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| Report title: <i>Update on SELEP Revenue Budget 2020/21</i> | |
| Report to Accountability Board | |
| Report author: Lorna Norris, Senior Finance Business Partner | |
| Date: 7 th September 2020 | For: Information |
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| SELEP Partner Authority affected: <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 2020/21.

2. Recommendations

- 2.1 The Board is asked to:
- 2.1.1 Note the current on-line forecast revenue outturn position for 2020/21.

3. 2020/21 revenue budget update

- 3.1 The updated 2020/21 SELEP revenue budget was agreed by Accountability Board at its July 2020 meeting. The latest forecast outturn position indicates that the net expenditure is still expected to be delivered in the budget available; details can be seen in Table 1 overleaf. There have, however, needed to be some movements in planned spend, which are summarised as follows:
- 3.1.1 An increase in staffing related expenditure, reflecting the increased resource requirements associated with overseeing and administering the new Getting Building Fund (GBF) - £30,000
- 3.1.2 An offsetting decrease in the planned spend on consultancy and project work to reflect the change in priority activity to support delivery of the GBF - £32,000

Table 1 – Total SELEP Revenue Budget Outturn Forecast – August 2020

| | Forecast Outturn | Latest Budget | Variance | Variance |
|---|---------------------|------------------|-------------|------------|
| | £000 | £000 | £000 | % |
| Staff salaries and associated costs | 1,008 | 987 | 21 | 2% |
| Staff non salaries | 10 | 11 | (1) | -9% |
| Recharges (incl. Accountable Body) | 381 | 371 | 10 | 3% |
| Total staffing | 1,399 | 1,369 | 30 | 2% |
| Meetings and admin | 40 | 44 | (4) | -9% |
| Chair's allowance | 40 | 34 | 6 | 18% |
| Consultancy and project work | 265 | 297 | (32) | -11% |
| Local Area Support | - | - | - | 0% |
| Grants to third parties | 2,693 | 2,693 | - | 0% |
| Total other expenditure | 3,039 | 3,068 | (30) | -1% |
| Total expenditure | 4,437 | 4,437 | (0) | 0% |
| Grant income | (3,431) | (3,431) | - | 0% |
| Contributions from partners | (200) | (200) | - | 0% |
| Other Contributions | - | - | - | 0% |
| External interest received | (79) | (79) | - | 0% |
| Total income | (3,710) | (3,710) | - | 0% |
| Net expenditure | 727 | 727 | (0) | 0% |
| Contributions to/(from) reserves | (727) | (727) | - | 0% |
| Final net position | - | - | - | 0% |

- 3.2 Currently it is forecast that external interest received will be on-line with budget, however, this position is being regularly monitored as the current climate of economic recovery means that interest rates continue to be deflated and at risk of becoming negative. There is also an anticipated opportunity of additional interest arising from the expectation of further funding from the Getting Building Fund (GBF); MHCLG are still to confirm the value of the 2020/21 allocation from this Fund and any associated conditions. Once received, Essex County Council's Treasury Management function will review the forecast; an update on this will be provided in the next Finance update to the Board.
- 3.3 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 change in this respect. This position continues to be monitored to consider the budget impact for SELEP in the current and future financial years
- 3.4 Table 2 sets out the forecast position for the specific revenue grants; it is currently assumed that all specific grants will spend in line with budget.

Table 2 – Specific Revenue Grants Forecast Summary

| Grant | Grant brought forward £000 | Forecast Grant Received £000 | Forecast Grant Applied £000 | Grant Carried Forward £000 |
|---|-------------------------------|---------------------------------|--------------------------------|-------------------------------|
| GPF Revenue Grant | (987) | - | - | (987) |
| Sector Support Fund (SSF) | (590) | (1,000) | 1,590 | - |
| Growth Hub | - | (656) | 656 | - |
| Brexit Readiness Funding | (44) | - | 44 | - |
| ERDF Legacy Funds | | (350) | 350 | - |
| Skills Analysis Panels (SAP) Grant | (44) | (75) | 119 | - |
| Local Digital Skills Partnership Catalyst Grant | (108) | - | 108 | - |
| Delivering Skills for the Future | (57) | - | 57 | - |
| Careers Enterprise Company (CEC) | (0) | - | 0 | - |
| Energy Strategy Grant | (7) | - | 7 | - |
| Total Grant Income Applied | (1,837) | (2,081) | 2,931 | (987) |
| SELEP Core and Capacity Grants | - | (500) | 500 | - |
| Total Revenue Grant Income Applied | (1,837) | (2,581) | 3,431 | (987) |

Note: The following two additional Growth Hub grants are also anticipated to be allocated by Government, for which final terms and conditions are still to be received:

- Peer Network Grant - £195,000
- Core Funding Uplift Grant - £234,000

3.5 In addition to the above grants, the Accountable Body administers the following funds on behalf of SELEP, to support investment through grants or loans to third parties to support delivery of the SELEP priorities, including delivery of the Growth Deal and to support the COVID-19 recovery:

Table 3: Funds Administered by SELEP

| 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) (MHCLG) | (41,413) | (77,873) | 119,286 | - |
| Local Growth Fund (LGF) (DfT) | (26,650) | (20,600) | 34,989 | (12,261) |
| Growing Places Fund (GPF) (on-going Loan Fund) | (18,947) | (3,795) | 8,375 | (14,367) |
| Growing Places Fund (GPF) reallocated to the priorities below: | (6,400) | | | - |
| COVID-19 Skills Fund | - | - | 2,000 | - |
| COVID-19 SME Business Support Fund | - | - | 2,400 | - |
| Contribution to the Sector Support Fund (SSF) | - | - | 1,000 | - |
| Ring-fenced funding to support future year budgets | - | - | - | (1,000) |
| Getting Building Fund (GBF) | - | TBC | TBC | TBC |
| Total Funds | (93,410) | (102,268) | 168,050 | (27,628) |

Notes:

- Local Growth Fund (LGF) – in order to secure the remaining third of the 2020/21 LGF allocation from the MHCLG, the s151 of the Accountable Body and the Chief Executive Officer of the SELEP were required to provide confirmation that the full allocation is planned to be spent in 2020/21; either through direct delivery of projects or the application of a capital swap against alternative capital expenditure by the respective local partner authorities in line with the Grant Agreements in place (further information on the LGF position can be found in Agenda item 5);
- The GPF funding carried forward into 2021/22 will be available for reinvestment into the GPF pipeline; this amount is subject to receipt of the loan repayments due in 2020/21 (further information on the GPF position can be found in Agenda item 11);

- In July 2020, the Board agreed to reallocate £6.4m of the GPF funding to measures to support the COVID-19 recovery;
- The COVID-19 recovery funds are subject to final approval by the Board; the decision for the Skills fund is included in Agenda item 14; the Business Support Fund is due to be considered at a future Board meeting in 2020;
- The Sector Support Fund (SSF) contribution increases the funding available in this Fund – this fund is included in table 1 and 2 above, but also included in table 3 for completeness;
- The MHCLG have confirmed that SELEP has been awarded Getting Building Fund (GBF) totalling £85m; the MHCLG have yet to confirm what proportion of this fund will be received in 2020/21 and any associated conditions of the funding; further information is included in Agenda item 6.

4. Reserves

- 4.1 The SELEP budget includes a contribution from reserves in 2020/21 of £727,000 to ensure sufficient funding is available to support the planned spend. The current forecast position for the general reserve at the end of financial year 2020/21 is £579,000 as shown in Table 4.

Table 4 – Forecast Reserves

| | Forecast Outturn £000 | Latest Budget £000 |
|--------------------------------|--------------------------------------|-----------------------------------|
| Opening balance 1st April 2020 | (1,326) | (1,326) |
| Planned Utilisation | | |
| Planned withdrawal 20/21 | 727 | 727 |
| Adjustment to replenish grant | 20 | 20 |
| Total | 747 | 747 |
| Balance remaining | (579) | (579) |
| Minimum value of reserve | (200) | (200) |

Note: The opening balance of the reserves has been increased by £20,000 from the position reported in July 2020; this follows an internal review of the 2019/20 outturn position that identified the requirement for a technical accounting adjustment between the reserve and a grant account. This adjustment has subsequently been offset by the withdrawal of the funding to enable it to be attributed to the grant to which it relates in the current financial year. The overall forecast reserves closing balance at 31st March 2021 remains unchanged from the budgeted position in July 2020.

- 4.2 The minimum level of reserves is set at £200,000 to ensure that sufficient funds are available to support any wind down costs of SELEP, should these be required. Table 5 below sets out the forecast position for the reserves for future financial years; this indicates that, based on the current forecast and should no additional funding be available, that the balance could fall below the minimum recommended level. Opportunities to address this risk will be discussed with the SELEP Secretariat as part of the budget setting process

for 2021/22, due to be brought to the Board for consideration in November 2020.

Table 5 – Future Reserves Forecast Summary

| | 2020/21 Revised Budget £000 | 2021/22 Forecast Budget £000 | 2022/23 Forecast Budget £000 |
|-------------------------------------|--|---|---|
| Opening balance 1st April | (1,326) | (579) | (352) |
| Planned Utilisation | | | |
| Planned withdrawal | 727 | 727 | 727 |
| Adjustment to replenish grant | 20 | | |
| Forecast Contribution | - | (500) | (500) |
| Total | 747 | 227 | 227 |
| Balance remaining 31st March | (579) | (352) | (124) |
| Minimum value of reserve | (200) | (200) | (200) |

5. Financial Implications (Accountable Body comments)

- 5.1 This report has been authored by the Accountable Body and the recommendations are considered appropriate.
- 5.2 A key risk for SELEP arises where there are delays in receipt of funding and associated conditions from Government; an example of this includes the GBF grant which has been awarded based on confirmation from the s151 Officer of the Accountable Body that projects are expected to be deliverable by the 31st March 2022. The continued delay in receipt of funding and confirmation of the associated conditions means that some projects may have to progress at risk to meet the delivery timelines; some delivery partners may not be able to accept this risk, however.
- 5.3 A further example of this is the additional Growth Hub funds which are expected to support delivery in the current financial year but have also experienced delays in confirming the funding arrangements.
- 5.4 The Board is advised to seek assurances from Government that any delay in confirmation and receipt of funding will be taken into consideration in any conditions applied to these funds.
- 5.5 Continued allocation of funding on a short term basis by Government does not support effective planning by the SELEP to deliver it's Strategies and gives greater challenges to assuring value for money, which is a requirement of the

6. Legal Implications (Accountable Body comments)

6.1 There are no legal implications arising out of this report.

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:

7.1.1 Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act

7.1.2 Advance equality of opportunity between people who share a protected characteristic and those who do not.

7.1.3 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

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 Peter Shakespear (On behalf of Nicole Wood, S151 Officer Essex County Council) | 10/09/20 |