

AGENDA ITEM 8

Report to Accountability Board	Forward Plan reference number:
Date of Accountability Board Meeting: 17 th July 2015 Date of report: 8 th July 2015	
Title of report: Finance Update	
Report by Suzanne Bennett (Essex County Council as Accountable Body)	
Enquiries to Suzanne Bennett – 033301 30823	

1. Purpose of report

- 1.1. The purpose of this paper is to give Board Members an update on the financial position of the South East Local Enterprise Partnership (SELEP) and covers all funds held by the Accountable Body (Essex County Council) on behalf of SELEP. There are no decisions required by the Board.
- 1.2. This paper covers the provisional outturn position for financial year 2014/15; first quarter forecast for 2015/16; the current position of Growing Places Fund and current position for Local Growth Fund (LGF).

2. Recommendations

- 2.1. This report is for information only and there are no recommendations.

3. Background

Provisional Outturn – 2014/15

- 3.1. The tables below show the provisional outturn position for financial year 2014/15. The accounts will be submitted to external audit scrutiny and presented to the Accountability Board for sign off. The information disclosed within this report has yet to be audited and there may be minor changes between this position and the final report.
- 3.2. **Table 1** shows the provisional position for income received and utilised during the year, compared to the original budget. The 2013/14 actual is also presented for comparison.

Table 1 - Income	FY Actual £000	FY Budget £000	Variance £000	2013/14 Act £000
Core grants from Government	(529)	(551)	22	(500)
Capacity Fund utilisation	-	-	-	(41)
GPF grant utilisation to support administration of fund	-	(50)	50	-
Transport grant utilisation	(45)	(65)	20	(54)
Other local authority contributions	(196)	(200)	4	(91)
Interest received	(181)	-	(181)	(282)
Contribution from own reserves	-	(230)	230	-
Total Income	(951)	(1,096)	145	(948)

- 3.3. In 2014/15 income totalled **£951,000**, marginally higher than the total for 2013/14 of £948,000. However this was some £145,000 (13%) less than had been budgeted.
- 3.4. At the time of budget setting, it was assumed that the GPF would be fully allocated as scheduled and therefore no interest would be received in year. However, delays in reaching final agreement on some projects have resulted in balances remaining within the SELEP accounts and interest has accrued to the SELEP.
- 3.5. Due to the receipt of interest earned and the favourable variance in expenditure as set out below, it has not been necessary to make a withdrawal from reserves in year. Details on reserves held can be seen in **Table 3**. Again, due to the receipt of interest it has not been necessary to draw upon the GPF grant to support the administrative costs of running the GPF programme. The costs of the SEFUND work have been funded through the general Secretariat budget.
- 3.6. Costs that are applicable to be funded by the Transport Grant were less than budgeted in 2014/15 and therefore the drawdown of grant was similarly reduced. The remainder of the grant has been carried forward into 2015/16.
- 3.7. At the time of mid-year budget review, it was thought that a Government Grant would be made available to support the EU funding programme work that was being undertaken by LEPs. The Government did not make any grant funding available to LEPs for this work, resulting in a £22,000 under-recovery on the Core grants from Government line.
- 3.8. Table 2 shows the provisional position for expenditure incurred during the year. As indicated below, due to a number of factors including delays to recruitment and specific initiatives whilst the delivery review and assurance framework were agreed by the Board, the budget was underspent by £351,000 or 32%. The spend for 2014/15 was £148,000 less than in the previous year and was in the region of the core annual core income less interest receipts.

Table 2 - Expenditure	FY Actual £000	FY Budget £000	Variance £000	2013/14 Act £000
Staffing	338	421	(83)	337
Consultancy	284	480	(196)	277
Office and general expenses	23	130	(107)	85
Accountable Body support costs	55	-	55	99
Capacity Fund expenditure	-	-	-	41
Transport grant expenditure	45	65	(20)	54
Total Expenditure	745	1,096	(351)	893
Total Income (from table 1)	(951)	(1,096)	145	(948)
Net (surplus)/deficit	(206)	-	(206)	(55)

3.9. Staffing budgets were underspent due to delays in recruitment to positions and delays in covering a period of maternity leave. This underspend is partly offset by the reinstatement of the Deputy Director post that wasn't budgeted for in March 2014.

3.10. There have been a number of changes made to the programme of work as originally foreseen in March 2014 which has resulted in an underspend on the consultancy and office and expenses line. There were a number of delays to the programme of work due to the delivery review that was held during the course of the year. Delays in recruitment also impacted on the ability of the Secretariat to deliver the full programme of works.

3.11. The balance of **£206,000** surplus, less a small amount due to year-end accounting adjustments, will be transferred to the general reserve to be utilised in future years. The outline budget agreed by SELEP Strategic Board in March 2015 includes a withdrawal from reserves of £345,000.

3.12. **Table 3** below shows the balance of the general reserve as at 31st March 2015 and the forecast position at the end of financial year 2015/16.

Table 3 - Reserves	£000
Opening balance April 2014	239
Contribution to reserves 2014/15	205
Withdrawals from reserves 2014/15	-
Closing balance March 2015	444
Opening balance April 2015	444
Planned contributions to reserves 2015/16	-
Planned withdrawals from reserves 2015/16	(345)
Projected closing balance March 2016	99

First Quarter 2015/16

3.13. **Table 4** below shows the agreed budget for 2015/16. The SELEP has now received confirmation of the £500,000 core funding from the Government and this has been received. The remainder of the budgeted grant income line is a drawdown of the GPF grant to support the administration of the fund including the costs of an interim fund manager.

Table 4 - Budget	£000
Income	
Grants	(800)
Other Local Authority contributions	(200)
Total Income	(800)
Expenditure	
Staffing (including recharges from Accountable Body)	710
Office costs and events	166
Consultancy	170
Local area support	100
Total expenditure	1,145
Net expenditure	345
Contribution from reserves	(345)
Net position	-

3.14. Currently the SELEP is forecasting no variance to the budget. Work continues to develop a process to support the local areas with the implementation of the Local Growth Plans and Local Growth Funds.

GPF

3.15. Whilst the GPF is fully allocated, the Accountable Body is still holding the funds for:

- Projects that have to yet to complete credit agreements;
- Future drawdowns for projects with credit agreements already in place and;
- Repayments made by projects that are complete.

3.16. The Strategic Board agreed in March to re-badge GPF as SEFUND and to invest against the SEFUND investment strategy.

3.17. Currently the Accountable Body is holding **£25m** of GPF monies. **Table 5** below shows the movement in funds over the life of the funding.

Table 5 - GPF Amounts as at 6th July 2015	
	£000
Grant awarded by Govt - Feb and Mar 2012	(49,210)
2011/12	
Admin drawdown	2
2012/13	
Loan drawdowns	7,750
2013/14	
Loan drawdowns	4,287
2014/15	
Loan drawdowns	4,910
Revenue grants	421
Loan repayments	(500)
2015/16	
Loan drawdowns	7,572
Revenue grants	201
Loan repayments	(500)
Current balance held	(25,067)

- 3.18. Currently there are four projects that have not yet reached final completion of credit agreements. These projects total **£14.9m**. **Table 6** below shows the current status of all projects. 'Approved' status denotes a project has had funding approved by the SELEP Board but no credit agreement is yet in place.

Table 6 - GPF Approved Projects Status			
Project Name	Upper Tier Authority	£000	Status
Priory Quarter Phase 3	East Sussex	7,000	Live
North Queensway	East Sussex	1,500	Repayment
Bexhill Business Mall	East Sussex	6,000	Live
Sovereign Harbour	East Sussex	4,600	Live
Sovereign Harbour*	East Sussex	715	Approved
Parkside Phase 1	Essex	2,400	Live
Parkside Phase 1a	Essex	850	Live
Chelmsford NE Urban Expansion	Essex	1,000	Repayment
Harlow EZ/Enterprise West Essex	Essex	3,500	Approved
Live Margate	Kent	5,000	Approved
Workspace Kent	Kent	1,500	Live
Discovery Park	Kent	5,715	Approved
Rochester Riverside	Medway	4,410	Live
Chatham Waterfront	Medway	2,999	Live
Grays Magistrates Court	Thurrock	1,400	Live
Harlow EZ - revenue grants		1,244	Live
Total approved projects		49,833	
*Sovereign Harbour project received additional funding at September Board and discussions are ongoing as to how that funding will be factored into the project			

- 3.19. The Chair of the SELEP Strategic Board has invited project sponsors to consider refinancing GPF loans to allow repayments to be made earlier and the fund to be re-invested under the new SEFUND Programme. Currently no approaches have been made to the Accountable Body to discuss any re-financing.
- 3.20. **£1m** of repayments have been made to the fund and these will now be available to be reinvested under the new investment policy.

Local Growth Fund and Other Grants

- 3.21. As Accountable Body, ECC received **£69.5m** of Local Growth Funding for 2015/16 and **£57m** of that funding has been transferred to upper tier authorities following sign off by the Strategic Board. **£11m** of Local Growth Fund in 2015/16 is ring-fenced for the Skills Capital Programme and funds will be paid directly to the successful Further Education providers.
- 3.22. **£1.5m** of the Local Growth Fund for this financial year remains to be distributed for the three projects yet to be approved.
- 3.23. Earlier papers discussed the requirements around monitoring the projects and spending of these grants and the Accountable Body is working with the Secretariat, Government representatives and local partners to ensure that the funds are managed in line with the grant letter and Assurance Framework.

3.24. In addition, the Accountable Body received notice that it would receive **£1.2m** of funding for Local Growth Hubs. **£441,000** of this funding is the distribution of the SEEDA legacy funds and is to be dispersed to support the Growth Hubs in the former SEEDA area. Funding agreements are with the relevant authorities for the transfer of these monies.

3.25. The remaining **£800,000** will be paid to the Accountable Body in quarterly payments. Funding agreements are with relevant local authorities to ensure that the **£700,000** that is earmarked for local spend is passed to those areas on receipt by ECC.

4. Financial Implications

4.1. This report is for information purposes only and there are no decisions required of the Board, therefore there are no financial implications to be considered.

5. Legal Implications

5.1. This report is for information purposes only and there are no decisions required of the Board, therefore there are no legal implications to be considered.

6. Staffing and other resource implications

6.1. This report is for information purposes only and there are no decisions required of the Board, therefore there are no staffing or other resource implications to be considered.

7. Equality and Diversity implications

7.1. 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.

7.2. The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.

7.3. The equality impact assessment indicates that the proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic. The report contains no decisions and therefore has no impact.

8. List of Appendices

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)

Role	Date
Accountable Body sign off	
Suzanne Bennett	10/07/15
On behalf of Margaret Lee	