

8th July 2019

Budget Workshop Update

Purpose of Report

This paper updates the LEP board on progress made in the Leaders budget workshop and sets out the actions to be taken.

Thematic Priority

Cross cutting priority affecting all thematic areas.

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

This paper will be available under the SCR Publication Scheme

Recommendations

LEP board are asked to note the progress made in the Leaders budget workshop and endorse the actions set out in section 2.6.

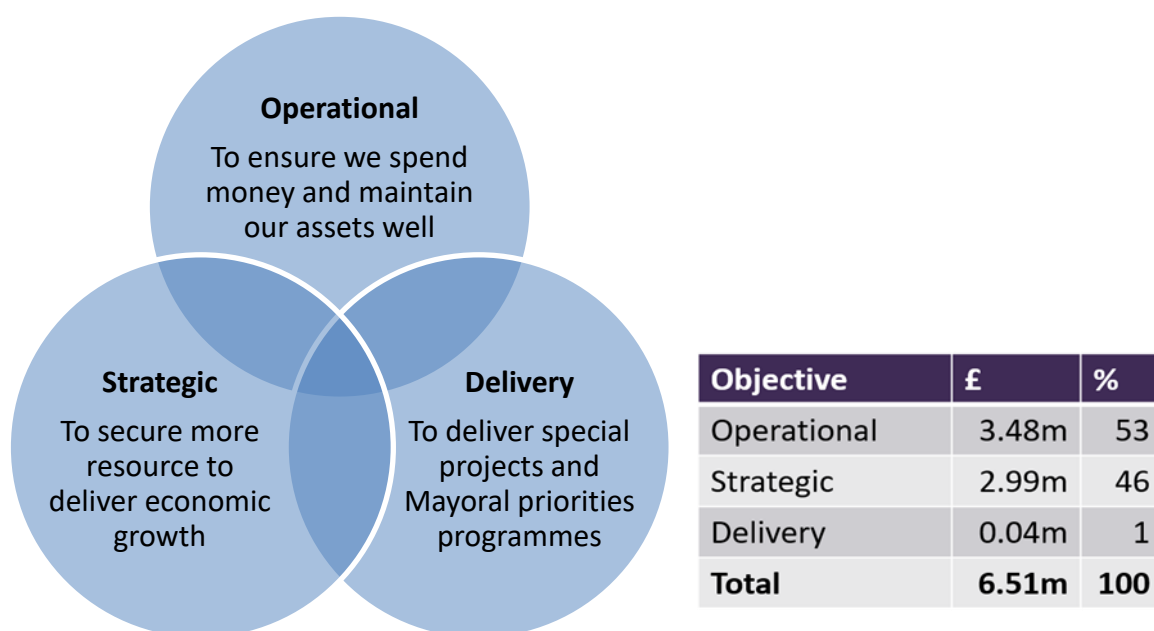
1. Introduction

- 1.1 When the 2019/20 MCA LEP revenue budget was approved at the March 2019 meeting of the MCA it was agreed that Leaders would be involved in a review of the 2019/20 budget to identify where further savings can be made and to commence early work on the determination of the 2020/21 budget.
- 1.2 The first workshop was held on 10th June which was Chaired by Mayor Dan Jarvis.

2. Proposal and justification

- 2.1 The budget workshop further reviewed the information provided in the March 2019 MCA LEP Revenue budget paper with a focus on the core operational revenue budget of £6.5m
- 2.2 The expenditure was linked to three core business objectives:
 - **Operational** – to ensure we spend money and maintain our assets well
 - **Strategic** – to secure more resource to deliver economic growth, and;
 - **Delivery-** to deliver special projects and Mayoral priority programmes.

2.3 For the approved 2019/20 budget the allocations are broken down as below:



The small net costs associated with the Delivery objective (£40k) is due to special project costs being offset by ringfenced grant allocations.

2.4 In preparing to meet the challenge of setting a balanced revenue budget for 2020/21 the MCA and LEP need to prepare to accommodate a £2m income reduction in year whilst ensuring the 3 core business objectives are still delivered. This equates to a core revenue budget cut of 30%.

Preparing for this cut is necessary to accommodate two income risks which may be realised in 2020/21, these are;

Mayoral Capacity Fund – £2m allocation for 2018 to 2020 (notionally £1m per year) with no certainty for future allocations.

Enterprise Zone Business Rates - The outcome of the LEP review to remove overlapping geographies may result in a £1m loss of EZ Business rates.

It is possible that neither of these two income risks will happen, but to not prepare for the possibility now would be too high of a risk for Statutory Officers. .

2.5 The current round of ringfenced special project funding and major funding programmes are nearing full commitment and completion. The £380m LGF programme is likely to be 100% committed by the September meeting cycle and the current focus is therefore on managing out the tail end of the programme delivery.

It is therefore necessary for the SCR Executive team to begin to refocus resources more into the strategic, securing resource business objective rather than delivery and operational.

This includes the in-year activity required to refresh the SEP and to develop the LIS and preparing a pipeline of potential projects for successor funding programmes (including TCF).

2.6 At the workshop it was concluded that:

- Work should progress to develop a plan to reduce budgets by up to £2m whilst ensuring the three business objectives continue to be achieved;
- Greater levels of integration and cost benefit with SYPTE should be considered through a whole group review, and;
- A second workshop will be convened in July to update on progress and review new steps. This provides an opportunity to include feedback from discussions at the LEP and MCA.

3. Consideration of alternative approaches

3.1 Follow the established budget development timetable and develop the budget in Q3/4. This has been discounted as waiting until the 2020/21 draft budget is prepared in the Autumn is considered to carry significant risk given the potential requirement to manage a reduction of income, as outlined in section 2.4. 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

An initial review of MCA/LEP forecast income and expenditure shows that there is an income risk of c.£2m. Finance officers are in the process of reviewing all lines of income and expenditure in greater detail to identify pressures, risks and savings opportunities.

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 30% in year is a significant risk and will be included in the SCR strategic risk register.

4.4 Equality, Diversity and Social Inclusion ([Equality Act - Public Sector Equality Duty](#))

None as a result of this paper

5. Communications

5.1 The Leaders workshops have been arranged 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 N/A

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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: