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## Introduction

Welcome to the Heart of the South West LEP's Annual Financial Statement for April 2020 – March 2021.

The Heart of the South West (HotSW) LEP is a strong and dynamic business-led partnership between the private sector, local authorities, universities and colleges. The LEP seeks to lead and influence economic growth, job creation and prosperity across the Heart of the South West area covering Devon, Plymouth, Somerset and Torbay.

Our vision is for a dynamic, highly prosperous region with high living standards and an outstanding quality of life and our mission is focused on raising productivity and ensuring prosperity for all. The LEP does this through;

- influencing Government policy and decision-making to create the conditions for economic growth in Heart of the SW, including for example, investment in the strategic transport routes connecting the area to the UK and internationally
- managing an investment portfolio of £297m of Government funds and working with Government to shape the investment of a further £122m of European Structural & Investment Funds in the area. Total investment across these programmes including match funding is over £820m.

The LEP does this through close working with a broad partnership across business, local authorities, universities, colleges and the National Parks. This support and contribution is highly valued.

More details of the LEP's investments, policies and governance can be found at <https://heartofswlep.co.uk/> and the LEP will set out more detail around achievements and challenges at its conference and Annual General Meeting, date will be published on the LEP website when confirmed.

## 2020/21 LEP Activities summary

The following tables summarises the movement in year of the various funding streams and activity. Each of these funds are further explained in more detail throughout the report.

LEP activities 2020/21					
	Operational activity and reserves	Growth Deal Funding	Getting Building Fund	Growing Places fund	HotSW Capacity Project
	£m	£m	£m	£m	£m
Fund opening balance	2.142	13.024	0	22.433	0.486
Income	2.531	38.459	17.700	0.055	2.745
Expenditure	-1.646	-51.483	-4.205	-0.006	-3.007
in year draw from reserves	-0.938	0	0	0	0
<b>Fund carry forward</b>	<b>2.089</b>	<b>0</b>	<b>13.495</b>	<b>22.482</b>	<b>0.224</b>
Of which funds lent out due for future repayment	0.120	0	0	-17.138	0
Funds/cash currently available to support the work of the LEP	2.089	0	0	6.713	0

- The operational fund comprises in year operational revenue activity, as detailed on page 4. There is uses of reserves from funds built up over time or through funding exchanges made up of underspends or management overheads (top slice) from Growth Deal and Getting Build Fund project funds. The building of a reserve was a purposeful strategy to support the operational activity of the HOTSWS LEP as government grant reduces, this is reflected in the forward budget assumption on page 12.
- Both Growth Deal and Getting Building Funds are capital grant funds that are allocated to specific projects. All funds are to be spent by 31/03/2021 and 31/03/2022 respectively. Funds are allocated and contracted with any timing differences being managed through the use of, Government allowed, Freedoms and Flexibilities. Project specific allocations are detailed on pages 6-8.
- The Growing Places fund is the HOTSWS LEPs revolving loan fund. The majority of the fund is currently allocated with all loan repayments expected back by Mark 2032. A summary of activity and balances is reported on page 9.
- Capacity projects are in part funded from the LEP's core operational budget. Details of total project income and costs for live projects can be found on page 10.

## 2020/21 Core Operations Financial Report

The following table shows the income and expenditure for the year on the core operational budget held by the HotSW LEP.

<b>HOTSW LEP Core Operational budget</b>					
	<b>2019/20</b>		<b>2020/21</b>		<b>Notes</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	
<b><u>Income</u></b>					
Grant from Government	0.700		0.588		1
Local area match funding	0.150		0.150		2
Additional local area contributions	0.661		1.148		3
Cashflow interest	0.358		0.176		4
Draw from reserves	-		0.469		
		1.869		2.531	
<b><u>Expenditure</u></b>					
Salaries & Expenses	0.469		0.504		
Admin & office costs	0.171		0.088		
Service level agreements	0.671		0.738		5
Governance	0.014		0.020		
Enabling fund	0.150		0.064		6
LEP review	0.119		-		
Operational delivery	0.307		0.232		
		1.901		1.646	
<b>Surplus of (Deficit) for the year</b>	<b>-</b>	<b>0.032</b>		<b>0.885</b>	

### Notes to the accounts

- 1) The core revenue grant received was £500,000 with no additional capacity funding received in 2020/21. The additional £87,500 relates to revenue to support the operational capacity in delivering the Getting Building Fund.
- 2) As part of the grant offer from central government, there is a requirement to receive cash contributions from the local authorities within the LEP boundary, this is known as match funding.
- 3) The £1,148,000, relates to additional revenue contributions from Somerset County Council to go towards the running costs of the LEP. This is in response to the LEP supporting their capital programme from the Growth Deal and Getting Building Fund as part of funding exchanges.
- 4) Interest earned on Growth Deal and Getting Building Fund project funds held by the LEP. A downturn in market rates and reduced amount of surplus project funds held led to a reduction in interest earned

- 5) The Local Authority Service Level Agreements deliver back office and project support.
- 6) Enabling fund – a repayable fund used in 2019/20 and 2021/22 to accelerate delivery of the Enterprise Zones. Repayments are due to start during 2021/22.

The following table details the movement in the core operational reserve. Between financial years. This reserve is held to fund the future running costs of the LEP (as detailed in the forward budget scenarios on page 8).

<b>HOTSW LEP operational reserve</b>		
	<b>2019/20</b>	<b>2020/21</b>
	<b>£m</b>	<b>£m</b>
<b>General reserves</b>		
as at 1st April	1.818	1.629
in year draw from reserve	0.000	(0.750)
Transfer between reserves	0.019	0.033
Surplus/Deficit for the yr	(0.208)	0.785
<b>As at 31st March</b>	<b>1.629</b>	<b>1.697</b>
<b>Earmarked reserves</b>		
as at 1st April	0.519	0.513
in year draw from reserve	(0.163)	(0.188)
Transfer between reserves	(0.019)	(0.033)
Surplus/Deficit for the yr	0.176	0.100
<b>As at 31st March</b>	<b>0.513</b>	<b>0.392</b>
<b>Total reserve as at 31st March</b>	<b>2.142</b>	<b>2.089</b>

## 2020/21 Capital and Project Detail

### A. Growth Deal

This statement shows the movement in the year on the Growth Deal funding held by the HotSW LEP. The following tables show only the LEP investment in projects, not the total cost which will include match funding. More details on individual projects are available at <https://heartofswlep.co.uk/projects/>

<b>HOTSW LEP Growth Deal budget</b>						
	<b>2015-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b><u>Income</u></b>						
Grant from Gov't	100.11	36.132	9.986	13.146	38.459	<b>197.833</b>
<b><u>Expenditure</u></b>						
LGF	50.924	29.041	26.425	39.960	51.483	<b>197.833</b>
<b>Surplus of (Deficit) for the year</b>	<b>49.186</b>	<b>7.091</b>	<b>-16.439</b>	<b>-26.814</b>	<b>-13.024</b>	<b>0.000</b>

The total amount of the Growth Deal grant has been spent by 31<sup>st</sup> March 2021 in line with the grant conditions. Within the total above, £21.8m is being managed through Freedoms and Flexibilities with Somerset County Council as accountable body. This allows agreed projects (namely: Digital & Broadband, Taunton Toneyway and Somerset Flooding) to spend into 2021/22 and 2022/23. Outputs on all projects will continue to be monitored by the Strategic Investment Panel.

<b>HOTSW LEP Growth Deal budget</b>		<b>2015-17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
		<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Expenditure</b>						
GD01	Yeovil Western Corridor capacity upgrade	0.471	1.619	3.863	0.000	-0.280
GD02	Torbay Western Corridor	2.496	4.018	1.735	0.000	0.750
GD03	Bridge Road, Exeter	5.300	0.000	0.000	0.000	0.000
GD04	Derriford Transport Scheme	3.329	6.830	0.079	0.000	0.000
GD05	A382 widening, Newton Abbot	0.503	1.438	0.894	2.367	1.497
GD06	Torquay Gateway	0.941	0.068	0.014	0.000	0.797
GD07	Huntworth Roundabout Bridgwater	1.910	0.000	0.000	0.000	0.000
GD08	A361 Portmore to Landkey Stage 1	0.332	0.428	-0.003	0.000	0.000
GD09	Derriford Hospital Interchange	1.400	0.000	-0.079	0.000	0.000
GD10	Taunton Rail Station Enhancements	0.049	0.000	0.000	2.135	2.415
GD11	Torquay town centre access	0.224	0.000	0.068	0.000	0.000
GD12	Roundswell Phase 2, Barnstaple	0.293	1.344	-0.005	0.000	0.000
GD13	A38 Deep Lane junction, Sherford	2.000	-0.016	-0.073	0.000	0.000
GD14	A379 Newcourt junction, Exeter	0.886	-0.061	-0.007	0.000	0.000
GD15	A39 Heywood Road junction, Bideford	0.000	0.000	0.000	0.070	0.000
GD16	Marsh Barton, Exeter, New Railway Station	2.294	0.741	0.024	0.184	1.161
GD18	Plymouth Northern Corridor traffic signals	1.050	0.020	0.970	0.059	0.000
GD19	Plymouth Eastern Corridor cycle network	0.393	0.701	0.800	0.424	1.100
GD20	Plymouth Charles Cross and Exeter Road	0.000	0.000	1.082	1.017	0.000
GD21	Bridgwater College Hinkley Skills Capital	5.146	0.000	0.000	0.000	0.000
GD22	Plymouth College Stem Centre (city college)	5.430	0.000	0.000	0.000	0.000
GD23A	HPTA - Bicton	0.300	0.000	0.000	0.000	0.000
GD23B	HPTA - South Devon	0.211	0.000	0.000	0.000	0.000
GD23C	HPTA - Petroc	0.291	0.000	0.000	0.000	0.000
GD23D	HPTA - Exeter College	0.961	1.039	0.000	0.000	0.000
GD23E	HPTA - National College for Nuclear	0.000	2.102	0.855	0.040	0.000
GD23F	HPTA - Yeovil College	0.384	0.252	0.000	0.000	0.000
GD24A	Somerset Energy Innovation Centre Pt 1 (1b)	1.343	0.000	0.000	0.000	0.000
GD24B	Somerset Energy Innovation Centre Phase 3	0.000	2.239	2.865	0.000	0.000
GD25	Exeter Science Park Environmental Futures Campus	2.498	0.000	0.000	0.000	0.000
GD26	Somerset College Centre for Engineering	0.596	0.000	0.000	0.000	0.000
GD27	Plymouth Science Park Phase 5	3.000	0.000	0.000	0.000	0.000
GD29	Somerset Flooding	5.423	1.056	1.687	1.337	2.403
GD31	Broadband	0.000	0.686	0.000	0.692	0.680
GD32	Electronics and Photonics Innovation Centre	0.000	0.000	0.000	3.000	0.000
GD33	Oceansgate/South Yard Phase 1	1.470	0.000	0.000	0.000	0.000
GD34A	UGF - YIC2	0.000	0.289	0.152	0.000	0.000
GD34B	UGF - Highbridge	0.000	0.233	0.000	0.000	0.000
GD34C	UGF - Wiveliscombe	0.000	0.045	0.007	0.446	0.000
GD34D	UGF - Devonport	0.000	0.000	0.130	0.358	0.000
GD34E	UGF - Claylands	0.000	0.000	0.000	1.213	0.827
GD34F	UGF - Caddisdown	0.000	0.000	0.000	0.179	0.000
GD34G	UGF - Wells	0.000	0.000	0.132	0.624	0.000
GD34H	UGF - Pathfields	0.000	0.000	0.075	0.147	0.000
GD36	Exeter Science Park Open innovation Building Envi	0.000	0.000	0.000	0.734	4.951
GD37	Exeter Science Park - SPC Phase 2	0.000	1.851	2.647	0.000	0.000
GD38	J25 M5 at Henlade	0.000	0.730	0.000	4.728	6.728
GD40	Tiverton Eastern Urban Extension	0.000	0.356	0.838	0.000	0.000
GD41	Somerset Innovation Centre (Phase 3)	0.000	0.000	0.000	0.000	2.502
GD42A	Boosting Mobile Connectivity	0.000	0.000	0.000	0.000	0.000
GD42B	Further Education Digital Accelerator Programme	0.000	0.000	0.000	0.000	0.690
GD42C	5G Smart Sound, Plymouth	0.000	0.000	0.000	0.000	0.897
GD43	Youth Construction Skills Project	0.000	0.574	0.000	0.000	0.000
GD44	South Devon College Hi Tech Centre	0.000	0.459	7.675	0.000	0.000
GD45	iAero (South) Centre	0.000	0.000	0.000	2.009	1.824
GD47	Houghton Barton Package	0.000	0.000	0.000	0.000	2.670
GD48	Taunton Toneyway Corridor Capacity Improvement	0.000	0.000	0.000	0.404	0.956
GD49	Huntspill Energy Park	0.000	0.000	0.000	3.940	0.000
GD50	Plymouth Central Railway Station	0.000	0.000	0.000	1.212	3.758
GD51	North Devon Innovation Centre Roundswell	0.000	0.000	0.000	0.522	1.628

## **B. Getting Building Fund**

Getting Building Fund was a new grant issued by Government in September 2021, with the HOTSW LEP allocation being £35.4m. The grant condition attached to the fund requires the entire amount to be spent by 31<sup>st</sup> March 2022. This statement shows the amount spent in the year. The following tables show only the LEP investment in projects, not the total cost which will include match funding.

<b>HOTSW LEP Getting Building budget</b>		<b>2020/21</b>
		<b>£m</b>
<b>Expenditure</b>		
GB01	Torquay Gateway	0.000
GB02	Concourse Phase 2, Brunel Plaza	0.093
GB03	Firepool Junction	0.080
GB04	Ilfracombe Watersports Centre	0.000
GB05	Burrows Centre	0.000
GB06	Exeter Bus Station	0.800
GB07	Enhancement of Future Skills Centre at Exeter Airport	0.481
GB08	Taunton Digital Innovation Centre (TDIC)	0.000
GB09	Welding Centres of Excellence	0.000
GB10	Exeter Science Park Grow-out Building	1.260
GB11	ZEBCat 2	0.000
GB13	Smarter Carbon	0.074
GB14	Green Homes	0.467
GB15	EPIC	0.037
GB16	iAero	0.000
GB17	Torbay Business Centre	0.000
GB18	Devon Work Hubs	0.350
GB19	Bruton	0.271
GB20	Plymouth's Business Parks	0.085
GB21	Centre for Clean Mobility	0.185
GB22	Health Tech Incubation Hub	0.000
GB23	Smart Biosphere	0.022
GB24	Plymouth Sound National Marine Park	0.000
GB25	Unlocking East Quay Watchet	0.000
		<b>4.205</b>



### C. Growing Places Fund

The Growing Places Fund is now held by Somerset County Council, transferred from Devon County Council during 2020/21. This delivers against a priority from the 2018 LEP Review that LEPs should have a single accountable body. The purpose of the fund, held as a loans pool, is to create a sustainable revolving infrastructure fund for investment to unlock further economic development and leverage private investment.

The movement in the cash in the bank held for the Growing Places Fund in the year is as follows;

<b>2020/21</b>	<b>Capital £m</b>	<b>Revenue £m</b>	<b>Total loan fund £m</b>	<b>Admin fund £m</b>
<b>Opening balance</b> 1st April	<b>4.197</b>	<b>1.390</b>	<b>5.587</b>	<b>1.084</b>
In year transactions:				
Principal paid	(0.055)		(0.055)	
Principal received	0.006	-	0.006	
interest received	-	-	-	0.091
<b>Closing balance</b> 31st March	<b>4.148</b>	<b>1.390</b>	<b>5.538</b>	<b>1.175</b>

The total Growing Places Fund balance considering the commitments and expected repayment profile is shown in the table below. The cash held is managed against the loan profiles which allows for reinvestment, the lowest point of cash held is £0.802m in 2022/23 with a large repayment expected in 2023/24 taking the balance back to £7.131m in that year.

<b>Growing Places Fund - total balance</b>	<b>£m</b>
Debtors - project fund loans	15.770
Cash in the bank - project fund	5.538
Cash in the bank - admin fund	1.174
<b>Fund balance at 31st March 2021</b>	<b>22.482</b>
Future commitments:	
Principal payment	(1.000)
Principal repayment	1.000
Grant payment	(4.170)
Admin - underwriting	(1.174)
<b>Estimated fund at 31st March 2032</b>	<b>17.138</b>

The admin revenue fund of £1.174m is 100% allocated against underwriting and contribution commitments.

## D. HotSW Capacity Projects

Capacity projects are in part funded from the LEP's core operational budget; this statement shows the totals of those capacity projects' budgets to date. Remaining funds will be invested in subsequent years.

<b>HOTSW LEP capacity projects budgets</b>	<b>Income</b>	<b>Expenditure</b>	<b>Surplus</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b><u>Project</u></b>			
Enterprise Zone – EED	35,000	35,000	<b>0</b>
Enterprise Zone – Gravity	65,000	51,169	<b>13,831</b>
Enterprise Zone – Oceansgate	29,500	29,500	<b>0</b>
GSW and Rural Productivity Commission	120,065	120,065	<b>0</b>
Transport Excellence Grant	85,500	65,135	<b>20,365</b>
Energy Strategy	100,000	100,000	<b>0</b>
Nuclear South West	2,150,582	2,233,091	<b>-82,509</b>
Nuclear Skills Service	155,494	136,901	<b>18,593</b>
Inward Investment	497,829	385,420	<b>112,409</b>
South Coast Marine Cluster	274,973	230,983	<b>43,990</b>
Technical Assistance for ESIF	82,066	40,150	<b>41,916</b>
Growth Hub	3,918,563	3,863,622	<b>54,941</b>
Digital Skills Partnership Catalyst	562,500	562,500	<b>0</b>
Careers and Enterprise	1,915,353	1,915,353	<b>0</b>
Skills Analysis Panels	196,000	196,000	<b>0</b>

## E. European Structural and Investment Funds

The LEP, along with other local partners, advises Government on investment of £122m of European Structural and Investment Funds. Investment decisions and project management are conducted by the Government departments responsible for each of the three funds. Monies are to be spent by end December 2023. Government has previously confirmed through the EU exit process that projects contracted under these Funds will be underwritten by HM Treasury, meaning the European funding amount is protected. A summary of the position in the LEP area is shown below

### European Regional Development Fund

As part of managing allocations across LEP areas and responding to the pandemic, in 2020/21 Government absorbed remaining ERDF monies after the 2019/20 calls into national programmes; so far these have been deployed through a £108m Reopening

High Streets/ Welcome Back Fund, a £10m Kick Start Tourism fund and a £20m Rapid Recovery Fund, the latter two payable to SMEs through Growth Hubs. Heart of the South West businesses received £747,000 from the Kick Start and Rapid Recovery funds though stressed to Government that this allocation did not adequately reflect the size of the tourism and hospitality sector with the award being heavily over-subscribed.

### European Social Fund

The LEP area's ESF monies are now largely committed with one project in the final stages of contracting. Remaining headroom across LEP areas has been allocated to a national reserve fund which Government have confirmed will be allocated through extensions to existing opt-in or direct bid projects; existing projects with at least 6 months of operation which meet spend and output delivery thresholds could apply for up to 50% of their original ESF allocation by 7 May. The contract dates of the LEP area's direct bid projects mean they do not yet meet the 6 months criteria though further opportunities to extend could be available in 2021/22. The LEP did successfully secure additional funding for the Big Lottery and ESFA opt-in projects in the area which account for 62% of ESF projects.

### European Agricultural Fund for Rural Development

The Growth programme closed to Full Application submissions on 31 October 2020. Against the notional £15.5m allocation for the area, there were 118 projects worth £19.9m EAFRD either live, completed or being appraised with decisions on the appraised projects expected by June. As with other European programmes, the allocation to each LEP area is notional and the Managing Authority ensures total programme commitment is within the available funds, in this case by using headroom elsewhere in the country.

	<b>European Regional Development Fund</b>	<b>European Social Fund</b>	<b>European Agricultural Fund for Rural Development</b>
Total HotSW notional allocation <sup>1</sup>	£62,097,723	£44,381,182	£15,540,333
Contracted	£52,657,889 (85%)	£41,602,030 (94%)	£15,434,507 (99%)
Projects at assessment, appraisal or contracting stage	£3,289,401	£491,895	£4,545,996
Total contracted + assessment/ appraisal/ contracting	£55,947,290 (90%)	£42,093,925 (95%)	£19,980,503 (129%)

<sup>1</sup> ESIF monies are allocated in Euros so the £Sterling equivalent can alter with exchange rate changes

## Future Funding

The HOTSW LEP has set out a two year forward budget. Given that Government funding is confirmed only until March 2022 and awaiting news on what the Government's review of LEPs means no assumption has been made for future funding into 2022/23. The 2022/23 deficit position equates to 8 months of operations; plans will be made later in 2021 to manage available funds to ensure strategic goals are delivered and that activity fits within available funding.

HOTSW LEP Core Operational budget	2020/21 Original budget		2021/22		2022/23	
	£m	£m	£m	£m	£m	£m
<b>Expenditure</b>						
<u>For operations</u>						
Salaries & Expenses	0.504		0.568		0.568	
Admin & office costs	0.109		0.094		0.094	
Provision for revenue exchange	0.072		0.017		0.000	
Enabling Fund	0.150		0.120		0.000	
		0.835		0.799		0.662
<u>For delivery</u>						
Thought Leadership	0.053		0.053		0.053	
Opportunities Delivery	0.195		0.177		0.177	
Inward investment delivery	0.017		0.017		0.017	
Business, People & Place delivery - capacity	0.764		0.824		0.809	
Transparency & governance	0.038		0.028		0.028	
		1.067		1.099		1.084
<b>Total planned expenditure</b>		<b>1.902</b>		<b>1.898</b>		<b>1.746</b>
<b>Funding</b>						
<b>Funding - assuming 1x core funding from Govt and giving LEP 2 year forward funding</b>						
Operating core grant	0.500		0.500		0.000	
Area annual contributions	0.165		0.150		0.150	
Enabling fund repayment	0.200		0.060		0.060	
		0.865		0.710		0.210
Additional area contributions	0.769		0.000		0.000	
Use of reserves	0.268		1.188		0.901	
		1.037		1.188		0.901
<b>Funding surplus / (shortfall)</b>		<b>0.000</b>		<b>0.000</b>		<b>(0.635)</b>