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**Report to:** Leeds City Region Enterprise Partnership Board (LEP Board)

**Date:** 23 January 2019

**Subject:** **LEP and Combined Authority Business Planning and Budget 2019/20**

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## 1. Purpose

- 1.1 To advise the LEP Board of the work underway to progress business and budget planning for 2019/20.

## 2. Information

- 2.1 At its last meeting the Board received a report outlining the business planning and budget setting process for 2019/20. The Combined Authority received an update on the draft budget proposals for 2019/20 at its meeting 13 December 2018. That report and its appendices are attached at **Appendices 1-3** for information, of which appendix 2 sets out the latest version of the business plan for the organisation, showing for each directorate its income and expenditure and the services and priorities it will deliver with that funding.
- 2.2 The Combined Authority recognises the difficult funding position facing local authorities as they await the outcome of the fair funding review and comprehensive spending review in 2021. This is at a time when their funding continues to be cut and demand for their services is increasing. In the same way that local authorities are focussed on cost reduction, efficiencies and income generation the Combined Authority has also sought to ensure in developing its budget each year that it too is reviewing its activities and finding ways to deliver its services more efficiently. It also seeks to maximise third party income, such as advertising revenue and sponsorship for inward investment events.
- 2.3 The latest draft budget for 2019/20 as presented to the Combined Authority at its meeting showed a required use of reserves of £1.8 million, against the target agreed in February of £1.2 million. This position has been developed through the Member Budget Working Group, which includes amongst its members the LEP Chair, and with overview from the Chief Executives. There have been a number of changes to the figures since the strategy was agreed in February 2018 and some significant budget pressures identified. In order to reach the current position a number of reductions and cuts have been

included in the draft position and some reprioritisation to enable an allowance for emerging pressures. These are set out in more detail in the attached report. Further work to reduce the funding gap down to the previously agreed use of reserves of £1.2 million has been progressed through the Budget Member Working Group on 10 January 2019.

- 2.4 The largest income line in the revenue budget for 2019/20 is the transport levy of £94 million which is paid by the five West Yorkshire authorities and funds a significant proportion of the Combined Authority / LEP's activities. The transport levy is being reduced by £1 million each year, recognising the financial challenges facing local government.
- 2.5 Further revenue funding is received from government, particularly with regard to business and skills funding. The Board is aware of the challenges this brings as much of this funding is both specific to a particular purpose and timebound, meaning programmes can only run for as long as we are successful in bidding for external funding. Whilst the Combined Authority and LEP will continue to pursue opportunities to secure additional funding to deliver their objectives it should be noted that one of the income streams that is key in establishing a viable budget is the business rates from the Enterprise Zones. The LEP has an Enterprise Zone (EZ) in Leeds at the Aire Valley and a multisite M62 zone. All business rates earned on these sites above the baseline accrue to the LEP for 25 years and are therefore paid across to the Combined Authority as accountable body for the LEP. The Leeds EZ was established in 2013 and the M62 one in 2017 so income will be received up to 2038 and 2042 respectively.
- 2.6 Whilst collectively the sites are all due to make multi million pound annual contributions in due course they require investment and further development before they can become income generating. Indicative capital allocations have been approved for this investment. The 2019/20 budget includes an estimated £1.96 million in EZ receipts.
- 2.7 The Combined Authority will be agreeing the detailed budget (capital and revenue) and business plan 2019/20 at its meeting on 14 February 2019. It will also set out a detailed reserves policy and treasury management statement.

### **3. Financial Implications**

- 3.1 As set out in the report.

### **4. Legal Implications**

- 4.1 As set out in the report.

### **5. Staffing Implications**

- 5.1 As set out in the report.

**6. External Consultees**

6.1 None.

**7. Recommendations**

7.1 That the LEP Board note the work underway to finalise the business planning and budget for 2019/20.

**8. Background Documents**

8.1 None.

**9. Appendices**

Appendix 1 – Draft business plan and budget 2019/20 report to the Combined Authority on 13 December 2019

Appendix 2 – 2019/20 Draft Business Plan Summary

Appendix 3 – Summary 2019/20 Budget