

**Forward Plan reference numbers:**

<b>Report title:</b> <i>Update on SELEP Revenue Budget 2019/20</i>	
<b>Report to Accountability Board</b>	
<b>Report author:</b> Lorna Norris, Senior Finance Business Partner	
<b>Date:</b> 4 <sup>th</sup> February 2020	<b>For:</b> Information
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<b>SELEP Partner Authority affected:</b> <i>Pan SELEP</i>	

**1. Purpose of Report**

- 1.1 The purpose of this report is for the Accountability Board (the Board) to consider the latest financial forecast position for the SELEP Revenue budget for 2019/20.

**2. Recommendations**

- 2.1 The Board is asked to:

- 2.1.1 **Note** the half year forecast revenue outturn position for 2019/20 of an **underspend of £826,000;**

**3. 2019/20 revenue budget half year update**

- 3.1 The 2019/20 SELEP revenue budget was set by Accountability Board at its November 2018 meeting and updated in May 2019 to incorporate the specific revenue grants that had been subsequently confirmed. The latest forecast outturn position is an under spend of £826,000, this represents a movement of £532,000 from the position reported to the Board in November 2019; details can be seen in Table 1 overleaf.
- 3.2 The under spend is mainly due to the expected receipt of £400,000 additional grant funding from Government to support the implementation of the LEP review requirements, plus a lower than anticipated spend on Project and Consultancy activity. This is offset in part due to increased staffing requirements to support the implementation of the LEP review.

**Table 1 – Total SELEP Revenue Budget Outturn Forecast – December 2019**

	Forecast Outturn £000	Latest Budget £000	Variance £000	Variance %	Previous Reported Forecast £000	Forecast Movement £000
Staff salaries and associated costs	829	744	86	12%	911	(82)
Staff non salaries	26	39	(13)	-34%	54	(28)
Recharges (incl. Accountable Body)	199	158	41	26%	194	5
<b>Total staffing</b>	<b>1,054</b>	<b>941</b>	<b>113</b>	<b>12%</b>	<b>1,159</b>	<b>(105)</b>
Meetings and admin	124	66	58	88%	131	(7)
Chair's allowance	25	20	5	25%	23	3
Consultancy and project work	489	1,026	(537)	-52%	807	(318)
Local Area Support	150	150	-	0%	150	-
Grants to third parties	1,658	1,626			1,626	32
<b>Total other expenditure</b>	<b>2,445</b>	<b>2,888</b>	<b>(442)</b>	<b>-15%</b>	<b>2,737</b>	<b>(291)</b>
<b>Total expenditure</b>	<b>3,499</b>	<b>3,829</b>	<b>(330)</b>	<b>-9%</b>	<b>3,896</b>	<b>(396)</b>
Grant income	(2,821)	(2,390)	(430)	18%	(2,766)	(54)
Contributions from partners	(200)	(200)	-	0%	(200)	-
Other Contributions	-	-	-	0%	-	-
External interest received	(905)	(839)	(66)	0%	(824)	(81)
<b>Total income</b>	<b>(3,926)</b>	<b>(3,429)</b>	<b>(496)</b>	<b>14%</b>	<b>(3,790)</b>	<b>(135)</b>
<b>Net expenditure</b>	<b>(426)</b>	<b>400</b>	<b>(826)</b>	<b>-206%</b>	<b>106</b>	<b>(532)</b>
<b>Contributions to/from reserves</b>	<b>426</b>	<b>(400)</b>	<b>826</b>	<b>-206%</b>	<b>(106)</b>	<b>532</b>
<b>Final net position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0%</b>	<b>-</b>	<b>(0)</b>

3.3 Currently it is forecast that external interest received will be £66,000 higher than budgeted, this is an improved position compared to the September forecast of £81,000. This is primarily due to higher than budgeted balances held in relation to the Local Growth Fund (LGF) programme and the Growing Places Fund (GPF) programme, that are accruing interest; separate updates on these programmes are included in the agenda for this meeting.

3.1. There remains considerable uncertainty with regards to the impact that Britain's Exit from the EU may have on interest rates and as such the forecast position may continue to change in this respect; this position is being closely monitored by Essex County Council's Treasury Management function who oversee the investment of the funds held, both in respect of the current year and future year impacts.

3.2. Table 3 sets out the current forecast position for the specific revenue grants; it is currently assumed that all specific grants will spend in line with budget, with the exception of the following:

3.2.1. the Skills grants allocated to support the implementation of the Skills Analysis Panel and the Local Digital Skills Partnership incur – spend of these grants has been delayed due to time taken to recruit to the posts to support these two initiatives; this means that a proportion of the outstanding grants are now planned to be spent in 2020/21.

3.2.2. Growth Hub Grant - additional funding has been allocated to support Brexit; this funding is required to be spend in 209/20. It is expected that further funding will be available in this respect; this is currently subject to finalisation of the respective agreements with the awarding body.

**Table 3 – Specific Grants Forecast Summary**

	<b>Forecast Outturn £000</b>	<b>Latest Budget £000</b>	<b>Variance £000</b>	<b>Variance %</b>
General Grants (Secretariat Budget)	(900)	(500)	(400)	30%
<u>Specific Grants:</u>				
GPF Revenue Grant	(1,000)	(1,000)	-	0%
Growth Hub	(710)	(656)	(54)	0%
Skills Analysis Panels (SAP) Grant	(56)	(75)	19	-26%
Local Digital Skills Partnership Catalyst Grant	(71)	(75)	4	-5%
Careers Enterprise Company (CEC)	(35)	(35)	-	0%
Energy Strategy Grant	(49)	(49)	-	0%
<b>Total Grant Income Applied</b>	<b>(2,821)</b>	<b>(2,390)</b>	<b>(430)</b>	<b>18.0%</b>

4. The current forecast position for the general reserve at the end of financial year 2019/20 can be found below in Table 2.

**Table 2 – Forecast Reserves**

	<b>Forecast Outturn £000</b>	<b>Latest Budget £000</b>
Opening balance 1st April 2019	748	748
<b>Planned Utilisation</b>		
Planned contribution (withdrawal) 19/20	426	(400)
<b>Total</b>	<b>426</b>	<b>(400)</b>
<b>Balance remaining</b>	<b>1,174</b>	<b>348</b>
Minimum value of reserve		<b>165</b>

4.1 The forecast outturn reserves position has moved from a planned withdrawal from reserves to an increase of £426,000; this will increase the balance to £1.17m.

- 4.2 The minimum level of reserves is set at £165,000 currently to ensure that sufficient funds are available to support any wind down costs of SELEP, should these be required.
- 4.3 Whilst the current forecast balance is significantly higher than this, a number of additional risks have been highlighted within the Operations Board report that may need to call on this balance, specifically as follows:
- 4.3.1 The budget agreed for the 2020/21 financial year assumes continuation of the Core funding from Government of £500,000; this budget has yet to be confirmed by Government and may be contingent on the outcome of the Annual Performance Review. Should the Government choose to withhold some or all of this funding this will require SELEP to either scale back its costs significantly or to increase the planned contribution from reserves.
- 4.3.2 There is no confirmed new capital investment funding available beyond 31 March 2021. This will detrimentally impact the revenue budget due to the reduction in interest receipts accrued on capital funds held prior to investment; these currently represent a significant proportion of the funding supporting the SELEP operation budget.
- 4.3.3 The investments made in Hadlow College across 2015/16 and 2016/17, totalling £11m, present a risk should it be determined that the College had not correctly applied the funding allocated, which may then require a repayment of the grant to the Ministry of Housing, Communities and Local Government (MHCLG); this risk is considered further in Agenda item 19.
- 4.4 A full review of the budget position, in light of the current risks and uncertainties, is expected to be reported back to the Board at the May 2020 meeting; it is anticipated that by this meeting, the grant allocations that fund a significant proportion of the budget will be confirmed, giving assurances on the funding arrangements for the 2020/21 financial year.

## **5. Financial Implications (Accountable Body comments)**

- 5.1 This report has been authored by the Accountable Body and the recommendations are considered appropriate.

## **6. Legal Implications (Accountable Body comments)**

None

## **7. Equality and Diversity implication**

- 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 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.

**8. List of Appendices**

12.1 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
<b>Accountable Body sign off</b>  Stephanie Mitchener (On behalf of Nicole Wood, S151 Officer Essex County Council)	04/02/2020