

APPENDIX 1

1. The tables presented in this appendix represent the forecast budget based upon a scenario in which there is no disruption to the current funding environment, and no requirement for budget reorganisation in support of the protection of priority services.
2. Presenting the detailed budget on this basis allows for transparency around underlying trends and pressures, without distorting the picture with macro risk which cannot at this stage be accurately forecast.

	2020/21			2021/22	
	Budget £'000	Pressures £'000	Savings £'000	Budget £'000	Variance £'000
Mandatory & Discretionary Expenditure					
ENCTS/Mobility Concessions	24,916	0	-1,455	23,461	-1,455
Financial Obligations					
Capital Financing	7,202	0	-1,184	6,018	-1,184
Tram Access	1,500	0	0	1,500	0
Depreciation	6,475	294	0	6,769	294
Contribution from reserves to cover depreciation	-6,475	0	-294	-6,769	-294
Pensions	1,256	0	-516	740	-516
Discretionary Expenditure					
Child Concessions	2,136	300	0	2,436	300
Departure Charges	-946	0	0	-946	0
Tendered Bus Services	5,821	0	0	5,821	0
Community Transport	1,657	0	0	1,657	0
Operational Departments					
Customer Services	2,209	161	-53	2,317	108
<i>New establishment posts - assume fully funded</i>	0	51	-51	0	0
Commission on ticket sales	-460	260	0	-200	260
Public Transport	8,643	277	-16	8,904	261
<i>New establishment posts - assume fully funded</i>	0	151	-151	0	0
Rents	-479	0	-5	-484	-5
Service Charges	-1,764	0	-326	-2,090	-326
Car Parking (Inc P&R)	-328	280	0	-48	280
Other (vending, Photo Kiosks etc)	-69	15	0	-54	15
Support Departments	2,592	646	-451	2,787	195
<i>New establishment posts - assume fully funded</i>	0	194	-194	0	0
Sub-Total	53,886	2,629	-4,695	51,820	-2,066
In-Year Investment Fund	1,087	0	0	1,087	0
SYLTE Total	54,973	2,629	-4,695	52,907	-2,066
MCA Transport operational expenditure	466	400	0	866	400
MRP	4,022	0	-163	3,859	-163
External interest	1,388	0	0	1,388	0
Investment income	-1,274	404	0	-870	404
MCA Transport Total	4,602	804	-163	5,243	641
Overall Transport Total	59,575	3,433	-4,858	58,150	-1,425
Funded by:					
Transport levy	54,364	0	0	54,364	0
Levy reduction reserve	5,211	0	0	3,786	1,425
Total	59,575	0	0	58,150	1,425

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3. As shown in Table 2 above, the net movement in expenditure is a reduction of £1.43m (2.4%). In gross terms overall, the LTA will absorb £3.43m of pressures and deliver £4.86m savings. This is analysed further in Table 3 below.

Table 3

	£'000	£'000
Pressures:		
Bus Review work	400	
Increase in depreciation charge	294	
Loss of external funding	tbc	
Reduction in zero fare pass income	150	
VfM sale reimbursement	150	
Increase in interchange running costs	277	
Reduction in investment income	404	
Reduction in commission on ticket sales	260	
Reduction in sales, fees and charges	295	
Other - Customer Services	161	
Other - Support Depts	646	
New establishment posts	396	
Total pressures		3,433
Savings:		
Reduction in concessions payments	-1,455	
Reduction in capital financing costs	-1,184	
Increase in contribution from depreciation reserve	-294	
Reduction in pension costs	-516	
Re-profiling of MRP	-163	
Step-up in bus shelter advertising contract income	-326	
Newly let space at interchanges, net of closures	-5	
Other - Customer Services	-53	
Other - Public Transport	-16	
Other - Support Depts	-451	
External funding to cover new establishment posts	-396	
Total savings		-4,858
Net movement in SY Transport revenue budget		-1,425

Pressures

4. In value terms, the most significant category of pressure is income loss stemming from the impact of Covid. The latest indications are that the LTA will suffer gross losses of £1.1m on sales, fees and charges in 2021/22, when compared to the approved 2020/21 budget. It may be possible to mitigate some of these losses by claiming from MHCLG's SFC income loss compensation scheme, which has now been extended till July 2021. However, not all types of income are eligible for the scheme, for instance investment income (i.e. interest receivable) the loss on which is forecast at £404k.
5. Amongst new and emerging pressures for 2021/22, two items of note are VfM sale reimbursement and interchange running costs.
6. SYPTE reimburses TravelMaster for the sale of GetAbout tickets as they fall outside the scope of the 4-week average concessionary payments. At the start of the year (periods 1-6), sales were minimal,

and the reimbursement was c.£20k in total. However, Periods 7 and 8 have shown a significant increase with reimbursement being £19k to £25k per period depending on the number of school days. Extrapolating this forward and assuming no school closures, the full year cost including the remaining school days would be c.£150k.

7. Interchange running costs are expected to step up due primarily to increased utilities, rates and cleaning costs. This partly reflects new ways of working as a result of the pandemic.
8. There is further work to do in investigating Head of Service budget proposals in Customer Services and Support Depts where the combined gross pressure totals £807k. There are mitigating savings of £467k which reduce this pressure to £340k net.
9. This figure excludes the forecast full-year effect of new posts on the establishment of £396k, as well as pressures listed separately elsewhere.
10. Other pressures, such as the aforementioned new establishment posts to support capital projects within the Transforming Cities Fund programme, and increased depreciation charges, have net nil impact on the revenue budget because the costs can be recovered from capital grants.
11. Pay inflation has been assumed as 0% due to the Chancellor's announcement on 25 November 2020 as part of SR20 that there will be a public sector pay freeze in 2021/22. Resource will be held over in reserves to manage any deviation from this following the national pay award negotiations.

Savings

12. For 2021/22, interest payments are forecast to reduce by £1.2m due to the repayment of loans in line with the MTFS. Opportunities for early repayment to yield further interest savings will continue to be assessed, but none have presently been included in the draft budget on the basis that the cost of implementing such measures (i.e. early redemption penalties) will outweigh the benefits.
13. As well as the step down of £1.5m in concessionary costs (assuming that government intervention continues), the other main saving is from pension costs where – due to the Actuary's conclusion in the recent triennial valuation that SYPTE is no longer required to pay a deficit recovery contribution - £516k is being released. The LTA is still responsible for contributing to several closed pension funds, hence the residual annual budget for pensions. Employer's pension contributions for current staff is shown under staffing costs for the Operations and Support Department budgets.
14. The amount which the LTA is required to set aside for the repayment of debt ('MRP', or Minimum Revenue Provision) will decrease in 2021/22 as a result of the re-profiling of MRP charges over a longer timeframe than previously set. This reprofiling reduces the MRP charge by £163k in 2021/22.
15. Although most other sources of income are expected to decline in the short term, certain income streams remain intact, for instance advertising income derived from the bus shelter advertising contract which steps up by £326k in 2021/22. Although advertising income has been adversely affected nationwide by the pandemic, the contractor has continued to invest in new digital displays across the region, and a schedule of deferred payments has been re-negotiated which mitigates the bad debt risk.