

REPORT TO: WEST OF ENGLAND JOINT COMMITTEE

DATE: 15 MARCH 2024

REPORT TITLE: LEP & IBB FORECAST 2023/24

RESPONSIBLE OFFICER: STRATEGIC DIRECTOR OF RESOURCES

| | |
|---|-----------|
| <u>Key Decision</u> | No |
| <u>Purpose of Report</u> | |
| <p>This report represents the revenue and capital forecast to the West of England Joint Committee for the financial year 2023/24 based on data from the period April 2023 to January 2024. 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.</p> | |
| <u>Recommendation</u> | |
| <p>That Committee:</p> <ol style="list-style-type: none"> 1. Notes the Revised Analysis of LEP External Grants as at the end of January 2024 as set out in Figure 1; The LEP Revenue Forecast as set out in Appendix 1 and the LEP Capital Forecast as set out in Appendix 2; 2. Approve the change request for the Temple Island Enabling Infrastructure within the Economic Development Fund programme as set out in Appendix 3. 3. Notes that core funding of £240k to support the integration of the LEP into the Combined Authority will be withheld by Government until such time as a solution can be agreed. | |
| <u>Reasons for recommendation</u> | |
| <ul style="list-style-type: none"> • Statutory Requirements and Recommended Best Practice. | |
| <u>Voting arrangements</u> | |
| <p>Recommendation 1 and 3: None required – Recommendations are for noting with any comments.</p> <p>Recommendations 2: To be determined by a majority of those Members in attendance, or their substitutes (one vote representing each Authority) and excluding the West of England Combined Authority Mayor.</p> | |

Publication Requirements

For Publication.

Background

1. The West of England Mayoral Combined Authority acts as the Accountable Body for a range of funding streams on behalf of the West of England Councils and LEP. The Mayoral Combined Authority Financial Regulations require that it regularly reports on the financial monitoring position of these funds.
2. Government has confirmed that, from April 2024, LEP functions should be integrated into Mayoral Combined Authorities (where they exist) and that an agreed plan for integration should be submitted to Government in order to release core funding to support the costs of integration. In the case of the West of England, the misalignment between the LEP and West of England Mayoral Combined Authority geography has led to differences of opinion on the approach to integration. As a result, no integration plan has yet been submitted and it is anticipated that Government will withhold the £240k funding until progress is made.

Local Enterprise Partnership Revenue Forecast

3. **Appendix 1** details the LEP revenue forecast for the 2023/24 financial year based on actual information to the end of January 2024 which shows spend of £13.86m against an original budget of £7.87m. The difference of £5.9m is mainly due to the receipt and phasing of additional government grants in relation to the Net Zero Hub £9.2m.
4. Total grants attained across the two-year period is circa £24.5m. 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

| | 23/24 £'000s | 24/25 £'000s | 25/26 £'000s | 26/27 £'000s | 27/28 £'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 |
| | <u>9,691</u> | <u>9,141</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>18,832</u> |
| 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 |
| | <u>1,126</u> | <u>832</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>1,958</u> |
| 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 | 69 | 75 | 75 | 75 | 75 | 369 |
| J - Leader (ESIF) | 6 | 0 | 0 | 0 | 0 | 6 |
| | <u>12,729</u> | <u>11,603</u> | <u>75</u> | <u>75</u> | <u>75</u> | <u>24,557</u> |

Note: Grants in 2023/24 not recurring in 2024/25 are time limited in nature.

- 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 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.
- 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.
 - J. Leader Programme: To support the development of disadvantage rural regions through projects addressing local needs.
5. 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.
6. The original 2023/24 budget for external grants was £6.8m. Net Zero Hub, Creative Scale Up, Career Hub and Growth Hub have been successful, in increasing the overall funding available for this year as detailed in Figure 2.

Figure 2: Original 2023/24 Grant Revenue Budget compared to Forecast Position

| | 2023/24 Budget £'000s | 2023/24 Forecast £'000s | Funding Difference £'000s | Comments |
|---|-----------------------------|-------------------------------|---------------------------------|---|
| Net Zero Hub (DESNZ) | 3,296 | 9,236 | 5,940 | Grant carried forward from previous years together with new grants |
| Growth Hub (DBT) | 350 | 455 | 105 | Increased grant and contribution |
| One Public Estate (DUHLC) | 677 | 265 | (412) | OPE 6 and OPE 7 finished last year therefore the spend will be less this year |
| Infrastructure & Investment Plan (DUHLC) | 184 | 0 | (184) | £53k of budget 23/24 will be carried into 24/25 |
| Career Hub (CEC/DUHLC) | 665 | 861 | 196 | Grant carried forward from previous years |
| Investment Bristol & Bath (RIF) | 1,000 | 1,185 | 185 | Grant carried forward from previous years together with ad hoc contribution |
| Creative Scale Up (DCMS) | 488 | 604 | 116 | Grant carried forward from previous years |
| Asylum Migration Integration (Ashley Housing) | 65 | 48 | (17) | |
| EDF Management | 67 | 69 | 2 | |
| Leader (ESIF) | 0 | 6 | 6 | |
| | 6,792 | 12,729 | 5,937 | |

Interest on Balances

7. The 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 2023/24 and corresponding interest at the end of the financial year is forecast to be £100k relating to the remaining energy grants and small RIF grant balance.

Reserves

8. The accumulated LEP Reserve, held by the Mayoral Combined Authority as Accountable Body, was £418k at the beginning of the financial year. Accounting for drawdown and receipt of funds, as approved by the Joint Committee, the reserve balance forecast position is £215k. This is detailed in Figure 3:

Figure 3: LEP Forecast Reserve Balances £'000s

| | |
|---|-------|
| 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) | (186) |
| 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 | 189 |

9. 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. However, the LEP Capacity Core Grant was budgeted at £375k in line with previous years allocations. In June 2023 confirmation on the arrangements for 2023-24 LEP Core Funding was received at £250k. When setting the 2023/24 LEP Revenue budget, (January 2023), 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 2023/24, further consideration will need to be given to reviewing the level of the authority contribution in future years.

LEP Capital Forecast

10. **Appendix 2** details the LEP Capital Forecast for the 2023/24 financial year based on actual information to the end of January 2024.

Accountable Body Functions

The Economic Development Fund (EDF)

11. 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.

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. Does not reflect change requests in appendix 4. Revised version will be available in the next reporting cycle.

The Revolving Infrastructure Fund (RIF)

12. 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.

Figure 5: 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 |

Change Requests

13. 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 change to the Temple Island Enabling Infrastructure schemes in the Economic Development Fund programme which falls outside of these tolerances and requires a committee decision is set out in **Appendix 3**. No changes requests for schemes in the Local Growth Fund, Getting Building Fund or Revolving Infrastructure Fund programmes have been submitted this reporting cycle.

Alternative Options ConsideredThe LEP forecast 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 forecasts and budgets.

Consultation and Engagement

14. Consultation has been carried out with the Chief Executives, and the West of England Section 151 UA Officers. The change request set out in Appendix 3 was considered at the 27th February 2024 meeting of the Portfolio Review Board, involving the Combined and Unitary Authority Directors and S73/S151 officers, and was recommended to Committee by the Board for approval.

Key Risks

15. 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. In addition, this links to the ongoing reducing general reserves position as indicated in the Reserves section in this report.
16. 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 do not use their allocations as originally profiled.

Equality, Diversity and Inclusion Implications

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

Climate Change Implications

18. 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 carbon reduction and nature recovery considerations.

Finance Implications

19. 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.
20. 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 2023 through the budget setting process.

Legal Implications

21. This report represents the revenue and capital forecast to the West of England Joint Committee for the financial year 2023/24 based on data from the period April 2023 to January 2024. 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.
22. The West of England Mayoral Combined Authority acts as the Accountable Body for a range of funding streams on behalf of the West of England Councils and LEP. The Mayoral Combined Authority Financial Regulations require that it regularly reports on the financial monitoring position of these funds.

Human Resources Implications

23. Fixed term contracts are applied where staff are appointed against specific LEP grant funding streams that are time limited in nature.
24. 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

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

Commercial Implications

26. This paper relates to Grant funding, there are no direct Commercial implications arising as a result of this report.

Appendices

- Appendix 1 Local Enterprise Partnership Revenue Forecast 2023/24
- Appendix 2 Local Enterprise Partnership Capital Forecast 2023/24
- Appendix 3 Economic Development Fund – Change Requests
- Glossary of Terms

Background papers:

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

LEP Budget Setting Report 2024/25 – Joint Committee 26 January 2024

LEP Budget Monitoring Reports and Change Requests to Joint Committee throughout 2023 and 2024

West of England Mayoral Combined Authority Contact:

Report Author: Selonge Russell
Contact Details: Selonge.Russell@westofengland-ca.gov.uk

Report Author: Pete Davis
Contact Details: Pete.Davis@westofengland-ca.gov.uk

Appendix 1 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 |
| <u>Project Spend</u> | | | |
| 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 |
| <u>Income</u> | | | |
| UA Contribution | 440 | 440 | 0 |
| Other Government Grants (D) | 6,792 | 12,729 | 5,937 |
| RIF Admin Grant | 112 | 112 | 0 |
| DLUHC Core and Capacity Grant (E) | 375 | 250 | (125) |
| Interest (F) | 0 | 100 | 100 |
| Reserve (G) | 160 | 229 | 69 |
| Total Income | 7,879 | 13,860 | 5,981 |
| Surplus / (Deficit) | 0 | 0 | 0 |

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 2 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 3 of the report for Breakdown.

Appendix 2 Local Enterprise Partnership Capital Forecast 2023/24

| | 2023/24 Forecast £'000s |
|-----------------------------|--|
| Low Carbon Challenge - ERDF | 438 |
| Net Zero Hub | 14,043 |
| MetroWest | 15,385 |
| Total Expenditure | 29,866 |
| Funded by: | |
| Low Carbon Challenge - ERDF | 438 |
| Net Zero Hub | 14,043 |
| MetroWest | 15,385 |
| Total Grants | 29,866 |
| Surplus / (Deficit) | 0 |

Appendix 3 Economic Development Fund – Change Requests

| | |
|--|---|
| Project | Temple Island Enabling Works |
| Funding awarded | £32m |
| Source: | Economic Development Fund |
| Cost/ Spend: | No change to overall funding Reprofiling funding across all financial years. Revised profile: £942k 20/21, £1.592m 21/22, £2.113m 22/23, £6.719m 23/24, £19.98m 24/25, £654k 25/26, total £32m Movement between cost categories. |
| Milestones | 1-6 months delay across various milestones including 6 months delay to overall programme completion (to Oct 25). |
| Stated reason for change: Updates to the project scope have resulted in spend being moved from risk/contingency and reprofiled across financial years. Inclusion of a new Common Infrastructure Works workstream, which encompasses the section of road and utilities south of Brock's bridge up to the University of Bristol site entrance. This will also extend the programme by 6 months. | |

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 |