

**Forward Plan reference numbers:** FP/AB/153 and FP/AB/158

<b>Report title:</b> <i>First Quarter Update on SELEP Revenue Budget 2018/19</i>	
<b>Report to Accountability Board</b>	
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<b>Date:</b> 6 <sup>th</sup> June	<b>For:</b> Decision
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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 first quarter forecast of revenue outturn for 2018/19; including the establishment of budgets for specific revenue grants and the withdrawal from the general reserve of monies earmarked to support the Growth Hub programme.

## 2. Recommendations

- 2.1 The Board is asked to:
- 2.1.1 Approve the revenue budgets for specific grants (detail can be seen at Tables 1,2,3,4,5,6 and 7);
- 2.1.2 Approve a withdrawal of **£85,000** from the general reserve to support the Growth Hub programme in 2018/19; and
- 2.1.3 Note the current forecast **over spend** of **£14,000** against total revenue budget for 2018/19, which would become an **under spend** of **£71,000** if the withdrawal from reserves above is agreed.

## 3. Background

- 3.1. The 2018/19 revenue budget for the SELEP Secretariat was set by Accountability Board at its December 2017 meeting. At that time Central Government and other agencies had not confirmed details for a number of specific revenue grants that are applicable in this financial year.
- 3.2. This detail has now been received and details on each grant can be found below.
- 3.3. A summary of the Grants and impact of the recommendations is set out in Table 1 overleaf:

**Table 1 – Summary Specific Grants 2018/19**

Name of grant	GPF Revenue £000	Growth Hub Revenue £000	Enterprise Zone: Commercial Support £000	Transport: Delivery Excellence £000	CEC Revenue £000	Energy Strategy £000	Total £000
Amount c/fwd from previous years	2,564	-	23	10	-	92	2,689
<b>2018/19</b>							
Income to be received in year	-	(656)			(88)	-	(744)
Expenditure	949	656	23	10	88	92	1,818
<b>Net utilised in year</b>	<b>949</b>	<b>-</b>	<b>23</b>	<b>10</b>	<b>-</b>	<b>92</b>	<b>1,074</b>
Amount to b/fwd to future years	1,615	-	-	-	-	-	1,615

### Growing Places Fund Revenue Grant

3.4. The Growing Places Fund (GPF) grant was received from Government in financial year 2011/12. The vast majority of the £49.210m grant was awarded as capital to support the revolving infrastructure investment programme. However, a small element of the funding, £3.7m, was awarded as revenue. This funding has been used in the past to support some revenue costs of the GFP loan programme and it was agreed at Strategic Board in June 2017 that it would also be used to contribute to a Sector Support Fund, whereby small amounts of revenue grant can be applied for by the working groups of the SELEP. As at 1<sup>st</sup> April 2018, there was £2.6m of revenue grant remaining on the balance sheet for application in this and future years.

3.5. The Board is requested to approve a drawdown of the grant of £949,000 in 2018/19 and the setting of the equivalent budget. The detail can be seen in Table 1 below:

**Table 2 – Proposed GPF Revenue Grant Budget for 2018/19**

	18/19 Budget £000	17/18 Budget £000	Movement £000	Movement %
Recharges (incl. Accountable Body)	50	0	50	100.0%
Grants to third parties	899	739	160	17.8%
<b>Total Expenditure</b>	<b>949</b>	<b>739</b>	<b>210</b>	<b>22.1%</b>
Grant Income	(949)	(739)	(210)	22.1%
<b>Total income</b>	<b>(949)</b>	<b>(739)</b>	<b>(210)</b>	<b>22.1%</b>
<b>Net position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>

3.6. £50,000 of Secretariat and Accountable Body costs are able to be recharged to the grant in this financial year. The recharge to the grant ensures that funding from partners and the Core Grant is maximised by reducing the costs that are to be funded from those funding streams.

3.7. £78,000 of grant remains from the £1m revenue grant that the SELEP Board awarded to support the Harlow Enterprise Zone in 15 March 2013. The final claim for that grant has now been received for those remaining funds.

3.8. £321,000 of Sector Support Fund allocations were approved by Strategic Board in June 2017, but further work was needed on the applications to ensure that the process met all Assurance Framework requirements. As these applications have not yet been finalised, no drawdowns were made in

2017/18 and it is now expected that these payments will be made in early 2018/19.

- 3.9. As also agreed by Strategic Board in June 2017, a maximum of £500,000 would be available in each financial year for the financial years 2017/18, 2018/19 and 2020/21, the three years of the Sector Support Fund programme, so a further drawdown of this amount is planned for 2018/19.
- 3.10. Following the total drawdown of £949,000 for the year, the grant remaining would total £1.6 million. This is more than sufficient to cover the final year of the Sector Support Funding in 2019/20.
- 3.11. The Board is asked to approve the budget for the GPF Revenue Grant for 2018/19

### **Growth Hub Revenue Grant**

- 3.12. After a period of much uncertainty, in March of this year the Department of Business, Energy and the Industrial Strategy (BEIS) confirmed that they would continue to support Growth Hubs and revenue grants would be provided. BEIS have advised that funding for 2018/19 will be at the same level as 2017/18; which totals £656,000 for SELEP.
- 3.13. In response to a Freedom of Information request BEIS has recently published the grant values awarded to each LEP for Growth Hubs in 2017/18. This information is available at Appendix 1 and demonstrates that the South East LEP receives the highest Growth Hub grant in the country.
- 3.14. The grant conditions and principles of funding for 2018/19 are significantly more stringent than last financial year and the Growth Hub programme will need to be adapted to ensure that it fits with the new requirements. An application for the £656,000 with a revised plan for the Growth Hubs was recently submitted to BEIS and has been approved.
- 3.15. The current proposed budget for the Growth Hub grant funded expenditure can be found at Table 2 below:

**Table 3 – Proposed Growth Hub Revenue Grant Budget 2018/19**

	<b>18/19 Budget £000</b>	<b>17/18 Budget £000</b>	<b>Movement £000</b>	<b>Movement %</b>
Staff recharges	31	-	31	100.0%
Office expenses	20	-	20	100.0%
Consultancy and projects	14	56	(42)	-300.0%
Grants to third parties	591	600	(9)	-1.5%
<b>Total Expenditure</b>	<b>656</b>	<b>656</b>	<b>-</b>	<b>0.0%</b>
Grant Income	(656)	(656)	-	0.0%
<b>Total income</b>	<b>(656)</b>	<b>(656)</b>	<b>-</b>	<b>0.0%</b>
<b>Net position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>

- 3.16. Currently the University of Essex employs an Intern that SELEP partially funds as that post provides support to the Growth Hub programme as the lead and co-ordinator of data to be reported back to BEIS.
- 3.17. Given the increased requirements of Central Government, a full time post is being established within the Secretariat to support the sub-hubs, the part year costs of this post can be found in the staff recharges line in the table above. These costs are currently estimated as the post is still being evaluated by the HR Department of the Accountable Body. The full year effect of the post may require additional support from the SELEP Secretariat staffing budget but reductions in other posts that are planned for this year mean that the costs should be able to be covered. The cost of the post will be met entirely through the grant in this year.
- 3.18. The Board is asked to approve the budget for the Growth Hub Revenue Grant for 2018/19.

#### **Enterprise Zone: Commercial Support Revenue Grant**

- 3.19. In 2016/17, the then Government Department for Communities and Local Government (DCLG), made available some funding to the latest round of Enterprise Zones to enable purchase of commercial consultancy support. This was awarded as a result of feedback from earlier rounds of Enterprise Zones, highlighting that this support was needed but often difficult to resource internally or fund.
- 3.20. The funding was released on a challenge basis and the North Kent Enterprise Zone (NKEZ) was successful in securing £27,000 of funding that was utilised in financial year 2017/18. A further round of funding was released in the summer of 2017 and the NKEZ again bid, this time for £23,000.
- 3.21. This bid was also successful and funding was paid to the SELEP Accountable Body very late in 2017/18. This funding will now transfer to Maidstone Borough Council who submitted the successful bid.

**Table 4 – Proposed Enterprise Zone Commercial Support Revenue Grant Budget 2018/19**

	<b>18/19 Budget £000</b>	<b>17/18 Budget £000</b>	<b>Movement £000</b>	<b>Movement %</b>
Consultancy and projects	23	27	(4)	-17.4%
<b>Total Expenditure</b>	<b>23</b>	<b>27</b>	<b>-4</b>	<b>-17.4%</b>
Grant Income	(23)	(27)	4	-17.4%
<b>Total income</b>	<b>(23)</b>	<b>(27)</b>	<b>4</b>	<b>-17.4%</b>
<b>Net position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>

- 3.22. The Board is asked to approve the budget for the Enterprise Zone Commercial Support Revenue Grant 2018/19.

### Transport: Delivery Excellence (TDE) Revenue Grant

- 3.23. The TDE grant was originally awarded by the Department for Transport in 2015/16. The grant was made to all LEPs to support them in building programme delivery for the transport projects within the Local Growth Deal.
- 3.24. The grant has been drawn down incrementally over the last three financial years and just over £10,000 remains. The Capital Programme Manager will use the remaining funding in this financial year to support additional pieces of work that will improve the delivery and monitoring of the Local Growth Fund (LGF) programme.

**Table 5 – Proposed Transport: Delivery Excellence Revenue Grant Budget 2018/19**

	18/19 Budget £000	17/18 Budget £000	Movement £000	Movement %
Consultancy and projects	10	26	(16)	-160.0%
<b>Total Expenditure</b>	<b>10</b>	<b>26</b>	<b>(16)</b>	<b>-160.0%</b>
Grant Income	(10)	(26)	16	-160.0%
<b>Total income</b>	<b>(10)</b>	<b>(26)</b>	<b>16</b>	<b>-160.0%</b>
<b>Net position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>

- 3.25. The Board is asked to approve the budget for the Transport: Delivery Excellence Revenue Grant for 2018/19.

### Careers Enterprise Company Enterprise Co-ordinator Revenue Grant

- 3.26. The Careers Enterprise Company (CEC) was set up by the Department for Education in 2015 to transform the provision of careers education and advice for young people. The company helps broker relationships between employers and schools and colleges to support young people with decision making and career development.
- 3.27. The CEC supports a national network of Enterprise Advisors. These Advisors are senior business volunteers who work with local schools and colleges to help develop a practical careers plan. As part of this support, the CEC 50% funds Enterprise Co-ordinators who work in a local area and assist in linking Enterprise Advisors with schools and colleges. Match funding is provided by Local Authorities.
- 3.28. There are Enterprise Co-ordinators across the SELEP geography. In Kent and Medway and in East Sussex, the CEC grant is awarded directly to Local Authorities but for the Greater Essex area, CEC asked SELEP to act as distributor for the grant. The grant is claimed retrospectively and claims are made from Essex County Council, Southend Borough Council and Thurrock Council each term. When the funds are received by the Accountable Body from the CEC, they are passed straight on to the relevant Local Authority.

**Table 6 Proposed CEC Enterprise Co-ordinator Revenue Grant 2018/19**

	18/19 Budget £000	17/18 Budget £000	Movement £000	Movement %
Grants to third parties	88	236	(148)	-168.2%
<b>Total Expenditure</b>	<b>88</b>	<b>236</b>	<b>(148)</b>	<b>-168.2%</b>
Grant Income	(88)	(236)	148	-168.2%
<b>Total income</b>	<b>(88)</b>	<b>(236)</b>	<b>148</b>	<b>-168.2%</b>
<b>Net position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>

3.29. As the grant is claimed retrospectively, the total value of the grant for 2018/19 is not known at this time. It has been assumed that values will be similar as for 2017/18. In total £131,000 was received in 2017/18. £25,000 of that was for a one-off incentive payment that won't be received again in 2018/19. In addition, due to delays in agreeing the process, four terms' worth of claims were made in financial year 2017/18; it has been assumed that only three termly claims will be made in 2018/19 and this equates to £88,000.

3.30. The Board is asked to approve the budget for the CEC Enterprise Co-ordinator Revenue Grant 2018/19.

### **Energy Strategy Revenue Grant 2018/19**

3.31. In 2017 BEIS made available funding to support LEPs in drafting an Energy Strategy for their area. Generally £40,000 was available but BEIS encouraged joint bids. The South East LEP was successful in a joint bid with the Coast to Capital and Enterprise M3 LEPs and £120,000 was awarded (£40,000 per LEP). The South East LEP is the lead partner for the project and therefore receives the funding.

3.32. A small amount of funding (£28,000) was spent in 2017/18 and the remaining funds will be spent on the consultancy delivery partner and project management costs in this year.

**Table 7 – Proposed Energy Strategy Revenue Grant 2018/19**

	18/19 Budget £000	17/18 Budget £000	Movement £000	Movement %
Consultancy and projects	81	-	81	100.0%
Grants to third parties	11	-	11	100.0%
<b>Total Expenditure</b>	<b>92</b>	<b>-</b>	<b>92</b>	<b>100.0%</b>
Grant Income	(92)	-	(92)	100.0%
<b>Total income</b>	<b>(92)</b>	<b>-</b>	<b>(92)</b>	<b>100.0%</b>
<b>Net position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>

3.33. The Board is asked to approve the budget for the Energy Strategy Revenue Grant 2018/19.

### SELEP Secretariat Revenue Budget

3.34. The SELEP Secretariat revenue budget was agreed by Accountability Board at its meeting in December 2017. The first forecast of spend for the financial year can be seen at Table 7 below. The spend is forecast to be £14,000 higher than the agreed budget.

**Table 8 – Forecast Secretariat Revenue Spend**

	<b>Forecast Outturn £000</b>	<b>Latest Budget £000</b>	<b>Variance £000</b>	<b>Variance %</b>
Staff salaries and associated costs	703	761	(57)	-7.56%
Staff non salaries	32	32	-	0.00%
Recharges (incl. Accountable Body)	64	64	-	0.00%
<b>Total staffing</b>	<b>799</b>	<b>856</b>	<b>(57)</b>	<b>-6.71%</b>
Meetings and admin	51	51	-	0.00%
Chairman's allowance	20	20	-	0.00%
Consultancy and projects	484	397	87	21.91%
Local area support	150	150	-	0.00%
<b>Total other expenditure</b>	<b>705</b>	<b>618</b>	<b>87</b>	<b>14.08%</b>
<b>Total expenditure</b>	<b>1,504</b>	<b>1,474</b>	<b>30</b>	<b>2.00%</b>
Grant income	(500)	(500)	-	0.00%
Contributions from partners	(200)	(200)	-	0.00%
External interest received	(490)	(474)	(16)	3.38%
<b>Total income</b>	<b>(1,190)</b>	<b>(1,174)</b>	<b>(16)</b>	<b>1.36%</b>
<b>Net expenditure</b>	<b>314</b>	<b>300</b>	<b>14</b>	<b>4.51%</b>
<b>Contributions to/from reserves</b>	<b>(300)</b>	<b>(300)</b>	<b>-</b>	<b>0.00%</b>
<b>Final net position</b>	<b>14</b>	<b>0</b>	<b>14</b>	<b>0.00%</b>

3.35. Currently there is a forecast under spend on staffing budgets. This is due to staffing vacancies. A number of new job profiles are in the process of being evaluated by the Accountable Body's HR function; after which recruitment will commence.

3.36. At the April 2018 meeting of Accountability Board, the 2017/18 provisional outturn position was presented. This included an under spend in year of £85,000 on funding held for Growth Hubs that was outside of the specific grant. The Board elected not to create a specific reserve for this funding and indicated that it should form part of the Managing Director's 2018/19 revenue budget. To do this £85,000 will need to be drawn down from the general reserve to the SELEP Secretariat Consultancy and Projects budget. This withdrawal will leave a residual general reserve total of £126,000, some £26,000 higher than the previously agreed minimum level of reserve of £100,000.

**Table 9 – SELEP General Reserve**

	<b>£000</b>
Opening balance 1st April 2018	511
<b>Planned Utilisation</b>	
Planned withdrawal 18/19	300
Growth Hub reserve	85
<b>Total</b>	<b>385</b>
<b>Balance remaining</b>	<b>126</b>
Minimum value of reserve	<b>100</b>

- 3.37. Should the withdrawal be approved, the SELEP Secretariat underlying forecast position is £71,000 under spend against budget.
- 3.38. At the meeting of Strategic Board on 11 March 2016, it was agreed that the interest earned on the LGF and GPF balances held would be used to support the SELEP Secretariat revenue budget. The budget for interest receipts for 2018/19 was calculated in November 2017 and was based on the forecast cash flow at that time and it was assumed that there would be two further bank base rate rises over the financial year.
- 3.39. In May 2018, the Bank of England declined to make a further rate rise and the assumptions for the potential interest receipt was revisited, along with an update of potential cash flow. The forecast cash flow now reflects the latest spend position as reported by partners through the Programme Consideration Meeting. The current forecast of interest receipts for the year is £490,000. This is based upon one further rate rise in December of this year.
- 3.40. The increase in interest earned is due to increased balances being held throughout the year, this will more than offset the impact of only one rate rise. If rates do not increase at all this year, it is forecast that the interest receipt would reduce to £450,000 for the year. The Accountable Body Treasury Management function will continue to support the SELEP to ensure interest receipts are maximised within an acceptable risk envelope.
- 3.41. The Board is asked to approve the withdrawal of £85,000 from the general reserve and note the latest forecast outturn position of £14,000 over spent, moving to £71,000 under spend should the contribution from reserves be approved.
- 4. Financial Implications (Accountable Body comments)**  
This report has been authored by the Accountable Body and the recommendations are considered appropriate.



**5. Legal Implications (Accountable Body comments)**

None

**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**

12.1 Appendix 1 – BEIS FOI Response

**8. 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)**

<b>Role</b>	<b>Date</b>
<b>Accountable Body sign off</b>	
Stephanie Mitchener (On behalf of Margaret Lee)	6/6/18