

Report to Accountability Board	Forward Plan reference number: FP/AB/142
Date of Accountability Board Meeting:	16th March 2018
Date of report:	6th March 2018
Title of report: Update	2017/18 and 2018/19 Revenue Budget
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1. Purpose of report

- 1.1 The purpose of this report is to update the Accountability Board (the Board) of the current year revenue budget forecast outturn position as at the end of February 2018.

2. Recommendations

- 2.1 Board is asked to:

- 2.1.1 **Note** the current forecast outturn position for 2017/18; and
2.1.2 **Note** the information update for the budget for 2018/19.

3. Background

2017/18

- 3.1 The previously reported forecast outturn for the revenue budget for 2017/18 was an underspend of £293,000. This underspend has now increased by £171,000 to £464,000.
- 3.2 The increase is due to confirmation that none of the non-grant funded Growth Hub budget of £96,000 would be spent in year and an increase in external interest earned receipt of £80,000. This has been offset by a small uplift of £5,000 in the forecast of spend on communications for the year.
- 3.3 A £96,000 budget to support the Growth Hubs programme was established at the beginning of the year. This funding was in addition to the specific funding that is made by grant from the Department of Business, Energy and Industrial Strategy (BEIS).
- 3.4 The current grant funding for Growth Hubs ends on the 31st March 2018 and throughout the year there has been much uncertainty as to whether the funding would be extended. During this period of uncertainty officers and the Growth Hub Steering Group have been wary of instigating any activity that would result in abortive costs should the Growth Hub service either be decommissioned or cease.
- 3.5 BEIS has now informed Growth Hub leads that there will be a further two years of funding available with the 2018/19 grant being made at the same value as this year (£656,000).

- 3.6 BEIS are currently meeting with all Growth Hubs to discuss the future state of the service. Additional principles of funding will be required of each Growth Hub. The grant funding will continue to support the operational work of the Growth Hubs but it is likely that additional work that can be carried out at the Secretariat level, including improvements to the website, standardisation and automation of routine tasks that will enable service improvements and efficiencies to be made across the SELEP area. It is therefore intended to bring a request to establish a ring-fenced reserve for Growth Hubs using the £98,000 underspend from 2017/18 in the Provisional Outturn report that will be presented to Accountability Board at the end of April. The specific reserve will only be available to support pan-LEP Growth Hub initiatives and drawdowns will require approval from Accountability Board.
- 3.7 There has been further slippage to the LGF programme which has the knock-on effect of high cash balances being held. This then results in higher interest receipts. It is unlikely that the external interest receipt estimated at £525,000 in total will vary materially between now and the year-end.
- 3.8 The net movement from the previously reported position, due to the increase in interest receipts less the increase in communication spend, is £75,000, resulting in an expected overall contribution to reserves by the end of 2017/18 of £211,000. There are no additional costs arising that this funding could be used for and the surplus will default to the general reserve at year-end. Details on where this increase in funding could be applied in 2018/19 will be provided as part of the Provisional Outturn Report in April.

Table 1 – 2017/18 Revenue Budget – as at end of February

	Forecast Outturn - £000	Current Budget - £000	Variance - £000's	Variance - %
Staff salaries and associated costs	563	552	11	2.0%
Staff - non salaries	24	32	(8)	-25.0%
Recharges (incl Accountable Body)	81	74	7	9.5%
Total staffing	668	658	10	1.5%
Meetings and administration	52	45	7	15.6%
Communications	44	40	4	10.0%
Chairman's Allowance	20	20	-	0.0%
Consultancy and Sector support	1,929	2,029	(100)	-4.9%
Total other expenditure	2,045	2,134	(89)	-4.2%
Total expenditure	2,713	2,792	(79)	-2.8%
Grant income	(2,184)	(2,184)	-	0.0%
Other OLA contributions	(215)	(200)	(15)	7.5%
External interest earned	(525)	(155)	(370)	238.7%
Total income	(2,924)	(2,539)	(385)	15.2%
Net expenditure	(211)	253	(464)	-183.4%
Contributions to/(from) reserves	211	(253)	464	-183.4%
Net over/(under)spend	-	-	-	0%

2018/19

- 3.9 The Board approved the Revenue Budgets for 2018/19 at their meeting on 15 December 2017. However at that time there was uncertainty concerning the availability of Core Funding and other streams of specific grant funding.
- 3.10 It has now been confirmed that Core Funding will be available for all LEPs at the same level as 2017/18, £500,000, and requiring the same level of match, £250,000. An application for

the funding is required by 14th March and the Secretariat is working with the Accountable Body to meet that deadline. The match will be made through the £200,000 cash contribution from Local Authorities and £50,000 in Private Sector Board member time spent supporting the LEP beyond fulfilling their function as a Board member.

- 3.11 A condition of Core Funding is that all assurance framework requirements are met. Given recent communications from Government on their assessment of the SELEP Governance there is a risk that this requirement will not be met. The Secretariat is continuing dialogue with Government as to the impact of the assessment and the outcome of the Deep Dive process.
- 3.12 As mentioned above, verbal confirmation has been given that Growth Hubs grant funding will continue. Unfortunately as at time of publication, written confirmation has not been provided, nor the full details of the grant requirements. It was hoped that a recommendation for approval for the Growth Hubs could be presented at this meeting, but this is not possible. The budget will be presented to Board at April's meeting. There is a risk that the grant funding will not be forthcoming but given verbal updates and conversations with officials at BEIS the risk is judged to be low.
- 3.13 However, the Growth Hubs and the LGF grants may also be impacted by the Governance rating as mentioned above. Should funding not be forthcoming or be reduced there is a major risk to the level of delivery possible in next year.
- 3.14 The 2018/19 budget may need to be revised depending on outcomes from the LEP Review. A full review of the budget should be made for the first quarter report that will be presented to Board in June 2018.

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 Details of specific revenue grants for the financial year.

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
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Accountable Body sign off

Stephanie Mitchener

On behalf of Margaret Lee

08/03/2018