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Report to Policy Committee

Author/Lead Officer of Report: Diana Buckley – Director of Economy, Skills & Culture

Tel:

Report of: Kate Martin

Report to: Economic Development and Skills Committee

Date of Decision: November 2023

Subject: **Economic Development & Skills Budget report: options for 24/25 budget**

Has an Equality Impact Assessment (EIA) been undertaken?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
If YES, what EIA reference number has it been given? 2407				
Has appropriate consultation taken place?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Has a Climate Impact Assessment (CIA) been undertaken?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Does the report contain confidential or exempt information?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-				
<i>“The appendices are not for publication because they contains exempt information under Paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).”</i>				

Purpose of the report:

The purpose of this report is to set out new financial pressures facing the Economic Development and Skills Committee in 2024/25, and budget options including savings, fees, grant and other income available to the council to offset these pressures.

It provides options for Committee, to make recommendations, which will allow our services to contribute to Sheffield City Council’s budget pressure.

Recommendations:

The Economic Development and Skills Committee is recommended to:

1. Note the recommendation approved at the Strategy and Resources Committee in September that “Policy Committees will be asked to develop savings / additional income options that cover their service pressures” and to “require Policy Committees to report at their meetings in November on how they can balance their budgets.”
2. Note the new financial pressures and risks within the Economic Development and Skills Committee
3. Note the options proposed to mitigate these pressures and that they will be presented to the Strategy and Resources Committee as part of the Council’s budget for 2024/25
4. Note the financial risks beyond March 2025 with the end of the Shared Prosperity Fund, and agree to work with officers in coming months on plans to mitigate these risks where possible.

Background Papers:

(Insert details of any background papers used in the compilation of the report.)

Lead Officer to complete:-		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: Liz Gough / Natalia Govorukhina
		Legal: Robert Parkin
		Equalities & Consultation: Bashir Khan
		Climate: Kathryn Warrington (TBC)
	<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>	
2	EMT member who approved submission:	<i>(Insert name of relevant Executive Director)</i> Kate Martin
3	Committee Chair consulted:	<i>(Insert name of relevant Member)</i> Cllr Martin Smith
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Committee by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	Lead Officer Name: Diana Buckley	Job Title: Director of Economy, Skills & Culture
	Date: 25/10/2023	

1.	PROPOSAL																														
1.1	<p>Background</p> <p>An updated medium term financial analysis was presented to Strategy & Resources committee in September to give members an early view of the forecast financial position for the Council for the next 4 years and to set the financial constraints within which the budgeting and business planning process will need to work to achieve a balanced budget position over the medium term.</p> <p>MTFA & Committee Budget Savings Targets</p> <p>Over the 4 year period the forecast budget gap for the Council is estimated to be £61m. For 2024/25 the forecast budget gap is £18m that will need to be bridged by services in order to set a balanced budget for 2024/25.</p> <p>For this committee the following assumptions had been made for 2024/25 within the MTFA.</p> <p>Economic Development & Skills</p> <ul style="list-style-type: none"> • Pressures of £1m, the most significant of which include inflationary pressure on service charges for delivery of services, and the pay awards. • Offset by <ul style="list-style-type: none"> ○ Funding allocated, as per the MTFA, to fund the 2024/5 pay award, £0.2m <p>Share of remaining available funding as per the MTFA, £0.1m leaving a gap to find of £0.7m.</p> <p>Against this pressure, the Economic Development and Skills Committee (EDSC) has examined its budget, and identified options for generating income / identifying savings / stopping services.</p> <p>This report includes an updated overview (since the S&R report at 7th Sep) of the pressures and risks within the Economic Development and Skills Committee (EDS) and identifies a set of potential actions to meet these pressures and mitigate financial risks, as far as possible.</p>																														
2.	Background																														
2.1	<p>Committee Budget Overview</p> <p>The net 2023/24 budget for EDS is £9.4m, the Committee generates and is reliant upon £15.5 m of income to support the services.</p> <table border="1" data-bbox="229 1693 1058 2085"> <thead> <tr> <th>Service</th> <th>Net Budget</th> <th>Outturn - Income</th> <th>Outturn - Expend</th> <th>Total Outturn</th> <th>Total Variance</th> </tr> </thead> <tbody> <tr> <td>ECONOMY, CULTURE & SKILLS</td> <td>8.2</td> <td>(6.8)</td> <td>15.1</td> <td>8.3</td> <td>0.0</td> </tr> <tr> <td>EDUCATION & SKILLS</td> <td>0.8</td> <td>(7.9)</td> <td>8.7</td> <td>0.8</td> <td>0.0</td> </tr> <tr> <td>PARKS, LEISURE & LIBRARIES</td> <td>0.3</td> <td>(0.8)</td> <td>1.2</td> <td>0.4</td> <td>0.1</td> </tr> <tr> <td>Grand Total</td> <td>9.4</td> <td>(15.5)</td> <td>24.9</td> <td>9.5</td> <td>0.1</td> </tr> </tbody> </table> <p>The table below outlines Qtr 1 2023/24 forecasted outturn position.</p>	Service	Net Budget	Outturn - Income	Outturn - Expend	Total Outturn	Total Variance	ECONOMY, CULTURE & SKILLS	8.2	(6.8)	15.1	8.3	0.0	EDUCATION & SKILLS	0.8	(7.9)	8.7	0.8	0.0	PARKS, LEISURE & LIBRARIES	0.3	(0.8)	1.2	0.4	0.1	Grand Total	9.4	(15.5)	24.9	9.5	0.1
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The majority of the services and activities within this committee are non-statutory – except for Lifelong Learning and Skills. However, they are impactful and important in supporting Sheffield to be a sustainable, inclusive, and culturally vibrant city.

Although EDSC has one of the smaller budget allocations from Sheffield City Council’s core funding, this is used to leverage significant external funding for economic development activity. Furthermore the pressure facing EDS represents one of the largest percentage savings to find across the Committees.

Due to the nature of the funding and work of the services in EDS, the teams operate a core-flex model, whereby small core teams and services are funding through Council resources, with additional delivery activity and staff recruited in line with externally funded contracts.

This model is reflected in the savings and risks highlighted in this report. This has advantages and disadvantages, for example, EDS can often pass on a significant proportion of the pay award pressure within our external funding contracts as legitimate staffing costs. However, we also carry significant financial risk when external funding ends, and new funding mechanisms to bid into are not yet in place (as with the end of European Funding this year, and its successor Shared Prosperity Fund in March 2025).

2.2 Recap of in year savings delivery.

EDS Committee committed to delivering £500,000 of saving in the current year 2023/2024. These were achieved by maximising external income and reducing service budgets. EDS has delivered these BIPs in full.

Service	Financial RAG	Description	Total Savings	Savings Deliverable in Year	In Year Gap
ECONOMY, CULTURE & SKILLS	Green	Maximising income from external grant sources	0.1	0.1	0.0
	Green	Reduction in activity budget for responding to in-year opportunities	0.1	0.1	0.0
ECONOMY, CULTURE & SKILLS Total			0.1	0.1	0.0
EDUCATION & SKILLS	Green	Review of delivery model of SEND at Sheaf Training Centre.	0.1	0.1	0.0
	Green	Use grant funding to mitigate pay award pressure	0.3	0.3	0.0
EDUCATION & SKILLS Total			0.4	0.4	0.0
Total			0.5	0.5	0.0

2.3 Updated Pressures for 2024/2025 for Economic Development and Skills Committee

Since the MTFA was presented, work had been undertaken with service providers to mitigate pressures, as such the overall **gap to remaining as a pressure for the Committee is £495,000**. Details of the pressures can be found in Appendix 1.

Further for committee to note that the pay award pressure in 2024/2025 has been allocated in the MTFs and funded corporately for 2024/25 only, therefore do not form part of the ongoing pressure for EDS. However, it should be noted that **the contribution to pay award with EDS services is the smallest across the Committees. This is because up to 60% of staff costs are charged out in external contracts, including pay award pressures.**

In addition to these in year pressures, Committee should also be aware of the wider risk at the end of March 2025, when Shared Prosperity Funding will come to an end. Which

covers the around 40% of the staff, and 100% of grant activity, akin to over £7million in 24/25.

3.0 **Savings proposals and mitigations to off-set pressures for Economic Development and Skills Committee 24/25.**

Savings to be proposed for consideration fall into one of the following categories:

- Increase income via increased charges and/or charging for services
- Doing things more efficiently
- Reducing some services
- Stopping some services

In determining saving proposals, the Committee considered the potential impact on economic growth, service delivery to customers, equalities impacts and climate impacts. Assessments have been made by finance, HR, and legal as appropriate.

The table in appendix 2 gives a detailed overview of the budget proposals, discussed, and debated with the Committee Members to contribute to the budget pressure for Economic Development and Skills. This report makes recommendations against these proposals, in line with the Committees advise to officers.

These cover:

Fees and charges - Strategy and Resources policy committee resolved to apply a notional Sales, Fees and Charges (SFC) target in line with estimated September 2023 CPI of 5.4%. The aim being to avoid possible subsidies for income generating services.

Wherever possible our services charge out pay award pressures into external funding contracts. In addition, the business conferencing service charges commission on hotel bookings, however, this fee is benchmarked competitively against other core cities. Increasing this by 5.4% would reduce income, due to lost business, rather than increase income.

Efficiency Savings – We have worked with SCC Business Rates team to maximise the reliefs and respond to revaluation of some of our Cultural assets. The details of these are highlighted in Appendix 2. The impact of offsetting these savings against the Committee pressure in minimal, in that there will be no service impact. However, we will not be able to reinvest the resources into culture, which is severely understaffed and under resourced currently.

We are also exploring further efficiency savings on use of property. Details are given in Appendix 2.

Stopping some services - Given the limited ability to increase income in the next 12-18 months further for existing activity (funds for new activities are being bid for) and that incremental cuts of the last few years have left service staffed at minimum levels – in order to meet this pressure in committee, EDS members have considered service cessation of the number of areas across the portfolio. However, based on the significant economic impact of the activity and the ability to leverage the investment with match funding, these options have been rejected.

It is EDS Members recommendation that although the committee will look to contribute, as far as possible, without undermining services, that this pressure should be supported corporately, in line with other Committees with non staff, inflationary pressure.

3.1	<p>End of Shared Prosperity Fund - March 2025</p> <p>At the end of December 2020, the current European Programme of Structural Funds (ESIF) came to an end. The Programme allowed both European Social Fund (ESF) and European Regional Development Funds (ERDF) to be defrayed for a further three years meaning of project activity and expenditure will be completed by Dec 2023.</p> <p>The UK Shared Prosperity Fund is the UK’s replacement for European funding, and although less than we would have received as part of the EU, does provide a substantial bridge to the current funding and activity. We have worked with SYMCA (who are accountable for the UKSPF for SY) to identify opportunities to continue, adapt and work up new projects, under the SYMCA UKSPF Investment Plan, to mitigate staff and service cuts.</p> <p>However, this fund is only in place until March 2025. We are already looking at new funding mechanisms, sources of funding and bidding opportunities. We highlighted in June 2023, in the Strategy and Resources Committee report that potential of Gainshare funding, to act as a potential source of revenue funding to support business support, employment and skills and cultural activity. Although this would be significantly less than current being invested via SPF.</p> <p>“A programme for revenue activity will be developed once Government has indicated what will replace the UKSPF in 25/26. If no alternative is provided then it is expected that the Gainshare revenue programme will fill the gap in funding for business support, skills and employability activity and supporting the cultural/visitor economy.” June 2023, S&R Gainshare Committee report.</p>
4	<p>HOW DOES THIS DECISION CONTRIBUTE ?</p>
	<p>The proposals in this report will deliver a significant saving towards delivering a balanced budget for the Council for 24/25.</p>
5	<p>HAS THERE BEEN ANY CONSULTATION?</p>
	<p>While none of the elements within this report require statutory consultation at this stage, they are being proposed following consultation, discussion and development as part of joint working with the full Economic Development and Skills committee.</p> <p>Senior Managers and staff have also contributed to these budget proposals, and are aware of the risk around external funding facing the service.</p>
6.	<p>RISK ANALYSIS AND IMPLICATIONS OF THE DECISION</p>
	<p><u>Equality Implications</u></p>
	<p>Decisions need to consider the requirements of the Public Sector Equality Duty contained in Section 149 of the Equality Act 2010.</p> <p>This is the duty to have due regard to the need to:</p> <ul style="list-style-type: none"> • Eliminate discrimination, harassment, victimisation, and any other conduct that is prohibited by or under the Act. • Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; • Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

	<p>The Equality Act 2010 identifies the following groups as a protected characteristic: age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex and sexual orientation.</p> <p>An initial Equality Impact Assessments have been completed for all of the budget proposals. Detailed impact assessments will be undertaken, as required, as an option is confirmed. Considerations have therefore been mapped in the table at Appendix 2 and have informed recommendations by Members.</p>
	<u>Financial and Commercial Implications</u>
	Each Committee is required to deliver savings against Committee pressures for 2024/25, The purpose of this is to allow the Council to achieve a balanced position for 2024/25 by the time the Strategy and Resources meets in December 2023.
	The pressures and savings proposals to address this are set out in Appendix 2. Currently this Committee has not met all financial pressures aligned to EDS in 2024/25.
	All Committees savings proposals will be considered by the Strategy & Resources Committee before final sign off to ensure a balanced 2024/25 budget for the Council as a whole.
	<u>Climate Implications</u>
	Sheffield has adopted a Net Zero 2030 City target. As such, climate impacts are considered as part of decision making. Working with Service Managers and the Sustainability Team, assessments have been given to the proposals – as shown in Appendix 2.
	<u>Other Implications</u>
	HR
	We will initiate consultation with union representatives on the outlined proposals that are agreed as part of the budget setting process and will continue to work with them as detail develops.
7.	ALTERNATIVE OPTIONS CONSIDERED
	<p>Do not make any budget savings By undertaking none of the proposed actions, we would be unable to contribute to delivering a balanced budget.</p> <p>Deliver Balanced Budget Make further savings by accepting the options, currently rejected, by the Committee to stop / reduce non statutory services.</p>
8	REASONS FOR RECOMMENDATIONS
	<p>We have sought to strike a balance between meeting our budget challenges in Committee and still delivering as much impact as possible for Sheffield’s economy and residents.</p> <p>Removal of services and budgets would dramatically reduce the city’s ability to bid for and win external funding, which maximises the Council’s investment.</p> <p>This is the preferred option as it allows our committee to contribute significantly to the Council’s budget position, without stopping important economic delivery services. Options in this report and further ideas may be considered by Strategy and Resources Committee with the EDS Committee, as the range of options across all Committees are considered together.</p>

	In making this recommendation, the intended outcome is to continue to deliver services which are pivotal to economic development within the city and support the wider regional economy, and maximise our limited financial resource by working in partnership and bringing in external funding.
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