

**SOUTH EAST ENGLAND REGIONAL ASSEMBLY
EXECUTIVE COMMITTEE**

Date: 21 October 2005

Subject: **Subscriptions 2006-07**

Report of: Chief Executive

Recommendation:

That the Committee recommends to the Assembly that local authority subscriptions should be held at their current level with no increase for inflation for the year 2006-07.

1. Purpose of the Report

- 1.1 The Executive Committee needs to recommend to the November Assembly plenary meeting a level of local authority subscriptions for next year.
- 1.2 This report follows consideration of subscription levels by the Leadership Group on 16 September 2005 in the light of the planned levels of Assembly activity, indicative budget, ODPM grant and level of reserves for the forthcoming year.

2. Background

- 2.1 The Assembly already has an agreed business plan and indicative annual budgets for the three years 2005-8. These will be reviewed and rolled on over the next few months. In the meantime the level of local authority subscriptions for the forthcoming year is normally agreed at the November meeting of the Assembly in order to assist council budgeting. The final Assembly budget for the forthcoming year is then agreed at the March meeting.
- 2.2 Hitherto, the financial situation has been tight and the level of ODPM grant contingent. Subscriptions have therefore been seen as an essential base income for the Assembly, which we have been concerned to sustain. Importantly subscriptions also demonstrate to ODPM buy-in by local authorities, alongside central Government's contribution.
- 2.3 Over the past few years we have broadly maintained the value that subscriptions contribute by increasing them by 2% each year, albeit this has

been just below inflation. At present our business plan and indicative budgets for the next two years continue this assumption.

3. Risks and Reserves

- 3.1 For the first time last year the ODPM set out three-year indicative budgets for regional assemblies. This has reduced financial uncertainty. In addition, members will be aware that we have at last been successful in reclaiming VAT paid by SEERA Ltd over several years, so that we now have the opportunity to budget for an adequate level of reserves.
- 3.2 In previous years the Assembly has hitherto budgeted for reserves of only £50k, although the SEERA Ltd Board has reflected several times on the need substantially to increase this provision in view of the company's annual turnover and liabilities. In practice we have mitigated financial risk over the past two years by managing expenditure on each occasion to create an end of year 'buffer' against funding uncertainties.
- 3.3 Thanks to the recovery of VAT we now expect to have rather more healthy reserves of £538.6k at the end of the current financial year. Against these the Board of SEERA Ltd has identified contingent liabilities, comprising redundancy and lease obligations, totalling at least £440k. Liabilities in respect of redundancy tend to increase with time and the Board has asked for these to be kept under regular review.
- 3.4 The Board's view is, in this context, that a level of reserves of £538k is sufficient, but not by any means excessive.

4. Next Year's Subscriptions

- 4.1 Local authority subscriptions bring in £700k a year, out of a total budget of almost £4m. The principle of broadly maintaining the value of the contribution that subscriptions make to the Assembly has been supported strongly by members in the past.
- 4.2 The Leadership Group therefore considered the proposal that the annual 2% increase should continue. However, in the light of the severe pressure on council budgets and the Assembly's adequate projected reserves position, the Group agreed to recommend to this Committee that for the forthcoming year current subscription levels should prevail without any further inflation adjustment, thus marginally reducing subscriptions in real terms.

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