

Report to Accountability Board	Forward Plan reference numbers: FP/AB/98 FP/AB/99
Date of Accountability Board Meeting:	26th May 2017
Date of report:	5th May 2017
Title of report:	Provisional Revenue Outturn 2017/18
Report by:	Suzanne Bennett
Enquiries to:	suzanne.bennett@essex.gov.uk

1. Purpose of report

- 1.1 The purpose of this report is to inform the Accountability Board (the Board) of the provisional final position of the South East LEP revenue spending for financial year ended 31st March 2017. This position is provisional as the accounts will be subjected to external audit scrutiny and may be changed. The spending in year was less than the received income and as a result a request for approval for a contribution to the general reserve is made.

2. Recommendations

2.1 Board is asked to:

2.1.1 **Approve** the final provisional outturn for the all South East LEP revenue budgets for 2016/17 at Tables 1, 2, 3, 4, 5, 6 and 7, and

2.1.2 **Approve** the contribution of **£132,000** to reserves

3. Background

- 3.1 Table 1 overleaf details the total revenue spend by the SELEP in financial year 2016/17. In addition to the Secretariat budget, this table includes all specific revenue grants such as Growing Places Fund and Transport: Delivery Excellence.
- 3.2 The expenditure budget was underspent by £72,000 and income over-recovered by £91,000, the result of which is a variance against budget of £163,000; however, the budgeted position was for a deficit of £31,000 to be met from reserves, which, when taken into account, results in a surplus position of £132,000.
- 3.3 The movement from the planned deficit of £31,000 to a surplus of £132,000 is detailed in Table 2, also overleaf. The main variance is the repayment to the LEP of 2015/16 unspent Growth Hubs grants in line with the grant agreements. A total of £115,000 was repaid and this was agreed to be used to fund additional pieces of work that would be to the benefit of all Growth Hubs within SELEP. There was spend of £17,000 in 2016/17. The remaining £98,000 is being requested to be contributed to reserves as part of the £132,000 total contribution. As part of the Quarter 1 Financial Report which is due to be presented to the next Board meeting, approval will be requested to bring

this funding forward into 2017/18 for full utilisation on one-off pieces of work that are to the benefit of all Growth Hubs.

Table 1 - SELEP Provisional Outturn Position Consolidated Revenue Budgets

	Actual £000	Budget £000	Variance £000	Variance %
Staff salaries and associated costs	384	414	(30)	-7.2%
Staff non salaries	23	18	5	27.8%
Recharges (incl. Accountable Body)	149	156	(7)	-4.5%
Total staffing	556	588	(32)	-5.4%
Meetings and admin	65	66	(1)	-1.5%
Chairman's allowance	20	20	-	0.0%
Consultancy and sector support	1,211	1,250	(39)	-3.1%
Total other expenditure	1,296	1,336	(40)	-3.0%
Total expenditure	1,852	1,924	(72)	-3.7%
Grant income draw down	(1,423)	(1,487)	64	4.3%
Other income	(121)	-	(121)	0.0%
Contributions from partners	(200)	(200)	-	0.0%
External interest received	(240)	(206)	(34)	-16.5%
Total income	(1,984)	(1,893)	(91)	-4.8%
Net expenditure	(132)	31	(163)	-525.8%
Contributions to/(from) reserves	132	(31)	163	-525.8%
Final net position	-	-	-	0.0%

Table 2 – Movement from Quarter 3 Forecast

	£000
Quarter 3 Forecast - deficit/(surplus)	31
Net carry forward of unspent Growth Hub grant	(98)
SEP costs slipped to 17/18	(25)
SFA contribution	(5)
Staffing delays	(30)
Other small variances	(5)
Final position - deficit/(surplus)	(132)

- 3.4 The refresh of the Strategic Economic Plan has been delayed and now the full costs will sit in 2017/18. The underspend is requested to be contributed to reserves and further approval will be sought in the Quarter 1 2017/18 Report to draw this funding down into 2017/18 and be fully utilised.
- 3.5 The Skills Funding Agency (SFA) paid out a 'grant' of £5,000 at the very end of 2016/17. These monies are to be distributed proportionally to each local area. However, it was paid from the SFA without a grant offer letter or determination and so can only be treated as a contribution rather than a grant. As above, approval is sought here to include this amount in the contribution to

reserves from the 2016/17 surplus, with further approval to be sought at Quarter 1 2017/18 report to Board to draw down and utilise in 2017/18.

- 3.6 Delays in recruitment have created a variance from Quarter 3 forecast position. Again approval is sought to include this amount in the surplus to be contributed to reserves and further approval will be sought for utilisation in 2017/18.
- 3.7 Along with the planned drawdown in 2017/18 of £121,000, it is currently forecast that the reserve would be at the agreed holding value of £100,000 by 31 March 2018.
- 3.8 If the contribution is not approved, the reduced available funds in the reserve would adversely impact in 2016/17 and the activities outlined in the paragraphs above.
- 3.9 The expenditure variance is mainly due to delays in staff recruitment, Harlow District Council claiming less revenue grant than budgeted for the year and delays to the start of the refresh of the SEP. Further details on Harlow Revenue Grant can be found in paragraph 3.20 below.
- 3.10 The variance on income is mostly due to the federated areas unused Growth Hub grant from 2015/16 being repaid in line with the grant agreements, as detailed above, and external interest receipts being higher than originally assumed due to changes in the cash flow. Further details can be found in the detailed individual areas below.

Secretariat Budget

- 3.11 Table 3 overleaf details the provisional outturn position for the SELEP Secretariat budget. The salaries budget has been underspent due to delays in staff recruitment. The recharge budget is underspent as it was originally assumed that no recharges could be made to the GPF budget as all GPF would be subsumed into SEFUND. However, following the Board decision not to take SEFUND forward, it was decided that a proportion of the Accountable Body costs should be recharged to GPF as in previous years and therefore there is an offsetting overspend on the GPF budgets.
- 3.12 As detailed in the GPF section below, due to the increase in external interest receipt it has not been necessary to use the GPF Revenue Grant to support these costs.
- 3.13 The underspend on the Staffing Recharges was planned to be partly offset against the 2016/17 costs of the refresh of the Strategic Economic Plan (SEP). However, there have been necessary delays in the start of this piece of work and therefore all costs will now be incurred in 2017/18. The increased contribution to reserves will allow this work to be funded in 2017/18.
- 3.14 The Other Income budget line has actuals of £120K against a zero budget. £115K of this is repayment of the Growth Hubs Grant from 2015/16 that wasn't utilised in local areas. There were delays in the first year of the Growth Hubs programme that prevented progress in local areas at the pace that was originally forecast. It was agreed by the Growth Hubs Steering Group that this underspend would be pooled to be spent on cross-cutting Growth Hub issues that would be collectively agreed by the Steering Group and would be for the benefit of all areas. In 2016/17 £17,000 was spent and the remaining £98,000 will be carried forward via the general reserve for application in 2017/18, again restricted to Growth Hub support that benefits all of the Growth Hubs.

Table 3 – Provisional Outturn Position Secretariat Budget

	Actual £000	Budget £000	Variance £000	Variance %
Staff salaries and associated costs	384	414	(30)	-7.2%
Staff non salaries	23	18	5	27.8%
Recharges (incl. Accountable Body)	99	156	(57)	-36.5%
Total staffing	506	588	(82)	-13.9%
Meetings and admin	64	66	(2)	-3.0%
Chairman's allowance	20	20	-	0.0%
Consultancy and sector support	281	263	18	6.8%
Total other expenditure	365	349	16	4.6%
Total expenditure	871	937	(66)	-7.0%
Grant income draw down	(500)	(500)	-	0.0%
Other income	(120)	-	(120)	0.0%
Contributions from partners	(200)	(200)	-	0.0%
External interest received	(183)	(206)	23	11.2%
Total income	(1,003)	(906)	(97)	-10.7%
Net expenditure	(132)	31	(163)	-525.8%
Contributions to/from reserves	132	(31)	163	-525.8%
Final net position	-	-	-	0.0%

- 3.15 The overspend on consultancy is due to the Growth Hub spend detailed above and is offset by the income from the repayment of the grant.
- 3.16 The additional £5,000 variance on the Other Income line is due a £5,000 'grant' paid to SELEP by the Skills Funding Agency (SFA) at the very end of 2016/17. Whilst the SFA have termed this as a grant, it has been issued without a grant letter or grant determination, therefore it must be treated a contribution rather than a grant. As such, the only way to bring this funding forward for allocation to local areas in financial year 2016/17 is for it to be part of the contribution to the general reserve and drawn down in 2017/18. This amount of contribution will be ring-fenced and allocated in early 2017/18.
- 3.17 The external interest line is showing an under-recovery of £23,000. This is because part of the interest receipt has been applied to the GPF budget to cover administration costs there rather than drawing down additional amounts from the GPF Revenue Grant. The total external interest receipt was actually £34,000 higher than budgeted as the Accountable Body held higher values of cash on behalf of the SELEP than assumed at budget setting time.
- 3.18 The higher levels of cash held are mainly due to further delays in GPF payments while other GPF projects have been making repayments. A new GPF Project round is due to open soon which will reduce balances held in future.

Growing Places Fund Revenue Budget

3.19 Table 4 below details the Growing Places Fund (GPF) Revenue Budget provisional outturn position.

Table 4 – Provisional Outturn Position Growing Places Fund Revenue Budget

	Actual £000	Budget £000	Variance £000	Variance %
Recharges (incl. Accountable Body)	50	-	50	0.0%
Total staffing	50	-	50	0.0%
Meetings and admin	6	-	6	0.0%
Consultancy and sector support	217	255	(38)	-14.9%
Total other expenditure	223	255	(32)	-12.5%
Total expenditure	273	255	18	7.1%
Grant income draw down	(217)	(255)	38	0.0%
External interest received	(56)	-	(56)	0.0%
Total income	(273)	(255)	(18)	-6.6%
Net expenditure	-	-	-	0.0%

- 3.20 As detailed above, following the Board decision not to proceed with the SEFUND project, it was decided that part of the Accountable Body costs would be recharged to the GPF as in previous years which has resulted in an overspend of £50,000 against the recharges line.
- 3.21 Harlow Enterprise Zone had £255,000 available for drawdown in GPF revenue grant support in this financial year. This was a combination of the originally planned allocation of £200,000 for the year plus the accumulated carried forward of underspends on grant from previous years. The original agreement ring-fenced £1 million of funding over a five year period. £217,000 of funding was utilised in year and the balance will be brought forward to the final year of the funding agreement. In total Harlow District Council will have access to £238,000 in 2017/18 as detailed in the Specific Grants report.
- 3.22 The variance for the decrease in grant claims paid out is offset by the drawdown of grant also being reduced and so has a net zero effect on the total revenue budget.
- 3.23 As there was a surplus on revenue spending in this financial year it was decided to apply part of the external interest receipt to cover the £56,000 administration costs on the GPF revenue budget rather than utilising the GPF grant. This means that there will be more grant available for sector support in future years. More detail on the GPF Revenue Grant can be found in the Specific Grants report, also on the agenda for consideration at today's meeting.

Other Specific Grants

- 3.24 The provisional outturn position for the Growth Hubs specific grant can be found at Table 5 overleaf. In 2016/17 the Growth Hub expenditure was £2,000 more than originally budgeted. This

does not include the additional spend funded from the unspent 2015/16 monies which is detailed at paragraph 3.13.

Table 5 – Growth Hubs Specific Grant

	Forecast £000	Budget £000	Variance £000	Variance %
SELEP central hub costs	59	57	2	3.5%
Grant to Southend for BEST Hub	253	253	-	0.0%
Grant to Kent for Kent and Medway Hub	233	233	-	0.0%
Grant to East Sussex for BES Hub	113	113	-	0.0%
Total expenditure	658	656	2	0.3%
Grant income draw down	(656)	(656)	-	0.0%
External interest received	(2)	-	(2)	0.0%
Total income	(658)	(656)	(2)	-0.3%
Net expenditure	-	-	-	0.0%

- 3.25 The Growth Hubs are entirely funded through specific grant from the Department of Business, Energy and Industrial Strategy (BEIS). There are now fully-functioning Growth Hubs covering the entire SELEP area and all the grant has been utilised in year with a slight overspend. The overspend has been funded through the external interest receipt.
- 3.26 Further detail on the specific grant for Growth Hubs in 2017/18 can be found in the Specific Grants report but it should be noted that as it stands, the Government grant funding for Growth Hubs will end at March 2018.
- 3.27 It should be noted that the Growth Hubs in Kent and Medway and East Sussex are also supported through a grant of legacy funds that remained following the dissolution of the South East Economic Development Agency. These funds are not available to the BEST Growth Hub that covers the SELEP area north of the River Thames.
- 3.28 Table 6 below details the spend against the Transport Specific Grant. This grant was awarded by the Department for Transport (DfT) to LEPs in financial year 2013/14 to allow them to provide support to the Local Transport Boards (LTB) in their prioritisation work. Following the demise of the LTB, the funds have been available to support other revenue costs that SELEP may incur in ensuring the best transport projects are selected. The grant was used this year to support part of the costs of the Independent Technical Evaluator. This grant is now fully utilised and no funding remains.

Table 6 – Transport Specific Grant

	Actual £000	Budget £000	Variance £000	Variance %
Consultancy	33	33	-	0.0%
Expenditure	33	33	-	0.0%
Grant income draw down	(33)	(33)	-	0.0%
Total income	(33)	(33)	-	0.0%
Net expenditure	-	-	-	0.0%

- 3.29 In further recognition of the additional work required of LEPs in managing the Local Growth Funds, the DfT has also made available the Transport: Delivery Excellence (TDE) grant programme. This grant has allowed SELEP to work with Local Partnerships (the joint venture consultancy firm devised by HM Treasury and the Local Government Association to support the delivery of investment in local infrastructure and local services) to devise better processes and to ensure best practice programme delivery. As seen Table 7 below, not all the available £43,000 grant was utilised in year. Under the terms of the grant the balance is able to be carried forward to 2017/18.

Table 7 – TDE Specific Grant

	Actual £000	Budget £000	Variance £000	Variance %
Consultancy	18	43	(25)	-58.1%
Expenditure	18	43	(25)	-58.1%
Grant income draw down	(18)	(43)	25	0.0%
Total income	(18)	(43)	25	138.9%
Net expenditure	-	-	-	0.0%

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	
Lorna Norris	15.05.2017
On behalf of Margaret Lee	