

<b>Report to Accountability Board</b>	<b>Forward Plan reference numbers:</b> FP/AB/151
<b>Date of Accountability Board Meeting:</b>	<b>27<sup>th</sup> April 2018</b>
<b>Date of report:</b>	<b>19<sup>th</sup> April 2018</b>
<b>Title of report:</b>	<b>Provisional Revenue Outturn 2017/18</b>
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## 1. Purpose of report

- 1.1 The purpose of this report is to inform the Accountability Board (the Board) of the provisional outturn position of the South East LEP revenue spending for financial year ended 31<sup>st</sup> March 2018. 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 income received and as a result a recommendation for approval of a contribution to the General Reserve is made.

## 2. Recommendations

- 2.1 The Board is asked to:
- 2.1.1 **Approve** the final provisional outturn for the South East LEP revenue budgets for 2017/18 at Tables 1, 2, 3, 4, 5, 6, 7, 8 and 9;
  - 2.1.2 **Approve** the contribution of **£127,125** to General Reserves; and
  - 2.1.3 **Approve** the establishment of an earmarked reserve for Growth Hubs, the contribution to reserves will be presented to the Board as part of the First Quarter 2018/19 report.

## 3. Background

- 3.1 Table 1 overleaf details the total revenue spend by the SELEP in financial year 2017/18. In addition to the Secretariat budget, this table includes all specific revenue grants such as Growing Places Fund (GPF), Transport: Delivery Excellence, the grant from the Careers Enterprise Company to support the Enterprise Advisors and the pan LEP Energy Strategy grant.
- 3.2 At the end of the financial year, income exceeded expenditure resulting in a surplus of **£127,000**. The budgeted position was a deficit of £253,000, to be funded from reserves, which means there is a variance of £380,000 against that original budgeted position.
- 3.3 The £380,000 is made up of an expenditure under spend of £670,000, partly off-set by income under-recovery of £290,000. The bulk of this net under spend is explained by reduced spend on GPF Revenue Grant items and the consequent reduction in draw down of specific grant to fund that spend. Further details can be found below at paragraph 3.18.

- 3.4 The Board is requested to approve the transfer of the surplus of £127,000 to the SELEP General Reserve. Further details on the reserve can be found at paragraph 3.37.

**Table 1 – SELEP Consolidated revenue position**

	<b>Provisional Outturn - £000</b>	<b>Current Budget - £000</b>	<b>Variance - £000's</b>	<b>Variance - %</b>
Staff salaries and associated costs	560	552	8	1.4%
Staff - non salaries	29	32	(3)	-9.4%
Recharges (incld Accountable Body)	125	74	51	68.9%
<b>Total staffing</b>	<b>714</b>	<b>658</b>	<b>56</b>	<b>8.5%</b>
Meetings and administration	56	45	11	24.4%
Communications	51	40	11	27.5%
Chairman's Allowance	20	20	-	0.0%
Consultancy and Sector support	485	1,158	(673)	-58.1%
Grants to third parties	796	871	(75)	-8.6%
<b>Total other expenditure</b>	<b>1,408</b>	<b>2,134</b>	<b>(726)</b>	<b>-34.0%</b>
<b>Total expenditure</b>	<b>2,122</b>	<b>2,792</b>	<b>(670)</b>	<b>-24.0%</b>
Grant income	(1,518)	(2,184)	666	-30.5%
Other OLA contributions	(210)	(200)	(10)	5.0%
External interest earned	(521)	(155)	(366)	236.1%
<b>Total income</b>	<b>(2,249)</b>	<b>(2,539)</b>	<b>290</b>	<b>-11.4%</b>
<b>Net expenditure/(income)</b>	<b>(127)</b>	<b>253</b>	<b>(380)</b>	<b>-150.2%</b>
Contributions to/(from) reserves	127	(253)	380	-150.2%
<b>Net over/(under)spend</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0%</b>

- 3.5 The £380,000 under spend is a movement of **£82,000** from the forecast under spend of £464,000 reported to the March 2018 Board meeting. The details of this movement can be seen in Table 2 below.

**Table 2 – Movement from March 2018 reported position**

	<b>Value - £000</b>
Accountable Body costs not charged to GPF Grant	48
Growth Hubs spend increase	13
Various small overspends	12
SFA monies - now in 2018/19	5
Reduction in external interest	4
<b>Total</b>	<b>82</b>

- 3.6 It was assumed at the time of the last update, that £48,000 of Accountable Body costs would be recharged to the GPF grant. Given the large over recovery of external interest, it is considered prudent to fund these costs from that over recovery so as to maximise GPF funds available for the Sector Support Funding pot in future years.

- 3.7 Following the announcement by the Department for Business, Energy and Industrial Strategy (BEIS) that the Government intends to continue funding Growth Hubs, some small additional amounts of work have been funded, increasing the non specific grant supported spend on Growth Hubs to £13,000 in the year.

- 3.8 There was a small amount of funding expected to be received from the Skills Funding Agency to support skills training, this funding will now be received in 2018/19, and there was also a slight reduction in external interest earned as additional efforts were made to maximise programme delivery via LGF spend at the end of the year.
- 3.9 The Secretariat budget was **£392,000** under spent at year end as can be seen at Table 3.

**Table 3 – SELEP Secretariat Budget**

	<b>Provisional Outturn - £000</b>	<b>Current Budget - £000</b>	<b>Variance - £000's</b>	<b>Variance - %</b>
Staff salaries and associated costs	560	552	8	1.4%
Staff - non salaries	29	32	(3)	-9.4%
Recharges (incl'd Accountable Body)	125	74	51	68.9%
<b>Total staffing</b>	<b>714</b>	<b>658</b>	<b>56</b>	<b>8.5%</b>
Meetings and administration	56	45	11	24.4%
Communications	51	40	11	27.5%
Chairman's Allowance	20	20	-	0.0%
Consultancy and Sector support	186	310	(124)	-40.0%
Grants to third parties	65	35	30	85.7%
<b>Total other expenditure</b>	<b>378</b>	<b>450</b>	<b>(72)</b>	<b>-16%</b>
<b>Total expenditure</b>	<b>1,092</b>	<b>1,108</b>	<b>(16)</b>	<b>-1.44%</b>
Grant income	(500)	(500)	-	0.0%
Other OLA contributions	(210)	(200)	(10)	5.0%
External interest earned	(521)	(155)	(366)	0.0%
<b>Total income</b>	<b>(1,231)</b>	<b>(855)</b>	<b>(376)</b>	<b>44.0%</b>
<b>Net expenditure/(income)</b>	<b>(139)</b>	<b>253</b>	<b>(392)</b>	<b>-154.9%</b>
<b>Contributions to/(from) reserves</b>	<b>127</b>	<b>(253)</b>	<b>380</b>	<b>-</b>
<b>Final net position</b>	<b>(12)</b>	<b>-</b>	<b>(12)</b>	<b>-</b>

- 3.10 As expected, external interest earned was much higher than originally budgeted. This is due to LGF funding requirements falling later than profiled, GPF credit agreements not yet being finalised for the latest round of investments and additionally an increase in interest rates payable. The **£12,000** surplus offsets against the £4,000 GPF Specific Grant overspend (Table 4) and the £8,000 Growth Hubs Specific Grant over spend (Table 6).
- 3.11 Given the large increase in external interest, the full cost of the Accountable Body support was charged to the Secretariat budget rather than £50,000 being charge to the GPF grant. This ensures that the GPF revenue grant is maximised for future years. The totality of Accountable Body costs are as agreed at the beginning of the year.
- 3.12 The large under spend on Consultancy and Sector Support is mostly due to a lack of spend on Growth Hubs (£93,000). A ring-fenced budget of £98,000 was created to support the Growth Hub programme throughout the year. These funds are in addition to the Growth Hub specific grant distributed by BEIS that is used to support the day-to-day running costs of the three sub-hubs across the area.

- 3.13 There has been much uncertainty about the future of the Growth Hubs throughout the year. The specific grant was due to finish at 31<sup>st</sup> March 2018 and the Government was unable to provide confirmation of replacement funding until January 2018. As a result there has been no desire to make additional investment in a service that potentially could cease.
- 3.14 BEIS has now confirmed that two years of funding, at the same level as 2017/18, will be provided to all LEPs to support the Growth Hub programme. We are advised that the Department has provisional agreement with the Treasury for two further years of funding although values for individual LEPs have not yet been confirmed for that period.
- 3.15 The Growth Hubs Steering Group is currently developing a business plan for the first 24 months of funding and this will be presented to June's Strategic Board meeting.
- 3.16 In order to provide full transparency of the additional Growth Hub spend and ensure that the funding is not subsumed within the general budget, it is recommended that an earmarked reserve is established. Withdrawals from the reserve will require the Board's approval and this will ensure that withdrawals and the items to be funded are in line with the business plan to be approved by Strategic Board.
- 3.17 Should the Board agree to set up the Growth Hub earmarked reserve; a request to make a contribution from the General Reserve will be made as part of the First Quarter Report 2018/19. After allowing for the £8,000 over spend against the Growth Hub specific grant (see paragraph 3.25), there will be **£85,000** available to transfer to the new reserve.
- 3.18 The Growing Places Fund specific grant budget was over spent by **£4,000** in 2017/18 as can be seen in Table 4.

**Table 4 – Growing Places Fund (GPF) Revenue Specific Grant**

	<b>Provisional Outturn - £000</b>	<b>Current Budget - £000</b>	<b>Variance - £000's</b>	<b>Variance - %</b>
Consultancy and admin costs	165	739	(574)	0.0%
<b>Total Expenditure</b>	<b>165</b>	<b>739</b>	<b>(574)</b>	<b>-77.7%</b>
Grant draw down	(161)	(739)	578	0.0%
<b>Total income</b>	<b>(161)</b>	<b>(739)</b>	<b>578</b>	<b>-78.2%</b>
<b>Net position</b>	<b>4</b>	<b>-</b>	<b>4</b>	<b>0.0%</b>

- 3.19 The large variance on expenditure and offsetting variance on income is mainly due to the delay in agreements for the Sector Support Funding (SSF). The budget for SSF spend and consequent drawdown of grant was £500,000. Due to changes needed to ensure that the process was in line with all requirements of the Assurance Framework, no investments were made in this financial year. Funding for projects with agreement in principle for 2017/18 will be brought forward into 2018/19, in addition to the £500,000 budgeted for that financial year.
- 3.20 In 2017/18 there was £239,000 of grant funding remaining from the £1m original allocation for Harlow Enterprise Zone. Harlow Council has yet to submit the Quarter 4 2017/18 grant claim, and £78,000 of funding remains. Should the quarter 4 claim not utilise the full £78,000, options will be brought to Accountability Board at their next meeting.
- 3.21 As detailed above, it was decided to fund the Accountable Body costs from external interest receipts rather than the GPF grant. In addition to the staff costs within the Secretariat budget, there

was a £4,000 charge from the Essex County Council legal team for the work undertaken to support GPF agreements. This net position is offset against the surplus on the Secretariat budget.

3.22 Enterprise Zone Commercial Funding specific grant spent in line with budget as seen in Table 5.

**Table 5 – Enterprise Zone Commercial Funding Specific Grant**

	Provisional Outturn - £000	Current Budget - £000	Variance - £000's	Variance - %
Consultancy and admin costs	27	27	-	0.0%
<b>Total Expenditure</b>	<b>27</b>	<b>27</b>	<b>-</b>	<b>0.0%</b>
Grant draw down	(27)	(27)	-	0.0%
<b>Total income</b>	<b>(27)</b>	<b>(27)</b>	<b>-</b>	<b>0.0%</b>
<b>Net position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>

3.23 The Ministry of Housing, Communities and Local Government (MHCLG) made available funding in 2017/18 to support the latest round of Enterprise Zones on an application basis. An application was made by the North Kent Enterprise Zone (NKEZ) and they were successful in securing the full £27,000 applied for. These monies have been disbursed to Medway Council and Maidstone Borough Council and work is underway. A further application was made for the second round of funding and again NKEZ was successful in securing funding for their application, this time of £23,000. These funds were transferred from MHCLG at the very end of the financial year and will be carried forward and distributed in 2018/19.

3.24 The Growth Hub specific grant was over spent by **£8,000** as can be seen in Table 6.

**Table 6 – Growth Hub Specific Grant**

	Provisional Outturn - £000	Current Budget - £000	Variance - £000's	Variance - %
Consultancy and admin costs	64	56	8	14.3%
Grants to third parties	600	600	-	0.0%
<b>Total Expenditure</b>	<b>664</b>	<b>656</b>	<b>8</b>	<b>1.2%</b>
Grant draw down	(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>8</b>	<b>-</b>	<b>8</b>	<b>0.0%</b>

3.25 When it became clear that Government would continue to support the Growth Hub programme, some additional work was commissioned to improve the website. This work will enable a good platform to build upon as the service will need to adapt to Government's requirements of the network over the next two years. This over spend is offset against the Growth Hub non-specific grant as detailed in paragraph 3.17.

3.26 The Transport: Delivering Excellence specific grant underspent by **£11,000** as can be seen in Table 7.

**Table 7 – Transport: Delivering Excellence Specific Grant**

	Provisional Outturn - £000	Current Budget - £000	Variance - £000's	Variance - %
Consultancy and admin costs	15	26	(11)	-42.3%
<b>Total Expenditure</b>	<b>15</b>	<b>26</b>	<b>(11)</b>	<b>-42.3%</b>
Grant draw down	(15)	(26)	11	-42.3%
<b>Total income</b>	<b>(15)</b>	<b>(26)</b>	<b>11</b>	<b>-42.3%</b>
<b>Net position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>

- 3.27 The grant was awarded by the Department for Transport (DfT) to support the building of project delivery in LEPs and partner organisations. The LEP was obliged to contract with Local Partners for support in this area, but the contract agreed did not require the full grant. The grant conditions only specified that the spend must support the enhancement of the project management for LGF so this funding can be carried forward and applied in 2018/19.
- 3.28 The Careers Enterprise Company specific grant to fund the Enterprise Co-ordinators was under spent by **£105,000** as can be seen in Table 8.

**Table 8 – Enterprise Co-ordinator Specific Grant**

	Provisional Outturn - £000	Current Budget - £000	Variance - £000's	Variance - %
Grants to third parties	131	236	(105)	-44.5%
<b>Total Expenditure</b>	<b>131</b>	<b>236</b>	<b>(105)</b>	<b>-44.5%</b>
Grant draw down	(131)	(236)	105	-44.5%
<b>Total income</b>	<b>(131)</b>	<b>(236)</b>	<b>105</b>	<b>-44.5%</b>
<b>Net position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>

- 3.29 This grant funds 50% of the costs of a number of Enterprise Co-ordinators across the greater Essex region. The Enterprise Co-ordinators deliver the Enterprise Advisor Network working with schools to provide careers advice to pupils in the area. There are also Enterprise Co-ordinators in Kent and Medway and East Sussex but the funding goes directly to the Local Authorities in those areas.
- 3.30 The original budget was based on assumptions on the level of Co-ordinators in role and that funding would be available for the academic year starting September 2017. Further funding has been made available for that year but agreements with the relevant local authorities were not in place and this funding will now transfer in 2018/19.
- 3.31 The Energy Strategy Grant from BEIS, was awarded shortly after Christmas and was not originally budgeted for. The spend and consequent drawdown in 2017/18 can be seen in Table 9.

**Table 9 – Energy Strategy Grant**

	<b>Provisional Outturn - £000</b>	<b>Current Budget - £000</b>	<b>Variance - £000's</b>	<b>Variance - %</b>
Consultancy and Sector support	28	0	28	0.0%
<b>Total Expenditure</b>	<b>28</b>	<b>0</b>	<b>28</b>	<b>0.0%</b>
Grant draw down	(28)	-	(28)	0.0%
<b>Total income</b>	<b>(28)</b>	<b>-</b>	<b>(28)</b>	<b>0.0%</b>
<b>Net position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>

- 3.32 BEIS made available £40,000 per LEP to fund the production of an Energy Strategy. The South East LEP made a joint submission with the Coast to Capital LEP and Enterprise M3 LEP and was successful. It was agreed that SELEP would lead the project and therefore, Essex County Council would receive the £120,000 funding as Accountable Body.
- 3.33 The full £120,000 has been received but there has only been minimal spend in 2017/18. The contract for the consultancy work has now been appointed and the project manager is in place with the remaining £98,000 due to be spent in 2018/19.
- 3.34 Table 10 summarises the use of grants applied in 2017/18 and reconciles to the Grant Income line included in Table 1.

**Table 10 – SELEP Grants**

	<b>Provisional Outturn - £000</b>	<b>Current Budget - £000</b>	<b>Variance - £000's</b>	<b>Variance - %</b>
General Grants (Secretariat Budget) (Table 3)	(500)	(500)	-	0.0%
Specific Grants				
GPF Revenue (Table 4)	(161)	(739)	578	-78.2%
EZ Commercial Funding (Table 5)	(27)	(27)	-	0.0%
Growth Hubs (Table 6)	(656)	(656)	-	0.0%
TDE (Table 7)	(15)	(26)	11	-42.3%
Enterprise Co-ordinator Funding (Table 8)	(131)	(236)	105	-44.5%
Energy Strategy Grant (Table 9)	(28)	-	(28)	0.0%
<b>Total Grant Income</b>	<b>(1,518)</b>	<b>(2,184)</b>	<b>666</b>	<b>-30.5%</b>

- 3.35 Table 11 below shows that the General Reserve will total **£511,000** if the Board approves the further contribution of £127,000, as recommended in this report.

**Table 11 – SELEP General Reserve**

	<b>£000</b>
Opening balance 1st April 2017	384
Surplus 2017/18	127
Closing balance 31 March 2018	<b>511</b>
<b>Planned Utilisation</b>	
Minimal balance agreed	100
Planned withdrawal 18/19	300
Growth Hub reserve	85
<b>Total</b>	<b>485</b>
<b>Balance remaining</b>	<b>26</b>

- 3.36 As previously agreed with Board, the general reserve should always have a minimum funding level of £100,000. This is to ensure that any costs of closure, should the LEP cease to function, will be covered.
- 3.37 The Board agreed the 2018/19 budget at their meeting of 15<sup>th</sup> December 2017. That budget includes a withdrawal of £300,000. Should the Board agree to the establishment of a reserve for the Growth Hub, a further request to contribute £85,000 to that reserve will be made at Quarter 1 2018/19. Following these withdrawals, the reserve will have a usable balance of £26,000.

#### **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**

<b>Role</b>	<b>Date</b>
<b>Accountable Body sign off</b>	
Stephanie Mitchener On behalf of Margaret Lee	19/04/18

