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

Date: 22 November 2018

Subject: **LEP and Combined Authority business planning and budget 2019/20**

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1. Purpose of this report

- 1.1 To advise the LEP Board of the work underway to produce the 2019/20 business plan and budget for the LEP and Combined Authority.

2. Information

- 2.1 The Combined Authority is producing a business plan and budget for 2019/20 which will be presented to the Combined Authority meeting of 14 February 2019 for approval. In line with the approach taken in previous years detailed work is being overseen by a member working group which includes amongst its members the LEP Chair, and includes input and consultation with the LEP Board, Overview and Scrutiny Committee and the Governance and Audit Committee.
- 2.2 The capital and revenue budgets are prepared on a joint basis for the Combined Authority and LEP and therefore include all income and expenditure for which the Combined Authority is the accountable body. Similarly the corporate plan for 2019/20 will set out the key objectives and actions to deliver against the shared priorities of productivity, inclusive growth and transport and how success against these will be measured. As part of the Strengthening LEPs review there is also now a requirement to produce a specific LEP action plan for 2019/20. Guidance on the content of this action plan is still awaited from government and it is expected that such a document will be produced in parallel with the Combined Authority's corporate plan, drawing on much of the same information.
- 2.3 The corporate plan will be a higher level summary drawn from the detailed directorate business plans which will set out clear prioritised objectives matched to the resources available. There is also a focus on cost reduction and income generation/commercialisation opportunities in a bid to help manage known cost increases including pay and other inflation.

- 2.4 The budget strategy agreed by the Combined Authority in February 2018 focussed on achieving a balanced budget by 2020/21. It sought to continue to deliver the current level of services over that period by using an element of reserves in both 2018/19 and 2019/20 whilst work was undertaken to reduce expenditure and maximise any opportunities to increase income.
- 2.5 The largest income line in the revenue budget for 2018/19 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's activities. The transport levy is being reduced by £1 million each year, recognising the financial challenges facing local government.
- 2.6 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.
- 2.7 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.
- 2.8 The Leeds EZ has been established for some years and is due to pay over £1.2 million in 2018/19. Forecasts used in budget setting in the last three years have shown strong growth in this income but in reality these increases have been slow to materialise. Detailed scrutiny of the pipeline of future development is underway to enable a more robust position to be established. Significant growth in this income could for example provide a means by which to fund business and skills projects, or further trade and investment activities, and remove some of the dependence on short term government funding.
- 2.9 The M62 EZ consists of nine sites, only two of which are forecast to make any payments this year – Lindley Moor West and South Kirby. 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. Growth Deal funds have been secured as a partial contribution towards these costs and a development plan identifying priority sites for investment is under consideration.
- 2.10 The Combined Authority will be considering a draft budget at its meeting on 13 December, ahead of setting the transport levy and agreeing the detailed budget at its meeting on 14 February. An update on progress with both the business plan and budget will be provided to the next meeting of the LEP Board in January.

3. Financial Implications

3.1 As set out in the report.

4. Legal Implications

4.1 None arising directly from this report.

5. Staffing Implications

5.1 None arising directly from this report.

6. External Consultees

6.1 None.

7. Recommendations

7.1 That the LEP Board note the work underway on progressing the business plan and budget for 2019/20.

8. Background Documents

8.1 None.

9. Appendices

None.