

## Mayoral Combined Authority Board

09 January 2024

### Budget Development 2024/25

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<b>Is the paper exempt from the press and public?</b>	No
<b><i>Reason why exempt:</i></b>	Not applicable
<b>Purpose of this report:</b>	Governance
<b>Is this a Key Decision?</b>	Yes
<b>Has it been included on the Forward Plan?</b>	Not a Key Decision

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#### **Director Approving Submission of the Report:**

Gareth Sutton, Executive Director Resources & Investment

#### **Report Author(s):**

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#### **Executive Summary**

This report proposes a transport levy for the year of £56.65m, representing a 2% or £1.1m increase on the previous year.

The report further notes the proposal to maintain local subscriptions at their current level, and the proposal to not set a Mayoral Precept for the forthcoming year.

The report notes that work will continue on budget preparation for wider MCA activity, with the final Revenue Budget and Capital Programme proposals presented to the Board in March 2024.

#### **What does this mean for businesses, people and places in South Yorkshire?**

Generating additional resource through local contributions will enable the MCA to continue to invest into transport activity.

#### **Recommendations**

1. Approve a 2% increase on the transport levy;
2. Approve the maintenance of local authority subscriptions at current levels;
3. Note the proposal to not set a Mayoral Precept for the coming year; and,

4. Approve the acceptance of £7.80m in BSIP+ Phase 2 funding.

## **Consideration by any other Board, Committee, Assurance or Advisory Panel**

None.

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### **1. Background**

- 1.1 Each year the MCA seeks funding contributions from local partners to support its core local transport authority (LTA) activity. These contributions come in the form of the transport levy which must be agreed by the 15<sup>th</sup> February each year.
- 1.2 Supplementing this, each year the constituent local authorities also provide more limited funding through local subscriptions. This funding supports core activity and serves as match funding for other Government grant streams.
- 1.3 Finally, each year the MCA is also required to consider the need for a precept to support Mayoral activity.
- 1.4 Following a significant amount of engagement since May, this report recommends the approval of a transport levy set at £56.65m, raising an additional £1.1m of funding. This will enable the MCA to continue its current strategy of using reserves, short-term Government funding, and locally raised resource to protect as much of the transport network as possible.
- 1.5 The report notes that the proposed rise, along with further sustained incremental rises up to the end of the decade, will support pre-emergency levels of spending power but will not be enough to sustain the current network once Government funding is withdrawn and reserves are exhausted. The scale of emergency funding supporting the network – c. £10m p/a - cannot be sustained without long-term Government support.
- 1.6 Finally, this report proposes not to set a Mayoral precept for financial year 2024/25. This reflects the Mayor's manifesto commitments and the forthcoming Mayoral election in May 2024.
- 1.7 This report proposes that the costs of the Mayoral office continue to be met from the Mayoral Capacity Fund (MCF) grant received from Government.
- 1.8 Whilst this report seeks to fix a number of core locally generated income streams, work will continue to develop the wider non-transport elements of the MCA's budget. These proposals are largely shaped by the funding made available by Government and at the time of writing uncertainty remained around a number of grant funding streams.
- 1.9 Final revenue budget and capital programme proposals will be presented to the Board at the March meeting.

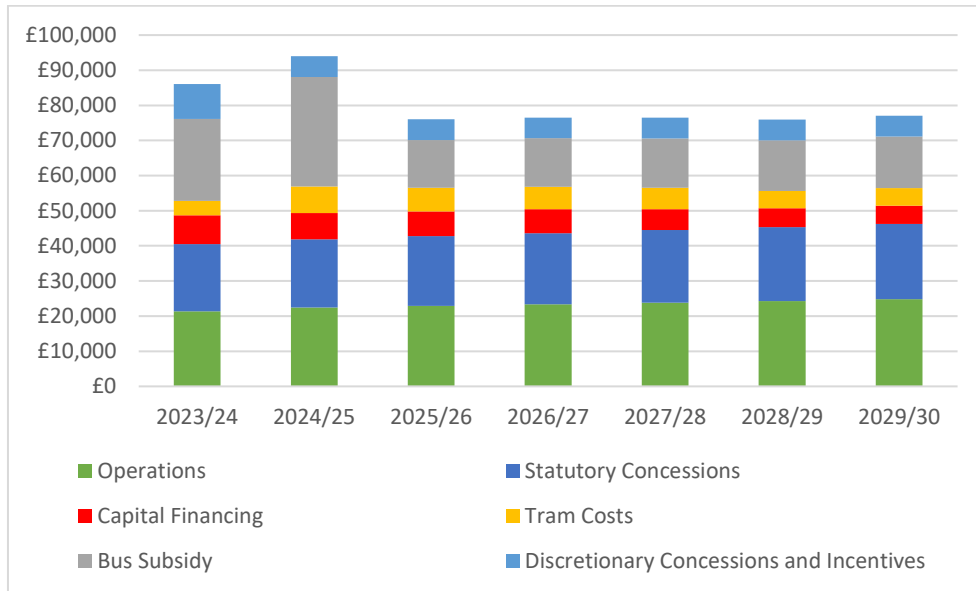
### **2. Key Issues**

South Yorkshire Transport Activity

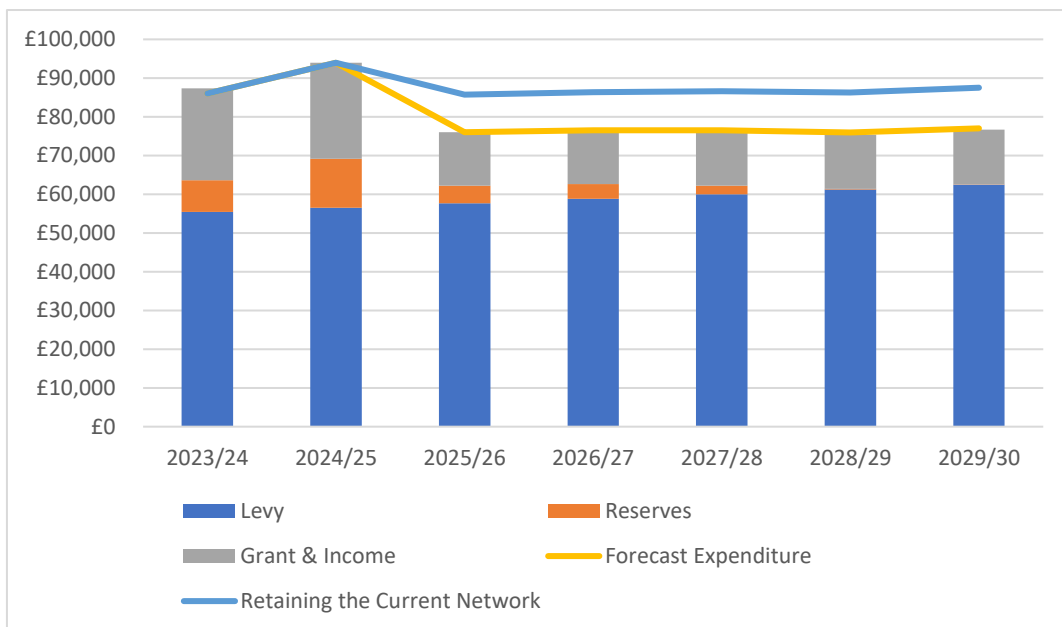
- 2.1 Since the start of the financial year engagement with the South Yorkshire Directors of Finance Group has been used to develop budget plans for the forthcoming year.
- 2.2 These plans are largely shaped by the multi-year Medium-Term Financial Strategy (MTFS) adopted in the prior planning period and decisions that have been taken during the current year.
- 2.3 The underlying MTFS is predicated on the desire to protect as much of the transport network as possible for as long as possible. This desire reflects that, as patronage levels have failed to recover to pre-pandemic levels, many services are now commercially unviable and require public subsidy to be run.
- 2.4 The MTFS therefore seeks to address a number of core challenges:
  1. Sustaining emergency support to the network through subsidised services and fare incentives;
  2. Managing a material change in the cost-base as the MCA takes tram operations under public control and becomes liable for subsidy pressures;
  3. Managing significant inflationary pressures; and
  4. Managing the loss in the medium-term of reserves that have sustained the budget over the last decade.
- 2.5 To meet these challenges the MTFS seeks to:
  1. Match short-term Government funding to emergency interventions;
  2. Use earmarked reserves and locally generated income to increase the amount of resource available for emergency interventions and patronage priming measures;
  3. Ensure there is an equitable balance in the level of subsidy paid for discretionary concessions;
  4. Begin to increase the levy in affordable increments to mitigate inflationary pressures and diminishing reserves; and,
  5. Reduce the cost-base where possible through efficiencies and the reduction of fixed costs such as debt payments.
- 2.6 In the current year this approach has led to a 2% increase in the transport levy, a decrease in the level of subsidy paid for under-18 concessions, and the commitment of reserves and known Government funding to a two-year emergency support package. Through the early repayment of debt and a number of other interventions recurring savings of c. £1.15m have also been generated.
- 2.7 These mitigations have, in part, been offset by inflation running above forecasts provided by the Bank of England and Office for Budget Responsibility.
- 2.8 This report proposes progressing with the planned increase of 2% on the transport levy in line with the MTFS forecasts. In the immediate term this, along with the savings generated and the planned use of reserves and available Government funding, will allow the MCA to sustain its two-year emergency support package.
- 2.9 In line with the core assumptions of the MTFS, however, without sustained Government funding this level of support cannot be maintained beyond financial year 2024/25. Once reserves earmarked to support tendered services are exhausted and Government funding is withdrawn, the MCA's ability to continue to

subsidise commercially unviable routes at the current elevated levels will be compromised.

2.10 The following chart exemplifies forecast movements within the cost-base. The graphic highlights the likely peak in expenditure in the forthcoming year as reserves and grant funding allow for an elevated level of expenditure on bus subsidies before this falls away as reserves are exhausted and grant is withdrawn:



2.11 The following chart highlights sustainability challenges, with reserves and grant income reducing significantly from 2024/25 onwards. This exemplifies that the current network cannot be sustained without additional funding:



2.12 During engagement sessions with Directors of Finance and Leaders this medium to long-term picture has been exemplified with a number of policy options presented that could generate additional resource. The MCA can consider whether to implement these and when at a later date. Ultimately, however, the scale of the challenge required to backfill the loss of emergency funding is beyond local means

and will require national intervention or a move to a fundamentally different way of delivering transport activity.

- 2.13 A key consideration in coming months will be around the use of the one-year BSIP+ Phase 2 funding (£7.8m) that will be received in 2024/25. How this is used in conjunction with reserve contributions and other local income whilst considering future aspirations and the need to avoid exacerbating sustainability considerations is particularly important.
- 2.14 Work continues to lobby Government for an appropriate long-term revenue funding settlement for South Yorkshire akin to that received by peer authorities, whilst the MCA also continues to explore whether the control that bus franchising would afford could support the delivery of a more efficient and cost-effective network.
- 2.15 Budget detail, including multi-year projections, are provided within Appendix 1.

Mayoral Precept

- 2.16 Each year the MCA is required to consider the requirement for a Mayoral Precept to support Mayoral activity.
- 2.17 This report proposes that no precept is raised for financial year 2024/25. This recognises the Mayor’s manifesto commitment and the forthcoming election in May 2024.
- 2.18 The costs of the Mayoral Office will be met from the Mayoral Capacity Funding (MCF) grant. As in previous years, £1m is expected to be received in a one-year settlement.

Levy and Local Subscriptions

- 2.19 The costs of the levy and local subscriptions are distributed on a per capita basis. Based on known estimates, the distribution of levy costs are forecast to be as follows:

		2023/24		2024/25
	Share %	Levy £'000	Increase £'000	Levy £'000
BMBC	17.53%	£9,721	£194	£9,915
CDC	22.10%	£12,255	£245	£12,500
RMBC	18.73%	£10,386	£208	£10,594
SCC	41.64%	£23,090	£462	£23,552
		<b>£55,451</b>	<b>£1,109</b>	<b>£56,560</b>

- 2.20 Subscription costs would be distributed as following:

	Share %	Subs. £'000
BMBC	17.53%	£208
CDC	22.10%	£262
RMBC	18.73%	£222
SCC	41.64%	£493
		<b>£1,184</b>

### **3. Options Considered and Recommended Proposal**

#### **3.1 Option 1**

Approve the recommendations for a 2% levy increase, maintenance of local subscriptions and the proposal to not set a Mayoral precept.

#### **3.4 Option 1 Risks and Mitigations**

The funding recommendations are in line with the adopted MTFS and consistent with briefing that has been undertaken throughout the year.

The report highlights that this level of resource is insufficient to maintain the current network into the future. A higher level of resource would allow for more services to be retained.

#### **3.5 Option 2**

Reject the proposals and reduce the level of funding.

#### **3.8 Option 2 Risks and Mitigations**

A lower level of funding would limit the amount of support the MCA could provide to the transport network. This would likely have negative impacts for the region's communities.

#### **3.9 Option 3**

Reject the proposals and increase the level of funding.

#### **3.12 Option 3 Risks and Mitigations**

Greater resource would allow the MCA to invest more into transport priorities. Further resource would, however, place unplanned pressure on local authority partner budgets.

#### **3.13 Recommended Option**

Option 1

### **4. Consultation on Proposal**

4.1 Bi-monthly engagement sessions with the South Yorkshire Directors of Finance Group have been undertaken throughout the year.

4.2 One-to-one engagement sessions have been held with the Mayor of the City of Doncaster (5<sup>th</sup> December), the Leader of Rotherham MBC (4<sup>th</sup> December) and the Leader of Sheffield City Council (4<sup>th</sup> December). An engagement session with the Leader of Barnsley MBC is diarised for the 18<sup>th</sup> December.

### **5. Timetable and Accountability for Implementing this Decision**

5.1 The Executive Director Resources & Investment will begin the implementation of the recommendations immediately.

### **6. Financial and Procurement Implications and Advice**

6.1 This is a financial report the details of which are included in the main body and the appendices.

**7. Legal Implications and Advice**

7.1 The transport levy must be agreed under by the 15<sup>th</sup> February.

**8. Human Resources Implications and Advice**

8.1 None.

**9. Equality and Diversity Implications and Advice**

9.1 None.

**10. Climate Change Implications and Advice**

10.1 Investing into public transport is a key tenet of the region's net zero ambitions.

**11. Information and Communication Technology Implications and Advice**

11.1 None.

**12. Communications and Marketing Implications and Advice**

12.1 None.

**List of Appendices Include**

- A Budget Detail
- B Programme Approvals Report