

27th JANUARY 2020

P8 REVENUE BUDGET & CAPITAL PROGRAMME REPORT

Purpose of Report

This report provides the position as at the end of November 2019 (Period 8) for the revenue and capital programme of the Sheffield City Region (SCR) Mayoral Combined Authority (MCA) for the financial year 2019/20.

Thematic Priority

Cross cutting – financial

Freedom of Information and Schedule 12A of the Local Government Act 1972

The paper will be available under the Mayoral Combined Authority Publication Scheme

Recommendations

SCRMCA are asked to:

- consider and note the 2019/20 Period 8 position for the Mayoral Combined Authority's and LEPs revenue budget and capital programme
- approve the proposed variations to the South Yorkshire Transport capital programme as set out in paragraph 2.5
- approve the acceptance of Sustainable Transport Access Fund grant extension as per paragraph 2.6.

1. Introduction

- 1.1** The Mayoral Combined Authority operates a number of revenue budgets, as well as capital and revenue programmes, some on behalf of the LEP. This paper summarises the Period 8 (P8) position of those budgets and programmes for the financial year 2019/20.
- 1.2** The report is structured to provide Members with an early indication of the forecast outturn position in relation to:
 - South Yorkshire Transport Revenue budget
 - MCA / LEP Revenue budget
 - Revenue Programme activity, and the
 - South Yorkshire Transport Capital Programme
- 1.3** The approved budget in respect of the above revenue and capital programmes incorporate the budget variations to revenue programme activity already approved by the MCA up to and including its meeting on 18 November 2019.

2. Proposal and justification

2.1 The key issues regarding the financial performance of the SCRMCAs are set out below.

2.2 South Yorkshire Transport Revenue Budget

Currently a £289k underspend is anticipated on the SYPTTE operational budget. The key elements are: a significant increase in spending on child concessions (£799k); a reduction in income from departure charges (£237k) offset by an underspend on statutory concessions (£919k) as a result of decreasing patronage and some operation savings; and, underspending in operational departments of £406k.

These savings have masked the adverse consequence of patronage decline, i.e. reducing viability of the regional bus network, to which operators have been responding by cutting services along unprofitable routes and seeking increased reimbursement rates for concessionary fares.

See **Appendix 1** for further detail.

2.3 MCA/LEP Revenue Budget

The revenue budget is deployed to cover the day-to-day activity of running the MCA and LEP in its delivery of the Strategic Economic Plan (SEP). Typical costs include staffing, accommodation, business support, international trade and investment marketing and the commissioning of specific pieces of work as part of implementing the SEP and developing the Local Industrial Strategy and work towards the Shared Prosperity Fund (SPF).

The 2019/20 P8 outturn position on the core activities funded through the revenue budget is shown in the table below.

| | Budget | Outturn | Variance | Variance % |
|-------------------------|---------|---------|----------|------------|
| Expenditure | £'000 | £'000 | £'000 | £'000 |
| Net Revenue Expenditure | £6,506 | £6,206 | -£300 | -4.6% |
| Non-specific Income | -£6,506 | -£7,228 | -£722 | -11.1% |
| | £0 | -£1,022 | -£1,022 | -15.7% |

There is currently an anticipated underspend of £300k in net revenue expenditure. The major factors of this is a saving of £323k on salaries and a £100k reduction in planned expenditure on Trade and Investment. Both have been identified as part of the budget review instigated in light of the income reduction that has been identified for 2020/21. This saving is partly offset by an increase in vacant property management costs. Additional income of £722k will be delivered in year from additional LEP grant, treasury management and investment income. Further information on the revenue budget's P8 outturn position can be found in **Appendix 2**.

2.4 Revenue Programme activity

As at P8 all the revenue programmes are forecast to spend to budget. The overall budget for revenue programmes in 2019/20 is now £9.755m.

See **Appendix 3** for further detail.

2.5 South Yorkshire Transport Capital Programme

The budget for the South Yorkshire Capital Programme at P8 of £43.3m is a little lower than the £43.8m reported at Q2. This is mainly due to a reduction in the ITB budget of £0.714m.

There is currently a forecast underspend of £1.258m. This comprises an underspend of £0.215m relating to ITB and slippage of £1.043m in relation to the BDR pot.

Approval is sought to re-profile the BDR budget by transferring the £1.043m into 2020/21 as follows:

| Programme | Managing Agent | 2019/20 budget | 2019/20 Forecast Outturn | Variance |
|---------------------------|----------------|----------------|--------------------------|----------|
| | | £'000 | £'000 | £'000 |
| BDR Transport Capital Pot | SCR Executive | £3,079 | £2,036 | -£1,043 |

Further details on the capital programme and how it is being financed are contained in **Appendix 4**.

2.6 Sustainable Travel Access Fund (STAF) grant extension

In early November, DfT invited the Mayoral Combined Authority (as accountable body) to apply for a one-year extension to the Sustainable Travel Access Fund (STAF). The STAF programme is currently in the final year of the three-year settlement period and the funding expires in March 2020.

The MCA submitted an application for £2.5m on 27th November 2019 which, if successful, will see the continuation of all existing work packages from the original Access Fund bid. The STAF schemes were considered by Transport Board on 25th October 2019 in anticipation of any confirmation of any additional funding from the Government. The MCA's Appraisal Panel has considered the proposed extension to the programme. Each current project allocation had been reviewed with the lead sponsor, considering performance over the STAF period to date, the consequences of discontinuing funding, any potential alternative funding sources and the potential to scale the project in response to different funding levels being available.

It is proposed that the schemes will be delivered in the same arrangements as currently operating. A minimum local match contribution of 10% is required, to date a total of £644k (25.8%) has been identified and there is still the possibility of further match being secured. DfT has indicated that it will confirm successful applications in late December.

3. Consideration of alternative approaches

3.1 The Authority's constitution requires that the Annual Revenue Budget is subject to monitoring to ensure that expenditure remains within the overall resources available and that any change to the overall level of resources are referred to the Authority for consideration.

It similarly requires the Capital Programme is subject to monitoring (schemes promoted by the Authority and those directly managed by SYPTE) to ensure that it remains within approved funding and that variations in excess of £250,000 or which require additional borrowing are approved by the Authority.

This report fulfils these responsibilities. Hence, no alternative course of action considered.

4. Implications

4.1 Financial

This paper provides information on the MCA's revenue budget and capital programme at P8.

There is no financial risk for MCA in terms of 2019/20 budget. Positive steps have been taken in the year to prepare for the challenges for the 2020/21 budget. A budget review has identified some staffing savings and fine tuning of other revenue budget as well as a review of cash flow and treasury management. These positive actions have reduced

the challenges to services for 2020/21. Development of 2020/21 budget proposals is being done in consultation with the LEP, MCA and Leaders to ensure effective scrutiny.

4.2 Legal

This report supports the MCA meeting its responsibility under the Financial Regulations 2018 to ensure that the Authority's expenditure remains within the resources available to it.

4.3 Risk Management

The main financial risk, as set out in paragraph 4.1 (ensuring that MCA / LEP revenue budgets are managed within budget) is being mitigated through the robust process for developing the 2020/21 budget proposals.

4.4 Equality, Diversity and Social Inclusion

There are no equality, diversity and social inclusion implications arising directly from this paper.

5. Communications

5.1 None

6. Appendices/Annexes

- 6.1 List any relevant appendices/annexes here:
Appendix 1 – South Yorkshire Transport Revenue Budget
Appendix 2 – MCA / LEP Revenue Budget
Appendix 3 – Revenue Programme activity
Appendix 4 – South Yorkshire Local Transport Capital Programme

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Background papers used in the preparation of this report are available for inspection at: 11 Broad Street West, Sheffield S1 2BQ

Other sources and references: None