

AGENDA ITEM 4

Report to Accountability Board	Forward Plan reference number: N/A
Date of Accountability Board Meeting: 12 th February 2016	
Date of report: 27 th January 2016	
Title of report: Finance Update including Funding for 2016/17	
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1. Purpose of report

- 1.1. The purpose of this paper is to update the Accountability Board on:
- the latest 2015/16 forecast outturn position for the Partnership;
 - the 2016/17 funding position for both the Secretariat and the Local Growth Programme, and
 - continuing financial support by the Local Authority partners.

2. Recommendations

- 2.1. Accountability Board is asked to:
- Confirm Local Authority partner contributions for 2016/17 at the same level as 2015/16 (see Table 2);
 - Note the work continuing on the budget for the next financial year in light of the announcements from Government on funding for administration costs;
 - Note the letter from Government on indicative funding levels for the Local Growth Programme; and
 - Note the current 2015/16 financial position for the Secretariat.

3. Background

- 3.1. For the last three years, the revenue operating costs of the South East LEP have been funded as follows:

Table 1

	£
Contributions from Local Partners	200,000
Government Grant – Core Funding (match required)	250,000
Government Grant – Strategy Funding (no match)	250,000
Total	700,000

- 3.2. National Governmental support for LEPs was due to fall out from 31 March 2016. Following the Autumn Statement it has now been confirmed that the £250,000 Core Grant will be continued into 2016/17 and the Secretariat will co-ordinate the submission of the formal application for the Grant by 1st March 2016 as required.

- 3.3. The Core Funding does require match from local SELEP funds. In previous years the £250,000 has been matched by a total £200,000 contribution from Local Authorities (each of the six county/unitary authorities) and £50,000 non-cash match in business Board member time spent supporting work streams (Board member time spent on Board activity is not applicable). In order to complete the grant application it is necessary for the Board members to confirm that they will continue to make contributions at the same rate as previous years for 2016/17 (details below in Table 2).

Table 2

Partner	£
East Sussex County Council	26,180
Essex County Council	71,760
Kent County Council	72,500
Medway Council	13,040
Southend-on-Sea Borough Council	8,400
Thurrock Council	8,120
Total	200,000

Accountability Board Members are asked to confirm that their respective Local Authority will be making the same contribution again in 2016/17.

- 3.4. There has been no formal confirmation of any Strategy Funding being available in 2016/17. However, there have been indications that further funding will be announced later in February or in early March.
- 3.5. Given the ongoing uncertainty of funding the Accountable Body is working with the Secretariat to build an operating budget for next year that fits with a number of different funding scenarios and reflects the options to be set out in the business plan for the year. This will be presented to Strategic Board in March. The final budget will be presented for consideration by the Accountability Board at its April meeting.
- 3.6. The Accountable Body will support the SE LEP in lobbying Government for more information on potential funding streams and make clear the additional revenue costs incurred in running the £0.5bn LGF Programme in comparison to the much smaller programmes run elsewhere.
- 3.7. In December 2015 a letter (Appendix 1) was received by the Accountable Body confirming the indicative profiling of the Local Growth Capital Grant for future years. This profile was a confirmation following the Autumn Statement and the Annual Conversation of previously announced figures and these figures are currently being used for LGF planning purposes. The profile is as follows:

Table 3

2016/17	2017/18	2018/19	2019/20	2020/21
£82,270,227	£68,175,467	£72,365,037	£45,002,319	£28,422,319

- 3.8. The Accountability Board is asked to note that this profile is still badged as indicative. The Accountable Body is expecting to receive final confirmation of the value of grant for 2016/17 by the end of February and will continue to push for a multi-year grant agreement. Further information on the process for defining the capital programme for next year can be found in the Capital Programme Monitoring Report.
- 3.9. Accountability Board is asked to note the latest 2015/16 forecast position for the Secretariat Operating budgets which can be seen below.

Table 3

Third Quarter Forecast - £000's		£000's		
		Forecast	Budget	Variance
Income				
Grants	(550)	(600)	50	
Other Local Authority contributions	(200)	(200)	-	
External interest received	(200)	-	(200)	
Total income	(950)	(800)	(150)	
Expenditure				
Staffing	454	578	(124)	
Recharges from Accountable Body	129	134	(5)	
Office costs and events	112	63	49	
Consultancy	363	270	93	
Local area support	100	100	-	
Total expenditure	1,158	1,145	13	
Net expenditure	208	345	(137)	
Contribution from reserves	(208)	(345)	137	
Net position	-	-	-	

- 3.10. Since the half year position was declared to the Board, the forecast spend has increased by a minimal amount (£58K). The revised spend includes the increased support for the Lower Thames Crossing consultation work. However, the spend is still expected to be less than originally budgeted and there is a risk that this under spend will increase as the assumptions on staff recruitment have not been matched. Any under spend will be transferred to SELEP reserve and will be available for utilisation in future years.

SELEP General Reserve	
	£000
Opening balance	(444)
Forecast withdrawal from reserves	208
Forecast closing balance	(236)

4. Financial Implications

- 4.1. The ongoing uncertainty in funding is impacting budget and business planning for next and future years. There is a risk there will be delays to the work programme in the early part of financial year 2016/17 whilst SE LEP has to finalise or adjust its budget dependent on announcements from Government.
- 4.2. In previous years considerable interest receipts have been earned on the Growing Places Fund (GPF) balances held for drawdowns that haven't yet fallen due and projects that haven't completed. It is possible that this income stream will be required to meet the costs of a SEFUND Fund Manager in future and won't be available to support the general operating costs of the Secretariat; this will impact on the resources available to support individual projects on-going.
- 4.3. It should be noted that in other LEPs the interest earned on LGF balances is used to support the revenue costs of the programme, including the costs of the Independent Technical Evaluation (ITE) and programme management. However, as the SELEP LGF funds are transferred to partners as soon as Accountability Board approval has been made rather than on commencement of the project, the SELEP does not have this revenue stream to utilise.
- 4.4. Whilst it is prudent to hold a sufficient reserve to cover unexpected and exceptional costs, the reserve as it stands (£443,500) is at the top level of what would be considered necessary. In planning for next year's budget, the projected level of reserve should be considered and funds utilised where appropriate. The uncertainty of future funding streams should also form part of the analysis of what should be held. The Accountable Body will work with the Secretariat and will provide detail on the assessment of reserves as part of the April Finance Report.

5. Legal Implications

- 5.1. None at present.

6. Staffing and other resource implications

- 6.1. None

7. Equality and Diversity implications

- 7.1. None

8. List of Appendices

- 8.1. None

(available at www.essex.gov.uk if not circulated with this report)

9. List of Background Papers

9.1. None

(Any request for any background papers listed here should be made to the person named at the front of the report who will be able to help with any enquiries)

Role	Date
Accountable Body sign off	
Lorna Norris	3 February 2016
On behalf of Margaret Lee	