

**9<sup>th</sup> September 2019**

**LEP and MCA Budget**

### **Purpose of Report**

This paper, and a presentation to the board at the meeting, updates LEP Board members on the progress made to achieve a reduction in the 2019/20 LEP and MCA core budget.

### **Thematic Priority**

Cross cutting theme affecting all 6 thematic areas.

### **Freedom of Information and Schedule 12A of the Local Government Act 1972**

The paper will be available under the SCR Publication Scheme.

### **Recommendations**

LEP Board members are asked to;

1. Consider the progress to date in seeking to achieve a budget reduction and to engage in a discussion to explore the options set out in section 2.5.

## **1. Introduction**

- 1.1** In July members received a paper setting out the need to prepare for a £2m budget reduction in the 2020/21 core LEP and MCA budget whilst also ensuring the key objectives of the LEP and MCA in its Strategic, Operational and Delivery work can continue to be achieved.

## **2. Proposal and justification**

- 2.1** A plan has been developed that can achieve the first £1m of the £2m target in 2019/20, through a combination of:
  - Reductions to operational costs (£0.4m),
  - Increases in income (£0.25m),
  - Use of reserves (£0.5m).
- 2.2** The reductions to operational costs include savings via a vacancy management process, a reduction in direct operational costs but also includes a number of costs pressures which have arisen since the budget was set in March 2019.

- 2.3 The increase in income is primarily related to the LEP asset at the AMP achieving a higher than profiled return and an increase in treasury investment income.
- 2.4 The third area is a one-off use of reserves which essentially offsets the additional cost pressures, however use of reserves needs to be carefully balanced against the future reserve requirements.
- 2.5 Achieving a permanent reduction of a further £1m in year is more difficult whilst ensuring the key objectives can be achieved.

Options are being explored to consider how this can be achieved over a multi-year period these include;

1. Seeking to achieve an operational saving during 2019/20 to create an additional provision to help smooth the impact of the £2m reduction of income in 2020/21. In part this can be achieved by redeploying some of the LEP capacity grant (£0.2m LIS capacity grant) received this year.
  2. Utilise remaining reserves during 2020/21 to set a balanced budget in year but with an approved three-year plan to top up the reserves to a suitable level from permanent budget savings in subsequent years.
  3. Continue to implement permanent savings of the second £1m over the following two financial years (2021/22 and 2022/23) and hence topping up the reserves to the required level.
  4. Work with the MCA to consider how wider group efficiencies can be achieved, and
  5. In parallel to the above options seeking to increase both the level and certainty of LEP and MCA income sources.
- 2.6 Liaison will continue with LEP and MCA Members and Local Authority Officers in the run up to proposing a draft budget in November before seeking approval in March.

### **3. Consideration of alternative approaches**

- 3.1 Seeking to achieve a budget reduction of 30% in a single year is likely to have a significant impact on the ability to deliver the core objectives hence to mitigate this a multi-year approach is being considered.
- 3.2 Not preparing for the savings on the assumption that successor funding will fill the gap is not considered a prudent financial approach.

### **4. Implications**

#### **4.1 Financial**

The budget review process commenced to prepare for a potential £2m reduction of the 2019/20 budget, £1m of this reduction has now been confirmed, second £2m remains a risk.

#### **4.2 Legal**

There are no legal implications as a result of this paper, but the required budget reduction may have an impact on existing contracts this will be considered as part of the options analysis work.

#### **4.3 Risk Management**

Managing a budget reduction of this scale in year is a significant risk and will be included in the SCR strategic risk register. This needs to be balanced against the potential for ongoing (multiyear) budget reductions having a compound effect.

A 1 year Comprehensive Spending Review (CSR) as delayed the expected announcement of successor funding to the Local Growth Fund (LGF) programme, there is now likely to be a gap between the delivery phases of LGF and Shared Prosperity Fund (SPF).

The use of reserves to bridge the funding gap is not sustainable and we need to ensure that a prudent level of reserves remain available at all times.

#### **4.4 Equality, Diversity and Social Inclusion**

None as a result of this paper.

### **5. Communications**

**5.1** This budget review process is being undertaken to ensure that the issues are discussed and communicated ahead of presenting options for setting a draft budget for 2020/21.

### **6. Appendices/Annexes**

**6.1** None.

<b>REPORT AUTHOR</b>	<b>Mel Dei Rossi / Mike Thomas</b>
<b>POST</b>	<b>AD Programme Management Office / Senior Finance Manager</b>
Officer responsible	Dave Smith
Organisation	<b>SCR MCA CEX</b>
Email	<a href="mailto:Dave.smith@sheffieldcityregion.org.uk">Dave.smith@sheffieldcityregion.org.uk</a>
Telephone	<b>0114 22 11 3403</b>

Background papers used in the preparation of this report are available for inspection at: 11 Broad Street West, Sheffield S1 2BQ

Other sources and references: