

<b>Report title:</b> Updated 2022/23 Revenue Budget	
<b>Report to Accountability Board</b>	
<b>Report author:</b> Lorna Norris, Senior Finance Business Partner	
<b>Date:</b> 23 September 2022	<b>For:</b> Decision
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<b>SELEP Partner Authority affected:</b> 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 2022/23 budget including specific grants.

## 2. Recommendations

- 2.1 The Board is asked to:

2.1.1 **Approve** the updated 2022/23 SELEP revenue forecast budget set out in Table 1, including the specific funds summarised in Table 3;

2.1.2 **Note** the on-going uncertainty from Government regarding the future funding position for SELEP beyond 2022/23.

## 3 SELEP Revenue Budget 2022/23

- 3.1 At the July meeting of the Board, an updated budget for 2022/23 was agreed to incorporate the changes arising from the improved outturn position for 2021/22 of £358,000 and the anticipated core funding from Government of £375,000 that SELEP was able to apply for in July. The core funding has now been received. The updated budget sought to ensure that the commitments in the agreed SELEP Delivery plan could be delivered in accordance with the expectations of the SELEP Strategic Board and to reduce the reliance on reserves in 2022/23. The updated budget also intends to retain sufficient funding within the Operational Reserve to support some SELEP activities into 2023/24 – further information on the reserves is set out in section 3.8.
- 3.2 The latest forecast position for the SELEP revenue budget has been reviewed with the SELEP Chief Executive and is summarised in Table 1. This reflects a small detrimental net movement in the overall position of £28,000 following a review of the staffing costs and legal charges from the Accountable Body. This is summarised in Table 2.

**Table 1: 2022/23 Proposed Budget Summary**

	Updated Forecast	Latest Budget	Variance	Variance
	£000	£000	£000	%
Staff salaries and associated costs	783	771	11	1%
Staff non salaries	6	6	-	0%
Recharges (incl. Accountable Body)	284	269	15	6%
Provision For Redundancies	1	1	-	-
<b>Total staffing</b>	<b>1,074</b>	<b>1,047</b>	<b>27</b>	<b>3%</b>
Meetings and admin	148	148	-	0%
Chair and Deputy Chair Allowance including oncosts	40	40	-	0%
Consultancy and project work	130	130	-	0%
COVID-19 Support Programmes	1,760	1,760	-	0%
Grants and contributions to third parties	586	585	1	0%
<b>Total other expenditure</b>	<b>2,664</b>	<b>2,663</b>	<b>1</b>	<b>0%</b>
<b>Total expenditure</b>	<b>3,738</b>	<b>3,711</b>	<b>28</b>	<b>1%</b>
Grant income	(1,208)	(1,208)	-	0%
Contributions from partners	(138)	(138)	-	-
COVID-19 Support Fund	(1,760)	(1,760)	-	0%
External interest received	(21)	(21)	-	-
<b>Total income</b>	<b>(3,127)</b>	<b>(3,127)</b>	<b>-</b>	<b>0%</b>
<b>Net cost of services</b>	<b>611</b>	<b>583</b>	<b>28</b>	<b>5%</b>
<b>Funds transferred (to)/from the Operational Reserve (not charged to services)</b>				
Other re-purposed funds transferred to Reserves	(35)	(35)	-	-
Contribution from Redundancy Reserve	(52)	(52)	-	-
Net Deficit (Surplus) on provision of services	<b>524</b>	<b>496</b>	<b>28</b>	<b>6%</b>
<b>Net Contributions to/(from) Operational reserves</b>	<b>(524)</b>	<b>(496)</b>	<b>(28)</b>	<b>6%</b>
<b>Final net position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0%</b>

Note: Table may not sum due to rounding

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

	£'000
<b>Latest Budgeted Contribution from the Operational Reserve</b>	<b>496</b>
<b>Movements in Net Cost of Services</b>	
Staff Salaries and Accountable Body Recharges	27
Grants and contributions to third parties	1
<b>Total Movement in Net Cost of Services</b>	<b>28</b>
<b>Proposed Updated Budgeted Contribution from the Operational Reserve</b>	<b>524</b>

- 3.3 Of the total revenue grant income expected to be received by SELEP in 2022/23, only £375,000 relates to general grants to support the operations of SELEP; the remainder is applied as specific grants, with associated conditions for use. The forecast specific grants position is set out in Table 3 below.

**Table 3: 2022/23 Forecast Specific Revenue Funds Summary**

Fund	Funding Brought Forward £000	Forecast Funding Received £000	Forecast Funding Applied £000	Funding Repurposed to Reserves £000	Funding Carried Forward £000
Sector Support Fund (SSF)	(303)	-	303	-	-
Growth Hub - Core Funding Grant	-	(445)	445	-	-
Skills Analysis Panels (SAP) Grant	-	(55)	55	-	-
Local Digital Skills Partnership Catalyst Grant	(29)	-	29	-	-
Energy Strategy Grant	(1)	-	1	-	-
<b>Total Grant Income Applied</b>	<b>(333)</b>	<b>(500)</b>	<b>833</b>	<b>-</b>	<b>-</b>
SELEP Core and GBF Capacity Grants	-	(375)	375	-	-
Covid-19 Skills Fund	(672)	-	637	35	-
Covid-19 Business Support Fund	(1,189)	-	1,123	-	(66)
<b>Total Revenue Funding Applied</b>	<b>(2,195)</b>	<b>(875)</b>	<b>2,969</b>	<b>35</b>	<b>(66)</b>

Note: Table may not sum due to rounding

3.4 A summary of each grant is set out in Appendix A; a small movement is forecast for the Local Digital Partnership Catalyst Grant with respect to use of the funding, but overall the grant remains forecast to be spent in full. An update with respect to the Covid-19 funds is set out below.

### 3.5 Covid-19 Recovery Funds

3.5.1 All of the contracted programmes are in delivery and are due to complete through 2022/23, with the evaluation phase for the business support fund due to be completed in 2023/24; the business support programme, therefore anticipates the final £66,000 of the contract costs to fall in 2023/24.

3.5.2 In respect of the Skills programme, £45,000 was set aside as match funding for the Digital Skills Partnership. This is now not required in full. The Board agreed in July 2022 for this funding to be repurposed: £10,000 to support year four of a Digital Skills Partnership for Catalyst South and the residual £35,000 underspend is repurposed to the Operational Reserve in 2022/23.

### 3.6 **Capital Funds Update**

3.6.1 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 delivery of the SELEP priorities, including the COVID-19 recovery. The notes below set out the position for each Fund and further information is included in the separate update reports included in the agenda.

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

Fund	Fund balance brought forward £000	Forecast Funding Received / Repaid £000	Forecast Funding Applied £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)	(13,040)	(5,620)	4,650	(14,010)
Getting Building Fund (GBF)	-	-	-	-
<b>Total Funds</b>	<b>(13,040)</b>	<b>(5,620)</b>	<b>4,650</b>	<b>(14,010)</b>

Notes to Table 4:

- 3.6.2 **Local Growth Fund (LGF)** – all remaining LGF was transferred to delivery partners by the end of 2021/22. However, circa £47.288m of the total LGF allocation is planned to be spent by partners from 2022/23 onwards, with on-going commitments of delivery, monitoring and evaluation to SELEP and the Accountable Body (see agenda item 7).
- 3.6.3 **Local Growth Fund (LGF) (DFT)** – the brought forward balance from 2020/21, was requested in full by Southend-on-Sea City Council, taking the balance on the grant remaining to nil. A further allocation is expected to be received in relation to the A127 Fairglens project, but this remains subject to final approval by the Secretary of State – see agenda item 7 for further details.
- 3.6.4 **Growing Places Fund (GPF)** – GPF is a recyclable loan scheme with a balance to be carried forward into 2022/23 is £13.04m, of which, £4.65m is committed to approved projects; this leaves £8.39m 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 £5.62m is due by the end of 2022/23, leaving a balance of £14.01m. 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 during 2022/23. Further information on the GPF position can be found in Agenda item 11. Current commitments in the management and oversight of this fund by the Accountable Body extend beyond 2026/27, when the final repayment is currently due.
- 3.6.5 The GPF update report (agenda item 11), also sets out that there has been a default in a loan repayment that was due by March 2021 in respect of the Eastbourne Fisherman's Quay and Infrastructure Development project totalling £150,000; in line with the credit agreement for this Project, interest of 1.99% will be applied to the full remaining balance of the loan of £825,000, until a revised repayment schedule is agreed by the Board or the balance in default is repaid, whichever is sooner. Until a revised repayment schedule is agreed that has been assured by the East Sussex County Council S151 Officer, the repayment of the full outstanding balance of the loan presents a risk to the GPF and the funding available for future reinvestment.
- 3.6.6 **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. Of the total amount transferred to partners, £20.784m is forecast to be spent in 2022/23. Further information on this fund is set out in Agenda item 5.

### 3.7 Funding Risks

- 3.7.1 The Government only confirms funding for SELEP on an annual basis; this increases the risk to delivery partners and the overall sustainability of SELEP. This risk was exacerbated for 2022/23 as the Core funding contribution from Government wasn't confirmed as received until August 2022 and the value had reduced to £375,000 from £500,000 in prior years. This late confirmation of funding has impacted the Delivery planning for 2022/23 and whilst receipt of this funding has enabled less reliance on reserves in the current year, the uncertainty with respect to the on-going funding position remains.
- 3.7.2 In the letter confirming the 2022/23 Core funding arrangements, Government also advised that they have not made any decisions around the future funding of LEPs beyond this financial year. This again places SELEP in the position that planning for delivery beyond March 2023, will need to be on the basis of the available Operational reserves – this position is considered further in section 3.8 below. In this circumstance, there remains on-going risk of redundancies in the SELEP team being required into 2023/24.
- 3.7.3 The Levelling Up White Paper indicated an on-going role for LEPs while local authorities do not have a County Deal<sup>1</sup> in place, but have not committed to on-going funding to support this role. Should Core Funding continue to be offered in future years, however, there will be a requirement for match funding to access this. The Board may want to consider the on-going implications of this requirement for the local authority partners.
- 3.7.4 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 2026/27;
  - Costs associated with employing the Secretariat, including potential redundancy costs;

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<sup>1</sup> See the Levelling Up White Paper for more information on County Deals [Levelling Up the United Kingdom - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/levelling-up-the-united-kingdom)

- 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.

3.7.5 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 will be subject to review as part of the on-going financial monitoring and will continue to form part of the reporting to the Board on a quarterly basis. The latest assessment of the reserves is set out in 3.8 below; any changes to the level of reserves is subject to a decision by the Board.

### 3.8 Reserves

3.8.1 Table 1 includes a budgeted net contribution from reserves of £496,000 to ensure there is sufficient funding for the planned expenditure in 2022/23. This position assumes receipt of the grants set out in Table 3, received from the respective Government department.

3.8.2 Table 5 summarises the level of Operational Reserves that will be available to support SELEP based on the latest forecast position. This anticipates that £778,000 will remain at the end of March 2023 to support delivery into 2023/24; this is a reduction of £28,000 compared to the budgeted position of £806,000. Opportunities will be sought, where possible, to mitigate against this overspend and further pressures arising to protect the available reserves to support services into 2023/24.

3.8.3 To sustain the service at the current level of delivery in the short term, SELEP continues to be reliant on support from Government and contributions from Partners to supplement the available reserves; if SELEP is unable to secure this funding support, it may need to look at options for budget savings into 2023/24, including the potential for further redundancies within the Secretariat.

3.8.4 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 during 2022/23 and future years and that this continues to be balanced against funding 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.

3.8.5 It is anticipated that, working with the SELEP Chief Executive, a proposed budget for 2023/24 will be brought to the next meeting of the Board which will be based on the forecast available operational reserve; it is not anticipated that it will be known if any Core funding

will be available for future years at that point.

**Table 5: 2022/23 Forecast Reserves Summary**

	Opening Balance Apr '22	Contributions	Withdrawals	Closing Balance Mar '23	Net Movement in Reserves
	£'000	£'000	£'000	£'000	£'000
<b>Operational Reserve</b>	1,302	87	(611)	778	(524)
<b>Ring-fenced Reserves Earmarked for future use</b>					
Covid-19 Skills Support Fund	672		(672)	-	(672)
Covid-19 Business Support Fund	1,189		(1,123)	66	(1,123)
Redundancy Reserve	163	45	(52)	156	(6)
Future Commitments Reserve	423			423	-
Risk Reserve	975		-	975	-
<b>Total Reserves</b>	<b>4,723</b>	<b>132</b>	<b>(2,458)</b>	<b>2,397</b>	<b>(2,326)</b>

Note: Table may not sum due to rounding

#### **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 updated 2022/23 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 funding, there remain budget risks both in the current year and into 2023/24. If the anticipated funding is not secured, the budget may need to be reprioritised and associated services may need to be scaled back further from 2023/24.
- 4.3 A number of the SELEP Secretariat staff are 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 challenging reserves position for the SELEP, it will be necessary to consider carefully the impact of future decision making, including new funding streams, to ensure that sufficient resources remain available to support 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 evolving financial position.

#### **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 A – 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
<b>Accountable Body sign off</b>  Stephanie Mitchener  (On behalf of Nicole Wood, S151 Officer Essex County Council)	14 <sup>th</sup> September 2022

## Specific Revenue Grant Summary

The following sets out further detail of the planned 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	Updated Forecast	Latest Budget	Variance	Variance
	£000	£000	£000	%
Recharges (incl. Accountable Body)	145	146	(1)	-1%
Office expenses	-	-	-	0%
Consultancy and projects	102	102	-	0%
Grants to third parties	576	576	-	0%
Match Fund to 3rd Party	10	9	1	0%
<b>Total Expenditure</b>	<b>833</b>	<b>833</b>	<b>-</b>	<b>0%</b>
Grant Income	(833)	(833)	-	0%
<b>Total income</b>	<b>(833)</b>	<b>(833)</b>	<b>-</b>	<b>0%</b>
<b>Net position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0%</b>

## 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 that is allocated to Projects but had not yet transferred to Local Partners; £40,000 of this amount has since been transferred to East Sussex County Council to support the Coastal Communities project.

Table B: SSF Expenditure Summary

Sector Support Fund	Updated Forecast	Latest Budget	Variance	Variance
	£000	£000	£000	%
Recharges (incl. Accountable Body)	-	-	-	
Office expenses	-	-	-	
Consultancy and projects	-	-	-	
Grants to third parties	303	303	-	
<b>Total Expenditure</b>	<b>303</b>	<b>303</b>	<b>-</b>	
Grant Income	(303)	(303)	-	
<b>Total income</b>	<b>(303)</b>	<b>(303)</b>	<b>-</b>	
<b>Net position</b>	<b>-</b>	<b>-</b>	<b>-</b>	

## 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 will need to continue to ensure that it fits with the requirements.

In 2018/19, following the increased requirements of Central Government, a full-time post was established within the Secretariat to support the Growth Hub programme; the costs of the post will be met, through the grant in this year; the Strategic Board agreed in June 2022 the proposed use of the funding for 2022/23.

Table C: Growth Hub Grant Expenditure Summary

Growth Hub	Updated Forecast £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	-	
<b>Total Expenditure</b>	<b>445</b>	<b>445</b>	-	
Grant Income	(445)	(445)	-	
<b>Total income</b>	<b>(445)</b>	<b>(445)</b>	-	
<b>Net position</b>	-	-	-	

### 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	Updated Forecast £000	Latest Budget £000	Variance £000	Variance %
Recharges (incl. Accountable Body)	42	42	-	
Office expenses	-	-	-	
Consultancy and projects	13	13	-	
Grants to third parties	-	-	-	
<b>Total Expenditure</b>	<b>55</b>	<b>55</b>	-	
Grant Income	(55)	(55)	-	
<b>Total income</b>	<b>(55)</b>	<b>(55)</b>	-	
<b>Net position</b>	-	-	-	

## 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 updated forecast reflects a slight change to this forecast 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.

There is also an opportunity of further funding with respect to this grant in 2022/23; once confirmed and received, the forecast position for this grant will be updated.

Table E: Local Digital Skills Partnership Catalyst Grant Expenditure Summary

Local Digital Skills Partnership Catalyst Grant	Updated Forecast	Latest Budget	Variance	Variance
	£000	£000	£000	%
Recharges (incl. Accountable Body)	19.0	20.0	(1)	
Office expenses	-	-	-	
Consultancy and projects	-	-	-	
Grants to third parties	-	-	-	
Match fund to 3rd party	10.0	9.0	1	
<b>Total Expenditure</b>	<b>29.0</b>	<b>29.0</b>	-	
Grant Income	(29)	(29)	-	
<b>Total income</b>	<b>(29)</b>	<b>(29)</b>	-	
<b>Net position</b>	-	-	-	<b>0.0%</b>

## Additional Grants

In addition to those grants set out above, SELEP is also planning to spend the residual balances on the following grant:

Energy Strategy Grant - £927