

**Forward Plan reference numbers:**

<b>Report title:</b> <i>Quarter 3 Update on SELEP Revenue Budget 2018/19 and Update on the Revenue Budget 2019/20</i>	
<b>Report to Accountability Board</b>	
<b>Report author:</b> Lorna Norris, Senior Finance Business Partner	
<b>Date:</b> 5 <sup>th</sup> February 2019	<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 quarter 3 financial position for the SELEP Revenue budget, including an updated forecast outturn for 2018/19. In addition, an update to the assessment of the risks for the budget for 2019/20 has been included for information, based on current best knowledge of funding streams in 2019/20.

**2. Recommendations**

- 2.1 The Board is asked to:

- 2.1.1 **Note** the latest forecast revenue outturn position for 2018/19 of an **under spend** of **£713,000**;
- 2.1.2 **Note** the assessment of risk for the 2019/20 budget.

**3. Background**

**2018/19 Budget**

- 3.1. The 2018/19 revenue budget for the SELEP Secretariat was set by the Board at its December 2017 meeting. The quarter 3 forecast outturn position is an under spend of £713,000 compared to a budgeted call on reserves of £385,000, details can be seen in Table 1 overleaf.
- 3.2. The under spend position has increased from that reported for the quarter 2 position by a net £165,000; this is due, primarily, to a reduced forecast on consultancy and project spend.
- 3.3. The key reasons for the under spend of the budget are:
- 3.3.1. delays in recruitment to the new posts in the SELEP Secretariat - (£140,000);
- 3.3.2. slippage in planned spend on consultancy and project activity with regards to the LEP review and delivery of the Local Industrial Strategy (£164,000) and

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3.3.3. additional external interest receipts (£409,000) as a result of:

3.3.3.1. higher than forecast interest rates;

3.3.3.2. slippage in the Local Growth Fund (LGF) programme spend (subject to approvals in agenda item XX); and

3.3.3.3. earlier than budgeted Growing Places Fund (GPF) loan repayments (subject to approvals in agenda item XX).

**Table 1 – Total SELEP Revenue Budget Outturn Forecast, end of Quarter 3**

	Forecast Outturn £000	Latest Budget £000	Variance £000	Variance %	Prior Quarter Forecast £000	Forecast Movement £000
Staff salaries and associated costs	620	760	(140)	-18.42%	620	-
Staff non salaries	32	32	-	0.00%	31	1
Recharges (incl. Accountable Body)	145	145	-	0.00%	145	-
<b>Total staffing</b>	<b>797</b>	<b>937</b>	<b>(140)</b>	<b>-14.94%</b>	<b>796</b>	<b>1</b>
					-	-
Meetings and admin	79	71	8	11.27%	77	2
Chairman's allowance	20	20	-	0.00%	20	-
Consultancy and projects	446	610	(164)	-26.89%	610	(164)
Local Area Support	150	150	-	0.00%	150	-
Grants to third parties	1,588	1,588	-	0.00%	1,588	-
<b>Total other expenditure</b>	<b>2,283</b>	<b>2,439</b>	<b>(156)</b>	<b>-6.40%</b>	<b>2,445</b>	<b>(162)</b>
					-	-
<b>Total expenditure</b>	<b>3,080</b>	<b>3,376</b>	<b>(296)</b>	<b>-8.77%</b>	<b>3,241</b>	<b>(161)</b>
					-	-
Grant income	(2,321)	(2,317)	(4)	0.17%	(2,317)	(4)
Contributions from partners	(200)	(200)	-	0.00%	(200)	-
Other Contributions	(4)	-	(4)	0.00%	(4)	-
External interest received	(883)	(474)	(409)	86.29%	(883)	-
<b>Total income</b>	<b>(3,408)</b>	<b>(2,991)</b>	<b>(417)</b>	<b>13.94%</b>	<b>(3,404)</b>	<b>(4)</b>
					-	-
<b>Net expenditure</b>	<b>(328)</b>	<b>385</b>	<b>(713)</b>	<b>-185.19%</b>	<b>(163)</b>	<b>(165)</b>
					-	-
<b>Contributions to/(from) reserves</b>	<b>328</b>	<b>(385)</b>	<b>713</b>	<b>-185.19%</b>	<b>163</b>	<b>165</b>
					-	-
<b>Final net position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.00%</b>	<b>-</b>	<b>-</b>

3.4. The current forecast position for the general reserve at the end of financial year 2018/19 can be found below at Table 2.

**Table 2 – Forecast General Reserves**

	£000
Opening balance 1st April 2018	511
<b>Planned changes in year</b>	
Growth hub withdrawal approved	-85
Updated contribution to reserves	328
<b>Total</b>	<b>243</b>
<b>Balance remaining</b>	<b>754</b>
Minimum value of reserve	100

3.5. It is currently assumed that all specific grants will spend in line with budget.

## **LEP Review**

- 3.6. In November 2018, it was reported to the Board that SELEP had submitted a funding request to Government to support the LEP Review costs; a grant of £200,000 per LEP has been made available for this purpose. SELEP has yet to receive this funding as it was contingent on the requirements of the LEP Review being met in full, which is not currently the case.
- 3.7. A SELEP Strategic Board decision relating to the future composition of the Strategic Board is outstanding, at present, and if approved, is expected to enable the release of the LEP Review funding.
- 3.8. The £200,000 is not currently reflected in the quarter 3 forecast position set out above and it is now anticipated that this funding will primarily be required in 2019/20, once additional resource has been secured to support the implementation of the LEP review requirements.
- 3.9. The SELEP Secretariat are currently preparing a detailed delivery plan for 2019/20, which is a new requirement of the National Local Growth Assurance Framework, and is expected to be presented for consideration at the March Strategic Board.
- 3.10. As part of the delivery plan, the 2019/20 revenue budget, approved by Accountability Board in November 2018, will be presented in greater detail to demonstrate alignment of the budget against the delivery proposals.
- 3.11. It is currently advised that the under spend forecast in 2018/19, be carried forward through the general reserve to be applied in 2019/20 when the most significant costs of the LEP Review are expected to be incurred, along with costs associated with the development of the Local Industrial Strategy; this is expected to be reflected in the delivery plan when it is presented to the Strategic Board in March.

## **2019/20 Base Budget Update**

- 3.12. The Board approved the 2019/20 SELEP Secretariat budget in November 2018; this is set out in Table 3 for information. This budget does not currently include any specific grants. Further information on levels of specific grant in 2019/20 is expected to be received from Government Departments and agencies over the next few months and information will be presented to the Board as it is provided.
- 3.13. This report sets out an assessment of budget risks that have been jointly considered by the SELEP Secretariat and the Accountable Body, to give assurance to the Board with regard to the robustness of the budget proposals.
- 3.14. The budget includes an assumed level of external interest receipts based on the forecast cash position for the year, this incorporates the expected Local

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Growth Fund contribution for 2019/20; this contribution has yet to be confirmed by Government, as such, this represents a risk to the budget. The LGF allocation is due to be confirmed in March; should there be any revision required to the forecast as a result of this, an updated position will be presented to the Board at the earliest opportunity.

- 3.15. The lack of certainty from Government with regard to the longer term funding position for SELEP continues to present a risk to the sustainability of the SELEP; the reliance placed on use of reserves and interest receipts to support the activity of the SELEP, presents only a medium term solution to meeting the on-going operational costs. Once the LGF is fully utilised, the ability to generate income from interest receipts will be significantly reduced without an alternative funding source becoming available.

**Table 3 –2019/20 Base Revenue Budget – Secretariat Costs only**

	2019/20 Budget £000	2018/19 Budget £000	2018/19 Forecast £000	Budget Movement £000	Budget Movement %
Staff salaries and associated costs	744	761	620	(16)	-2.14%
Staff non salaries	39	32	32	7	21.88%
Recharges (incl. Accountable Body)	58	64	64	(6)	-9.62%
<b>Total staffing</b>	<b>841</b>	<b>856</b>	<b>716</b>	<b>(15)</b>	<b>-1.80%</b>
Meetings and admin	51	51	59	-	0.00%
Chairman's allowance	20	20	20	-	0.00%
Consultancy and project work	877	482	318	395	81.95%
Local Area Support	150	150	150	-	0.00%
<b>Total other expenditure</b>	<b>1,098</b>	<b>703</b>	<b>547</b>	<b>395</b>	<b>56.19%</b>
<b>Total expenditure</b>	<b>1,939</b>	<b>1,559</b>	<b>1,263</b>	<b>380</b>	<b>24.34%</b>
Grant income	(500)	(500)	(504)	-	0.00%
Contributions from partners	(200)	(200)	(200)	-	0.00%
Other Contributions	-	-	(4)	-	
External interest received	(839)	(474)	(883)	(365)	0.00%
<b>Total income</b>	<b>(1,539)</b>	<b>(1,174)</b>	<b>(1,591)</b>	<b>(365)</b>	<b>31.09%</b>
<b>Net expenditure</b>	<b>400</b>	<b>385</b>	<b>(328)</b>	<b>15</b>	<b>0.00%</b>
<b>Contributions to/from reserves</b>	<b>(400)</b>	<b>(385)</b>	<b>328</b>	<b>(15)</b>	<b>0.00%</b>
<b>Final net position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

*Please note that forecast outturn figures in Table 1 are for the full SELEP Revenue Budget and include specific grant activity whereas the 2018/19 forecast outturn information presented above only includes the budget for the Secretariat.*

- 3.16. As the delivery plan for 2019/20 has yet to be fully developed and approved, a complete assessment of budget risks is not currently possible, however, Table 4 sets out the key anticipated risks impacting the budget in 2019/20. Table 5 indicates the risks to 2020/21 budget and beyond. The full SELEP risk register is included in Appendix 1.

Table 4 - Key SELEP Risks Impacting the 2019/20 Budget

Risk Description and impact	Likelihood	Impact	Score	Mitigation
LGF grant payment for 2019/20 isn't made because of either LEP Review non-compliance or APR Assessment. LGF Programme would have to stall. Potential possibility of legal action by delivery partners	3	5	15	Working with CLoG Officials to highlight the impact of withdrawing funding and working with project delivery organisations to identify projects to stall/not come forward.
Revenue grants for Core Funding and LIS/LEP Review support aren't made due to non-compliance. Reduced revenue budget to support Secretariat costs in 19/20 and reduced ability to begin work on LIS (see ref 3)	3	5	15	Proposed staffing take-on postponed or cancelled and reserves used to support staffing costs in 19/20. Work on LIS curtailed and emphasis put on supporting as-is operations. Implementation of LEP Review requirements also stalled.
Level of reserves held is insufficient to cover any potential severance costs as a result of the increasing size of the SELEP Secretariat.	2	3	6	The level of reserves will be held under review by the Accountable Body in light of recent and proposed future changes to the Secretariat; where required a revised position will be presented to the Accountability Board for approval.
SELEP Secretariat are unable to appoint the required additional resource to support delivery of the LEP review requirements expected to be implemented by February 2020; this may impact on receipt of funding in future	2	5	10	Funding has been included in the 2019/20 budget to support the development of the LIS and the implementation of other LEP review requirements, such as, incorporation of the SELEP.

Table 5 - Key SELEP Risks Impacting the Budget from 2020/21 and beyond

Risk Description and impact	Likelihood	Impact	Score	Mitigation
LEP Review recommendations (those agreed by Board) not implemented in line with Govt requirements. Potentially impacts on future years funding, including core funding, LGF, UKSPF and APR	2	4	8	Action plan put into place. Priority given to implementation of recommendations above other tasks using current resource.
Proposed approach to incorporation not agreed with Board or Government. Substantive shift of transactions/staffing to move into new company with consequent implications on staffing and costs	3	4	12	Present Chair and VC's proposed approach in advance of wider discussion. SOG/Directors to be informed and canvassed. CLoG team to be approached for view.
GPF projects do not repay or do not repay in timely manner, creating a gap in funding meaning future agreed but not completed projects are stalled	2	3	6	GPF repayments status updated to Board. Further rounds of GPF held back until further assurances made on repayments. Headroom held on fund to offset non-payment.
Future funding levels change	4	4	16	Current funding levels are boosted by the interest being earned on LGF/GPF balances held. As those balances run down the interest paid will reduce. This may be mitigated by further funding being made available by Govt and/or UKSPF being held.

- 3.17. It is proposed that the risks identified for the budget form part of the wider risk management process that is being introduced by the SELEP Secretariat and that an update is provided to the board on a quarterly basis.

#### 4. Financial Implications (Accountable Body comments)

- 4.1 This report has been authored by the Accountable Body and the recommendations are considered appropriate.
- 4.2 The 2019/20 budget is considered to be robust and the level of reserves held is appropriate.
- 4.3 It is noted that there are a number of key risks highlighted that could significantly impact on the operation of the SELEP if incurred. It is therefore advised that an update on risks is presented to the Board on a quarterly basis.
- 4.4 The specific risk for the Accountable body with regards to potential severance and redundancy costs of staff employed by the Accountable Body on behalf of the SELEP, will be regularly reviewed as the number of staff, and the associated risk, increases. The Accountable Body will advise the Board should the level of reserves held by SELEP need to be amended to reflect changes to this risk.

**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 the 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**

**7.1 SELEP Risk Register**

**8. List of Background Papers**

8.1 November 2018 Accountability Board meeting - Agenda item 12 - SELEP Revenue Budget Update

<https://www.southeastlep.com/app/uploads/2018/07/Accountability-Board-Complete-Agenda-Pack-16th-November-2018-excluding-confidential-appendix.pdf>

(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	
Stephanie Mitchener	07/02/19

*Q3 Update on SELEP Revenue Budget*

(On behalf of Margaret Lee, S151 Officer, Essex County Council)	
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