

Report to Accountability Board	Forward Plan reference number: FP/AB/069
Date of Accountability Board Meeting:	20th January 2017
Date of report:	10th January 2017
Title of report:	Finance Update including 2017/18 budget
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1. Purpose of report

- 1.1 The purpose of this paper is to update the Accountability Board (the Board) on the forecast financial position of the South East Local Enterprise Partnership (SELEP) as at the end of quarter three (December) of the 2016/17 financial year and present the Secretariat Revenue Budget for 2017/18 for agreement.

2. Recommendations

- 2.1 Board is asked to:

2.1.1 Note the latest forecast outturn for the Secretariat 2016/17 budget at Table 1; and

2.1.2 Agree the Secretariat budget for 2017/18 at Table 2, including the local contributions.

3. Background

- 3.1 Table 1 overleaf shows the current forecast position for Secretariat budget for 2016/17. It is currently forecast that spend will be in line with budget. At November's Board meeting approval was given to fund a further £31,000 of spend through a withdrawal from reserves which is now included within the budget.
- 3.2 There have been no significant movement on the budget since it was last reported to Board in November.

Table 1: Secretariat 2016/17 Budget and Forecast

	Forecast £000	Budget £000	Variance £000	Variance %
Staff salaries and associated costs	425	463	(38)	-8.21%
Staff non salaries	40	18	22	122.22%
Recharges (incl. Accountable Body)	111	107	4	3.74%
Total staffing	576	588	(12)	-2.04%
Meetings and admin	74	71	3	4.23%
Chairman's allowance	20	20	-	0.00%
Consultancy and sector support	296	258	38	14.73%
Total other expenditure	390	349	41	11.75%
Total expenditure	966	937	29	3.09%
Grant income	(500)	(500)	-	0.00%
Contributions from partners	(205)	(200)	(5)	2.50%
External interest received	(230)	(206)	(24)	11.65%
Total income	(935)	(906)	(29)	3.20%
Net expenditure	31	31	-	0.00%
Contributions to/from reserves	(31)	(31)	-	0.00%
Final net position	-	-	-	0.00%

2017/18 Funding

- 3.3 Government have now confirmed that Core Funding for LEPs in 2017/18 will be on the same basis as seen in 2016/17; that is £500,000 per LEP with a match required of £250,000 locally. The Accountable Body has worked with the Secretariat to draw up a budget for the operating costs of the SELEP Secretariat that is presented at Table 2 for consideration.
- 3.4 The draft budget is based upon local contributions remaining at the same level as previous years. As detailed in the Finance Update made to the Board in November, further representations have been made to Government highlighting the disparity between the size of SELEP and the monies made available by Government to support the revenue activities of the partnership; however there has been no change in the Core Grant approach.
- 3.5 At the November meeting Board members indicated that despite the dire funding situation for Local Authorities, they would continue to make contributions at the same level as previous years. The Director and the Chair of SELEP will continue to lobby Government to recognise the scale of SELEP in their financial contributions to administration costs.

- 3.6 £50,000 of the match will be non-cash and made using the time given by the Vice Chairs to support the SELEP outside of Board meetings (which is not applicable as match).
- 3.7 Detail on the budget for next year can be found at Table 2 below, with last year's original budget provided as a reference.

Table 2 Secretariat Draft 2017/18 Budget

	17/18 Budget £000	16/17 Budget £000	Movement £000	Movement %
Staff salaries and associated costs	562	464	98	21.13%
Staff non salaries	32	18	14	77.78%
Recharges (incl. Accountable Body)	64	106	(42)	-39.66%
Total staffing	658	588	70	11.90%
Meetings and admin	45	40	5	12.50%
Chairman's allowance	20	20	-	0.00%
Consultancy and sector support	253	258	(5)	-1.94%
Total other expenditure	318	318	-	0.00%
Total expenditure	976	906	70	7.73%
Grant income	(500)	(500)	-	0.00%
Contributions from partners	(200)	(200)	-	0.00%
External interest received	(155)	(206)	51	0.00%
Total income	(855)	(906)	51	-5.63%
Net expenditure	121	-	121	0.00%
Contributions to/from reserves	(121)	-	(121)	0.00%
Final net position	-	-	-	0.00%

- 3.8 The additional requirements on governance that are detailed in the new National Assurance Framework must be resourced within the Secretariat. This is the main driver behind the increase in staffing costs for next year. The staffing cost base remains within the budget envelope of grant income and contributions from local partners.
- 3.9 Essex County Council's (ECC's) Treasury Management team has provided an estimate of external interest to be earned for next year. It is expected to be £51,000 lower than current year budget as Local Growth Fund (LGF) grant amount for next year is expected to fall from £82m in 2016/17 to £68m in 2017/18. This estimate has been made on the basis that no additional funding for LGF3 will be available in 2017/18. Updates to the forecast on the interest receipt will be made quarterly throughout the year.

- 3.10 The interest receipt is mainly used to cover the cost of the Independent Technical Evaluator (ITE) contract, which is a requirement of the National Assurance Framework. The costs for the ITE in 2017/18 are forecast to be £100,000 (included in the Consultancy and Sector Support Line).
- 3.11 As agreed with Strategic Board, Sectoral Support in 2017/18 will be funded through the Growing Places Fund (GPF) revenue grant on a case by case basis.
- 3.12 The 2016/17 budget was set on the basis that SEFUND would be introduced during the year, which meant that Accountable Body costs would not be recharged to GPF revenue. Following the decision of the Board to not pursue SEFUND, it is assumed in this year that a recharge can be made. Following drawdowns from the revenue GPF grant in 2016/17 and 2017/18, it is forecast that the balance of the grant at March 2018 will be £2.3m. This does not include any sectoral support awards.
- 3.13 Following the issue of grant offer letters in February and March, budgets for specific grants such as Growth Hub Funding, will be presented to the Board for approval.
- 3.14 The current forecast opening balance of the general reserve in April 2017 is £221,000. As discussed previously, the recommendation from the Accountable Body is that a reserve of £100,000 should be held to fund any severance or close down costs should the SELEP be wound up. This leaves a balance of £121,000, which is planned to be utilised fully.
- 3.15 Any negative changes to the levels of support will be met with a corresponding loss in Core Funding from Government as the required match wouldn't be achieved. The focus for the Secretariat will necessarily have to be on discharging the process and administration duties under the National Assurance Framework, with little remaining resource to support the working agenda as defined by the SEP, activities at a more local level or supporting cross cutting issues such as housing strategy. It would also be unlikely that the costs of the ITE could continue to be supported by the SELEP budget. This would have to be paid for locally, as is the case with the majority of other LEPS.

4. Financial Implications

- 4.1 The report is authored by the Accountable Body and the recommendations made are considered appropriate.

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 None.

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	
Stephanie Mitchener, Head of Finance, Essex County Council	12/01/17
On behalf of Margaret Lee	

Grants 2016/17

Name of Grant	Description	£000's			
		B/fwd	Awarded in Yr	Forecast 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	-	656	656	-
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	43	-	20	23
GPF Revenue Grant	To support revenue admin costs of running GPF and to be awarded for revenue projects	2,941	-	259	2,682
Total Revenue Grants		3,017	1,156	1,435	2,738

South East LEP - Capital Grants

Name of Grant	Description	£000's			
		B/fwd	Awarded in Yr	Forecast 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	1,079	82,270	77,012	6,337
Local Authority LTP Major Projects	Grant from DfT for projects they are funding directly for Growth Deal, including retained schemes	-	5,200	5,200	-
Total Capital Grants		46,556	87,470	82,212	51,814

Notes:

1. GPF capital funds have been awarded as loans rather than grants and therefore are treated differently for accounting purposes.
2. Further detail on the closing balance of the LGF Grant can be found in the Capital Programme Management report reported to the Board in November 2016.