

Risk Category Budget and Financial Management

| Risk Description | Probability | |
|---|-------------|-----------------------|
| | Probability | Mitigated probability |
| 1 Failure across the MCA Group to create, maintain and implement an effective strategic and operational approach to budgetary, financial and asset management could mean poor financial management accountability, poor transparency and failure to achieve intended outcomes | 4 | 3 |
| 2 Income shortfalls arise due to post-pandemic behavioural changes, particularly around commercial rents and advertising, impacting upon the amount of earned resource that can be reinvested in services | 4 | 3 |
| 3 UPDATED Potential ending of some core funding streams including LEP Capacity Grant and income generated from rents leading to a shortfall in un-restricted revenue funding | 4 | 3 |
| 4 An inconsistent approach to asset management across the MCA Group and landlord functions leads to sub-optimal performance, tenant dissatisfaction, and inefficient reactive expenditure | 4 | 3 |
| 5 Systemic loss of commercial viability in the South Yorkshire transport network due to patronage reductions, leading to pressure for greater public subsidy | 5 | 5 |
| 6 Re-franchising of the Supertram mass-transit light-rail system in 2024 exposes the Group to commercial risk that it has previously been shielded from | 5 | 5 |
| 7 UPDATED The MCA fails to find the local contribution to attract central government support from the CRSTS funding streams impacting upon the ability to draw down on the notional funding envelope | 4 | 3 |
| 8 No clear consensus on the use of the devolution financial flexibilities and for the use of gainshare, leading to risk averse behaviour could mean failure to maximise the potential to invest in priorities | 3 | 3 |
| 9 UPDATED Changes to the regulatory environment around Bus services leads to a further change management exercise, greater capacity pressures, and greater financial exposure to the operational performance of the network. | 4 | 3 |
| 10 A new emphasis on borrowing as a means of financing investment activity requires both government consent and appropriate skills, capacity, and processes to be in place to enable the MCA to mitigate the risk of sub-optimal investment decisions. | 4 | 3 |
| 11 NEW Inflationary pressures impact upon budgets and the timeliness of delivery | 5 | 4 |

Key

| |
|---------------------|
| 1 - Remote |
| 2 - Unlikely |
| 3 - Possible |
| 4 - Probable |
| 5 - Highly Probable |

Overall/average mitigated probability score 3

| Potential Impact / Consequence if risk materialises | Impact | |
|---|--------|------------------|
| | Impact | Mitigated impact |
| 1 The financial stability of the MCA Executive is compromised as reserves are deployed on an unsustainable basis | 5 | 3 |
| 2 The MCA is exposed to unplanned and reactive expenditure | 4 | 3 |
| 3 The ability of the MCA Group to resource activity beyond immediate priorities is prejudiced | 4 | 3 |
| 4 The MCA's ability to adequately control its activity through appropriate staffing levels is compromised | 4 | 3 |
| 5 UPDATED The mass-transit renewals project stalls | 5 | 4 |
| 6 The MCA seeks greater unplanned contributions from local partners or there are service reductions | 5 | 3 |
| 7 Reputational damage to the Mayor and the MCA and the Management Board of the MCA Executive | 5 | 3 |
| 8 The MCA is not granted borrowing powers, or not granted the debt cap that it requires to support its investment plans | 5 | 3 |

Key

| |
|-------------------|
| 1 - Immaterial |
| 2 - Minor |
| 3 - Moderate |
| 4 - Major/Serious |
| 5 - Extreme |

Overall/average mitigated impact score 3

| Existing mitigation strategies / controls for the risk category | Mitigation |
|--|---|
| | A review of reserves and provisions has been undertaken to ensure that the Group holds a prudent total quantum of reserves, and that those reserves are directed to known risks. A complete re-set of reserves is proposed in the new Reserves Strategy, with a number of new earmarked reserves created. |
| | Strong internal controls around forecasting and commissioning allows the MCA to control its financial commitments. |
| | The Business Plan and Budget exercise for 2022/23 is now underway |
| | An interim Asset Manager for the Group has been appointed |
| | Following ongoing engagement with the Department for Transport, Government support for both bus and tram has been guaranteed to March 2022 |
| | The Group Financial Plan is currently holding, with reserves still available to support identified risk |
| | UPDATED The MCA has accepted an offer from Government for its borrowing cap and legislation is expected to be tabled in January. |
| | Work is underway to develop a Bus Improvement Plan which will enable the MCA to continue to access government funding support for bus networks, whilst developing plans for a move to Enhanced Partnerships which will support greater influence of operations. |
| Work has commenced on developing an Investment Strategy for the South Yorkshire Renewals Fund, which will shape the MCA's approach to using devolution funding and how the Executive supports it | |

Key

| |
|-------------------|
| 1-4 Low |
| 5-10 Medium |
| 11-16 Medium-High |
| 17-25 High |

Mitigated/Residual risk score 17

| Existing mitigation strategies / controls weaknesses | Weakness |
|---|--|
| | Short term government funding horizons are inhibiting longer-term planning |
| | There are limited means for the MCA Group to actively intervene in the public transport market to prime demand and redress falling patronage. |
| | There are limited means to manage major investment projects such as the Mass Transit Renewals scheme beyond central government support, and further limited means to manage local contributions without the support of local levy-paying partners. |
| | The MCA Group lacks the resources and powers to manage mass disruption – such as that arising from Covid – on the public transport network, and is reliant on central government support. |
| | The receipt of borrowing powers is contingent on DLUCG tabling legislation, and Parliament passing the order |
| | No clarity on future years funding from government including Shared Prosperity Funds, MCF, LEP Capacity Grant. MCA has some influence to lobby and challenge but decision making to address the weakness is external. |
| NEW The MCA is exposed to global inflationary pressures that cannot be wholly mitigated through local means. | |

| | | Status update | Interim date | completion date |
|--------------------------------|--|--|--------------|-----------------|
| Action Plan | Support the preparation of the bid into the City Region Sustainable Transport Scheme | UPDATED We have supported the completion of the business case and received a notional allocation. Work is underway to develop the further business case requirements of Government. | Nov-21 | Jan-22 |
| | Support the development of the Bus Service Improvement Plan to enable ongoing access to government support | UPDATED Since the launch of the National Bus Strategy there is a requirement to develop and agree a Bus Service Improvement Plan (BSIP) for the region. SYMCA have already declared their intention to establish an Enhanced Partnership for South Yorkshire (though not excluded the option to pursue franchising if required). The BSIP has undergone a number of reviews with partners and stakeholders and will be taken to the Transport and Environment Board in October with submission deadline to DfT at end of October 2021, which was met. Following submission, a consultation on the Enhanced Partnership will need to be undertaken between November and January with MCA approval for establishing an Enhanced Partnership required in March 2022. The first full BSIP will then be in place by end of March 2022. | Jan-22 | Apr-22 |
| | Engage government on the drawdown of borrowing powers and the setting of an appropriate debt cap | UPDATED The MCA has accepted the HMT offer of the borrowing cap and is now seeking consent from its constituent authorities. | | Jan-22 |
| | Support the development of the Investment Strategy for the South Yorkshire Renewals Plan | UPDATED Work is underway to co-develop and design the investment strategy with partners. Our detailed process underpinning the above includes a four stage process. The first stage focused on priorities and this second stage on outcome, we are currently refining the conclusions from the first two stages and a paper will be presented to the MCA in January to update. | Jan-22 | Mar-22 |
| | Support the Integration Exercise | UPDATED Support to the integration exercise is ongoing, a budget set and regular monitoring taking place. | Jan-22 | Mar-22 |
| Risk / Mitigation Owner | Gareth Sutton | | | |