

Report title: SELEP Provisional 2022/23 Revenue Outturn	
Report to Accountability Board	
Report author: Lorna Norris, Senior Finance Business Partner	
Date of Meeting: 16 June 2023	For: Decision
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SELEP Partner Authority affected: Pan SELEP	

1. Purpose of Report

- 1.1 The purpose of this report is for the Accountability Board (the Board) to consider the provisional outturn position for the SELEP Revenue budget for 2022/23 and the impact for the 2023/24 funding position.

2. Recommendations

- 2.1 The Board is asked to:
- 2.1.1 **Note** the provisional net cost of services for 2022/23 of £64,000;
 - 2.1.2 **Approve** the provisional outturn position for the SELEP revenue budget for 2022/23 in Table 1, including the net contribution to the Operational Reserve of £159,993;
 - 2.1.3 **Approve** the movement in reserves set out in Table 5;
 - 2.1.4 **Note** the impact on the future funding position set out in section 3.11.

3 SELEP Revenue Provisional Outturn 2022/23

- 3.1 Table 1 details the total provisional revenue outturn position by the SELEP in financial year 2022/23; this demonstrates a net cost of services of £64,000, to be funded from the Operational Reserve. In addition to the Secretariat budget, this table includes all spend funded by the specific revenue funds set out in Table 3.
- 3.2 The overall net movement compared to the budgeted position is £511,000; this is summarised in Table 2. The primary reason for the underspend relates to higher than budgeted external interest received on the capital balances held and invested by the Accountable Body on behalf of SELEP; this is due to higher than anticipated capital balances held through parts of 2022/23 following return of GBF funding allocations to the Accountable Body (see agenda item 7); in addition, improving interest rates through the year has attracted a higher than anticipated balance on the external interest received.

- 3.3 The on-going uncertainty in the future position of SELEP has meant that all opportunities to minimise spend within the Secretariat and maximise the use of grant funding to support on-going costs, in place of using reserves, has also driven the improved outturn position.
- 3.4 The provisional outturn position will be subject to an external audit review through the summer period; any issues or amendments arising from this audit will be advised to the Board in September 2023.

Table 1: 2022/23 Provisional Revenue Outturn

	Provisional Outturn £000	Latest Budget £000	Variance £000	Variance %
Staff salaries and associated costs	646	771	(125)	-16%
Staff non salaries	7	6	1	19%
Recharges (incl. Accountable Body)	255	269	(14)	-5%
Redundancy & associated support costs	-	1	(1)	-
Total staffing	908	1,047	(139)	-13%
Meetings and admin	29	148	(120)	-81%
Chair and Deputy Chair Allowance including oncosts	30	40	(10)	-24%
Consultancy and project work	147	130	17	13%
COVID-19 Support Programmes	1,681	1,826	(145)	-8%
Grants and contributions to third parties	424	585	(161)	-27%
Total other expenditure	2,311	2,729	(418)	-15%
Total expenditure	3,219	3,776	(557)	-15%
Grant income	(1,042)	(1,208)	166	-14%
Contributions from partners	(146)	(146)	-	-
COVID-19 Support Funds	(1,681)	(1,826)	145	-8%
External interest received	(285)	(21)	(264)	1257%
Total income	(3,154)	(3,201)	47	-1%
Net cost of services	64	575	(511)	-89%
Funds transferred (to)/from the Operational Reserve (not charged to services)				
Other re-purposed funds transferred to Reserves	(272)	(35)	(237)	676%
Contribution to Redundancy Reserve	47	-	47	-
Net Deficit (Surplus) on provision of services	(160)	540	(700)	-130%
Net Contributions to/(from) Operational reserves	160	(540)	700	-130%
Final net position	-	-	-	0%

Note: Table may not sum due to rounding

Table 2: Summary of Movements in the Provisional Outturn compared to Budget

	£'000
Latest Budgeted Contribution from the Operational Reserve	540
Movements in Net Cost of Services	
Staff Salaries and Accountable Body Recharges	(139)
Other net movements	(113)
Reduction in Grants and Contributions to third parties	(161)
Reduction in SSF Grant Allocations	166
Increase in external interest received	(264)
Total Movement in Net Cost of Services	(511)
Movement in Contributions to the Operational Reserve	(189)
Total Net Movements	(700)
Proposed Updated Net Contribution (to) / from the Operational Reserve	(160)

- 3.5 Of the total revenue grant income received by SELEP in 2022/23, only £375,000 related to general funding to support the operations of SELEP; the remainder was applied as specific grants, with associated conditions for use. The final specific grants position for 2022/23 is set out in Table 3 below. There are no specific grant funds remaining to carry-forward into 2023/24.

Table 3: 2022/23 Specific Revenue Funds Summary

Fund	Funding Brought Forward £000	Funding Received £000	Funding Applied £000	Funding Repurposed to Reserves £000	Funding Carried Forward £000
Sector Support Fund (SSF)	(303)	-	78	226	-
Growth Hub - Core Funding Grant	-	(445)	445	-	-
Skills Analysis Panels (SAP) Grant	-	(55)	55	-	-
Local Digital Skills Partnership Catalyst Grant	(29)	(60)	89	-	-
Energy Strategy Grant	(1)	-	1	-	-
Total Grant Income Applied	(333)	(560)	667	226	-
SELEP Core and GBF Capacity Grants	-	(375)	375	-	-
Covid-19 Skills Fund	(672)	-	503	35	(134)
Covid-19 Business Support Fund	(1,189)	-	1,179	11	-
Total Revenue Funding Applied	(2,195)	(935)	2,724	272	(134)

Note: Table may not sum due to rounding

- 3.6 A summary of each grant is set out in Appendix 1.

3.7 Covid-19 Recovery Funds

- 3.7.1 With respect to the Skills support programme, all of the contracted programmes are largely complete, with the evaluation phase for the Skills support fund due to be completed in 2023/24. £134,000 of the fund remains to support the final programme costs in 2023/24; should any funds remain uncommitted on conclusion of the Programme, this

will be reported at the next meeting of the Board.

- 3.7.2 In respect of the Business Support Programme, this completed in 2022/23, with an underspend of £10,552, which will be transferred to the Operational Reserve to support the operations of the LEP in 2023/24.
- 3.7.3 A full update on the Covid Recovery funds is expected to be presented to the SELEP Strategic Board later this year.

3.8 Capital Funds Update

- 3.8.1 In addition to the revenue funds set out in Table 3, the Accountable Body administers the capital funds in Table 4 on behalf of SELEP; the investments through grants or loans to third parties are to support economic growth across the SELEP region and to support the COVID-19 recovery. The notes below the table set out the position for each Fund and further information is included in the separate update reports included in the agenda.
- 3.8.2 The Funds held by the Accountable Body on behalf of SELEP, are invested by the Council's Treasury Management team in accordance with the agreed policies; the associated external interest received is used to support the revenue Budget of SELEP – see section 3.2.

Table 4: Capital Funds Administered by SELEP in 2022/23

Fund	Fund balance brought forward £000	Funding Received / Repaid £000	Funding Applied £000	Fund Balance Carried Forward £000
Local Growth Fund (LGF) (DLUHC)	(0)	-	-	-
Local Growth Fund (LGF) (DFT)	-	-	-	-
Growing Places Fund (GPF) (on-going Loan Fund)	(13,040)	(1,220)	1,900	(12,360)
Getting Building Fund (GBF)	-	(15,431)	11,640	(3,791)
Total Funds	(13,040)	(16,651)	13,540	(16,151)

Notes to Table 4:

- 3.8.3 **Local Growth Fund (LGF)** – all remaining LGF was transferred to delivery partners by the end of 2021/22. However, circa £35m of the total LGF allocation is planned to be spent by partners from 2023/24 onwards, with on-going commitments of delivery, monitoring and evaluation to SELEP and the Accountable Body (see agenda item 9).
- 3.8.4 **Local Growth Fund (LGF) (DFT)** – all remaining LGF was transferred to delivery partners by the end of 2021/22. However, circa £13.6m of the total DFT LGF allocation is planned to be spent by partners from 2023/24 onwards, with on-going commitments of delivery, monitoring and evaluation to SELEP and the Accountable Body. This includes an allocation that remains to be received in relation to the A127 Fairglens project of £13.5m, but is subject to final approval by the Secretary of State for Transport – see agenda item 9

for further details.

- 3.8.5 **Growing Places Fund (GPF)** – GPF is a recyclable loan scheme with a balance to be carried forward into 2023/24 of £12.36m, of which, £2.75m is committed to approved projects; this leaves £9.61m for reinvestment into new Projects across the SELEP region. This balance will increase provided that existing Projects meet their commitments to repay their loans in line with their funding agreements – a further £5.315m is due by the end of 2023/24, leaving a balance of £14.925m.

The current pipeline for investment has been fully funded and SELEP have advised that they intend to bring a proposal for reinvestment to Strategic Board in July 2023. Further information on the GPF position can be found in Agenda item 14. Current commitments in the management and oversight of this fund by the Accountable Body extend beyond 2034/35, when the final repayment is currently due.

- 3.8.6 **Getting Building Fund (GBF)** - The Ministry of Housing, Communities and Local Government (now the Department for Levelling Up, Housing and Communities or DLUHC) awarded SELEP Getting Building Fund (GBF) totalling £85m; £42.5m of this fund was awarded and transferred to partners in 2020/21; the remaining £42.5m was received by the Accountable Body in May 2021 and was transferred in full to Partners by 31/03/22.

During 2022/23, the cancellation of a number of Projects has seen the return of £15.4m of GBF – further details are set out in Agenda item 7.

Of the funding to be carried forward into 2023/24 by the Accountable Body, £1.742m is allocated to Projects and £2.049m remains unallocated and is planned to be allocated to new projects, alongside the award of GPF, through a combined process to be established in 2023/24. Details on this process are due to be considered by the SELEP Strategic Board in July 2023.

3.9 **Funding Risks into 2023/24**

- 3.9.1 The Government have advised that £250,000 of funding may be made available to SELEP in 2023/24; this is subject to an application process and SELEP is now waiting for confirmation that this will be received. Unlike in previous years, this funding was not subject to match funding from Partner Authorities and the SELEP Chief Executive Officer (CEO) has advised that no match funding is intended to be sought in recognition that local partners may be incurring their own additional costs to support the transition arrangements for LEPs into 2024/25.
- 3.9.2 In the March announcement of the Government's budget, it was strongly suggested with a 'minded to' announcement that no further

Core Funding would be made available for LEPs after 2023/24. The Government are currently engaging with LEPs and Local Authorities to understand the impact of no future funding, with an expectation that LEP functions are transitioned across to Local Authorities. The implications of this announcement for SELEP are still to be fully assessed and planned for; senior officers across the partnership have initiated early conversations in this respect. See agenda item 5 that considers this risk further.

3.9.3 Due to the on-going uncertainties with respect to the future role and funding for SELEP, the Accountable Body continues to work with the SELEP CEO to consider the overall funding position to ensure sufficient is available to meet the existing commitments and risks that the Accountable Body is managing on-behalf of SELEP. These include:

- Financial oversight, management and reporting on the grant and loan agreements Essex County Council has put in place on behalf of SELEP; the longest agreement currently expires 2034/35;
- Costs associated with employing the Secretariat, including potential redundancy costs;
- Operational costs of SELEP and any costs specifically associated with the operation of South East LEP Ltd.
- Other risks being managed by the Accountable Body on behalf of SELEP.

3.9.4 A key mitigation to the identified risks is the agreed approach to managing the SELEP reserves. The level of the reserves is based on the latest estimate of known commitments and risks; this continues to be subject to review as part of the on-going financial monitoring and forms part of the reporting to the Board on a quarterly basis. The latest assessment of the reserves is set out in 3.10 below; any changes to the level of reserves is subject to a decision by the Board.

3.10 Reserves

3.10.1 The provisional outturn position for 2022/23 is for a net contribution to the Operational reserve of £159,993 (see Table 1). This position assumes receipt and application of the grants set out in Table 3, received from the respective Government departments. The provisional outturn position reflects an improvement over the budgeted position of a £540,000 withdrawal from reserves. The impact of this improved position is to increase the reserves available to support SELEP into 2023/24.

3.10.2 Table 5 summarises the level of Operational Reserves that will be available to support SELEP based on the provisional outturn position. This confirms a balance of £1.462m remained at the end of March 2023 to support delivery into 2023/24. In addition, a further £1.742m

of Earmarked reserves are also set out in Table 5; demonstrating a total use of reserves in 2022/23 of £1.520m supporting the delivery of SELEP activities and programmes.

- 3.10.3 The reserves position will continue to be actively monitored, to provide assurance that, as far as possible, funding remains available to support the core activities of SELEP, taking into account the on-going commitments and risks arising, both in respect of SELEP and Essex County Council in its role as the Accountable Body for SELEP.

Table 5: 2022/23 Provisional Outturn Reserves Summary

	Opening Balance Apr '22	Contributions	Withdrawals	Closing Balance Mar '23	Net Movement in Reserves
	£'000	£'000	£'000	£'000	£'000
Operational Reserve	(1,302)	(272)	112	(1,462)	(160)
Reserves Earmarked for future use					
Covid-19 Skills Support Fund	(672)		538	(134)	538
Covid-19 Business Support Fund	(1,189)		1,189	-	1,189
Redundancy Reserve	(163)	(47)		(210)	(47)
Future Commitments Reserve	(423)			(423)	-
Risk Reserve	(975)		-	(975)	-
Total Reserves	(4,723)	(319)	1,839	(3,204)	1,520

Note: Table may not sum due to rounding

3.11 Impact for the Future Funding Position

- 3.11.1 The improved position in the Operational Reserves compared to the budget, has meant that an additional £700,000 remains in the reserve than had been anticipated when the budget was set in July 2022. This improved position means that there is additional funding available to support the SELEP delivery through 2023/24 and the future transition arrangements into 2024/25.
- 3.11.2 The Accountable Body is providing support to the SELEP CEO in developing options to be presented to the SELEP Strategic Board in July to support agreement in the scope and form of the transition arrangements. The options will need to take into account the available funding and, once clarified, an updated budget for 2023/24 will be brought to the September meeting of the Board for approval.
- 3.11.3 The revised budget will also take into account whether SELEP has received the Core Funding of £250,000 to support delivery in 2023/24; an application was made at the end of May to receive the funding – a verbal update will be provided to the Board to confirm the status of the funding, at the June meeting. Receipt of this additional funding will further reduce the impact on reserves in supporting the 2023/24 budget, therefore, potentially making additional funding available to support the transition arrangements of the SELEP.

- 3.11.4 The Government have indicated that 2023/24 will likely be the final year of Core Funding; this means that SELEP will be dependent on its reserves to support future delivery, and those of the Accountable Body to support SELEP, until its functions are fully transitioned to the Partner Authorities.

4 Financial Implications (Accountable Body comments)

- 4.1 This report has been authored by the Accountable Body and the recommendations are considered appropriate.
- 4.2 The provisional 2022/23 revenue outturn is considered to be robust and the level of reserves held is sufficient to support activities into 2023/24. However, due to the on-going uncertainties with respect to the future of the LEP, there remain budget risks and opportunities into 2023/24.
- 4.3 A number of the SELEP Secretariat staff are currently funded through specific grants which are only confirmed on an annual basis; this builds in additional risk to assuring employment and delivery; this risk is mitigated through the proposed budget and reserves.
- 4.4 Given the uncertain future position for the SELEP, it will be necessary to consider carefully the impact of future decisions with respect to the available funding, including new funding streams, to ensure that sufficient resources remain available to support existing, and any new, commitments arising.
- 4.5 The Accountable Body will continue to support the Secretariat in reviewing the budget options for future years and in understanding the impact of any changes required as a result of the potential transition of services to the upper tier Local Authority partners in the SELEP geography.
- 4.6 Any future arrangements will need to ensure that the Accountable Body is not exposed to new or additional costs without agreed funding in place; this includes consideration of the future arrangements for the SELEP Secretariat employees that are currently employed by the Accountable Body.

5 Legal Implications (Accountable Body comments)

- 5.1 There are no significant legal implications arising from the recommendations set out within this report.

6 Equality and Diversity implication

- 6.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when a public sector body makes decisions it must have regard to the need to:
- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act

- (b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 6.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.
- 6.3 In the course of the development of the budget, the delivery of the service and their ongoing commitment to equality and diversity, the Accountable Body will ensure that any equality implications are considered as part of their decision-making process and where possible identify mitigating factors where an impact against any of the protected characteristics has been identified.

7 List of Appendices

- 7.1 Appendix 1 – Specific Grant Summary

8 List of Background Papers

- 8.1 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 Michael Neumann (On behalf of Nicole Wood, S151 Officer Essex County Council)	08/06/2023

Specific Revenue Grant Summary

The following sets out further detail of the application in 2022/23 of the specific grants summarised in Table 3 of the main report.

Table A: Total Specific Grant Expenditure Summary

Specific Grant Summary - Revenue	Provisional Outturn £000	Latest Budget £000	Variance £000	Variance %
Recharges (incl. Accountable Body)	139	146	(7)	-5%
Office expenses	-	-	-	0%
Consultancy and projects	104	102	1	0%
Grants to third parties	350	576	(226)	-39%
Match Fund to 3rd Party	74	9	65	0%
Contribution to Reserves	227	-	227	0%
Total Expenditure	893	833	60	7%
Grant Income	(893)	(833)	(60.0)	7%
Total income	(893)	(833)	(60.0)	7%
Net position	-	-	0.00	0%

Sector Support Fund (SSF)

It was agreed by Strategic Board in June 2017, the £1.5m of the GPF revenue grant would be used to establish a fund to support Pan-LEP projects. In July 2020, the Board agreed to re-purpose £1m of the GPF loan fund to extend the SSF scheme to support COVID recovery projects and projects to support Brexit activities. At the end of 2020/21, £0.126m remained unallocated and in November 2021, the Board agreed to reallocate this amount to the Operational Reserve and to close the scheme. A balance of £303,500 was held at the beginning of April 2022 that was allocated to Projects but had not yet transferred to Local Partners; of this amount, £225,993 has subsequently been identified as no longer required and has been transferred to the Operational Reserves; the remaining funding has been transferred, or has committed to be transferred to the respective partner projects. No monies remain in the fund at the end of 2022/23.

Table B: SSF Expenditure Summary

Sector Support Fund	Provisional Outturn £000	Latest Budget £000	Variance £000	Variance %
Recharges (incl. Accountable Body)	-	-	-	
Office expenses	-	-	-	
Consultancy and projects	-	-	-	
Grants to third parties	78	303	(226)	
Contribution to Reserves	226	-	226	
Total Expenditure	303	303	-	
Grant Income	(303)	(303)	-	
Total income	(303)	(303)	-	
Net position	-	-	-	0.0%

Growth Hub Revenue Grant

The Department of Business, Energy and the Industrial Strategy (BEIS) confirmed in March 2022 that the SELEP Growth Hub would be able to apply for £445,000 of funding for 2022/23; this is 50% of the value of funding available in prior years.

The grant conditions and principles of funding for 2022/23 remain very stringent and the Growth Hub programme was required to ensure that it fits with the conditions.

Part of the Growth Hub funding continues to support the resources within the Secretariat that support the Growth Hub programme. The Strategic Board agreed in June 2022 the proposed use of the funding for 2022/23. The funding was fully allocated and spent during 2022/23.

Table C: Growth Hub Grant Expenditure Summary

Growth Hub	Provisional Outturn £000	Latest Budget £000	Variance £000	Variance %
Recharges (incl. Accountable Body)	84	84	-	
Office expenses			-	
Consultancy and projects	89	89	-	
Grants to third parties	272	272	-	
Total Expenditure	445	445	-	
Grant Income	(445)	(445)	-	
Total income	(445)	(445)	-	
Net position	-	-	-	0.0%

Skills Analysis Panels (SAP) Grant

The Skills Analysis Panels (SAP) Grant has been allocated to SELEP for a further year for the purpose of building capacity, growing local capability sustainably and for producing high quality analysis to underpin the work of the SAP; the aim of the SAP is to help colleges, universities and other providers deliver the skills required by employers, now and in the future.

The SAP is a local partnership comprising of local employers, skills providers and local government to pool knowledge on skills and labour market needs, and to work together to understand and address key local challenges.

A total of £55,000 is available to support the SAP primarily to fund a role in the Secretariat to support the implementation and delivery of the aims of the SAP.

Table D: Skills Analysis Panel Expenditure Summary

Skills Analysis Panels (SAP) Grant	Provisional Outturn £000	Latest Budget £000	Variance £000	Variance %
Recharges (incl. Accountable Body)	40	42	(2)	
Office expenses	-	-	-	
Consultancy and projects	15	13	2	
Grants to third parties	-	-	-	
Total Expenditure	55	55	-	
Grant Income	(55)	(55)	-	
Total income	(55)	(55)	-	
Net position	-	-	-	0.0%

Local Digital Skills Partnership Catalyst Grant

Local Digital Skills Partnership Catalyst Grant was awarded to SELEP in 2021/22 to fund a member of the Secretariat to project manage and coordinate the local digital skills partnership. £20,000 of this funding was planned to enable continuation of the role to July 2022, with the remaining £9,000 planned to be used as a match funding contribution to support Year 4 of Digital Skills Partnership for Catalyst South.

The partnership is a cross-sector collaboration, initiated by SELEP, to tackle local digital skills gaps. The provisional outturn reflects a slight change to the budgeted position to reflect that the role is no longer filled within the SELEP team following a resignation, enabling £10,000 to be available to support continuation of the service by Catalyst South.

Also, a further funding of £60,000 was received in 2022/23; This funding has also been transferred to support the continuation of the service by Catalyst South.

Table E: Local Digital Skills Partnership Catalyst Grant Expenditure Summary

Local Digital Skills Partnership Catalyst Grant	Provisional Outturn £000	Latest Budget £000	Variance £000	Variance %
Recharges (incl. Accountable Body)	15	20	(5)	
Office expenses	-	-	-	
Consultancy and projects	-	-	-	
Grants to third parties	-	-	-	
Match fund to 3rd party	74	9.0	65	
Total Expenditure	89	29	60	
Grant Income	(89)	(29)	(60)	
Total income	(89)	(29)	(60)	
Net position	-	-	-	0.0%

Additional Grants

In addition to those grants set out above, SELEP was also holding a residual £927 in respect of the Energy Strategy Grant; Government have agreed that SELEP may use this residual balance to support their Net Zero activities, rather than specifically for the purposes that it was originally intended, and as such, this amount was agreed to be transferred to the SELEP Operational Reserve.