
Report to: LEP Board

Date: 29 November 2017

Subject: Business planning and budget 2018/19

1 Purpose

- 1.1 To advise the LEP Board of the work underway on business planning and budgeting for 2018/19.

2 Information

- 2.1 Over the past eighteen months WYCA/LEP has been progressing its One Organisation programme, establishing new Directorates, structures, ways of working and cultures and behaviours that enable the organisation to deliver on its priorities and objectives for inclusive economic growth in the region. Key successes and achievements in the past year include:

- The successful development of the assurance framework to effectively progress projects through the various stages from expression of interest through to delivery, ensuring a sufficient consistent level of rigour and challenge.
- Planned delivery of £100m+ of Growth Deal projects in the current year including four skills capital projects (Leeds Printworks, Wakefield College, Selby College, Bradford College)
- Development of an inclusive industrial strategy
- Opening of the Wakefield Eastern Relief Road – the first project constructed as a result of the Transport Fund
- Continued growth of the Elland Road Bus Park and Ride site and opening of another site at Temple Green in Leeds
- Opening of Low Moor Rail Station on the Caldervale Line in Bradford between Bradford Interchange and Halifax Rail Station
- Over 1,500 businesses supported to offer apprenticeships so far this year
- Over 1,200 new jobs committed to the region through engagement from the Trade and Investment Team to date this year
- Provided support to 1190 businesses that want to grow in the region
- Shaped new values and behaviours for the organisation that will guide how we work with our customers, our partners and each other from now on.
- Achievement of the Key Performance Indicators agreed with Government on Growth Deal delivery that has now seen the £42m second instalment of Growth Deal funding for 2017/18 released.

- 2.2 The business plan under development for 2018/19 builds on these successes and reflects the need to respond to the growing agenda in the region. Recent recruitment to the delivery and policy teams will help ensure further improvements to the speed and success of project delivery and ensure the resource is available to seek to secure funding to support the growing policy work required.
- 2.3 The draft business plan will be presented to the WYCA meeting of 14 December 2017 along with a draft budget that will seek to maximise the available resources and match it to the key objectives and priorities. The business plan, budget and transport levy must be approved at the WYCA meeting of 1 February 2018.
- 2.4 The budget for 2018/19 is being prepared in the context of a medium term financial strategy for the next three years which will enable effective planning for both WYCA/LEP and its funding partners. The difficult funding environment for local government is recognised and WYCA is considering a range of options to reduce expenditure, both to balance the budget in the first instance and also to enable a cut in the transport levy.
- 2.5 Accompanying the revenue budget proposals will be the proposed capital programme for 2018/19 to 2020/21. At this stage the programme totals £601m of schemes, of which £346m are Growth Deal funded (58%). Projects are kept under review to ensure that they are deliverable in the timescales, provide value for money and help to deliver SEP objectives.
- 2.6 As well as reviewing expenditure WYCA/LEP is considering if there are ways to increase its other funding streams. One of its other more significant income streams is the business rates income from the enterprise zones (EZ) in the region, which comes to WYCA as accountable body for the LEP. Income from the Leeds EZ, earmarked initially to fund the trade and inward investment team, has been slower to build up than originally forecast, a shortfall over the last three years. This income is now slowly increasing and forecast to build up to £6m pa by 2021. The second EZ covers a number of sites, most of which require investment to remediate or develop the site to enable full occupation. Work is underway to fund some of these works through Growth Deal funding.
- 2.7 Members will be aware of the short term nature of funding streams from Government that support the skills and business agenda, such as the business growth service, skills service and apprenticeship grants. Much of this money is awarded for limited timespans, making longer term planning difficult and forcing changes of direction of interventions depending on the conditions of funding. The current funding is due to fall significantly in 2018/19 unless further funds are secured – this will have a significant impact on the outcomes the teams are currently achieving and opportunities to secure further funding or divert funding from elsewhere are being explored.

- i. **Skills Service.** Funding for skills grants offered by this service ceased in March 2017. Over 849 SMEs have benefited from support to upskill over 10,339 employees. Some transitional funding has been provided to December 2017 for a skills advisory service to businesses, as a 'stop-gap' to help maintain some continuity for businesses by experienced staff who are expected to be funded by a successor project funded by ESF (European Social Fund) and delivered by West Yorkshire College Consortium from next calendar year.
- ii. **Business Growth Service.** Funding of circa £512k pa has been received for the last three years, enabling the continued support to over 2,000 SME's in the region seeking to grow their business. This is delivered on a 'hub and spoke' model with local authorities, who receive 50% of salary match for the 13 Growth Managers they employ to work on supporting local SMEs. Funding has previously been provided through BEIS (Department for Business, Energy and Industrial Strategy) who have this week indicated a commitment to continuing funding for 2018/19 but without confirming the amount. The LEP Network is making representations for this funding to be continued (and not just on a single year basis) and other opportunities, through the Business Rates Pool and European funding, for example, are being pursued.
- iii. **Apprenticeship Grants for Employers.** Funding of £3.7m in the current year has been profiled for expenditure to recruit apprentices in accordance with LEP priorities up to 31 March 2018, after which there is no further funding from government (this has been provided to date through an earlier devolution deal via the Skills Funding Agency). Changes nationally to apprenticeships following the introduction of the national apprenticeship levy now leave only limited funding alternatives available, including EU and Business Rates sources. Again, these are being explored. Since the ending of the £4.6m City Deal Apprenticeship Hub funding in March 2016, other dwindling skills funding has been used to support SMEs in a much reduced manner by promoting apprenticeships to both schools and businesses ahead of the introduction of the national scheme. Work has also been undertaken with colleges and universities to develop higher and degree apprenticeships that meets current and future demand for skills.
- iv. **Enterprise in Education.** WYCA currently has match funding of £390k for only 12 months. This is used to match funds from the Careers and Enterprise Company that enable a team to work with schools and businesses, connecting business volunteers to schools. This so far has enabled 134 schools to interact with business and the focus going forward is to ensure this reaches out to in particular to disadvantaged young people. A careers campaign launch is also planned, to inspire young people to pursue opportunities in our skills shortage sectors, which are largely STEM (Science, Technology, Engineering, Mathematics) based.

2.9 The inherent inflation in both concessionary reimbursement and bus tendered services in the WYCA overall budget along with pay and other contract inflation sees

expenditure increasing even at a standstill in service provision. Taking into account the ambition and priorities of WYCA and its partners there is a continuing mismatch of income and expenditure over the next three years. Whilst all areas of spend are being scrutinised it is expected that the only means of producing a balanced budget will require efficiencies and some significant reductions in the passenger transport service area. Options of how this could be achieved are being developed and in the short to medium term may include reductions in tendered bus service provision, reductions in travel information, changes to the way in which education transport services are provided and a review of bus station operation. A commercial asset strategy focussing on bus stations and other land and property assets is under development but will not provide a solution in the medium term.

3 Recommendations

- 3.1 That the LEP Board note the work underway on budgets and business planning for 2018/19.