

Report title: Updated 2023/24 Revenue Outturn Forecast and allocation of Reserves on the closure of SELEP	
Report to Accountability Board	
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Date: 12 January 2024	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 update to the 2023/24 revenue outturn forecast and the impact for the funding position to support SELEP integration costs into 2024/25. Additionally, the report recommends an approach for the distribution of the anticipated residual SELEP funds to the six upper tier SELEP Partner Authorities, to support delivery of LEP functions from April 2024.

2. Recommendations

- 2.1 The Board is asked to:

- 2.1.1 **Note** the update on the forecast revenue outturn and reserves for 2023/24
- 2.1.2 **Agree** the approach for allocating any residual balances in the Operational Reserve to the SELEP Upper Tier Local Authority partners as set out in section 3.9.3
- 2.1.3 **Agree** the approach for allocating the Redundancy Reserve as set out in section 3.9.7
- 2.1.4 **Agree** that any uncommitted earmarked reserves at the end of 2023/24 will be appropriated to the Operational Reserve to be allocated as agreed in section 2.1.2

3 SELEP Revenue Budget 2023/24

- 3.1. When the budget for 2023/24 was agreed by the Board in November 2022 it was assumed that no new revenue funding would be available to support SELEP beyond 2022/23 due to the uncertainties in respect of the future of SELEP. In July, however, the Government confirmed and allocated Core funding of £250,000 (a further reduction from that allocated in 2022/23 of £375,000). With the confirmation of funding, the Government advised that 2023/24 would be the final year of funding for LEPs, with an expectation that

LEP functions would be transitioned to local authorities by April 2024.

- 3.2. Following this announcement, the SELEP budget was updated in September 2023 to reflect receipt of the additional income; the latest forecast spend against the updated budget is set out in Table 1. This indicates an overall forecast net under spend against the budget in the net cost of services of £426,000; this reduction is primarily due to the increase in anticipated income from interest received on the Capital balances held by the Accountable Body on behalf of SELEP and the lower than anticipated costs of the COVID-19 Skills Support programme (as reported to the SELEP Strategic Board in October 2023 [here](#)). This reduction in net spend is partially offset by additional costs arising in respect of the Secretariat and the continuation of data tool contracts to support analysis across the partnership. A summary of key movements in the forecast are set out in Table 2.
- 3.3. The updated budget did not incorporate any changes to the assumed amount of external interest anticipated to be received on the capital balances held by Essex County Council, as the Accountable Body, on behalf of SELEP; however, as indicated at the time, this income is now anticipated to be understated due to the combined impact of the length of time the Capital balances in respect of the Growing Places Fund (see section 3.7.6) and the Getting Building Fund (see section 3.7.7) continue to be held by the Accountable Body; and the increased value of interest rates on investments across the financial year. The external interest forecast continues to be monitored and an update will be provided in the next Finance update to the Board.
- 3.4. The impact of the movements in the forecast position is for a forecast appropriation to the Operational reserve of £23,000. The impact of this is considered further in section 3.9.

Table 1: 2023/24 Updated Revenue Forecast

	Updated Forecast	Latest Budget	Variance	Variance
	£000	£000	£000	%
Staff salaries and associated costs	732	691	40	6%
Staff non salaries	7	7	0	1%
Recharges (incl. Accountable Body)	93	93	-	0%
Redundancy & associated support costs	-	-	-	-
Total staffing	832	791	40	5%
Meetings and admin	95	91	3	4%
IT and Data Tools	18	3	15	613%
Chair and Deputy Chair Allowance including oncosts	3	3	-	0%
Consultancy and project work	62	62	-	0%
COVID-19 Support Programmes	39	134	(95)	-71%
Grants and contributions to third parties	402	402	-	-
Total other expenditure	618	694	(76)	-11%
Total expenditure	1,449	1,485	(36)	-2%
Grant income	(725)	(725)	-	-
Contributions from partners	-	-	-	-
External interest received	(500)	(110)	(390)	355%
Total income	(1,225)	(835)	(390)	47%
Net cost of services	224	650	(426)	-66%
Funds transferred (to)/from the Operational Reserve (not charged to services)				
Funds transferred from Earmarked Reserves	(247)	(247)	-	-
Net Deficit (Surplus) on provision of services	(23)	403	(426)	-106%
Net Contributions to/(from) Operational reserves	23	(403)	426	-106%
Final net position	-	-	-	0%

Table 2: Summary of Movements in the Budget

	£'000
Latest Budgeted Contribution from the Operational Reserve	403
Movements in Net Cost of Services	
Staff Salaries and Accountable Body Recharges	40
Reduction in Covid Support Programme costs	(95)
IT and Data Tools	15
Other net movements	3
Increase in external interest received	(390)
Total Movement in Net Cost of Services	(426)
Movement in Contributions to the Operational Reserve	-
Total Net Movements	(426)
Proposed Updated Net Contribution (to) / from the Operational Reserve	(23)

3.5. Only two revenue grants are expected to be received by SELEP in 2023/24, totalling £725,000: Core funding of £250,000 and Growth Hub funding of £475,000. The planned spend for both grants is incorporated in Table 1; the Growth Hub grant has stringent conditions that must be complied with to ensure receipt and retention of the funding – the SELEP Strategic Board endorsed the proposed spend plan that has been agreed with the Department for Business and Trade (DBT) that awarded the funding in July 2023.

3.6. The Core funding allocated by Government is a general grant and as such is planned to be used to support the overall budget set out in Table 1.

3.7. Capital Funds Update

3.7.1. In addition to the revenue funds set out in Table 1, the Accountable Body administers the capital funds in Table 3 on behalf of SELEP; the majority of these funds have now been transferred to the respective upper tier Local Authority in the SELEP area to support investments in 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 meeting agenda.

3.7.2. The capital fund balances 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 3.3.

3.7.3. As SELEP is planning to close by the end of March 2024, it is necessary to ensure that the Board has determined how any residual grant balances are to be managed. It is currently assumed that all remaining Getting Building Funding (GBF) will be transferred to the SELEP Partner Authorities, subject to the decisions of the Board set out in agenda item 10; however, it is planned

that Growing Places Fund (GPF) balances will need to be allocated, subject to the decisions of the Board set out in agenda items 7 and 8. The forecast position for 2023/24, set out in Table 3, therefore assumes that there will be no residual Capital Balances held at the end of 2023/24.

Table 3: Capital Funds Administered by SELEP in 2023/24

Fund	Fund balance brought forward £000	Forecast Funding Received / Repaid £000	Forecast Funding Applied £000	Forecast Funding Redistributed* £000	Forecast Fund Balance Carried Forward £000
Local Growth Fund (LGF) (DLUHC)	-	-	-	-	-
Local Growth Fund (LGF) (DfT)	-	-	-	-	-
Growing Places Fund (GPF) (on-going Loan Fund) (*see note)	(12,360)	(5,315)	2,750	14,925	-
Getting Building Fund (GBF)	(3,791)	-	3,791	-	-
Total Funds	(16,151)	(5,315)	6,541	14,925	-

Notes to Table 3:

- 3.7.4. **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 11).
- 3.7.5. **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 Fairglen project of £13.5m, but is subject to final approval by the Secretary of State for Transport – see agenda item 11 for further details.
- 3.7.6. **Growing Places Fund (GPF) *** – GPF is a recyclable loan scheme with a balance brought 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 residual balance of £14.925m. Table 3 assumes that this funding will be distributed in full in 2023/24, but remains subject to decisions of the Board in agenda items 7 and 8 to agree: Amendments to planned payments and repayments of GPF in 2023/24; and the approach to the distribution of the residual GPF funding to SELEP Partner Authorities.
- 3.7.7. **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 saw the return of £15.4m of GBF to the Accountable Body for reallocation; of this amount, £3.791m was carried forward into 2023/24 of which £1.742m has been transferred to approved Projects and £2.049m remains unallocated and is subject to decisions set out in agenda item 10. It is assumed that the full value of GBF will be allocated in 2023/24.

3.8. Future Funding Risks

3.8.1. As set out in agenda item 5, Government have advised that 2023/24 will be the final year of funding for LEPs and it is expected that LEP functions will be integrated into Local Authorities from 2024/25. In response to this, the Accountable Body is working in conjunction with SELEP and the Partner Authorities to support a managed transition; an integration plan was agreed at the December Strategic Board meeting (see Agenda item 5).

3.8.2. As part of this process, there is active engagement with Government to seek to understand their expectations with respect to the monitoring and reporting on the Capital programmes that are in delivery; with the anticipated close down of SELEP, it is expected that accountability to Government for these programmes will be transferred to the respective upper tier Local Authority that is accountable to SELEP for delivery through the respective funding agreements in place.

3.8.3. As part of the integration planning, the Accountable Body continues to work with the SELEP CEO to consider the overall position to ensure sufficient funding 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, some of which are expected to continue post 2023/24 to support the residual commitments such as preparing the Accounts in respect of 2023/24 and meeting Audit requirements of residual funding streams;
- Other risks being managed by the Accountable Body on behalf of SELEP

3.8.4. 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; these are subject to review as part of the transition planning for SELEP. The latest reserves position is set out in 3.9 below; any proposals with respect to future application of reserves is subject to a decision by the Board see section 3.9.3 below.

3.8.5. The current assumption with respect to the Transition arrangements for SELEP is that this will be completed by the 31 March 2024, in line with the expectations of Government. If, however, it is not possible to complete this process within this timeline, reserves will need to be prioritised to support the on-going costs of SELEP and the Accountable Body through this extended period. This risk is mitigated in part by the collective engagement of all Partners in support of the integration planning; however, timelines will be dependent on agreement across all Partners, including the Accountable Body, and Government with respect to future requirements and accountabilities; timely decisions and agreements in this respect will then enable the timelines to be minimised for the anticipated closure of SELEP and ultimately, the existing SELEP legal and governance structures, including the Board.

3.9. Reserves

- 3.9.1. The proposed updated budget set out in Table 1 includes a total reduction in available reserves of £224,000 to ensure there is sufficient funding for the planned net expenditure in the proposed budget. This position assumes receipt of the grants set out in section 3.5, some of which are still to be received from the respective Government department.
- 3.9.2. Table 4 summarises the impact on the Operational Reserve of the forecast position set out in Table 1, with a net increase of £23,000. The proposed budget forecasts that £1.485m remains at the end of March 2024 to support the transition to new arrangements. At the December meeting of the Strategic Board, a decision was endorsed with respect to the utilisation of any uncommitted residual reserves at the end of 2023/24 to be made available to the Partner Authorities in SELEP to support resourcing of LEP functions that are planned to be transferred from April 2024 and as such and where possible, the retention of the LEP team, subject to agreement of this Board.
- 3.9.3. Final decisions with respect to allocations of the reserve will be brought forward for consideration by the Board in February 2024, however, to support planning in the Partner Authorities, the Board is recommended to agree an approach for distribution of the Operational Reserve. Whilst a number of options could be considered by the Board in this respect, the Accountable Body recommends that funding is distributed in the same manner as contributions have been made to SELEP by Partners historically, i.e. on a per capita basis, to enable a parity approach to the distribution of the residual funds. Partners that are considering joint delivery arrangements as part of a functional economic area, for example, could consider pooling their allocations to support future delivery, but this would be for local determination by respective Partners.
- 3.9.4. Table 5 sets out an exemplification of allocating the Operational Reserve for each partner based on the current forecast position set out in Table 4, applying a per capita distribution. If the Board agree to apply this approach, the final allocation to each authority will be determined based on the final outturn position at the close of SELEP, currently planned to be 31 March

2024. Should SELEP not be closed by the 31 March or if any roles are required to extend beyond this period, this may reduce the available funding exemplified in Table 5.

- 3.9.5. It is expected that Partner Authorities ring fence these funds to support and resource the continuation of LEP and economic growth activities in 2024/25 and beyond. In December 2023 the Strategic Board endorsed the utilisation of uncommitted SELEP revenue residual funds in 2024/25 to support the resourcing of LEP functions by the Partner Authorities, and where possible the retention of the current SELEP secretariat, subject to the decision making of this Board. For those Partners that have indicated to SELEP a commitment to roles¹ to support delivery of LEP functions post April 2024 (see section 4.6 in Agenda item 5), the forecast figures in Table 5 anticipate that a per capita share, particularly if considered across the functional economic areas, are expected to be sufficient for Partner Authorities, where they are seeking to recruit, to fund the roles that have been put forward, for a minimum period of 12 months. Additionally, Government has also advised that it will provide up to £240,000 per local or combined authority area delivering functions over a functional economic area that meets the geographical requirements².
- 3.9.6. The Accountable Body will facilitate the transfer of any reserve balances to the Partner Authorities within a SELEP transition agreement, as set out in the Integration Plan agreed by the Strategic Board in December 2023.
- 3.9.7. With respect to the Redundancy Reserve which has been earmarked for use to meet any redundancy costs of the SELEP Secretariat, it is proposed that where this is not required to meet any immediate redundancy costs, this funding should be transferred to the Partner Authority that holds the financial liability for the continued employment of members of the SELEP Secretariat, in support of SELEP functions that have transferred to a SELEP Partner Authority, for the period to 31 March 2025.
- 3.9.8. With respect to any residual reserves not required to support the SELEP transition or the residual activities and risks of the Accountable Body following closure of SELEP, it is recommended that any remaining balance will be appropriated to the Operational Reserve for distribution in accordance with the agreed approach for that reserve.
- 3.9.9. 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 the SELEP during 2023/24 and the transition arrangements alongside any on-going commitments and risks arising, both in respect of SELEP and Essex County Council in its role as the Accountable Body for SELEP. An updated position and final recommendations on the appropriation of reserves will be brought to the February meeting of the Board for determination.

¹ subject to funding confirmations and approvals

² [Guidance for local authorities delivering business representation and local economic planning functions - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/guidance-for-local-authorities-delivering-business-representation-and-local-economic-planning-functions) – Funding allocations are subject to final business case approval and the approval of integration plans.

Table 4: 2023/24 Reserves Summary

	Opening Balance Apr '23	Contributions	Withdrawals	Closing Balance Mar '24	Net Movement in Reserves
	£'000	£'000	£'000	£'000	£'000
Operational Reserve	(1,462)	(247)	224	(1,485)	(23)
Reserves Earmarked for future use					
Covid-19 Skills Support Fund	(134)	-	134	-	134
Covid-19 Business Support Fund	-	-	-	-	-
Redundancy Reserve	(210)	-	-	(210)	-
Future Commitments Reserve	(423)	-	113	(310)	113
Risk Reserve	(975)	-	-	(975)	-
Total Reserves	(3,204)	(247)	472	(2,979)	224

Table 5: Exemplification of the Allocation of the Forecast Operational Reserve Balance on a per capita basis

Local Authority	Population (as per 2021 census)	Budgeted Operational Reserve allocation £'000	Forecast Operational Reserve allocation £'000
East Sussex	545,847	136	190
Essex	1,503,521	373	524
Kent	1,576,069	392	549
Medway	279,773	69	97
Southend	180,686	45	63
Thurrock	176,000	44	61
Total	4,261,896	1,059	1,485

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 proposed 2023/24 revenue budget is considered to be robust and the level of reserves held is appropriate. However, due to the on-going uncertainties with respect to the SELEP transition timelines and requirements, there remain budget risks both in the current year and into 2024/25, albeit the current level of reserves held is expected to be sufficient assuming this process is concluded in a timely manner.
- 4.3. Any future decision making, will need to take into account the anticipated transition of SELEP functions to the Partner Authorities and ensure that sufficient resources remain available to support any on-going obligations of the Accountable Body; no new funding commitments should be entered into that extend beyond the life of the SELEP without the agreement of the Board and the Accountable Body.

- 4.4. The Accountable Body will continue to support the Secretariat in delivery of the Integration Plan, particularly with respect to the residual funding and capital programme implications, as well as consideration of the legal, governance and staffing responsibilities of the Accountable Body.
- 4.5. It will be necessary to ensure that the transfer of any residual accountabilities for delivery, management and oversight of SELEP funding to the Local Authority partner authorities is managed to the satisfaction and agreement of the Accountable body and Government.

Legal Implications (Accountable Body comments)

- 5.1 A legal agreement with the six upper tier local authority partners within SELEP will be needed to transfer effectively the accountabilities for SELEP funds that are currently managed by the Accountable Body and to transfer any residual revenue and capital funds, in accordance with the decisions of the Board.

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.

List of Appendices

None

List of Background Papers

October Strategic Board update on the Covid-19 Recovery Funds: [Strategic Board - The South East Local Enterprise Partnership \(southeastlep.com\)](https://southeastlep.com)

December Strategic Board update on the SELEP Integration Plan: [SELEP Strategic Board - The South East Local Enterprise Partnership \(southeastlep.com\)](http://southeastlep.com)

(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)	 04/01/2024