

4th November 2019

LEP and MCA Budget

Purpose of Report

This paper updates LEP Board members on the progress made in identifying savings options to achieve a reduction in the 2019/20 LEP and MCA core budget.

Thematic Priority

Cross cutting - governance

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 and note the progress to date in seeking to achieve a significant budget reduction in 2020/21.

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.
- 1.2** Members received a further update at the following meeting in September, setting out a plan which has been developed that can achieve the first £1m of the £2m target. This will address the immediate pressure on future budgets due to the loss of business rates resulting from the changes to the LEP geography.
- 1.3** Initial indication was that there would also be the loss of £1m of Mayoral Capacity Fund (MCF) in 2020/21. However, the MCA has been informed that this has been extended for a further year in 2020/21. Nonetheless, further actions have been identified to reduce costs and deliver a balanced financial position over the medium term to March 2025.

2. Proposal and justification

- 2.1** As previously reported in September, a plan has been developed that can achieve the first £1m of the £2m target in 2020/21, through a combination of cost reduction, income maximisation and potential use of reserves to smooth the impact over the early years.
- 2.2** A budget review and active establishment management has started to identify some potential core staffing savings and reduction in direct operational costs. This initial work will be crystallised as the detailed budget is developed.
- 2.3** Additional income has been identified. One increase relates to the LEP asset at the Advanced Manufacturing Park (the Technology Centre) achieving a higher than profiled return, that will continue into future years and also an increase in treasury investment income. As requested by members at the meeting in September, treasury management receipts have been thoroughly reviewed. Additional income is predicted on an on-going basis with a slight spike in 2020/21 to reflect the end of the LGF programme and phasing of project funding.
- 2.4** Initial indications are that a budget that delivers the LEP and MCA priorities will be delivered for 2020/21 but may need some use of reserves to achieve this. This will form part of a wider 5-year Financial Strategy that will be considered by the MCA Board. The use of reserves will be part of the detailed 2020/21 budget report which will be approved by the MCA by March 2020 as the reserve strategy and Section 73 Officer recommendations are key elements of that report.
- 2.5** Liaison will continue with LEP and MCA Members and Local Authority Officers in the run up to proposing a draft budget in January 2020 before seeking approval in March.

3. Consideration of alternative approaches

- 3.1** Seeking to achieve a budget reduction of 15% in a single year is challenging and might impact on the ability to deliver the core objectives. Therefore, use of balances is a reasonable approach to smooth transition.
- 3.2** Doing nothing and not preparing for the savings to start to address the funding gap is not considered a prudent financial approach.

4. Implications

4.1 Financial

The financial implications are the purpose of this report.

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

The emerging staffing reductions not being achieved is a risk to the proposed budget approach. However, positive, in-year management action has mitigated this risk and that of potential redundancies.

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.

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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: