

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
SYPT 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

Formulation of the 2021/22 Budget

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 SYSTE 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.

Medium Term Forecasts and Levy Reduction Reserve

16. The following table presents revenue budget forecasts for the next five years. These forecasts are based on known expenditure profiles, forecast inflationary issues, and estimates of likely changes to the cost-base. At this stage, expenditure profiles have not been adjusted for potential patronage changes beyond assumptions for 2021/22.
17. Of note is the change in expenditure related to the tram network. Whilst the 'tram access' payments (a form of financing) will fall away after 2023/24, the MCA will likely be exposed to the commercial performance of operating the tram. This assumes that there will be no market for a similar

concession arrangement to the current model. At this stage it is prudent to assume that financial support will be required, noting the existing loss-making position and the likely disruption to the network as a potential renewal project sees infrastructure investment.

18. For prudence, the forecasts assume that the levy is held at current levels. Whilst the levy reduction reserve can sustain this position in the near future meeting inflationary pressures, in the longer term it is unsustainable. On-going reliance on it will present a material cliff-edge by 2025/26.

19. The MTFS refresh in 2021/22 will need to begin to address how this cliff-edge can be avoided.

	2020/21 Forecast £'000	2021/22 Budget £'000	2022/23 Forecast £'000	2023/24 Forecast £'000	2024/25 Forecast £'000	2025/26 Forecast £'000
Mandatory & Discretionary Expenditure						
ENCTS/Mobility Concessions	23,461	23,461	23,930	24,409	24,897	25,395
Financial Obligations						
Capital Financing	7,202	6,018	5,627	3,406	2,200	2,200
Tram Access	1,500	1,500	1,500	1,500	0	0
Potential Tram Operating Deficit	0	0	0	0	1,000	1,000
Depreciation	6,475	6,769	6,355	3,556	3,534	3,534
Contribution from reserves to cover depreciation	-6,475	-6,769	-6,355	-3,556	-3,534	-3,534
Pensions	898	740	740	740	740	740
Discretionary Expenditure						
Child Concessions	2,136	2,436	2,485	2,534	2,585	2,637
Departure Charges	-946	-946	-946	-946	-946	-946
Tendered Bus Services	5,721	5,821	5,937	6,056	6,177	6,301
Community Transport	1,657	1,657	1,657	1,657	1,657	1,657
Operational Departments						
Customer Services	2,215	2,317	2,363	2,410	2,459	2,508
Commission on ticket sales	-260	-200	-200	-200	-200	-200
Public Transport	8,590	8,904	9,082	9,264	9,449	9,638
Rents	-395	-484	-484	-484	-484	-484
Service Charges	-1,732	-2,090	-2,090	-2,090	-2,090	-2,090
Car Parking (Inc P&R)	-58	-48	-48	-48	-48	-48
Other (vending, Photo Kiosks etc)	-29	-54	-54	-54	-54	-54
Support Departments	2,864	2,787	2,843	2,900	2,958	3,017
Sub-Total	52,824	51,820	52,343	51,055	50,301	51,271
In Year Investment Fund	0	1,087	1,087	1,087	1,087	1,087
SYSTE Total	52,824	52,907	53,430	52,142	51,388	52,358
MCA Transport operational expenditure	462	466	466	466	466	466
MRP	3,647	3,859	3,815	3,777	3,725	3,629
External interest	1,388	1,388	1,388	1,388	1,153	918
Investment income	-1,197	-870	-496	-386	-200	-200
MCA Transport Total	4,300	4,843	5,173	5,245	5,144	4,813
Overall Transport Total	57,124	57,750	58,603	57,387	56,532	57,171
Funded by:						
Transport levy	54,364	54,364	54,364	54,364	54,364	54,364
Levy reduction reserve	2,760	3,386	4,239	3,023	2,168	2,807
Total	57,124	57,750	58,603	57,387	56,532	57,171
Levy Reduction Reserve						
Balance b/f	19,523	16,763	13,377	9,137	6,114	3,947
Planned use in-year	-2,760	-3,386	-4,239	-3,023	-2,168	-2,807
Balance c/f	16,763	13,377	9,137	6,114	3,947	1,140

Reserve Forecasts

20. The table below shows forecast South Yorkshire Transport general reserves. General reserves include those reserves which are freely available, or those that have no conditionality on them but have been earmarked to certain issues. The table presents the reserves of SYPTE and the MCA together to give full transparency over available resource.
21. The table highlights the continuing draws on the Levy Reduction reserve as it is used to offset inflationary pressures and keep the levy suppressed in support of partner budget pressures. The table further highlights the creation of a Covid Resilience reserve from the re-deployment of resource from other reserves:

	2020/21 Forecast	2021/22 Budget	2022/23 Forecast	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast
SY Transport General Reserves	£'000	£'000	£'000	£'000	£'000	£'000
General Reserve	£10,839	£9,000	£9,000	£9,000	£9,000	£9,000
Levy Reduction Reserve	£16,763	£13,377	£9,137	£6,114	£3,947	£1,140
PFI Reserve	£12,447	£11,300	£12,600	£13,900	£15,200	£16,500
Covid Resilience Reserve*	£1,600	£5,886	£5,886	£5,886	£5,886	£5,886
Total	£41,649	£39,563	£36,623	£34,900	£34,033	£32,526

**Covid reserve is complemented by the in-budget Investment Fund (£1.1m) which is uncommitted. Together this provides £7m of available resource.*

22. These reserves are deemed prudent at this stage. Particular attention will continue to be paid to the PFI reserve which is accumulating a significant balance.