

Forward Plan reference numbers: N/A

<b>Report title:</b> <i>Update on SELEP Revenue Budgets 2018/19</i>	
<b>Report to Accountability Board</b>	
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<b>Date:</b> 17 August 2018	<b>For:</b> Information
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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 forecast of revenue outturn for 2018/19 as at August 2018; including forecasts for specific grants budgets.

## 2. Recommendations

- 2.1 The Board is asked to:

- 2.1.3 Note the current forecast **under spend** of **£202,000** against the total revenue budget for 2018/19. The under spend will be offset by a reduced withdrawal from reserves.

## 3. Background

- 3.1. It is currently forecast that the SELEP Revenue expenditure budget of £3.282m will be under spent by £97,000 or 6.62%. This under spend is mostly due to delays in filling staffing vacancies. At the time of writing recruitment for five posts is underway but a further vacancy has also arisen in the last month.
- 3.2. The under spend on staffing budgets is expected to be £106,000 although this may increase should not all the five posts be filled in this round of recruitment or if there is a lag between the recruitment and the actual start of posts. The posts are currently being offered as one year fixed term contracts.
- 3.3. A small over spend on meetings and administration costs is forecast. Part of this over spend is the costs of the joint Skills/Growth Hub event which has been funded by the Skills Funding Agency and there is a corresponding over-recovery of income. Further details can be found below at paragraph 3.7.
- 3.4. Within the Consultancy and Projects line, there is a budget of £189,000 to support project work. This budget was created to support additional work that may have been necessary following the launch of the Strategic Economic Plan and any potential additional costs that might arise as a result of the LEP Review.

- 3.5. Due to the delayed publication of the LEP Review, more detailed plans on the requirement for this budget have yet to be made. However, now that the LEP Review has been released, this work will begin. It may be necessary to slip some of this work and related expenditure into financial year 2019/20 and a further update will be made to the next Accountability Board meeting.
- 3.6. Income is currently forecast to be over-recovered by £105,000; £101,000 due to increases in external interest receipts and £4,000 due to the contribution from the Skills Funding Agency detailed below that wasn't budgeted.
- 3.7. The SELEP Skills Manager was successful in securing some additional funding from the Skills Funding Agency (SFA) to cover the costs of a joint Skills/Growth Hub event. The costs for this event are included in the meeting and administration costs line.
- 3.8. The original budget for external interest receipts was set in December 2017 on the basis of expected cash flow of monies for both Local Growth Fund (LGF) and Growing Places Fund (GPF) and two base rate increases by the Bank of England.
- 3.9. The assumed level of cash opening balance was much lower than the actual opening balances. This was primarily due to:
  - 3.9.1. reduced spend on the LGF programme in 2017/18, in particular in relation to the A13 project which has been subject to delays (previously reported to the Board); and
  - 3.9.2. fewer of the latest round of GPF projects having loan agreements in place by the end of the year.
- 3.10. In addition to higher levels of cash being held centrally by SELEP, local areas also carried forward LGF monies. As a result, drawdowns in the first quarter have been reduced.
- 3.11. The forecast interest receipt was updated to reflect the changed cash flow for the previous report to Accountability Board. At that point, it was assumed that the Bank of England would make a single base rate rise in December 2018. However, the base rate was raised in August, resulting in a further uplift in forecast interest receipt.
- 3.12. It is now assumed that there will be no further rate increases in this financial year. The cash flow will continue to be updated and the Treasury Management function of Essex County Council will continue to invest funds on behalf of SELEP.
- 3.13. It is currently forecast that all specific grants will spend in line with budget. The latest round of Sector Support Fund applications will be considered at the September meeting of Strategic Board. Should the full £500,000 not be allocated in 2018/19, then spend will be reduced.
- 3.14. Details of the forecast position for the revenue budgets can be found overleaf.

**Table 1 – Latest Forecast for SELEP Revenue Budgets**

	<b>Forecast Outturn £000</b>	<b>Latest Budget £000</b>	<b>Variance £000</b>	<b>Variance %</b>
Staff salaries and associated costs	655	760	(105)	-13.82%
Staff non salaries	31	32	(1)	-3.13%
Recharges (incl. Accountable Body)	145	145	-	0.00%
<b>Total staffing</b>	<b>831</b>	<b>937</b>	<b>(106)</b>	<b>-11.31%</b>
Meetings and admin	80	71	9	12.68%
Chairman's allowance	20	20	-	0.00%
Consultancy and projects	610	610	-	0.00%
Local Area Support	150	150	-	0.00%
Grants to third parties	1,588	1,588	-	0.00%
<b>Total other expenditure</b>	<b>2,448</b>	<b>2,439</b>	<b>9</b>	<b>0.37%</b>
<b>Total expenditure</b>	<b>3,279</b>	<b>3,376</b>	<b>(97)</b>	<b>-2.87%</b>
Grant income	(2,317)	(2,317)	-	0.00%
Contributions from partners	(200)	(200)	-	0.00%
Other Contributions	(4)	-	(4)	0.00%
External interest received	(575)	(474)	(101)	21.31%
<b>Total income</b>	<b>(3,096)</b>	<b>(2,991)</b>	<b>(105)</b>	<b>3.51%</b>
<b>Net expenditure</b>	<b>183</b>	<b>385</b>	<b>(202)</b>	<b>-52.47%</b>
<b>Contributions to/(from) reserves</b>	<b>(183)</b>	<b>(385)</b>	<b>202</b>	<b>-52.47%</b>
<b>Final net position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.00%</b>

- 3.15. The forecast reduction in the required withdrawal from reserves, from a budgeted figure of £385,000 to a forecast of £183,000, will result in a General Reserve balance of £243,000. This is considerably higher than the minimum level agreed by Accountability Board of reserve of £100,000.

**Table 2 – General Reserve**

	<b>£000</b>
Opening balance 1st April 2018	511
<b>Planned Utilisation</b>	
Growth hub withdrawal approved	85
Updated forecast withdrawal at year end	183
<b>Total</b>	<b>268</b>
<b>Balance remaining</b>	<b>243</b>
Minimum value of reserve	<b>100</b>

- 3.16. Whilst the value of the reserve is higher than the agreed minimum value, it is prudent to be holding some additional funds at this time due to the uncertainty arising from the recent publication of the LEP Review. The full implications of the review are yet to be fully understood, however, it is likely that the LEP will need to explore possibilities around assuming a legal identity of its own.
- 3.17. Government has made available £200,000 per LEP to support the effective and timely implementation of LEP Review recommendations. SELEP will be applying for this funding in conjunction to submitting implementation plans by the deadline of 31<sup>st</sup> October 2018.
- 3.18. However, this funding may not be sufficient to fully fund all changes required and having additional funds in reserves to potentially cushion any transition costs is sensible.
- 3.19. Additionally, should the geographical boundaries of the LEP change there may well be transitional or closedown costs which could also be funded through the reserve. Any funds remaining following a closure would be redistributed to the upper tier partner authorities on the same pro-rated basis that is used to calculate contributions.
- 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**

## **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)	05/09/18