

Agenda Item 8

Report to Accountability Board	Forward Plan reference number: N/A
Date of Accountability Board Meeting: 13 th November 2015 Date of report: 27 th October 2015	
Title of report: Operating Budget – 6 month outturn report	
Report by: Suzanne Bennett	
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1. Purpose of report

1.1. The purpose of this paper is to:

- Update the Accountability Board on the financial position for the Secretariat budget at half year which ended 30th September, 2015

1.2. The report is for information only and requires no decisions.

2. Recommendations

- 2.1. The Board is asked to consider the position and representatives from the Accountable Body and the Secretariat will be available to take any questions that may arise.

3. Background

- 3.1. Table 1 below shows the budget, spend to date and forecast outturn position for the operating budget of the South East LEP. The operating budget includes the Secretariat budget and the administration of GPF budget.

Table 1			
Half Year 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	452	578	(126)
Recharges from Accountable Body	129	134	(5)
Office costs and events	107	63	44
Consultancy	312	270	42
Local area support	100	100	-
Total expenditure	1,100	1,145	(45)
Net expenditure	150	345	(195)
Contribution from reserves	(150)	(345)	195
Net position	-	-	-

- 3.2. Due to external interest receipts of £200,000 that are estimated to be accrued on cash balances by the end of the financial year, it is currently forecast that the budget will be underspent by £195,000 in this financial year. This estimate is based upon the current rates and any change in rates will be reflected in the final interest paid.
- 3.3. The interest has been earned on the balances of Growing Places Fund grant being held by SE LEP along with the Local Growth Fund (LGF) balances. At the time of budgeting it was assumed that LGF would be paid to ECC on behalf of SE LEP on a quarterly basis; whereas in fact the total grant was paid by the end of May. Whilst local allocations were paid to partners in line with SLAs and as swiftly as possible following sign off from the appropriate Boards, the high value of the sums meant that material interest was accrued.
- 3.4. Interest on Local Growth Fund balances now held in local areas are accrued locally.
- 3.5. Again, there have been delays in allocating the full GPF balance and reallocating those funds that have been repaid, which has in turn increased the forecast interest receipts.
- 3.6. The interest rate receipt means that the planned draw down from reserves to support this year's funding will be reduced. At the end of financial year 2014/15, the general reserve held was £444,000; the planned draw down was £345,000 but this has now reduced to £150,000. Therefore, the estimated reserve balance at year end is now £294,000.
- 3.7. Currently the funding situation for LEPs nationally is very uncertain while monitoring and reporting responsibilities are growing and wider commitments and activities to deliver our Growth Deal and shared priorities will also need to be resourced. The core grant of £500,000 ends at 31st March 2016 and at the time of writing no further

grant funding for future years has been indicated by Government. LEPs have been lobbying on this issue and it is hoped that further central funding will be announced in the Autumn Statement. In the interim period the Accountable Body advises that the additional funding from the interest receipt is held as it may be required to top up local authority contributions in 2016/17.

3.8. As previously requested by members of the Accountability Board, detail on the costs of monitoring the Local Growth Fund follows. Overall, the costs to date are now in the region of £100,000; this includes the Independent Technical Evaluation contract and the capital programme management that is currently being provided by an external provider. The original budget for monitoring was £35,000, with Independent Technical Evaluation costed separately. The additional costs are being funded through staffing under spends, including that of the Capital Programme Manager. The recruitment to this post is in hand, but the costs of ITE contract will continue as further rounds of business cases need to be assessed. Discussions are ongoing with the Accountable Body to ensure that further extensions of contracts would be within Procurement policy and regulations. Following these discussions, an estimate of the costs for the full year and the next financial year can be provided to Board.

3.9. The Local Growth Fund grant is capital and therefore can't be applied to support the revenue costs of scheme monitoring, management and evaluation, either centrally or to support the costs that are being incurred at a local level. The South East LEP has committed to distributing £100,000 to the six Highways Authorities (counties and unitaries) to assist in the funding of local costs; however, this is one-off funding and any future support will have to be considered in conjunction with the wider LEP funding picture.

4. Financial Implications

4.1. The Accountable Body will continue to work with the Secretariat to model potential options should future years' grant funding not be secured. However, it is clear that if the level of activity is to be maintained (and much of the monitoring and management of the LGF programme is a requirement of the capital grant), it may be necessary to increase the requested contributions from Local Authorities.

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 On behalf of Margaret Lee	5 th November 2015