 31.999 |
| Portway Station | 0.774 |
| Bristol Flagship | 16.786 |
| NSC | |
| Enterprise Technical College - NSETC | 1.525 |
| WSM Town Centre Transport Enhancement Scheme | 0.716 |
| Weston General Stores | 0.378 |
| MetroWest Phase 1 | 49.530 |
| MetroWest Phase 2 | 1.995 |
| NSC Flagship Release | 22.639 |
| SGC | |
| Aztec West Roundabout | 0.072 |
| MetroBus Extension to Cribbs Causeway | 4.610 |
| Avonmouth/Sevenside Ecology & Flood Mitigation/ Development Costs | 0.950 |
| Avonmouth/Sevenside Flood Mitigation & Ecology | 31.945 |
| South Glos Sustainable Transport Package | 0.551 |
| Urban Multi Wireless Broadband & IoT Testing (Umbrella) | 0.013 |
| Emersons Green Local Transport Enhancements | 1.727 |
| Kingswood Regeneration Programme | 7.067 |
| MetroWest Phase 2 | 34.477 |
| Thornbury High Street | 4.804 |
| M49 Junction & Link Rd | 22.000 |
| M32 Junction 1 | 0.750 |
| Superfast Broadband | 2.700 |
| SGC Flagship | 21.650 |
| RIF schemes | |
| Temple Qtr EZ Infrastructure - BCC | 20.850 |
| A38 - SGC | 1.500 |
| TOTAL | 406.345 |
| <p><i>*Please not cumulative total is the repayment of scheme costs only and does not include interest payments. Total repayable to the fund is still below the £500m EDF pot but is monitored on a regular basis as schemes complete delivery and interest rates are locked to make sure it does not exceed the agreed level.</i></p> | |

Appendix 9: RIF Schemes

| Revolved Funds By Scheme | Authority | Total claimed / to be claimed | Revolved to Date |
|---|-----------|-------------------------------|---------------------|
| Dolphin Square | NSC | 295,000 | (295,000) |
| J21 Outbound Capacity | NSC | 372,626 | (372,626) |
| Weston Village Flood | NSC | 7,735,602 | (2,764,422) |
| Weston Creative Hub | NSC | 456,564 | (55,700) |
| BWR Destructor Bridge | B&NES | 1,800,000 | (1,800,000) |
| Bath Flood (Phase 1) | B&NES | 6,100,001 | (3,600,000) |
| Saw Close | B&NES | 787,898 | (775,559) |
| BWR - Gas Towers | B&NES | 2,051,708 | (2,051,708) |
| Bath Fashion Museum Property Acquisition (Claims) | B&NES | 7,923,308 | |
| TQEZ Temple Circus & IP | BCC | 20,849,996 | (2,000,000) |
| Gainsborough Square | BCC | 749,550 | (749,550) |
| Filwood Green | BCC | 6,236,000 | (5,338,000) |
| Aztec West Roundabout / LSTP SGC | SGC | 2,018,434 | (1,532,500) |
| A38 Junctions | SGC | 1,970,785 | (1,970,785) |
| Total Revolved Funds All Schemes | | 59,347,471 | (23,305,851) |