

Mayoral Combined Authority Board

07 June 2021

Financial Outturn 2020/21

Is the paper exempt from the press and public?	No
<i>Reason why exempt:</i>	Not applicable
Purpose of this report:	Governance
Funding Stream:	Not applicable
Is this a Key Decision?	Yes
Has it been included on the Forward Plan?	Yes

Director Approving Submission of the Report:

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Executive Summary:

This report details the MCA's financial performance over financial year 2020/21. The report seeks approval for the carry-forward of resource into the new financial year to fund slipped activity, a number of adjustments to reserves, and seeks approval for the formal adoption of a number of new schemes within the South Yorkshire Business Support Scheme.

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

This report contains recommendations to carry-forward resource into the new financial year which will allow the progression of a number of key pieces of work in furtherance of the MCA's aspirations.

The report also contains recommendations to formally adopt a number of new schemes within the broader South Yorkshire Business Support Scheme. This £42.5m scheme represents the MCA's locally driven response to supporting South Yorkshire businesses through the pandemic and helping them to thrive in new trading conditions.

Recommendations:

1. Note the financial outturn position;
 2. Approve the carry forward of resource noted in Appendix 1;
 3. Approve the earmarking of reserves detailed in Appendix 1;
 4. Approve the adoption of new schemes into the South Yorkshire Business Support Scheme as noted in Appendix 2;
 5. Approve the delegation of authority to the Section 73 Officer, in consultation with the Monitoring Officer, to enter into arrangements for the award of grant to the South Yorkshire local authorities for reimbursement of costs incurred in delivering these schemes; and,
 6. Approve the acceptance and passporting of New Burdens Grant to the four South Yorkshire local authorities to support the administration of these schemes.
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1. Background

- 1.1 Financial year 2020/21 represented the most challenging year for the MCA's financial management since its incorporation as a statutory entity in 2014.
- 1.2 As the pandemic impacted upon all walks of life across South Yorkshire and nationally, pressures came to bear on the Authority's financial position as commercial income streams were disrupted, unplanned costs emerged, and delivery plans were affected by waves of restrictions.
- 1.3 Throughout the year, the ongoing risk of a collapse of the public transport network hung over the region, casting a pale of uncertainty over how the MCA should use its status and resource to support the immediate position whilst planning for a post-pandemic world.
- 1.4 Crucially, however, government recognised the MCA and local partners as an effective instrument through which to channel its fiscal response. Through government funding, the MCA launched new investment programmes to keep the region economically active and in collaboration with partner authorities delivered a fast-paced, locally designed business support scheme to target national funding at South Yorkshire priorities.
- 1.5 The MCA also used national funding and its own resource raised from the local transport levy to provide an effective cocktail of subsidy funding for commercial transport operators, enabling the public transport system to continue to operate despite the collapse of fare-paying patronage. These efforts ensured access to mobility for key workers and communities and provides a platform for economic recovery efforts.
- 1.6 The Authority further built upon national schemes by mobilising around its new devolution status. Devolved gainshare monies were deployed to support the MCA's response in support of business, skills and people, whilst funding was targeted at local partners' recovery efforts. Further funding was earmarked to investment schemes to contribute to a sustained recovery.
- 1.7 This pivot to exercising devolution in practice represents the first stage in the Authority's aspiration to reduce reliance on government funding streams and shape a South Yorkshire investment programme borne from local priorities. Over the course of the year the MCA progressed its plans, engaging with government on the

drawdown of new borrowing powers and engaging with Members on the setting of an ambitious financial plan for the region.

- 1.8 This report provides a summary of the Authority's financial performance over the course of the year and is accompanied by detailed appendices.
- 1.9 The report notes a number of key issues that will shape financial activity in the new year, including:
 1. An underspend in line with forecasts on local transport authority activity, which will be carried to reserves in line with the adopted reserve strategy.
 2. A marginal underspend on operational MCA/LEP activity, which it is proposed is carried forward to meet slipped activity with genuine savings earmarked to the Mayoral Election Reserve.
 3. A significant increase in revenue programme activity compared to the base budget, largely driven by the adoption of South Yorkshire Business Support Scheme activity which enabled over £30m of vital funding to be awarded to local businesses in just four months.
 4. All capital funding targets were met in-year, despite material slippage on the overall capital programme; and,
 5. An adjustment exercise through reserves to create a revenue Project Feasibility Fund.
- 1.10 This report recommends the carry-forward of resource to meet some slipped activity, and the earmarking of genuine savings to the Mayoral Election Reserve. The report further recommends the release of a number of legacy provisions and their re-earmarking to reserves.
- 1.11 The report further seeks formalised approval for a number of new elements of the South Yorkshire Business Support Scheme upon which Members have previously been consulted. The report asks for delegated authority to be given to the Section 73 Officer, in consultation with the Monitoring Officer, to enter into arrangements to reimburse the local authorities for the costs they incur in delivering the scheme.
- 1.12 Finally, this report seeks approval to accept the imminent award of New Burdens grant from government for the delivery of the South Yorkshire Business Support Scheme, and to passport that grant through to the local authorities.

2. Key Issues

South Yorkshire Transport Operational Revenue Budgets

- 2.1 The Operational Transport revenue budget activity consists of that of the South Yorkshire Transport Executive (SYTPE), and those associated costs managed at the MCA level. Those latter costs largely relate to the costs of debt and receipts arising from cash management which are managed at the Group level.
- 2.2 These budgets experienced significant disruption over the year as the public transport network was impacted by the pandemic and the resultant restrictions implemented to stem its proliferation.
- 2.3 Initial travel restrictions, the shift to home-working, and the impact of social distancing measures on the leisure, retail and hospitality sectors all impacted on patronage on the public transport network. Over the year, patronage on the bus

and tram networks did not reach beyond 60% and 50% of pre-Covid levels respectively.

- 2.4 This loss of fare-paying patronage significantly impacted upon revenue generation, leading to concerns around the commercial viability of services. As services are generally run on a for-profit basis by commercial operators, there remains a significant underlying risk that unviable services are withdrawn by operators to the detriment of community mobility and the wider recovery effort.
- 2.5 In mitigation of this risk, the bus and tram network received significant public subsidy throughout the year. The MCA, through SYPTTE budgets, contributed material support through paying concessionary fares at pre-Covid volume levels, which guaranteed a baseline of income for operators. This has been complemented by significant amounts of direct grant support to the operators by government.
- 2.6 Over £16m of funding for bus and tram services was received from government, in addition to the funding government awarded directly to bus operators. The cost of maintaining concessionary fare payments over and above actual demand-led costs is estimated at c.£17m. Accordingly, around £33m of public funding has been directed through the MCA in support of maintenance of the network.
- 2.7 At Quarter 3 the forecast outturn position for this budget area was a net underspend of £2.45m with that underspend being factored into the financial planning and reserves strategy for future years. At outturn the budget was in touching distance of this, with an underspend of £2.69m.
- 2.8 This net position has arisen due to a number of factors, largely related to the effects of the pandemic:

Budget Movements	
Savings:	
Concessions	£1,575
Pensions	£869
Tendered Bus Services	£261
Operational Departments	£582
	£3,287
Pressures	
Income Shortfalls	-£678
Increase in Bad Debt Provision	-£967
Financing and Investment Income	-£42
	-£1,687
Carry-forward of Investment Fund to 2021/22	£1,087
Net Underspend	£2,687

- 2.9 Concessions underspent against budget in recognition of the agreement with government and operators to pay a flat fee to operators based on pre-Covid patronage volumes, whilst so ever government support is in place. This guaranteed operators a baseline of predictable income and is significantly in excess of the levels that would be paid if actual volume levels were used. The underspend arises

largely because base budgets anticipated growth in volumes and unit cost in the new year.

- 2.10 A review in Quarter 3 of the budget for pension costs has also resulted in the release of £0.86m. The pensions budget had been rolled forward from previous years to cover the anticipated ongoing cost of the deficit recovery contribution to the South Yorkshire Pension Fund (SYPF). However, the outcome of the triennial valuation of the SYPF in March 2020 is that no such contribution is required over the next three financial years. Pensions savings will be moved an earmarked pensions reserve to smooth out the likely requirement for greater contributions in future years.
- 2.11 Underspend within the operational departments largely reflects higher than forecast recharges to the capital programme (£0.17m) and the release of provisions held until the conclusion of a grant audit (£0.27m).
- 2.12 Income shortfalls reflect the disruption to commercial revenues. Income generated from car parking, rentals, ticket sales, and service charges has all fallen as the pandemic disrupted the commercial environment.
- 2.13 Concerns around the ability of commercial tenants and commercial customers to make-good overdue debt has also led to a robust bad-debt provision being taken following a review of all outstanding debtors. This provision will mitigate against financial shock in the new year.
- 2.14 The net costs of capital financing and investment activity is also showing a marginal overspend for the year. This figure masks better than expected performance on cash management activity, largely reflecting higher cash balances, whilst debt provisions are also lower than forecast in the base budget. These surpluses are offset by higher depreciation charges which will ultimately be offset by grant.
- 2.15 Taken together these net movements for the year reduce the amount of reserves that are required to balance the budget (£1.76m):

	Base Budget £k	Outturn £k	Variance £k
Total Net Expenditure	£66,050	£63,363	£2,687
Funded by:			
Grants to Offset Depreciation	£6,475	£7,238	-£763
Transport levy	£54,364	£54,364	£0
Levy Reduction Reserve	£5,211	£1,761	£3,450
Total	£66,050	£63,363	£2,687

- 2.16 A lower than forecast draw on reserves provides greater resilience to manage some of the macro-issues that the MCA will face in the new year.
- 2.17 Further detail on this budget is provided in Appendix 1.

MCA/LEP Operational Revenue Budget

- 2.18 The MCA/LEP revenue budget funds the core costs of the MCA Executive, providing much of the required infrastructure and support for the delivery of the capital and revenue programmes, and delivering the policy, development, and statutory functions.

- 2.19 The MCA/LEP budget is funded from a disparate variety of funding streams. These include small envelopes of ringfenced grant, recharges to the capital and revenue programmes, and then un-ringfenced funding. Un-ringfenced funding includes general grants, member subscriptions, commercial income generated from the MCA's property assets, and retained business-rates generated from the Enterprise Zones.
- 2.20 The net-budget was set at £9.9m for the year, and funded from in-year contributions, a draw on the LGF revenue grant reserve, and a draw on a previously earmarked General Fund revenue reserve.
- 2.21 Reports early in the year noted significant strain on this budget area arising from Covid related income shortfalls (£1.2m) and expenditure pressures (£0.17m). Mitigations were developed and approved by Board, and along with sustained budget challenge the budget was stabilised mid-year with resource released to support priority investment in support of the MCA's response to the pandemic.
- 2.22 As the year progressed it became apparent that some activity would slip into the new financial year, whilst more savings would accrue from budget challenge. At the end of the financial year the budget had underspent against the base budget by £0.65m. Analysis reflects the known disruption to the financial position with gross expenditure falling below budget, net general income falling below budget, but recharges to grant streams increasing as new activity came online:

Budget Movements	£k
Decrease in Gross Expenditure	£774
Increase in Grant & Recharges	£761
Net Decrease in General Income	-£885
	£650

- 2.23 As the base budget was set with a draw on reserves of £0.28m, this level of underspend affords a contribution to reserves of £0.37m. This contribution consists of underspend derived from both slippage and genuine savings:

Reserves Contribution	£k
Slippage	£243
Savings	£124
Total Contribution	£367

- 2.24 This report recommends that £0.24m is earmarked as a 'carry-forward' to fund slipped activity in the new year with £0.12m being earmarked to the Mayoral Election Reserve in support of the expected costs that will begin to be incurred in the new year.
- 2.25 Further detail on this budget is provided in Appendix 1.

MCA/LEP Revenue Programmes

- 2.26 The 2020/21 budget provided resource for the MCA to deliver several revenue programmes in-year. Expenditure and income related to these programmes is differentiated from the core operational revenue budget, reflecting the discrete funding of the programmes and their often time-limited nature.

- 2.27 Over the year the value of these programmes has significantly increased as resource flowing to the MCA to support Covid recovery efforts has been announced and gainshare resource has been received.
- 2.28 The major change reflects the adoption of Additional Restrictions Grant (ARG) in support of the South Yorkshire Business Support Scheme. This resource includes £30m of revenue funding negotiated with government in the autumn of 2020 to reflect the region's move into Tier 3 Coronavirus Restrictions, and then a further £12.55m that was received in the new year to reflect the new national restrictions. The Business Support Scheme is a collaborative effort between the MCA and the local authorities, with the MCA distributing funding in support of the schemes administered by each authority to a jointly designed and agreed criteria.
- 2.29 By the end of the financial year £30.09m of this resource had been awarded to businesses across the region, providing a lifeline for those traders who were affected by restrictions but not covered by national schemes.
- 2.30 Further revenue programmes were launched during the year supported by government funding streams. These include the Brownfield Fund, Active Travel, and an extension to the highly successful, locally designed Working Win programme. The region further supplemented these programmes with a locally funded recovery scheme, supporting local authority partners to resource key priorities.
- 2.31 At outturn the revenue programme expenditure was significantly in excess of the opening budget, reflecting the adoption of new schemes. This increase is partially offset by lower than forecast expenditure against the original scheme and budget:

Budget Movement	£k
Opening Budget	£6,476
Expenditure arising from New Funding	£35,308
Lower Forecast Expenditure	-£1,784
Outturn	£39,999

- 2.32 Underspend is largely driven by lower than forecast expenditure against the Sustainable Transport Access Fund programme and Skills Bank. Grant conditions allow for this money to be carried forward, and a decision will be taken after Quarter 1 as to whether to seek a variation to the budget to accommodate further activity.
- 2.33 The impact of slippage in this area, and the potential need for budget variations, will be reviewed after Quarter 1.
- MCA Group Capital Programme
- 2.34 The MCA's Group level programme was set for the year at c. £113.48m. Since that point a number of new programmes of funding have been announced, whilst delivery pressures have been identified.
- 2.35 Total capital expenditure for the year stands at £82.50m. Included within this number is £8.86m of expenditure incurred in delivering programmes of activity enabled by new funding that became available during the year, and which was not included within the base budget.

2.36 Throughout the year, reporting has highlighted that the pace of development and delivery of capital schemes has fallen behind initial forecasts and, in some cases, become misaligned to the timing of funding awards. At outturn, the capital programme had incurred £39.84m (35%) less expenditure than was forecast in the base budget:

Programme Movements	£k
Base Budget Position	£113,478
Expenditure Incurred on New Activity	£8,861
Slippage/Deferrals on Base Budget Activity	-£39,841
Outturn Capital Expenditure	£82,498

2.37 Underspend against the base budget is also exacerbated by the low pace of expenditure against new grant funded programmes. At outturn, expenditure was £11m less than had been forecast after Quarter 3.

2.38 Capital programme underspend reflects a number of issues, including the difficulties incurred in delivering activity amidst restrictions, and the challenges of absorbing significant amounts of new time-limited activity on top of existing pressures. Underspend from 2020/21 increases the delivery challenge in future years.

2.39 The MCA and partners have recognised these issues and undertaken to begin addressing them through a number of interventions. A business process review has been commissioned to identify efficiencies that may be made in the conception, design, development, and delivery of activity whilst the MCA has previously approved the creation of a Project Feasibility Fund to begin to address some of the challenges in maintaining a sustainable pipeline of investable propositions.

2.40 However, despite the underspend position, this report notes that all funding targets set by government for the year were met.

Gainshare Funded Programme

2.41 Financial year 2020/21 represented the first year in which devolution monies were available to the MCA. During the year the Authority undertook a number of exercises to allocate that funding to key South Yorkshire priorities, including flood defence scheme, bus improvements, and partner recovery efforts.

2.42 At outturn, £1.19m had been expended in support of recovery activity. Funding not deployed is held in earmarked reserves to support the forthcoming commitments in the new financial year.

Local Growth Fund Programme (LGF)

2.43 Financial year 2020/21 represented the final funding year for the LGF programme, which has been the mainstay of the MCA's investment activity since 2014. Over £362m of funding has been received by the MCA, with some judicious investments being repaid allowing funding to be recycled into further projects.

2.44 Government rules dictated that all LGF funding must be used by the end of the financial year, with any unspent allocations returned to government. To mitigate against the risk of returning funding, the MCA has adopted a policy of over-programming, using recycled funding to underwrite schemes that may complete beyond the funding cut-off date.

2.45 At outturn, this policy has proved successful, with the full £43.24m of funding received in year being deployed. Financial year 2021/22 will see the programme's residual projects (£13.52m) wound down, with recycled funding being used to resource this activity.

Transforming Cities Fund (TCF)

2.46 The TCF programme is a £166m programme of government grant funded activity centred on Active Travel and transport schemes that will run to March 2023. Funding profiles for this programme were set by government and have, since its inception, been misaligned to the region's profiles for activity.

2.47 At outturn this programme had incurred expenditure of £5.08m. This level of expenditure falls short of the available funding (£32.67m) by £27.59m and represents a £1.28m shortfall against the revised budget set after Quarter 3.

2.48 TCF is awarded in annual allocations, and whilst there is flexibility to move funding between years within a programme cycle, there is a growing risk that the amount of activity being pushed into the final years of the programme will become increasingly difficult to deliver by the end of the programme in March 2023.

Getting Building Fund (GBF)

2.49 The Getting Building Fund represents part of the government's fiscal stimulus package, with £33.6m of funding being awarded to the region for fourteen 'shovel-ready' schemes. This funding is awarded in two annual instalments of £16.8m and must be used in full by March 2022.

2.50 MCA processes have been refined to accelerate these schemes through to FBC, contract, and into delivery. A number of schemes have submitted FBCs and are progressing. At outturn, £0.65m of expenditure had been incurred.

2.51 Whilst funding flexibilities were afforded by government to allow the MCA to carry forward all unspent funding from 2020/21 to 2021/22, the scale of the challenge to deliver £33m of activity in the new year is now considerable.

Brownfield Fund

2.52 The Brownfield Site Fund represents a further strand of the government's fiscal stimulus package, with an initial £40m of capital awarded to the region over five years. The region was also successful in bidding for a further £840k of revenue funding that will be used to accelerate activity over the early years.

2.53 Grant conditionality around this scheme requires that the programme is assessed under government Green Book processes. Government requires that £20m of funding be deployed to schemes by March 2022. To expedite expenditure, schemes are progressing straight to FBC.

2.54 At outturn, no capital expenditure had been incurred on Brownfield schemes. At the MCA's March meeting a number of schemes were approved and have moved into delivery, whilst others will progress imminently. Meeting the funding target of £20m by the end of the new financial year will be challenging.

Highways Maintenance Programmes

- 2.55 There are three strands to the maintenance programmes:
1. Highways Capital Maintenance (HCM)
 2. Integrated Transport Block (ITB)
 3. Pot Hole & Challenge Fund
- 2.56 The base budget reflected £13.55m of funding for HCM activity and £9.44m for ITB schemes. At outturn, expenditure of £11.24m and £6.77m respectively had been incurred.
- 2.57 As part of the government's stimulus package £13.61m of un-budgeted capital resource was made available to the region for Pot Hole repair. At the MCA's November meeting approval was granted for the acceptance of this funding and its onward deployment. Due to the late commencement of this activity, at outturn only £6.21m of expenditure had been incurred.
- 2.58 Unused grant funding will be carried forward into the new year to support slipped activity. A review will be undertaken at Quarter 1 to determine whether budget variations are required.

Reserves and Provisions

- 2.59 In common with all partners, the MCA holds revenue reserves. These reserves serve a number of purposes.
- 2.60 Earmarked reserves are held to earmark grant funding that is yet to be deployed, whilst other reserves are held to mitigate risk or exploit opportunity around specific issues. General reserves are held to manage latent risk and, again, exploit opportunities that may arise.
- 2.61 Provisions are also made when the MCA identifies a future liability arising from a past event. Such liabilities may include identifying where the MCA will have to meet a cost, or when the MCA identifies that it may not receive income that it is due. Provisions serve to ringfence resource to allow the Authority to manage known risks without incurring financial shock.
- 2.62 The importance of retaining access to deployable un-ringfenced reserves and taking a prudent approach to provisions has been particularly apparent in this financial year as the MCA and partners have reacted to un-forecast challenges.
- 2.63 As part of the budget setting process for financial year 2021/22 a Group-wide reserve review was undertaken that resulted in the re-casting of reserves to better align them to the risk environment.
- 2.64 At outturn, this exercise has been complemented by a review of all provisions held. This review has identified £1.21m of provisions held by the MCA for matters that have been resolved or are no longer likely to result in a measurable future liability. A further review of legacy accruals has a further £0.13m that is no longer required.
- 2.65 This report proposes that these provisions and accruals are now released. This report further proposes that from this balance of resource, a contribution of £0.50m is made to the MCA/LEP General Fund reserve to support the maintenance of an appropriate balance of un-ringfenced funding (£1.50m); a contribution of £0.58m be made to the MCA/LEP Revenue Development reserve; and a contribution of

£0.26m to the Mayoral Election Reserve to ensure that the MCA is able to properly resource the high-profile activity that will commence from 2021/22 (£2.18m).

- 2.66 Appendix 1 details the full breakdown of reserves, but they can be summarised below. Whilst reserve levels may appear elevated, it should be noted that the majority are earmarked for planned activity and will fall in the coming years in line with the adopted reserves strategy:

Reserves		SY Transport	MCA/LEP	Total
		£k	£k	£k
Revenue	Unearmarked	£4,760	£1,743	£6,503
	Earmarked	£43,976	£28,842	£72,818
		£48,736	£30,585	£79,321
Capital	Unearmarked	£833	£6,032	£6,865
	Earmarked	£6,795	£35,594	£42,389
		£7,628	£41,626	£49,254
Total		£56,364	£72,211	£128,575

Project Feasibility Fund

- 2.67 At the MCA's March Board the Leaders gave approval for the creation of a £3.60m 'Project Feasibility Fund' from surplus capital funding.
- 2.68 This Fund would seek to address some of the known issues that have contributed over a number of years to the difficulties in creating and maintaining an investment pipeline of projects. In turn, this lack of pipeline has engendered ongoing difficulties in delivering programmes of activity to tight government timelines.
- 2.69 Leaders further gave a delegation to the Section 73 Officer to ensure that this Fund would be resourced from revenue funding. This delegation would afford the Section 73 Officer the flexibility to best determine how to swap the capital funding for revenue.
- 2.70 The Section 73 Officer has determined to affect this switch through the application of £3.60m to the MCA's transport related capital finance requirement. This application has the effect of reducing the MCA's need for debt, which in turn reduces the need for annual revenue contributions to meet that debt. Simply, a transaction is created that creates a revenue saving on the transport levy.
- 2.71 The Section 73 Officer has also determined to un-earmark £3.60m from the revenue 'Transport Levy Reduction Reserve' and earmark it to a revenue 'Project Feasibility Fund'. This transaction creates the required revenue fund.
- 2.72 Finally, the annual revenue savings on the transport levy will be re-credited to the 'Transport Levy Reduction Reserve' over a number of years to replenish that reserve. This ensures that there is no impact on the levy.
- 2.73 Work has commenced to engage local partners on the design of this Fund, and it is hoped that proposals on its implementation will be brought to the MCA's July Board meeting.

South Yorkshire Business Support Scheme

- 2.74 As part of the national response to the pandemic the government has launched a number of direct business support schemes along with schemes which benefit businesses such as furlough. These schemes have provided waves of support to businesses throughout the last year.
- 2.75 National schemes have principally focussed on supporting those businesses which had a rateable value. This reflects that those businesses were known to government and local authorities and were easily reached.
- 2.76 This approach did, however, leave significant amounts of the business community without support. Freelancers; those businesses renting property or space; and those businesses that operate without fixed-premises were amongst those who without national support.
- 2.77 In recognition of this, as part of the negotiation with government that preceded and followed South Yorkshire's entry into Tier 3 restrictions, the MCA was awarded £30m to use at its discretion to support the business community.
- 2.78 Following collaborative work between the MCA and local partners, a set of principles were agreed upon which allowed the MCA to shape a set of schemes. Those principles included supporting businesses and traders who were not supported by national schemes, and topping-up national schemes where the region felt that the national schemes were insufficient
- 2.79 In the new year, as new national restrictions were announced, the MCA received a further £12.55m. The total £42.55m came with conditions requiring that the funding be fully used by March 2022, but recognising the need to get this funding to work the MCA set itself a target of moving £30m into the local economy by the end of the financial year. At the end of March, £30.09m of grant awards had been made with the MCA's target met.
- 2.80 As part of the government's March budget it was announced that a further £7.36m would be made available to the MCA, but on the condition that the MCA used its full allocation of £42.55m by the end of June 2021. This condition was not expected and cut across existing plans for how the residual funding would be applied.
- 2.81 Reacting to this change MCA and local authority officers pivoted schemes to those that could commence quickly and support the MCA in achieving its target of accessing the new funding through meeting government's new spend target.
- 2.82 In late March Members, outside of formal session, approved the adoption of a number of new schemes into the wider project and followed this up in late April with a further set of approvals.
- 2.83 The forecast cost of these new commitments stands £15.80m and should be sufficient to meet the new expenditure target and secure the third tranche of funding:

	£k
Expenditure Incurred to March 2021	£30,090
Expenditure Approved March	£8,500
Expenditure Approved April	£7,300
	£15,800
Total Forecast Expenditure	£45,890
Surplus over Target	£3,340

- 2.84 This report seeks formalised approval for the adoption of those schemes as detailed in Appendix 2, and seeks approval for the Section 73 Officer in consultation with the Monitoring Officer to enter into arrangements to reimburse local authorities for the costs incurred in administering schemes.
- 2.85 This report also seeks approval for the Section 73 Officer in consultation with the Monitoring Officer to accept a 'New Burdens Grant' from government and passport this funding to the South Yorkshire local authorities per a previously agreed allocation methodology based on business stock.
- 2.86 Passporting of this funding will support the delivery of the new activity, with grant allocations as follows:

Authority	£k	%
BMBC	£37	16%
DMBC	£48	21%
RMBC	£39	17%
SCC	£105	46%
	£229	

- 2.87 As at the end of April good progress had been made in the implementation of schemes and delivery of financial support to the business community. Cumulative expenditure of £37.53m had been achieved by the end of the month, placing us well set to meet the expenditure target:

Authority	Grants	£k	%
BMBC	4,163	£5,890	16%
DMBC	4,579	£7,092	19%
RMBC	3,897	£6,306	17%
SCC	9,648	£18,237	49%
Total	22,287	£37,525	

- 2.88 There remains a latent risk that insufficient expenditure is incurred by the end of June to trigger the drawdown of the new funding. The South Yorkshire Directors of Finance Group will meet at the end of May to consider performance and take a view on whether any further action is required to mitigate this risk. Authority will be sought from Members should any further interventions be required.

Treasury Management Outturn Report

- 2.89 The MCA's constitution requires that Board receives updates on its treasury management performance at the mid-year mark, and again at financial outturn.
- 2.90 Appendix 3 contains a formal review that details performance against indicators that were set at the beginning of the financial year. Those indicators enable us to measure indebtedness, borrowing plans, and investment activity.
- 2.91 In common with most partner authorities, parts of the MCA's adopted treasury management strategy were disrupted by the pandemic and its associated impact upon the global economy.
- 2.92 As economic activity collapsed across the globe, interest rates were cut and there was a surge in demand for the sort of secure investment asset classes that the MCA invests in. This increased demand served to reduce the yields those investments generated, further reducing the investment income that supports the revenue budget.
- 2.93 Reductions in the yield generated on investments was partially offset by higher than forecast cash balances. This meant that though returns on investments were lower than forecast, our overall investment position was far higher than forecast.
- 2.94 Cash balances grew during the year to over £300m at outturn, largely reflecting new money made available by government as part of the fiscal response to the pandemic and the slower than forecast pace of the capital programme as restrictions impacted upon the ability to progress work for much of the year.
- 2.95 The MCA has continued to adopt a prudent approach to its investments, placing deposits in only the most secure of counterparties and for limited durations. This policy reduced exposure to counterparty default and allowed the MCA to manage its cash positions with some confidence.
- 2.96 Over the course of the year the MCA Group continued to retire loans as they fell due (£53m). This approach is in line with the adopted strategy and is enabled by the prudent levels of revenue provision that have been made over a number of decades.
- 2.97 Retiring loans in this manner reduces the interest-cost burden that falls on the South Yorkshire transport levy, and supports the reserves strategy that will see the level of reserves being used to support the budget reduced in line with the falling interest costs.
- 2.98 Finally, overall Group indebtedness reduced over the course of the year to £109m as further revenue provisions were made and PFI liabilities were paid.

3. Options Considered and Recommended Proposal

3.1 Option 1

This report recommends that the MCA approve the proposals around reserves, the award of New Burdens Grant to local partners, and the adoption of new schemes into the South Yorkshire Business Support Scheme.

Option 1 Risks and Mitigations

3.4

There is a latent risk that the proposals around the South Yorkshire Business Support Scheme do not generate enough expenditure to allow the MCA to draw down upon the third tranche of Additional Restrictions Grant.

To mitigate against this, the MCA and local partners have been developing fall back options that will allow the MCA to trigger efficient expenditure to make good any shortfalls. The South Yorkshire Directors of Finance will meet at the end of May to consider performance and take a view on which interventions may be required.

3.5 **Option 2**

The MCA could opt not to earmark reserves in the proposed manner. Should it do so, the resource would automatically flow the MCA's General Fund reserve in full.

3.6 The MCA could opt not to adopt new schemes into the South Yorkshire Business Support scheme.

3.7 The MCA could choose not to award New Burdens Grant to local partners, and instead retain the funding at the regional level.

3.8 **Option 2 Risks and Mitigations**

Should the MCA choose this option, there is a significant risk that the MCA will not generate sufficient expenditure to meet the government's requirements for accessing the third tranche of ARG funding. Should the MCA not choose to adopt the proposed schemes, the MCA could either choose to forego the third tranche of funding or opt to design, develop, and implement further schemes.

3.9 Should the MCA not choose to award New Burdens Grant funding to local partners there is a significant risk that either capacity will not be acquired to deliver the existing and new elements of the South Yorkshire Business Support Scheme, or that local partners have to fund this activity themselves to the detriment of other priorities.

3.10 **Recommended Option**

Option 1

4. Consultation on Proposal

4.1 The South Yorkshire local authorities have been engaged throughout the development of the proposals for the adoption of new schemes into the South Yorkshire Business Support Scheme.

4.2 Proposals have been developed collaboratively through regional technical groups. These proposals have been reviewed by the South Yorkshire Directors of Finance Group, and the Chief Executive Group, with member endorsements sought.

5. Timetable and Accountability for Implementing this Decision:

5.1 All proposals will be implemented as soon as practicably possible. The Section 73 Officer will be accountable for the proposed reserve adjustments; the award of grant to local partners; and for ensuring the necessary arrangements are made for

the implementation of new schemes into the South Yorkshire Business Support Scheme.

6. Financial and Procurement Implications and Advice

6.1 This is a financial report. Detail is provided in the main body of the document and within 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

- 1 Budgets
- 2 South Yorkshire Business Support Schemes
- 3 Treasury Management Outturn Report

Background Papers

None