

**AGENDA ITEM 3**

<b>Report to Accountability Board</b>	<b>Forward Plan reference number:</b> N/A
<b>Date of Accountability Board Meeting:</b>	<b>10<sup>th</sup> June 2016</b>
<b>Date of report:</b>	<b>24<sup>th</sup> May 2016</b>
<b>Title of report:</b>	<b>2015/16 – Provisional Finance Outturn Report</b>
<b>Report by:</b>	<b>Suzanne Bennett</b>
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**1. Purpose of report**

- 1.1 The purpose of this paper is to present to the Accountability Board the provisional financial outturn position for the South East Local Enterprise Partnership for financial year 2015/16.

**2. Recommendations**

- 2.1 Board is asked to:
- Note the provisional outturn for 2015/16 as at Tables 1,2 and 3;
  - Note the grant position as at 31<sup>st</sup> March 2016; and
  - Note the proposed approach to the reserves.

**3. Background**

- 3.1 This report presents the provisional financial outturn position for financial year 2015/16. Statements of Accounts have been created by the Accountable Body and these will be submitted to external audit scrutiny. Following the audit there may be changes to the position required by the auditors. Following external audit sign-off, the full accounts will be submitted to Strategic Board.

3.2 **Table 1** shows the provisional outturn position for the South East LEP as a whole. Also included is the previous financial year (2014/15) as a comparator.

<b>Total South East LEP - Income and Expenditure</b>		
<b>2014/15</b>	<b>2015/16</b>	
<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Income</b>		
(995) Revenue grants	(2,166)	
(196) Other Local Authority contributions	(200)	
(181) External interest received	(216)	
<b>(1,372) Total income</b>		<b>(2,582)</b>
<b>Expenditure</b>		
427 Staffing (including recharges from Accountable Body)	624	
59 Office costs and events	184	
283 Consultancy	305	
- Local Area Support	100	
397 Grants awarded	1,562	
<b>1,166</b>		<b>2,775</b>
<b>(206) (Surplus)/Deficit</b>		<b>193</b>

3.3 The total accounts are made up of the following elements:

- The Secretariat budget, which contains all the day-to-day costs of the Secretariat;
- The Growing Places Fund revenue budget, which consists of the administration costs of the GPF and any revenue grants awarded; and
- Various grant accounts where Essex County Council either acts as Accountable Body for revenue grants awarded directly to the LEP or as a conduit for grants to be awarded on to partners. Detailed tables of the grant accounts can be found at Annex A.

3.4 Both income and expenditure have increased significantly this year. This is mainly due to an increased number of revenue grants awarded by Central Government to support Local Growth Deal delivery across the South East. There has also been a slight pick-up in the amount of external interest earned despite the ongoing low interest rates offered by the market. This is due to an increase in cash balances as a result of both the increased revenue and capital grants. However, the bulk of the £70.9 million capital grants awarded for the Local Growth Fund were reallocated to partners on projects receiving approval from Accountability Board and therefore interest that could be earned on those balances was limited.

3.5 The deficit of £193,000 this year was £152,000 lower than the planned deficit of £345,000. The accounts were planned to run at a deficit so as to utilise some of the £444,000 of reserves that were held at March 2015. Part of the increased spend was

to provide financial assistance to federal areas as the Partnership put into place arrangements to ensure the delivery of the Local Growth Deal.

3.6 **Table 2** shows the detail for the Secretariat budget for the year.

<b>Secretariat Budget 2015/16</b>			
	<b>Actual £000</b>	<b>Budget £000</b>	<b>Variance £000</b>
<b>Income</b>			
Revenue grants	(500)	(500)	-
Other Local Authority contributions	(200)	(200)	-
External interest received	(153)	-	(153)
<b>Total income</b>	<b>(853)</b>	<b>(700)</b>	<b>(153)</b>
<b>Expenditure</b>			
Staffing (including recharges from Accountable Body)	574	662	(88)
Office costs and events	67	63	4
Consultancy	305	220	85
Local Area Support	100	100	-
Grants awarded	-	-	-
<b>Total expenditure</b>	<b>1,046</b>	<b>1,045</b>	<b>1</b>
<b>Net expenditure</b>	<b>193</b>	<b>345</b>	<b>(152)</b>
<b>Contribution from reserves</b>	<b>-193</b>	<b>-345</b>	<b>152</b>
<b>Net position</b>	<b>-</b>	<b>-</b>	<b>-</b>

- 3.7 The expenditure incurred in year is in line with budgeted expectations. The increase in income is due to the external interest receipt. It was originally assumed that LGF monies would be passported to Federal Boards and that Growing Place Fund (GPF) monies would transfer to SEFUND early in the financial year and therefore there would be insufficient cash balances to accrue any significant amount of external interest. However, delays in projects coming forward for ITE and Accountability Board approval for LGF project funding and the uncertainties around the suitability of the SEFUND model have meant cash balances have been higher than assumed.
- 3.8 There has been underspend on staffing due to delays in filling vacancies. The Strategic Board Chair, Business Engagement Manager and Capital Programme Manager posts were all vacant for significant periods of the year. Consultancy costs increased due to measures put into place to cover these vacancies such as employing SDG to act as Capital Programme Manager for part of the year and the provision of more support on marketing and PR to cover the Business Engagement Manager.
- 3.9 The deficit of £193,000 has been funded through a withdrawal from reserves. The SELEP useable reserve value at 31<sup>st</sup> March 2016 is £251,000. More information on reserves can be found at paragraph 3.18.

3.10 **Table 3** shows the detail for the Growing Places Revenue budget for the year.

<b>Growing Places Revenue Budget</b>			
<b>2014/15</b>	<b>2015/16</b>		
	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Income</b>			
Revenue grants	(368)	(100)	(268)
Other Local Authority contributions	-	-	-
External interest received	(63)	-	(63)
<b>Total income</b>	<b>(431)</b>	<b>(100)</b>	<b>(331)</b>
<b>Expenditure</b>			
Staffing (including recharges from Accountable Body)	50	50	-
Office costs and events	13	-	13
Consultancy	-	50	(50)
Local Area Support	-	-	-
Grants awarded	368	-	368
<b>Total expenditure</b>	<b>431</b>	<b>100</b>	<b>331</b>
<b>Net expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>

- 3.11 The consultancy spend budgeted in the year was to support the establishment of SEFUND. The uncertainties surrounding the implementation of SEFUND have meant that no consultancy or interim programme management costs were incurred.
- 3.12 The staffing cost is the recharge of the Accountable Body support for the Growing Places Fund and costs were in line with budget. Due to the external interest received it has not been necessary to make a withdrawal from the GPF revenue grant to support the administration costs. Please note that the external interest received actual income is not representative of the interest attributable to holding GPF funds specifically. External interest is provided as a single amount by ECC Treasury Management and only that sufficient to cover administration costs is transferred to the GPF budget. The total value of interest received was £216,000 and the £153,000 balance was transferred to the Secretariat budget.
- 3.13 The grant awarded in year is the revenue support for Harlow Enterprise Zone. This revenue support was agreed in March 2013 for the following five years to a total of £1 million. As at 31<sup>st</sup> March 2015, Harlow DC had drawdown £545,000 of the grant and two further financial years are remaining for the remainder of the grant to be spent.

#### **Revenue Grants**

- 3.14 During the course of 2015/16 SELEP received a number of revenue grants, alongside those revenue grants that have been carried forward from previous years. Annex A gives the detail for each grant. Some grants are not restricted and can be carried forward without the authorisation of the awarding body and the Accountable Body advises the Secretariat to utilise the grants with restrictions in advance of those that can be carried forward.

3.15 The following grants will be carried forward to 2015/16.

- LEP Transport Grant - £33,000
- Transport Delivery Excellence Grant - £43,000
- GPF Revenue Grant - £2,941,000

3.16 The £800,000 Growth Hub Revenue Grant has not been fully utilised in local areas and discussions are on-going with BIS as to how that underspend can be treated. The grant is required to be submitted to audit scrutiny and that is underway at time of publication.

### Reserves

3.17 **Table 4** shows the movement on useable reserves to 31<sup>st</sup> March 2016.

South East LEP - Useable Reserve		£000
General Fund opening balance 1st April 2015		(444)
Deficit on provision of services		193
(Increase)/decrease in 2015/16		193
Balance as at 31st March 2016		(251)

3.18 Following the recent round of recruitment and to consider the impact of SELEP appointing employees on direct contracts rather than through secondments, a review of the potential staffing severance costs has been carried out. These are estimated to be in the region of £70,000. The Accountable Body advises that £100,000 should be held in reserves to cover any potential severance or closure costs should the Partnership cease to function.

3.19 The Accountable Body is working with the Secretariat to identify a suitable approach for the remaining funds. There is a risk in the current financial year around potential external interest receipts and sufficient funds should be held to cover any gap that could occur.

#### **4. Financial Implications**

- 4.1 The Accountable Body will continue to support the Secretariat in ensuring strong financial controls are in place for all the budgets, including ensuring that there are sufficient reserves to cover any unforeseen costs and circumstances.

#### **5. Legal Implications**

- 5.1 None at present.

#### **6. Staffing and other resource implications**

- 6.1 None at present.

#### **7. Equality and Diversity implications**

- 7.1 None at present.

#### **8. List of Appendices**

- 8.1 Annex A shows the detail of grants brought forward, received, utilised and carried-forward in 2015/16.

#### **9. List of Background Papers**

**(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)**

<b>Role</b>	<b>Date</b>
<b>Accountable Body sign off</b>	
Suzanne Bennett	31/05/16
On behalf of Margaret Lee	

## Grants 2015/16

### South East LEP - Revenue Grants

Name of Grant	Description	£000's			
		B/fwd	Awarded in Yr	Spend in Yr	Closing Bal
Core Grant	Grant from BIS to support running costs	-	500	500	-
Growth Hub Grant	Grant from BIS to support the Growth Hubs agenda	-	800	800	-
SEEDA Legacy Grant	Allocation of SEEDA legacy funds to support Growth Hubs agenda	-	441	441	-
LEP Transport Grant	Awarded by DfT to support admin costs of development of transport work	33	-	-	33
Transport Delivery Excellence Grant	Awarded by DfT to support LEP teams in building processes to ensure delivery	-	63	20	43
Digital Capability Grant	Grant from BIS to support local areas working with businesses to build digital capability	-	37	37	-
GPF Revenue Grant	To support revenue admin costs of running GPF and to be awarded for revenue projects	3,309	-	368	2,941
<b>Total Revenue Grants</b>		<b>3,342</b>	<b>1,841</b>	<b>2,166</b>	<b>3,017</b>

### South East LEP - Capital Grants

Name of Grant	Description	£000's			
		B/fwd	Awarded in Yr	Spend in Yr	Closing Bal
GPF Capital Grant	Grant to establish GPF revolving fund (please note that because loans are made the grant isn't drawdown unless agreements are in default)	45,477	-	-	45,477
Local Growth Fund	General LGF pot awarded by DCLG - carrying balance is remaining amounts of skills allocation	-	69,450	68,374	1,076
Local Authority LTP Major Projects	Grant from DfT for projects they are funding directly for Growth Deal, including retained schemes	-	1,500	1,500	-
<b>Total Capital Grants</b>		<b>45,477</b>	<b>70,950</b>	<b>69,874</b>	<b>46,553</b>

### Notes:

1. The spend of the Growth Hub and SEEDA Grants is reflective of the spend position of the Accountable Body – this does not reflect the spend position of the partner organisations that have had these grants awarded from the Accountable Body.
2. The SEEDA grant has been awarded across those areas that formerly fell under the remit of SEEDA, no monies have been passed to authorities north of the Thames.
3. GPF capital funds have been awarded as loans rather than grants and therefore are treated differently for accounting purposes. For detail on the value of loans awarded please refer to the GPF Update Report later in the pack.
4. Further detail on the closing balance of the LGF Grant can be found in the Capital Programme Management report.