

Forward Plan reference numbers: FP/AB/173

Report title: <i>Half Year Update on SELEP Revenue Budget 2018/19 and Outline Revenue Budget 2019/20</i>	
Report to Accountability Board	
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Date: 5 th November 2018	For: Decision
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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 half year financial position for the SELEP Revenue budget, including an updated forecast outturn for 2018/19. In addition, an outline budget for 2019/20 has been produced 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 £548,000**;
- 2.1.2 Approve the outline revenue budget for 2019/20; and
- 2.1.3 Confirm that Local Authority partners will continue to provide revenue support and match for core funding in 2019/20.

3. Background

2018/19 Budget

- 3.1. The 2018/19 revenue budget for the SELEP Secretariat was set by Accountability Board at its December 2017 meeting. The half year forecast outturn position is an under spend of £548,000 or 35% of the gross expenditure budget, details can be seen in Table 1 overleaf.
- 3.2. The under spend is mainly due to delays in recruitment and additional external interest receipts.
- 3.3. The 2018/19 staffing budget included an increase to the staffing establishment of the Secretariat. The Secretariat has consistently been one of the leanest in the country and whilst the LEP is committed to keeping overheads to a minimum, the additional resource was approved to provide the appropriate capacity to properly discharge all duties required.

- 3.4. There have been a number of delays in the recruitment to these posts, but the interviews were held over the summer and now all vacant posts are filled. However, the delays have created an under spend on the staffing budget of £141,000.

Table 1 – Total SELEP Revenue Budget Outturn Forecast, end of Quarter 2

	Forecast Outturn £000	Latest Budget £000	Variance £000	Variance %
Staff salaries and associated costs	620	760	(140)	-18.42%
Staff non salaries	31	32	(1)	-3.13%
Recharges (incl. Accountable Body)	145	145	-	0.00%
Total staffing	796	937	(141)	-15.05%
Meetings and admin	77	71	6	8.45%
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%
Total other expenditure	2,445	2,439	6	0.25%
Total expenditure	3,241	3,376	(135)	-4.00%
Grant income	(2,317)	(2,317)	-	0.00%
Contributions from partners	(200)	(200)	-	0.00%
Other Contributions	(4)	-	(4)	0.00%
External interest received	(883)	(474)	(409)	86.29%
Total income	(3,404)	(2,991)	(413)	13.81%
Net expenditure	(163)	385	(548)	-142.34%
Contributions to/(from) reserves	163	(385)	548	-142.34%
Final net position	-	-	-	0.00%

- 3.5. There is a small over spend on meeting and admin costs. This is partly due to additional costs incurred for an event that was partly funded by the Skills Funding Agency and this contribution can be seen in the Income section. The remaining over spend is immaterial and can easily be contained within the wider under spend.
- 3.6. Currently it is forecast that external interest will be £409,000 higher than budgeted. This is due to a combination of interest rate rises, changed profile of spend on both LGF and GPF programmes and working closely with the Treasury Management function of the Accountable Body to maximise interest receipts.
- 3.7. The LEP Review presents a risk to the revenue budget. As was noted in the LEP Review response from SELEP, the implementation of the changes required falls on a limited group of staff members within the Secretariat and Accountable Body. Whilst some preparatory work has begun, there is a limit to how much can be progressed in advance of receiving an official response back from Government to the LEP Review submission made by SELEP.

- 3.8. SELEP has submitted a request for additional funding to support the LEP Review costs (this can be found at Appendix 1). However, current indications are that this funding could only be applied in financial year 2018/19. Given that work cannot properly begin until the Government makes their response there is a risk that the work and the associated costs will slip into financial year 2019/20.
- 3.9. Government has indicated that the £200,000 additional funding is contingent on requirements of the LEP Review being met. The response made to Government by SELEP did not fully meet all recommendations as set out in the LEP Review but it is hoped that if Government agrees to accept the SELEP response this will be sufficient for funding to be released.
- 3.10. It is currently advised that the forecast under spend is held and used for any costs arising for the LEP Review in this financial year, whether that is in advance of the £200,000 being allocated, if SELEP is unsuccessful in securing funding or where costs exceed £200,000.
- 3.11. If the under spend is not required in year, which is likely, it is advised that any residual funding be carried forward through the general reserve to be applied in 2019/20 when the most significant costs of the LEP Review are more likely to be incurred, along with costs associated with the creation of Local Industrial Strategies.
- 3.12. 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 Reserves

	£000
Opening balance 1st April 2018	511
Planned changes in year	
Growth hub withdrawal approved	-85
Updated contribution to reserves	163
Total	78
Balance remaining	589
Minimum value of reserve	100

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

2019/20 Base Budget

- 3.14. The uncertainty surrounding the LEP Review also presents a number of risks around the revenue budget for 2019/20. Government has acknowledged that both the increased requirements of the review and the implementation of those requirements will have resourcing impacts on LEPs. It is not clear

whether Government will take action to mitigate the impact through providing additional revenue funding to LEPs.

- 3.15. The biggest financial impact for the South East LEP is expected to be the change to legal personality. To ensure the correct model is selected there will need to be a detailed and thorough options appraisal that is likely to require externally procured advice and support. This is currently not quantified, but the Secretariat and the Accountable Body have begun work on next steps and planning for the project.
- 3.16. As stated above, there is a limit to how far this work can be progressed until Government's response is received. The Board will be kept updated on the emerging costs and implications of the project.
- 3.17. Given that Local Authority partners are currently setting their own budgets, an outline budget for the SELEP Secretariat has been drafted. This is baseline budget and is expected to move over the next few months, The Board will be kept informed of changes. A fuller budget report will be made to the next meeting of the Board in February 2019 which will include an assessment of the risks to the budget and an assessment of the adequacy of the budget by the Section 151 Officer of the Accountable Body, in line with the recently released advice from CIPFA.
- 3.18. The proposed budget for SELEP Secretariat can be found at Table 3. This budget does not 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.
- 3.19. The budget proposed includes the full year staffing costs of the Secretariat at its current established level with only minimal changes. A number of the posts in place are temporary posts that could be reduced with minimal impact should that be required.
- 3.20. It is assumed that the Core Funding from Government will continue on the same basis as the current financial year; that being a grant of £500,000 when evidence of £250,000 of match funding is provided. It should be noted that the SELEP LEP Review response included a clear message to Government that a truly independent Secretariat could only exist when Local Authorities weren't required to part fund their budget.
- 3.21. Local Area Support is budgeted to continue at £150,000 into 2019/20 as the partnership recognises that there will be additional resource required to help support the formation of Local Industrial Strategies and associated evidence collection.
- 3.22. As in previous years, it will be necessary for Local Authorities to make their contributions to evidence cash match and the net effect on each partner can be found in Table 3 overleaf.

Table 3 – Proposed SELEP/Local Partner Transactions 2019/20

Name of Authority	Contribution to Funding £000	Local area support £000	Net impact on budget £000
East Sussex County Council	26,180	(19,635)	6,545
Essex County Council	71,760	(53,820)	17,940
Kent County Council	72,500	(54,375)	18,125
Medway Council	13,040	(9,780)	3,260
Southend-on-Sea Borough Council	8,400	(6,300)	2,100
Thurrock Council	8,120	(6,090)	2,030
Total	200,000	(150,000)	50,000

- 3.23. As stated above, the timing and the costs of the LEP Review are currently uncertain. It seems likely that the majority of the costs will fall into 2019/20 and whilst some funding might be made available to LEPs, it is prudent to assume that there will be some costs that will have to be met locally.
- 3.24. In addition, it is becoming clear that Local Industrial Strategies and their supporting evidence bases are expected to be much broader and deeper than anything produced before. Whilst it is unclear what role the SELEP will play in the production of these strategies, it appears that there will be a role of some description. Given the bleak financial situation for our local authority partners there will be little appetite or opportunity to support large commissions of economic analysis, it is prudent to assume that the SELEP may be expected to pick up some of that work or costs.

Table 4 – Proposed 2019/20 Base Budget – Secretariat Costs only

	19/20 Budget £000	18/19 Budget £000	18/19 Forecast £000	Movement £000	Movement %
Staff salaries and associated costs	744	761	621	(16)	-2.14%
Staff non salaries	39	32	31	7	21.88%
Recharges (incl. Accountable Body)	58	64	64	(6)	-9.62%
Total staffing	841	856	716	(15)	-1.80%
Meetings and admin	51	51	57	-	0.00%
Chairman's allowance	20	20	20	-	0.00%
Consultancy and project work	877	482	482	395	81.95%
Local Area Support	150	150	150	-	0.00%
Total other expenditure	1,098	703	709	395	56.19%
Total expenditure	1,939	1,559	1,425	380	24.34%
Grant income	(500)	(500)	(500)	-	0.00%
Contributions from partners	(200)	(200)	(204)	-	0.00%
External interest received	(839)	(474)	(883)	(365)	0.00%
Total income	(1,539)	(1,174)	(1,587)	(365)	31.09%
Net expenditure	400	385	(162)	15	0.00%
Contributions to/from reserves	(400)	(385)	162	(15)	0.00%
Final net position	-	-	-	-	-

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.

- 3.25. Within the Consultancy and Project Work line, a budget of £699,000 is proposed to be held to support these potential costs. As the requirements for both the LEP Review and the Local Industrial Strategies become clear a full spending plan to support these workstreams will be developed and reported back to the Board.
- 3.26. The additional work can be supported through the continued high external interest receipt. Whilst LGF grant levels are expected to be lower in 2019/20, advice from the Accountable Body's Treasury Management advisors is that there will be a further bank base rate increase in the middle part of next financial year. This has meant that the expected interest receipt has not decreased significantly from this year's forecast.
- 3.27. The interest receipt will only be achieved if the LGF and GPF spending profiles are in line with current forecasts. The Capital Programme Manager will work closely with the Accountable Body to ensure that they kept updated on any changes to the potential profile so that this can be reflected in the forecast receipt. If a further rate increase isn't made or is made later in the year then the receipt will also decrease.
- 3.28. Whilst it is currently forecast that the General Reserve will be £589,000 at the end of 2018/19; the budget has been built on an assumed drawdown of £400,000. This would leave a balance of £189,000 which is in excess of the agreed £100,000 balance to cover any potential closure costs. This is

because it is recommended that a new review of potential severance costs is carried out due to the increase in staffing establishment. This review will be completed and recommendations put to Board at their next meeting.

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

12.1 Appendix 1 – BEIS FOI Response

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)

Role	Date
Accountable Body sign off	
Stephanie Mitchener (On behalf of Margaret Lee)	8/11/18