

Mayoral Combined Authority Board

Thursday, 06 June 2024

Financial Outturn 2023/24 & Quarter 1 Budget 2024/25 Update

Is the paper exempt from the press and public? No

Reason why exempt: Not applicable

Purpose of this report: Governance

Is this a Key Decision? No

Has it been included on the Forward Plan of Key Decisions? Not a Key Decision

Director Approving Submission of the Report:

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Executive Summary

This report provides a summary of the financial position as at the outturn of financial year 2023/24.

The outturn position notes the highest ever levels of investment into South Yorkshire through the capital programme and revenue budget and record income generated from treasury management activity.

At outturn underspend was recorded, principally as some capital activity slipped and planned revenue expenditure was reprofiled into the new year.

The report also notes that appropriations of surpluses to reserves allows the MCA to implement the reserve strategy agreed in March 2024, enabling the region to order its financial affairs ahead of significant decisions that are likely to be made in the year around bus reform.

Due to the timing of Board meetings, the report also provides a Quarter 1 budget update for financial year 2024/25. This update recommends a number of budget adjustments to take account of the latest programme forecasts and slippage brought forward from the prior year.

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

The MCA's financial resources enables it to invest in people, projects and places in support of the wider ambitions for the region.

Recommendations

That the Board/ Committee:

1. Note the financial position at the outturn of financial year 2023/24.
2. Approve the revised budget estimates for financial year 2024/25.
3. Approve the movements to reserves as detailed in Appendix B.

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

None.

1. Background

- 1.1 Throughout the year the MCA has received financial monitoring information that has provided the Board with updates on the expected financial position at the end of the financial year.
- 1.2 After each quarter the budget has been revised to reflect changing expenditure profiles, the adoption of new activity and the receipt of new funding streams.
- 1.3 The financial year has largely been characterised by the exceptional performance on treasury management income generation, as high cash balances coalesced with high interest-rates to generate significant windfall income.
- 1.4 This position coincided with the MCA's preparation for a number of generational challenges that had implications for the region's financial position in-year and beyond, including:
 - The integration of the South Yorkshire Passenger Transport Executive from April 2023;
 - The pursuit of bus reform through the franchising assessment;
 - The decision to bring the Supertram system back under public control by March 2024; and,
 - The transfer of the Office for Police and Crime Commissioner into the Mayoralty and the calling of an early election in May 2024.

- 1.5 At outturn the financial performance over the course of the year is notable for a number of issues:
- At c.£164m, the MCA has recorded its highest ever levels of revenue expenditure with a marginal variation of c. £500k against the base budget;
 - At c.£150m, the MCA has again recorded its highest levels of capital expenditure, surpassing the previous total of £110m achieved in the prior year;
 - Despite reaching record levels, the capital programme missed its base budget forecasts by c. £68m as a number of projects slipped delivery timelines;
 - Income generated from treasury management activity reached £20.9m, £17.9m above forecast;
 - Unexpected costs around the early Mayoral election (c.£3m) and an impairment to forecast Enterprise Zone income (c.£0.8m) were absorbed within the budget through redeployment of funding and reserves; and,
 - Exceptional treasury income performance alongside a number of other unanticipated receipts has allowed for the MCA to deliver on its approved reserve strategy.
- 1.6 Capital programme performance is largely characterised by the improved speed at which business cases are being developed and passed through the system, but ongoing challenges around transport projects and delays to the start of retained CRSTS1 schemes.
- 1.7 Revenue variances relate to the slippage of disbursement of CRSTS revenue grant, reprofiling of election costs into the new year, and reprofiling of Adult Education Budget expenditure to the new year.
- 1.8 The financial outturn position has prompted a number of financial year 2024/25 budget variations to be recommended through this report. Quarter 4 reforecasts to the capital programme lead to a proposal to reduce the capital programme by £7m to £180m whilst it is proposed that the revenue budget ceiling be increased by £5m to £215m to take account of slipped activity.
- 1.9 At outturn a number of appropriations to reserves are proposed, taking account of surplus income and underspends. The majority of these appropriations were agreed as part of the reserve strategy approved in March. A number of further appropriations are proposed to earmark further resource to discrete issues. These relate to marginal additional underspends and a number of receipts that weren't committed at the time of budget setting.
- 1.10 Contributions to reserves alongside planned movements in 2024/25 now place the MCA in a robust position to undertake in-year activity and consider a number of significant policy issues in-year. This includes bus reform considerations and the proposal to progress with a move to a franchised model.

- 1.11 Appended to this report is the Treasury Management Outturn report, setting out performance against the prudential indicators adopted at the start of the year. The report notes the strong income performance and the early repayment of the MCA's lender-option-buyer-option (LOBO) loan stock during the year.
- 1.12 The appendices also contain detailed financial monitoring information. For financial year 2023/24 information is presented along the line of the former thematic board governance model. For 2024/25 information is presented along the lines of the newer portfolio model in line with the adopted budget.
- 1.13 Summary information is also presented in the report for the MCA's new wholly owned subsidiary tram operating company – South Yorkshire Future Trams Ltd (SYFTL). After the first month of operation company performance shows an increase in revenue over budget assumptions of 5% with a forecast full-year deficit reduction of c. £1m. As with any business transfer, the MCA is now working with company officers to review the budget, particularly taking account of planned renewal works on the network. This report proposes that the MCA's budgeted subsidy position is held at existing levels until this exercise has concluded and key risks are suitably mitigated.
- 1.14 Following the transfer of the functions and competencies of the Police and Crime Commissioner into the MCA, future budget reports will consolidate the financial performance of the police and crime activity into MCA reporting. At this stage of the year outturn and Quarter 1 performance is not available, reflecting the extension of the financial year for both South Yorkshire Police and the Office of the Police and Crime Commissioner

2. **Key Issues**

- 2.1 This report notes the draft outturn position for financial year 2023/24 and provides a budget update at Quarter 1 of financial year 2024/25.
- 2.2 Further information is provided in the appendices, including the Treasury Management Outturn report.

3. **Options Considered and Recommended Proposal**

- 3.1 **Option 1**
Approve the budget variations and reserve transfers.
- 3.2 **Option 1 Risks and Mitigations**
The proposed budget variations are fully funded.
- 3.3 **Option 2**
Reject or amend the budget variations and reserve transfers.

3.4 Option 2 Risks and Mitigations

Rejection of the budget variations would restrict the Authority's ability to deliver on all its proposed activity. Rejection of the additional earmarking of reserves would see funding flow to the General Fund reserve instead.

3.5 Recommended Option

Option 1.

4. Consultation on Proposal

4.1 The proposals within this report are in support of previously agreed policy decisions.

5. Timetable and Accountability for Implementing this Decision

5.1 The Executive Director Resources and Investment will be accountable for implementing these decisions immediately.

6. Financial and Procurement Implications and Advice

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

7. Legal Implications and Advice

7.1 None.

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 None.

11. Information and Communication Technology Implications and Advice

11.1 None.

12. Communications and Marketing Implications and Advice

12.1 None.

List of Appendices Included:

- A. SYFTL Budget
- B. 2023/24 Outturn Detail
- C. 2024/25 Quarter 1 Detail
- D. 2023/24 Treasury Management Outturn Report

Background Papers:

None.