

22nd March 2021

BUDGET AND BUSINESS PLAN 2021/22

Purpose of Report

This report proposes a budget and accompanying financial strategies for financial year 2021/22. The proposed budget provides resource totalling c. £358m to enable the activity required to deliver upon the objectives set in the MCA's Corporate Plan.

Thematic Priority

All.

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

This paper will be available under the Combined Authority Publication Scheme

Recommendations

1. Approve the adoption of the revenue and capital budget estimates for the year;
2. Approve the local contributions for the year;
3. Approve the Reserve Strategy;
4. Approve the Treasury Management Strategy; and,
5. Delegate authority to the Section 73 Officer to facilitate the creation of a Project Feasibility Revenue Reserve through an intra-group transaction.

1. Introduction

- 1.1** In common with other public bodies and local partners, the MCA Group is required to set a balanced budget every financial year. This budget must be approved by Members ahead of the new year and be supported by a medium-term financial strategy that takes account of forecast future expenditure, funding flows, and the requirements for use of reserves.
- 1.2** In support of this, the MCA has undertaken a Group wide integrated business planning process. This process seeks to derive resource requirements to deliver upon the aspirations set by the Member priorities and foundational strategies such as the Strategic Economic Plan and the Renewal Action Plan. The business plan in turn drives the budget by ensuring that financial resource is directed to business priorities.
- 1.3** In undertaking this activity at the Group level the MCA is better able to begin coordinating and aligning its Group wide financial and human resource to Group wide priorities. This supports a degree of business integration ahead of the formal integration process.
- 1.4** The budget estimates provided in this report reflect the levy funded activity of SYPTTE, and the broader activity of the MCA and LEP. Expenditure related to support functions is

shown in aggregate where possible, supporting greater transparency on the costs of delivering activity and statutory obligations across the Group.

- 1.5** Financial activity is presented for the first time along Thematic Board reporting lines, enabling oversight of funding and activity at this level at both budget setting and throughout the year as financial monitoring reports are prepared.
- 1.5** The budget proposals presented in this report are notable for a number of issues:
1. At c. £357m, the resource available to the MCA in the new financial year could enable record levels of investment;
 2. The budget largely reflects the delivery of pre-existing programmes of funded activity, and new ringfenced funding for the delivery of devolved functions such as the Adult Education Budget;
 3. Significantly, however, the budget now reflects the application of un-ringfenced devolution monies to South Yorkshire priorities;
 4. Whilst significant concern remains around the commercial sustainability of the public transport network, these budget proposals provide resource for the MCA to influence post-pandemic provision; and,
 5. Whilst the MCA's operating environment remains characterised by uncertainty around both demand for services and funding availability, resource is made available in reserves to mitigate some of the identified and latent risk.
- 1.6** Taken together these issues highlight the significant financial challenges ahead for the MCA. The adoption of new functions and new funding will present new and different challenges. Conversely, the MCA's ability to protect existing service provision will be tested as the country moves out of the pandemic phase.
- 1.7** Transitioning from a heavily-subsidised model to a sustainable transport system represents the most immediate and pressing issue. Whilst Government have provided an outline on how they will support this transition on a national level there is, at this stage, little certainty.
- 1.8** Though the MCA's ability to effectively manage a transition without major Governmental support is limited by both legislative and fiscal restrictions this budget does provide resource to both protect priority services where possible, and resource to manage the potential for legislative and regulatory change around the relationship between bus operators and local public bodies.
- 1.9** The budget proposals in this report further reflect the MCA's devolution journey. Whilst the significant majority of resource at the MCA's disposal comes from ringfenced grant to fund Government sponsored programmes, these proposals now highlight the application of devolved funding to South Yorkshire priorities. Resource is directed to Renewal Action Plan (RAP) priorities, along with capital investment in key areas such as flooding, bus, and South Yorkshire's urban centres, infrastructure, and environment.
- 1.10** Investment enabled by the in-year receipt of devolution monies could be complemented in time through borrowing funded activity. Further powers are required for the MCA to borrow for its non-transport activity, and the MCA continues to engage with Government to draw these powers down via secondary legislation.
- 1.11** The proposals presented in this paper reflect forecast pandemic related disruption to some of the MCA's funding streams (largely traded/commercial income) and the likelihood that other sources of Government funding will be withdrawn at some stage in the new year.
- 1.12** In recognition of this, at the MCA's January meeting it was agreed to freeze the transport levy. This report further recommends the freezing of other local authority contributions.

This provides a baseline of committed income that will be complemented through the application of known in-year grant and a prudent release of reserves.

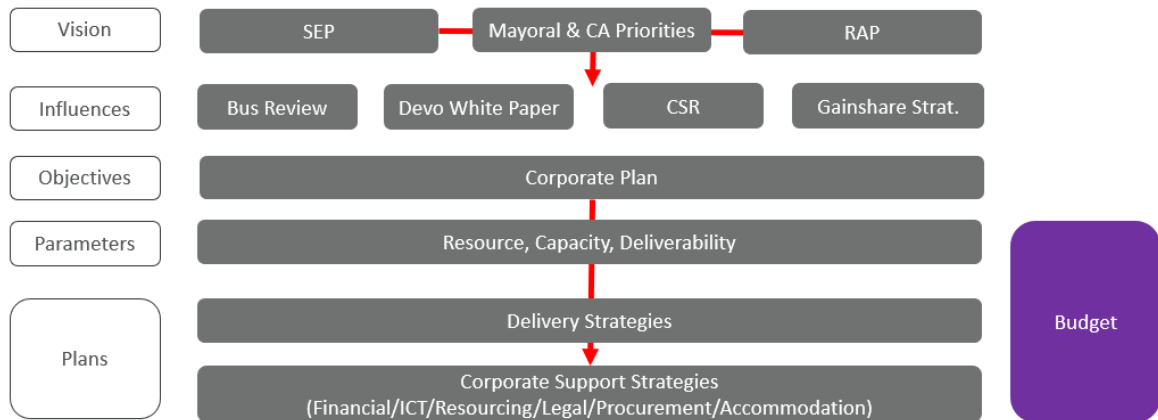
- 1.13** This report provides a balanced budget proposal for the year and is presented along with medium-term forecasts and a reserve strategy. This strategy describes how resource generated from previous years will be released over time to supplement in-year funding, and how resource will be held to manage identified and latent risk.
- 1.14** Of note in this report is the recommendation for a delegation to the Section 73 Officer to facilitate the creation of a Project Feasibility revenue reserve via an intra-group transaction. The requirement for revenue funding to resource early development of priority schemes has long since been established. The proposals within this report would allow for the creation of such a reserve through the re-deployment of existing resource.
- 1.15** As is required by regulation, a Treasury Management Strategy is recommended for approval. This Strategy will shape the MCA's approach to managing its cash and debt portfolios over the course of the year.
- 1.16** Finally, in compliance with the Local Government Act 2003, this report includes a Section 25 statement from the Section 73 Officer confirming the robustness of estimates and the adequacy of the proposed reserve strategy.

2. Proposal and justification

- 2.1** This section of the report includes summaries of:
 - 1. The Group Business Planning process which formed the requirement for the budgeted resource;
 - 2. Budget proposals, complemented with further detail contained in the appendices;
 - 3. Medium-term financial estimates;
 - 4. The Reserve Strategy, including the proposal for the creation of a Project Feasibility reserve; and,
 - 5. The Annual Treasury Management Strategy
- 2.2** The Section 25 statement is provided at the end of this report. Summaries presented in this report are accompanied by more detail in the appendices.
- 2.3** Group Business Planning Process
The Group wide budget proposals and medium-term financial forecasts presented in this report have their foundation in Business Plans prepared across the Group.
- 2.4** Recognising the MCA's commitment to implementing the Bus Review's recommendation to merge SYPTTE into the MCA, an integrated Group wide business planning process was adopted for the first time ahead of this year's budget setting process.
- 2.5** This exercise has provided corporate focus on the objectives for the year, helped shape activity plans, and allowed for resource to be deployed to agreed priorities. The integrated approach across the Group has also supported better alignment in planning and use of shared resource.
- 2.6** The business planning process was fed from the MCA's anchor vision statements and influenced by a number of national policy issues such as the Spending Review, government's policy and fiscal response to the pandemic, and local policy issues such as the Bus Review and approaches to the deployment of devolution resource.

2.7 The Corporate Plan captured these issues and shaped agreed objectives for the coming year. Parameters for delivery plans were then set by the financial resource available and organisational capacity. These issues determine deliverability – what can be achieved.

2.8 The full process can be exemplified as follows:



2.9 Three iterations of business plans were developed across the Group between October and February. At each stage the plans were adjusted to realign to the latest developments in our funding and operating environment.

2.10 Whilst much of the planning process involved the continuation of existing workstreams and programmes, the process also allowed focus to be placed on new and uncertain issues. This included:

- Consideration of the integration of SYPTE and the MCA, and the resource required to manage that change in an orderly and effective manner;
- Consideration of how the MCA will react to changes in the existing dynamic around emergency financial support to the public transport network;
- Consideration of how the MCA will react to potential changes in the regulatory environment that governs the relationship between bus operators and local public bodies;
- The adoption of new spheres of activity around employer and employee RAP priorities; and,
- The adoption of new grant funded activity such as the Adult Education Budget.

2.11 The planning process was set against challenges around the MCA’s core discretionary funding. Identified disruption to commercial revenues has impacted on the amount of resource that could be deployed in support of non-grant funded discretionary priorities such as policy development, marketing and communications, and the resourcing of certain thematic areas that don’t attract discrete funding.

2.12 Using the Corporate Plan as an anchor, a rationing exercise was undertaken to align discretionary funding to key priorities. This has enabled the budget to be balanced, and for an appropriate use of reserves to be deployed, but it does mean that some aspirations have been deferred or displaced.

Budget Summary
Expenditure Plans

2.13 This report proposes a budget for the year of £357m, consisting of both revenue and capital expenditure. This expenditure will be resourced principally from discrete grants, with contributions, commercial income and the use of reserves supplementing:

Funding		£k	
Gross Expenditure		£358,194	
- Revenue		£133,356	37%
- Capital		£224,838	63%
Funded by:			
General Income		£4,978	2%
Release of Reserves and Provisions		£32,671	9%
Grants		£320,545	89%
		£358,194	

2.14 This level of expenditure represents an almost doubling of that budgeted for the preceding financial year, with an increase of c. £175m or 95%:

	2020/21	2021/22	Variance	Variance
	£k	£k	£k	%
Revenue	£70,490	£133,356	£62,866	89%
Capital	£112,770	£224,838	£112,068	99%
	£183,260	£358,194	£174,934	95%

2.15 The significant increase in expenditure is largely driven by the adoption of a number of new funding streams in 2020/21 as part of the Government's fiscal stimulus response to the pandemic, and the slippage of planned expenditure from 2020/21 to the following year.

2.16 Whilst the adoption of new funding has increased the overall quantum of expenditure, the relative share of revenue and capital expenditure remains relatively unchanged:



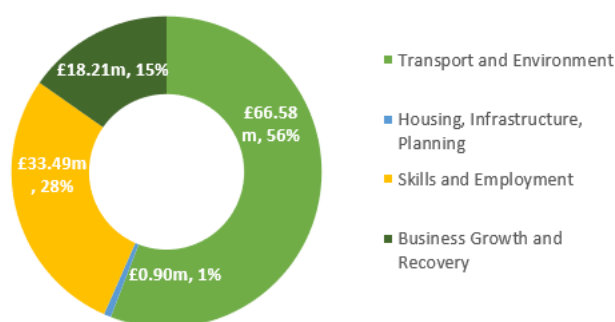
2.17 This issue reflects that whilst significant new capital funding streams such as the Brownfield Housing Fund and the Getting Building Fund have been adopted into the budget, revenue funding has also increased via the adoption of AEB and gainshare funding.

2.18 The spread of expenditure across the Thematic Board areas largely reflects the ringfencing of grants to certain activity and the MCA Group's core competencies:

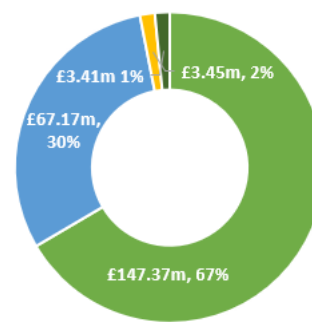
	Revenue £k	Capital £k	Total £k
Transport and Environment	£66,583	£147,368	£213,951
Housing, Infrastructure, Planning	£897	£67,170	£68,067
Skills and Employment	£33,490	£3,451	£36,941
Business Growth and Recovery	£18,213	£3,406	£21,619
	£119,183	£221,395	£340,578
MCA Executive	£12,762	£3,443	£16,205
Mayoral Office	£1,411	£0	£1,411
Total	£133,356	£224,838	£358,194

2.19 The differences in distribution between revenue and capital expenditure across the Thematic Board areas reflects the MCA's operational responsibilities for certain spheres of activity around transport, skills provision, and business support schemes:

Revenue Expenditure by Thematic Board



Capital Expenditure by Thematic Board



2.20 The Transport and Environment portfolio includes the operational transport costs of SYPTE, largely funded by the levy and reserves. Whilst the cost of SYPTE activity is budgeted to remain relatively stable, this report does recognise the significant risks in this area, with resource held in reserves to help mitigate those risks. Additional revenue resource is made available in this budget to support the costs of Bus Review activity and the costs of managing the likely regulatory changes in the public transport environment. Capital expenditure in this portfolio reflects the transport maintenance grants and the significant investment via the Transforming Cities Fund and Active Travel grants. Gainshare investment of £5m into bus priorities is also included here.

2.21 The Housing, Infrastructure, and Planning portfolio is a capital-intensive area. This principally reflects the inclusion in this portfolio of the Brownfield Housing and Getting Building grant funded activity. Revenue expenditure includes Net Zero activity, some non-capital Brownfield activity, and the costs of the commissioning team. There will be significant focus in this area during the year on meeting deadlines set by Government for the utilisation of funding.

2.22 Conversely, the Skills and Employment portfolio is a predominantly revenue area. This reflects the adoption of the AEB activity, and the extension of the Working Win programme for a further year, along with MCA investment in apprenticeships and training programmes funded from devolved monies. Capital expenditure includes investment in a number of the region's colleges, funded from the Getting Building grant.

- 2.23** The Business Growth and Recovery portfolio includes the budget for the South Yorkshire Business Support Scheme funded from the Government's Additional Restrictions Grant (ARG). This is complemented by MCA investment funded from devolved monies into RAP employer aspirations. Further activity around innovation and investment and international trade is funded from discretionary resource and reserves. Capital expenditure reflects the tail of the Local Growth Fund programme from investment in support of a number of business schemes.
- 2.24** Expenditure shown against the MCA Executive reflects the aggregate cost of the majority of the Group wide support functions. These functions are familiar to any public body and discharge the statutory responsibilities of the MCA, facilitate and manage the performance of the MCA's capital and revenue programmes, and provide the policy, assurance, communications, and strategic leadership for the Group. Expenditure is inflated in the next financial year in this area by the forecast expenditure that will be necessarily incurred in preparation for the second Mayoral election in 2022, and by a number of capital schemes seeking to improve and rationalise the MCA's estate.
- 2.25** Expenditure incurred in the Mayoral Office reflects the staffing support provided to the Mayor, and Mayoral priority activity. The costs of the Mayoral Office are fully funded by the Mayoral Capacity Grant provided by Government.
- 2.26** Reflecting the role of the MCA, the majority of the MCA's expenditure is incurred in direct investment into services via grant awards to partners for the delivery of programmes of activity, the payment of passenger and operator subsidies to public transport companies, and the delivery of projects. This is complemented by the cost of past financing decisions, people costs, the cost of premises including office accommodation and transport interchanges, and professional services:

Expenditure Type	£k	%
Investment	£309,318	86%
Financing	£18,573	5%
People	£15,978	4%
Premises	£5,724	2%
Professional Services	£4,824	1%
Supplies/Services	£3,201	1%
Communications	£575	0%
	£358,194	

Funding

- 2.27** To fund the budget proposals, this report recommends the application of grants, and the deployment of general income and reserves.
- 2.28** Grants can be differentiated between those that are ringfenced, and those that are free from restrictions. Restrictions may arise from grant conditionality or from past MCA decisions to use grants (such as gainshare) for specific purposes.
- 2.29** This report proposes a funding package as follows:

Funding Sources		£k
Ringfenced/Committed Grants		
Revenue Grants		£108,251
Capital Grants		£212,179
		£320,429
Reserves & Provisions		
Capital Receipts		£12,659
Revenue Reserves		£19,701
Provisions		£427
		£32,787
General Income		
Retained Business Rates		£2,152
Local Authority Subscriptions		£1,184
Asset Management Trading Surplus		£643
Un-ringfenced Grants		£584
Income from Business Loans		£340
Investment Income		£75
		£4,978
Total Funding		£358,194

- 2.30** Whilst a large number, the release of revenue reserves and capital receipts largely reflects timing issues with grants received but not used flowing through to reserves and being drawn down in the following year. Only a relatively small amount of reserves are released in support of un-forecast expenditure pressures with c. £450k released from the MCA's proposed Income Resilience Reserve to offset shortfalls on investment income and trading surpluses.
- 2.31** This report recommends the freezing of local authority subscriptions at their current levels. These subscriptions recognise the costs of transport strategy activity previously undertaken within SYPTE and resourced from the levy, and local contributions to LEP activity. Freezing subscriptions in this manner is in line with the MCA's January decision to freeze the transport levy.
- 2.32** Freezing the contributions would result in transport levy inclusive calls upon the South Yorkshire local authorities as follows:

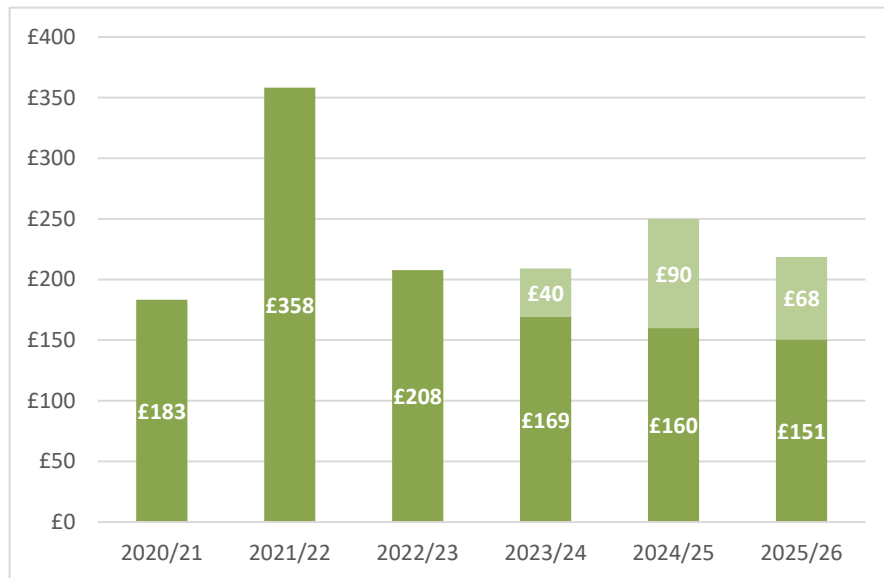
	Levy £k	Subscriptions £k	Total £k
Barnsley	£9,525	£206	£9,731
Doncaster	£12,034	£264	£12,298
Rotherham	£10,240	£226	£10,466
Sheffield	£22,565	£488	£23,053
	£54,364	£1,184	£55,548

Medium-Term Forecasts

- 2.33** Forecasts of spending power in future years highlights that the resource available in 2021/22 will likely represent a peak. This peak reflects the new short-term funding made available in 2020/21 as part of the Government's fiscal response to the pandemic, but also

the slippage of significant amounts of planned activity as the pandemic impacted upon delivery.

2.34 The following chart shows the forecast level of expenditure to 2026 based on known funding streams and known expenditure requirements:



2.35 The graphic highlights a number of underlying trends. In the next financial year a number of grant funded programmes will end, including the residual elements of the Local Growth Fund, the Getting Building Fund, the South Yorkshire Business Support Scheme, and the Active Travel 2 programme. By 2023, the major £166m Transforming Cities Fund programme will also conclude. However, in the chart above the loss of this activity is offset, in part, by assumed investment around the Mass Transit Renewal project (lighter green). This project is currently unfunded, with the MCA re-working an Outline Business Case for submission to the Department for Transport.

2.36 There are a number of potential mitigations to arrest this forecast decline in available resource. Principally, the MCA is likely to be in receipt of new funding streams as announced in the November 2020 Spending Review. The forecasts presented do not at this stage include allocations that may become available to the MCA from the new Levelling Up Fund nor the UK Shared Prosperity Fund. Furthermore, the MCA can expect to receive a share of the £4bn Inter City Transport Fund that will be made available to MCAs across the nation.

2.37 The ability to shape the pace and timing of investment resourced from devolution monies will also be in the gift of the MCA once it is in receipt of borrowing powers. These powers are complementary to the long-term funding commitments and will allow the MCA to accelerate investment into the near-term, accruing the benefits of investment far sooner than if expenditure was matched to the 30-year profile of the devolution settlement. The drawdown of these powers requires secondary legislation to be passed by Parliament.

2.38 As further detail becomes available on potential new funding streams and investment plans, the medium-term forecasts will be updated with budget revisions presented to Board on a quarterly basis.

Reserve Strategy

- 2.39** Regulation requires that the MCA adopts an annual reserve strategy. Reserves are held to mitigate risk, guard against financial shock, and provide available resource to meet opportunities.
- 2.40** The MCA holds reserves across the Group structure. These reserves are generally differentiated between capital and revenue amounts, and those that are earmarked to specific activity or otherwise.
- 2.41** Earmarked reserves are held to manage known issues, including the mitigation of identified risk or meeting the demands of forecast future resource requirements. Unearmarked reserves are held to provide the MCA with the ability to exploit opportunities that may arise, whilst also guarding against latent risk.
- 2.42** To-date, the MCA has adopted a reserve strategy largely defined by the release of earmarked reserves across the Group to support the resourcing of base expenditure. A 'Levy Reduction Reserve' has been drawn upon since 2015 to sustain reductions in the transport levy burden on local partners, whilst a revenue reserve created from the MCA's initial Growth Deal has been used over the same time-period to sustain business support activity.
- 2.43** The proposals to integrate SYPTE into the MCA, and the pressing demands of the adopted financial strategy to manage pandemic related risk around the passenger transport network, has precipitated a review of the MCA's Group wide reserve position.
- 2.44** This review sought to achieve a number of key objectives:
1. An assessment of whether the quantum of reserves held was appropriate for the heightened risk in our operating environment;
 2. An assessment of whether our reserves were mitigating the right risks; and,
 3. An assessment of whether our reserve strategy appropriately supported our revised financial strategy.
- 2.45** The review identified that whilst there was a prudent level of reserves held across the Group, there was some duplication with reserves held at the SYPTE and MCA level to mitigate the same risks. Conversely, some major risks and opportunities were not addressed anywhere within the Group.
- 2.46** These findings have prompted a re-casting of the Group wide reserves to ensure that resource is used efficiently and in support of our wider strategies. The recommended reserve profiles are detailed in the appendices, but notable proposals include:
1. The creation of a 'Protection of Priority Services' reserve at £7m to enable an orderly transition from the current heavily subsidised public transport system model to a sustainable post-pandemic model;
 2. The creation of a 'Bus Project' reserve (£3m) to efficiently resource the work that will be required in the coming years to support implementation of the Bus Review recommendations and manage the orderly transition to likely changes in the regulatory environment around the management of bus services in South Yorkshire;
 3. The creation of a 'Mass Transit Project Readiness' reserve (£3m) to ensure that the MCA has sufficient earmarked resource to undertake the required change-management processes associated with the end of the current tram concessionary arrangement;
 4. The creation of 'Income Resilience' reserves (aggregate c. £3m) to enable the Group to manage disruption to commercial income streams, mitigating some of the financial shock experienced in the current year; and,
 5. The creation of a Project Feasibility Fund (£3.6m) to provide sustainable revenue funding for the early stage development of investment propositions.

- 2.47** Recasting available reserves in this manner will allow for the MCA to resource the transport financial strategy agreed in January and allocate sufficient resource to identified risk to allow the MCA to tackle a number of macro challenges with confidence.
- 2.48** The proposed reserve strategy will continue to see planned releases of reserves to support existing financial strategies. Particularly, over £3.78m of revenue reserves will be released from the Transport Levy Reduction Reserve in the new year to sustain the levy freeze. Further draws on this resource will continue to 2026 when the resource will be exhausted.
- 2.49** Release of revenue reserves will be complemented by the release of capital receipts to fund capital expenditure. This largely relates to the funding of the tail of the LGF over-programming position and is resourced from recycled LGF funding held as receipts.
- 2.50** Over time, whilst revenue reserves will fall from their current elevated levels capital receipts will begin to rise. This reflects the repayment of capital loans afforded to business which will be due for repayment in 2023 and 2024. The forecast profile for cumulative capital and revenue reserves is as follows:



Project Feasibility Fund

- 2.51** This report contains a recommendation for the creation of a Project Feasibility Fund. The proposal for such a Fund has previously been discussed with the MCA Board, with it seeking to address a widely acknowledged problem around the lack of revenue funding available to support the early stage development of capital projects.
- 2.52** The lack of such funding has been acknowledged as a limiting factor in the region's ability to develop and maintain a pipeline of investable propositions that could be matched to Government funding cycles as they become available. In turn, the lack of prepared schemes has contributed to the ongoing challenge of delivering programmes of activity within the tight delivery timelines set by Government.
- 2.53** As part of the reserves review, £3.60m of capital receipts have been identified as being available to support the creation of such a Fund. However, to properly support feasibility works it is essential that the Fund be of a revenue nature.
- 2.54** This report proposes that a delegation be granted to the Group Section 73 Officer to facilitate the creation of the proposed Fund by way of an intra-group transaction. Simply, this would enable capital and revenue resource to be 'swapped' between the MCA's transport activity and its broader activity to better match off against requirements. The

transaction would be of no cost to the transport levy and allows the Group to manage its affairs as one body in the same manner as local partners.

- 2.55** Whilst this report seeks the tools to create the Fund, it is acknowledged that a further report will be necessary to seek approvals around the governance and operation of it.

Annual Treasury Management Strategy

- 2.56** Regulation and the MCA's Constitution require that the MCA approve the adoption of an Annual Treasury Management Strategy (TMS).
- 2.57** The TMS sets the parameters within which the MCA will deliver its cash and debt management activities. The proposed TMS is appended to this report and includes an Investment Strategy and Prudential Indicators. Progress against this proposed strategy will be reported to the MCA at the mid-year point, and again at outturn.
- 2.58** In common with most other public sector bodies, the MCA's approach to its Investment Strategy is governed by a hierarchy of considerations centred on protecting public funding. This hierarchy places a greater emphasis on the security and the liquidity of the MCA's investments than it does on the yield generated from them.
- 2.59** This relatively conservative approach limits the MCA's exposure to losses arising from counterparty default, but also limits the returns that can be generated from investing cash resource until it is required.
- 2.60** Noting the significant financial uncertainties prevailing in financial markets the TMS proposes to maintain the current stance, limiting investments to the safest of counterparties.
- 2.61** With interest-rates forecast to remain at record lows for some time, it is likely that revenue generated from the MCA's investment activity will remain lower than previously forecast. The impact of this is felt in the Group's proposed revenue budgets, with depressed income returns impacting upon the scope of activity that can be funded.
- 2.62** The TMS also notes the intention to retire a further £8m of borrowing during the year, following the £53m repaid this year. The repayment of this borrowing reduces the cost of debt by c. £1.20m.
- 2.63** The ongoing retirement of legacy debt will reduce the overall burden of financing costs on the revenue budget and the transport levy. This trend is matched to the release of reserves from the Levy Reduction Reserve, meaning that when that reserve is exhausted the cost of debt will have fallen so significantly that the reserve subsidy can be withdrawn on a sustainable basis.
- 2.64** It should be noted that the TMS contains a proposal to increase the operational boundary and the authorised limit on debt the MCA can hold. Whilst this budget report does not include proposals to finance any expenditure from borrowing in the new year, increasing the limits at this stage provides the MCA with the necessary headroom to initiate a programme of borrowing funded activity during the year should the need or opportunity arise.

Section 25 Statement

- 2.65** The Local Government Act 2003 requires that the statutory finance officer comments on the robustness of estimates used to determine the budget and the adequacy of reserves.
- 2.66** The Group Section 73 Officer (Group Finance Director) notes the significant work undertaken across the Group to develop the Corporate Plan and service level Business Plans. This work has been championed and led by senior officers across the Group. This

has provided a strong, focussed approach to defining a body of activity that can deliver upon the MCA's priorities as defined by its elected leadership.

- 2.67** This Business Planning exercise has enabled the MCA to match its resource to priorities, drive efficiencies, and effectively re-align its Group wide reserves to focussed risks.
- 2.68** The Section 73 Officer notes the multi-disciplinary approach to forecasting activity, risk, demand for services, and financial profiling. This has led to informed budgeting and the proactive management of a number of emerging issues.
- 2.69** Reserves continue to be held at prudent levels for the management of latent risk, whilst the reserve review undertaken as part of the budget setting process has allowed for a re-set of earmarked reserves.
- 2.70** Whilst the budget setting process and level of reserves allows for the MCA to approach the new financial year with a degree of confidence, a number of risks remain.
- 2.71** Principally, there are sustained concerns around the commercial sustainability of the South Yorkshire public transport network. The key variables in this equation – a return of fare-paying patronage and the longevity and level of Government funding – remain outside of the MCA's direct control.
- 2.72** Whilst agreement has been reached to freeze the transport levy, and additional resource is provided within the revenue budget and within new earmarked reserves, the scale of the potential challenge is likely to be beyond the MCA's ability to manage without sustained Government support.
- 2.73** The MCA's broader activity in the longer-term remains heavily reliant on Government funding cycles. The Government's longer-term response to the financial impact of the pandemic may see funding reduced or withdrawn which will have an impact on both the organisation and the level of investment into South Yorkshire.
- 2.74** Work to design a new South Yorkshire investment strategy is essential to ensure the region is able to design and implement financial plans that will allow the MCA to bridge gaps in the Government's investment cycles, avoiding exposure to boom-and-bust cycles that would impact on the organisation.
- 2.75** Finally, a financial and delivery plan will be required in the new financial year to begin to address the impending change management process that will be required to be undertaken ahead of the end of the current concessionary arrangements for the Supertram system.
- 2.76** It is the opinion of the Section 73 Officer that these budget proposals are robust and provide a sound basis for the delivery of the MCA's activity. The Section 73 Officer further believes that the overall quantum of reserves held are appropriate and have been earmarked to mitigate key risks.

3. Consideration of alternative approaches

- 3.1** The budget proposals and strategies proposed in this report have been developed from Group wide Business Planning processes.
- 3.2** The report notes that the budget proposals are largely shaped by grant conditionality and past MCA decisions. Under the MCA's Constitution the commitment of currently unallocated funding will be made under the direction of the Board or Thematic Boards.

4. Implications

4.1 Financial

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

4.2 Legal

The MCA is obliged to set a balanced budget under law along with a Treasury Management Strategy.

4.3 Risk Management

This report provides detail on how the MCA's financial strategies will help mitigate risk across the Group.

4.4 Equality, Diversity and Social Inclusion

None.

5. Communications

5.1 None.

6. Appendices/Annexes

6.1 Appendix 1: Budget Detail
Appendix 2: Treasury Management Strategy

Report Author	GARETH SUTTON
Post	GROUP FINANCE DIRECTOR
Officer responsible	GARETH SUTTON
Organisation	SHEFFIELD CITY REGION MAYORAL COMBINED AUTHORITY
Email	gareth.sutton@sheffieldcityregion.org.uk
Telephone	

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: