

Report title: *Update on SELEP Revenue Budget 2020/21 and Proposed Revenue Budget 2021/22*

Report to Accountability Board

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For: Decision

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SELEP Partner Authority affected: *Pan SELEP*

1. Purpose of Report

- 1.1 The purpose of this report is for the Accountability Board (the Board) to consider the latest financial forecast position for the SELEP Revenue budget for 2020/21. In addition, a proposed budget for 2021/22 is recommended for approval, based on current best knowledge of funding streams in 2021/22.

2. Recommendations

- 2.1 The Board is asked to:

- 2.1.1 **Note** the current forecast revenue outturn position for 2020/21 of an underspend of £142,000;
- 2.1.2 **Approve** the revenue budget for 2021/22 set out in Table 5, including the net contribution to reserves of £96,000 as set out in Table 8;
- 2.1.3 **Confirm** that Local Authority partners will contribute the match funding required to secure the core funding expected from MHCLG in 2021/22 as set out in Table 7;
- 2.1.4 **Approve** the recommended increase in the minimum level of reserves to £260,000 from 2021/22, held to meet the costs of closure should SELEP cease to function.

3. 2020/21 revenue budget update

- 3.1 The updated 2020/21 SELEP revenue budget was agreed by Accountability Board at its July 2020 meeting. The latest forecast outturn position indicates an underspend of £142,000 compared to the budgeted net expenditure of £727,000; details can be seen in Table 1 overleaf. This forecast underspend means that the contribution from reserves required to support the net expenditure can be reduced to £585,000.

3.2 The main movements from the forecast position reported to the Board in September 2020 are summarised as follows:

- A reduction in staffing related expenditure, arising from delays in recruitment to vacant posts and a higher than budgeted use of grant funding to offset staffing costs.
- An increase in the planned spend on consultancy and project work in relation to the delivery of the activity funded by the Skills Analysis Panels (SAP) Grant. To note, however, that, overall, the spend on consultancy and project work is underspending due to the reprioritisation of activity to support delivery of the Getting Building Fund (GBF) programme and COVID-19 recovery activity.
- A decrease in the grants to third parties to reflect the reprofiling of the SSF grant awards into 2021/22; an offsetting reprofiling of the grant income has also been applied to reflect this (see table 2 for further information).
- Additional grant income of £125,000 has also been reflected; this grant was awarded to SELEP by the MHCLG in October 2020 to provide revenue support to the implementation of the GBF programme. This funding is planned to be utilised to meet the costs of the additional Capital Programme Officer recruited to support delivery of the programme across 2020/21 and 2021/22 and to meet the costs of the Independent Technical Evaluation of the respective GBF business cases. The total proposed spend of the grant in 2020/21 is £83,000, with the remaining £42,000 planned to be spent in 2021/22. The £125,000 is less than the estimated cost of supporting of the GBF programme which was in the region of £200,000.

Table 1 – Total SELEP Revenue Budget Outturn Forecast – October 2020

	Forecast Outturn	Latest Budget	Variance	Variance	Previous reported Forecast	Forecast Movement
	£000	£000	£000	%	£000	£000
Staff salaries and associated costs	955	987	(32)	-3%	1,008	(52)
Staff non salaries	10	11	(0)	-5%	10	1
Recharges (incl. Accountable Body)	382	410	(28)	-7%	381	0
Total staffing	1,347	1,408	(60)	-4%	1,399	(52)
						-
Meetings and admin	37	44	(7)	-16%	40	(3)
Chair's allowance	40	34	6	16%	40	(0)
Consultancy and project work	366	408	(42)	-10%	265	101
Grants to third parties	2,157	2,081	76	0%	2,693	(536)
Total other expenditure	2,600	2,567	33	1%	3,039	(439)
						-
Total expenditure	3,947	3,975	(28)	-1%	4,437	(490)
						-
Grant income	(3,083)	(2,969)	(114)	4%	(3,431)	348
Contributions from partners	(200)	(200)	-	0%	(200)	-
Other Contributions	-	-	-	0%	-	-
External interest received	(79)	(79)	-	0%	(79)	-
Total income	(3,362)	(3,248)	(114)	4%	(3,710)	348
						-
Net expenditure	585	727	(142)	-20%	727	(142)
						-
Contributions to/(from) reserves	(585)	(727)	142	-20%	(727)	142
						-
Final net position	-	-	-	0%	-	-

- 3.3 Currently it is forecast that external interest received will be on-line with budget, however, this position is being regularly monitored as the current climate of economic recovery means that interest rates continue to be deflated and at risk of becoming negative. The unbudgeted receipt of the £42.5m GBF funding in September 2020 has presented an opportunity to attract additional external interest, however, this has not currently been reflected in the forecast position due to the high level of risk of negative interest.
- 3.4. There also remains considerable uncertainty with regards to the impact that Britain's Exit from the EU may have on interest rates and as such the forecast position may change in this respect. This position continues to be monitored to consider the budget impact for SELEP in the current and future financial years
- 3.5. Table 2 sets out the forecast position for the specific revenue grants, the in-year movement of which is incorporated into Table 1. It is currently assumed that the majority of specific grants will spend in line with budget; however, where it is known that the programmes or workstreams funded by the grant are planned to be delivered post 2020/21, this has been reflected in the grant forecast spend profile.

Table 2 – Specific Revenue Grants 2020/21 Forecast Summary

Grant	Grant brought forward £000	Forecast Grant Received £000	Forecast Grant Applied £000	Grant Carried Forward £000
GPF Revenue Grant	(987)	-	-	(987)
Sector Support Fund (SSF)	(590)	(1,000)	699	(891)
Growth Hub	-	(656)	656	-
Growth Hub - Core Funding Uplift Grant	-	(234)	234	-
Growth Hub - Peer Network Grant	-	(195)	195	-
Brexit Readiness Funding	(44)	-	44	-
ERDF Legacy Funds	-	(350)	350	-
Skills Analysis Panels (SAP) Grant	(44)	(75)	119	-
Local Digital Skills Partnership Catalyst Grant	(108)	-	69	(38)
Delivering Skills for the Future	(37)	(96)	133	0
Careers Enterprise Company (CEC)	(0)	-	0	-
Energy Strategy Grant	(7)	-	-	(7)
Total Grant Income Applied	(1,817)	(2,606)	2,500	(1,923)
SELEP Core and GBF Capacity Grants	-	(625)	583	(42)
Total Revenue Grant Income Applied	(1,817)	(3,231)	3,083	(1,965)

3.6 In addition to the above grants, the Accountable Body administers the following funds on behalf of SELEP, to support investment through grants or loans to third parties to support delivery of the SELEP priorities, including delivery of the Growth Deal, the Getting Building Fund and to support the COVID-19 recovery:

Table 3: Funds Administered by SELEP in 2020/21

Fund	Fund balance brought forward £000	Forecast Funding Received / Repaid £000	Forecast Funding Applied £000	Forecast Fund Balance Carried Forward £000
Local Growth Fund (LGF) (MHCLG)	(41,413)	(77,873)	119,286	-
Local Growth Fund (LGF) (DfT)	(26,650)	(20,600)	27,352	(19,899)
Growing Places Fund (GPF) (on-going Loan Fund)	(25,347)	(4,595)	8,375	(21,567)
Growing Places Fund (GPF) reallocated to the priorities below:				
COVID-19 Skills Fund	(2,000)	-	2,000	-
COVID-19 SME Business Support Fund	(2,400)	-	2,400	-
Contribution to the Sector Support Fund (SSF)	(1,000)	-	1,000	-
Ring-fenced funding to support future year budgets	(1,000)	-	-	(1,000)
Getting Building Fund (GBF)	-	(42,500)	42,500	-
Total Funds	(99,810)	(145,568)	202,912	(42,466)

Notes to Table 3:

- Local Growth Fund (LGF) – in order to secure the remaining third of the 2020/21 LGF allocation from the MHCLG, the s151 of the Accountable Body and the Chief Executive Officer of the SELEP were required to provide confirmation that the full allocation is planned to be spent in 2020/21; either through direct delivery of projects or the application of a capital swap (referred to as Option 4) against alternative capital expenditure by the

respective local partner authorities in line with the Grant Agreements in place (further information on the LGF position can be found in Agenda item 5);

- The GPF funding carried forward into 2021/22 will be available for reinvestment into the GPF pipeline; this amount is subject to receipt of the loan repayments due in 2020/21 (further information on the GPF position can be found in Agenda item 10);
- In July 2020, the Board agreed to reallocate £6.4m of the GPF funding to measures to support the COVID-19 recovery, including allocation of £1m to the SELEP reserved in 2021/22, to support the Secretariat budget in that and the subsequent financial year (see section 5.7 below);
- The Sector Support Fund (SSF) contribution of £1m increases the funding available in this Fund to £1.59m in 2020/21 – this fund is included in table 1 and 2 above, but also included in table 3 for completeness;
- The MHCLG have confirmed that SELEP has been awarded Getting Building Fund (GBF) totalling £85m; the MHCLG have allocated £42.5m of this fund in 2020/21, with the remaining indicative allocation of the same amount due to be received in 2021/22; further information is included in Agenda item 13.

4. Reserves

- 4.1 The SELEP budget includes a contribution from reserves in 2020/21 of £747,000 to ensure sufficient funding is available to support the planned spend, however the forecast underspend reduces the contribution required to £585,000. The current forecast position for the general reserve at the end of financial year 2020/21 is £742,000 as shown in Table 4.

Table 4 – Forecast Reserves

	Forecast Outturn £000	Latest Budget £000
Opening balance 1st April 2020	(1,326)	(1,326)
Planned Utilisation		
Planned withdrawal 20/21	565	727
Adjustment to replenish grant	20	20
Total	585	747
Balance remaining	(742)	(579)
Minimum value of reserve	(200)	(200)

*Note: The Board agreed to increase the minimum level of reserves to £200,000 in July 2020

- 4.7 The minimum level of reserves is set at £200,000 to ensure that sufficient funds are available to support any wind down costs of SELEP, should these be required. This amount has been subject to review as part of the 2021/22 budget process; this is considered further in section 5.7 below.

5. 2021/22 Proposed Revenue Budget

- 5.1. The delivery priorities of SELEP within a single financial year are constrained by the budget available to support those activities. The Strategic Board are due to consider the high level priorities to form the basis of the Delivery Plan for 2021/22 at their meeting in December 2020; in advance of that, the SELEP Secretariat have advised that the budget will be required to support delivery of the following key activities:
- Capital Programme Delivery including wrap up of LGF; full spend and substantial delivery of GBF programme before the end of the financial year; continued reporting on outputs and outcomes of all programmes
 - Design and implementation of Recovery and Renewal Plan
 - Continued work to understand the impact of COVID-19 and end of EU Transition on the SE Economy
 - Supporting major national policies including Freeports, Towns Deals, Business Support Reform
 - Working with Catalyst South and LEP Network on future policy development – national Recovery Plans and Funds, and potentially preparing for UKSPF
 - Recruitment of Chair and 2 year review of board members
 - Communication and support to businesses through CV19 and EU Exit, including Growth Hub
 - Delivery and monitoring of CV19 Support Funds
 - Work to support the Skills agenda including the continuation of the Skills Advisory Panel and the Digital Skills Partnership
- 5.2. The proposed budget to support delivery of the SELEP is set out in table 5 below.
- 5.3. There is currently no confirmation from Government with regards to the funding position for SELEP beyond the current financial year which presents a challenge to ensure appropriate budget planning for 2021/22 onwards. The proposed budget has been prepared on the assumption of continuation of the £500,000 of Core funding from Government in line with that received in the current and preceding financial years.
- 5.4. The proposed budget set out in table 5 includes those specific grants where funding is anticipated to be received in 2021/22, however, these have yet to be confirmed. Further information on levels of specific grant in 2021/22 is expected to be received from Government Departments and agencies over the next few months and an updated position will be presented to the Board during the first quarter of 2021/22.
- 5.5. Table 6 sets out the assumed position for the specific grants in the 2021/22 proposed budget. In the event that any of the assumed specific grants are not received, the planned activity in those areas would need to be reassessed; consequently the implications for any resources aligned to delivering that activity that are funded by the grant would need to be addressed.

Table 5 – Proposed 2021/22 Budget

	2020/21	2020/21	2021/22	Budget Movement	Budget Movement
	Forecast Outturn	Latest Budget	Proposed Budget		
	£000	£000	£000	£000	%
Staff salaries and associated costs	955	987	1,101	114	12%
Staff non salaries	10	11	10	(1)	-9%
Recharges (incl. Accountable Body)	382	410	281	(129)	-32%
Total staffing	1,347	1,408	1,392	(16)	-1%
Meetings and admin	37	44	40	(4)	-9%
Chair's allowance	40	34	41	7	21%
Consultancy and project work	366	408	309	(99)	-24%
Local Area Support	-	-	-	-	0%
Grants to third parties	2,157	2,081	1,518	(563)	0%
Total other expenditure	2,600	2,567	1,908	(659)	-26%
Total expenditure	3,947	3,975	3,300	(675)	-17%
Grant income	(3,083)	(2,969)	(2,246)	723	-24%
GPF Contribution to Reserves	-	-	(1,000)	(1,000)	0%
Contributions from partners	(200)	(200)	(150)	50	-25%
Other Contributions	-	-	-	-	0%
External interest received	(79)	(79)	-	79	0%
Total income	(3,362)	(3,248)	(3,396)	(148)	5%
Net expenditure	585	727	(96)	(823)	-113%
Contributions to/(from) reserves	(585)	(727)	96	823	-113%
Final net position	-	-	-	-	0%

Table 6: Specific Revenue Grants incorporated in the 2021/22 Proposed Budget

Grant	Grant brought forward £000	Forecast Grant Received £000	Forecast Grant Applied £000	Grant Carried Forward £000
GPF Revenue Grant	(987)	-	-	(987)
Sector Support Fund (SSF)	(891)	-	891	-
Growth Hub	-	(656)	656	-
Brexit Readiness Funding	-	-	-	-
ERDF Legacy Funds	-	-	-	-
Skills Analysis Panels (SAP) Grant	-	(75)	75	-
Local Digital Skills Partnership Catalyst Grant	(38)	(75)	75	(38)
Delivering Skills for the Future	-	-	-	-
Careers Enterprise Company (CEC)	-	-	-	-
Energy Strategy Grant	(7)	-	7	-
Covid 19 Skills Fund	-	-	-	-
Covid 19 SME Business Support	-	-	-	-
GPF Contribution to Reserves	-	(1,000)	1,000	-
Total Grant Income Applied	(1,923)	(1,806)	2,704	(1,025)
SELEP Core and GBF Capacity Grants	(42)	(500)	542	-
Total Revenue Grant Income Applied	(1,965)	(2,306)	3,246	(1,025)

Note: Specific grants forecast to be received from Government in 2020/21 have yet to be confirmed.

- 5.6. An explanation of the proposed key budget movements from 2020/21 is set out below:
- 5.6.1. Staff salaries - The budget proposed includes the full year staffing costs of the Secretariat at its current established level with the addition of two new posts in recognition of the increased requirement for sector engagement and data analysis. A number of the posts are funded through the application of specific grants; should those grants not be continued, an assessment will need to be made as to whether those posts should be discontinued or alternative funding identified if they are required on-going.
- 5.6.2. Grant Income – The specific grant income included reflects those grants where there is an expectation that existing grants will continue to be available; a number of grants applied in 2020/21 are due to end in that year so the total grant income is budgeted to reduce. A consequence of this is that there have also been corresponding decreases in grants to third parties, consultancy and project work and staffing recharges.
- 5.6.3. External Interest – in previous financial years, external interest accrued on capital balances held by the Accountable Body on behalf of SELEP has been a significant funding stream; since the outset of the COVID-19 pandemic, interest rates have dropped significantly and in some circumstances have become negative. Additionally, with expectations that the level of capital balances held will be significantly lower in 2021/22, no interest is currently included in the budget.
- 5.6.4. Core Funding - It is assumed that the Core Funding from Government, a grant of £500,000, will continue to be available to apply for in 2021/22; previous years have required match funding of £250,000 to be evidenced. If this grant is not awarded as previously, the proposed budget will need to be reviewed to incorporate any necessary amendments to ensure that the budget remains affordable.
- 5.6.5. Contributions from Partners - In previous years, £200,000 of the match contribution for the Core Funding has been met from the six upper tier local authority partner authorities in SELEP. For 2021/22, however, a reduced contribution by the local authority partners is proposed, totalling £150,000; this suggested reduction in contribution is an acknowledgement of the huge financial pressures Local Authorities are currently under.
- 5.6.6. Table 7 sets out the proposed contributions to be approved; contributions have been reduced in proportion to the previous year's allocation.

Table 7 – Proposed Match Funding Contributions to release the Core Grant from Government

Name of Authority	Contribution to Funding (£)
East Sussex County Council	19,635
Essex County Council	53,820
Kent County Council	54,375
Medway Council	9,780
Southend-on-Sea Borough Council	6,300
Thurrock Council	6,090
Total	150,000

5.6.7 It is intended to provide evidence of the additional £100,000 match funding required to secure the full £500,000 of Core funding through the contributions in kind of Board member time to supporting the activities of SELEP.

5.7. 2021/22 Reserves Summary

5.7.1. The following table sets out the anticipated reserves position as at April 2021 of £742,000; this assumes that end of year position reflects the forecast planned withdrawal in 2020/21 as set out in table 1 above.

Table 8 – Planned Reserves 2021/22

	2020/21 Forecast £000	2021/22 Proposed Budget £000	2022/23 Maximum withdrawal £000	2023/24 Maximum withdrawal £000
Opening balance 1st April	1,326	742	838	260
Planned Utilisation				
Planned withdrawal	(565)	(904)	(578)	-
Adjustment to replenish grant	(20)	-	-	-
GPF Contribution to Reserves	-	1,000	-	-
Total	(585)	96	(578)	-
Balance remaining 31st March	742	838	260	260
Minimum value of reserve	200	260	260	260

5.7.2. The proposed budget for 2021/22 includes a net contribution to reserves of £96,000. This net contribution is on the basis that the £1.0m of GPF funding is repurposed into reserves to support the Secretariat budget, as part of the COVID-19 measures agreed by the Board in July 2020; if this contribution

wasn't made, there would be a requirement for a net withdrawal of £904,000. This, however, would be unaffordable as the forecast reserves are insufficient to support this level of contribution.

- 5.7.3. The proposed budget leaves the reserves balance at £838,000 by the end of 2021/22. This position will be kept under review through the regular budget monitoring undertaken by the Accountable Body to assure balances held remain at an appropriate level.
- 5.7.4. The minimum level of reserves is currently set at **£200,000**; this minimum value is set to ensure that sufficient funds are available to support any wind down costs of SELEP, should these be required. The latest review of these costs, based on the proposed staffing levels of the SELEP Secretariat into 2021/22, suggests that it would be prudent to increase this value to **£260,000**, to ensure that sufficient funding remains in place.
- 5.7.5. Taking into account the revised minimum reserves level, table 8 above sets out the maximum withdrawal from reserves that would be available to support the SELEP budget, noting that in 2023/24, this value would be nil based on current assumptions.
- 5.7.6. The implications for the Secretariat element of the 2022/23 budget and beyond, on the assumption of no new funding sources being identified, are exemplified in table 9 below. This indicates that the level of activities that the Secretariat would be able to support would need to be significantly scaled back; the Accountable Body would require assurance that, as a minimum, any on-going commitments in relation to delivery of contractual or grant obligations could be met.

Table 9: Exemplifications of the Secretariat budget to 2023/24

	2020/21 Updated Budget £'000	2021/22 Proposed Budget £'000	2022/23 Budget Exemplification £'000	2023/24 Budget Exemplification £'000	2022/23 Budget Reduction %	2023/24 Budget Reduction %
Total expenditure	1,506	1,596	1,228	650	-23%	-47%
Grant income	(500)	(542)	(500)	(500)		
GPF Contribution to Reserves	-	(1,000)	-	-		
Contributions from partners	(200)	(150)	(150)	(150)		
Other Contributions	-	-	-	-		
External interest received	(79)	-	-	-		
Total income	(779)	(1,692)	(650)	(650)		
Net expenditure	727	(96)	578	-		
Contributions to/(from) reserves	(727)	96	(578)	-		
Final net position	-	-	-	-		

- 5.7.7. The above table indicates that, if no new funding sources are identified, the Secretariat budget will need to reduce by 23% and a further 46% in 2022/23 and 2023/24 respectively.

5.7.8. The Accountable Body will continue to work with the SELEP Secretariat to consider the options to address the on-going funding challenges.

6. Financial Implications (Accountable Body comments)

6.6 This report has been authored by the Accountable Body and the recommendations are considered appropriate.

6.7 A key continuing risk for SELEP remains with regard to the lack of assurance of future funding streams from Government; a number of new funding streams have been awarded in 2020/21 which, whilst welcome, have no on-going commitment and include conditions that makes planning and assuring value for money a challenge.

6.8 A number of Secretariat staff are funded through specific grants which are only confirmed on an annual basis; this builds in additional risk to assuring employment and delivery.

6.9 The Board is advised to seek assurances from Government that any delay in confirmation and receipt of funding will be taken into consideration in any conditions applied to these funds.

6.10 Continued allocation of funding on a short-term basis by Government does not support effective planning by the SELEP to deliver its Strategies and gives greater challenges to assuring value for money, which is a requirement of the SELEP Assurance Framework.

6.11 The proposed 2021/22 revenue budget is considered to be robust and the level of reserves held is appropriate; however, should the funding streams not be confirmed, this budget will need to be reviewed. Also, any further changes to the staffing structure within the SELEP Secretariat is likely to impact on the future potential severance and redundancy costs of staff employed by the Accountable Body on behalf of the SELEP. As a result, the minimum level level of reserves held are recommended to increase to the value set out in section 5.7 above; this position will remain under review to ensure that they are appropriate to meet any future commitments arising, in this regard.

7. Legal Implications (Accountable Body comments)

None

8. Equality and Diversity implication

8.6 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.

8.7 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.

8.8 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.

9. List of Appendices

None

10. List of Background Papers

None

(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 Peter Shakespear (On behalf of Nicole Wood, S151 Officer Essex County Council)	12/11/2020