
Report to: Overview and Scrutiny Committee

Date: 19 March 2021

Subject: **Budget, gainshare and corporate performance**

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1. Purpose of this report

- 1.1 To note the current budget position and to provide further information on corporate performance matters, including progress against corporate plan priorities, risk management and budget position.

2. Information

Corporate Plan 2020/21

- 2.1 The 2020/21 Corporate Plan sets out the vision and objectives for the organisation and the practical steps for how these will be progressed during the year. The plan is structured around the four overarching strategic objectives of boosting productivity, enabling inclusive growth, delivering 21st Century transport and tackling the climate emergency.
- 2.2 In order to measure the organisation's specific contribution to meeting these four corporate objectives, a set of key performance indicators is being routinely monitored throughout the 2020/21 financial year. A summary of progress against these indicators is provided in **Appendix 1** as part of the wider corporate performance snapshot.
- 2.3 The analysis of performance against objectives to date reflects a positive position overall. Most of the indicators are currently assessed as green.

Corporate risk update

- 2.4 In line with the provisions of the corporate risk management strategy, regular review of the key strategic risks affecting the organisation continues to be undertaken and the corporate risk register updated accordingly.

- 2.9 A summary of the headline strategic risks is included at **Appendix 1** to this report. This update is subject to any feedback from Governance and Audit Committee who are considering corporate risks at their meeting of 18th March 2021. Since the last reporting period work has been undertaken to ensure that specific risks associated with the transfer to the Mayoral Combined Authority model and the new functions that this brings, are appropriately reflected within the strategic risk summary.
- 2.10 In addition to the strategic risks relating to the transfer to the Mayoral model, the more detailed operational risks associated with this are being managed through the Combined Authority's MCA Ready programme. This programme was established in March 2020 and is overseeing all organisational preparations for the transfer to the new MCA model.
- 2.11 In terms of those risks associated with the response to the COVID-19 pandemic and the EU Exit, these continue to be managed through the Combined Authority's Gold command incident response structure
- 2.12 In line with the provisions of the corporate risk management strategy, regular review of the key strategic risks affecting the organisation continues to be undertaken and the corporate risk register updated accordingly.

Revenue budget position 2020/21

- 2.13 The approved revenue budget for 2020/21 was a balanced position at the start of the year. During the year the impact of the national pandemic has been reported and has been showing an emerging deficit position throughout, though the forecasts have been improving as support grants have been received from government and other managed savings achieved.
- 2.14 The current situation has been improved through the successful representation to government for a range of Covid support grants, savings in concessionary fares due to low patronage levels and other savings made across the other directorate budgets. These cost savings will be kept under regular review and the aim remains to achieve a balanced outturn as at 31 March 2021. On this basis the general reserves would be retained at the current level of £8.1 million.
- 2.15 The final forecast position, as approved at the Combined Authority meeting of 4th February 2021, is set out in **Appendix 2**. This budget also includes, as previously approved, some use of gainshare to support the costs of transition to becoming a mayoral combined authority, including early election costs and legal and project resources.

2021/22 Budget and business planning

- 2.16 Work has been undertaken to produce a detailed business plan for the Combined Authority for 2021/22, maintaining the focus on the corporate objectives agreed for the current corporate plan: Productivity, inclusive growth, a 21st century transport system and tackling the climate emergency. These

must all be considered against the backdrop of COVID-19 recovery and the move to becoming a mayoral combined authority.

- 2.17 In producing their business plans all directorates have been required to demonstrate how their expenditure delivers against the objectives and priorities of the Combined Authority and its partners, demonstrating efficiency and effectiveness and value for money for the services delivered. A clear link through to the four priorities must also be made clear. A copy of the overarching business plan on a page is attached at **Appendix 3** for information.
- 2.18 The revenue and indicative capital budgets were approved by the Combined Authority on 4th February 2021 and are attached at **Appendix 4 and 5**. The Combined Authority acknowledges the difficulty of setting a budget in the current context of the national pandemic, ongoing preparatory work and the transition to the MCA model, preparing and responding to the EU exit and the ending of the current funding streams and delayed funding announcements. The budgets included a range of efficiencies and savings that have contributed to the balanced revenue budget that was approved. However, there remains a risk that reserves will be required to respond to any emerging pressures in the year.
- 2.19 A balanced position has been achieved on the basis that both the gainshare and Mayoral Capacity Fund are utilised to fund the additional capacity and new costs arising from being an MCA. Further information on the 'gainshare' approvals is shown below.

Gainshare – 2020/21 and 2021/22

- 2.20 As part of the devolution deal, and becoming a Mayoral authority, the Combined Authority will receive annual 'gainshare' funding of £38 million for the next thirty years which will be key to supporting the region in driving economic growth and prosperity within its communities. The gainshare is allocated in a 25% (capital) and 75% (revenue) split.
- 2.21 The use of gainshare from 2021/22 onwards will be directed through the Single Investment Fund, with decisions based on agreed priorities and subject to the assurance process. Ahead of these processes being fully developed and in place it was agreed to use the 2020/21 gainshare to support the work underway to become mayoral ready and to address urgent economic asks identified through the Economic Recovery Plan. Commitments have been made as follows:
- 2.22 For 2020/21 the £38m allocation has been applied / approved by the Combined Authority as follows:
- | | | |
|----------|---|---|
| - £3m | - | Funding for Mayoral preparations, including election costs |
| - £9.5m | - | Capital funding 'ring-fenced' – initially for the TCF Programme |
| - £13.5m | - | Covid recovery (Reboot and Employment hub projects) |
| - £5m | - | Covid – to support local authority recovery plans |

- £7m - Agreed in principle to support entrepreneurship, net zero carbon project pipeline and healthtech programmes.

2.23 For 2021/22, to date the following has been approved by the Combined Authority:

- £1.75m - Funding for Mayoral preparations, including election costs
- £9.5m - Capital funding 'ring-fenced' – initially for the TCF Programme

This leaves £26.75m to be allocated via the processes being established for management of the Single Investment Fund.

3. Clean Growth Implications

- 3.1 The approved business plan and budget for 2020/21 includes actions and costs related to delivering against the corporate priority of tackling the climate emergency.

4. Inclusive Growth Implications

- 4.1 The corporate plan sets out further details regarding the organisation's approach to enabling inclusive growth.

5. Financial Implications

- 5.1 The financial implications are covered in the body of the report and at the supporting appendices.

6. Legal Implications

- 6.1 There are no specific legal implications directly arising from this report.

7. Staffing Implications

- 7.1 There are no staffing implications directly arising from this report.

8. External Consultees

- 8.1 No external consultations have been undertaken.

9. Recommendations

- 9.1 That the Overview and Scrutiny Committee notes and provides comment on the information on corporate performance.

10. Background Documents

- 10.1 None.

11. Appendices

Appendix 1 – Corporate Performance Snapshot (Risk and KPIs) Report

Appendix 2 – Approved revenue budget forecast 2020/21

Appendix 3 – Corporate Plan on a page

Appendix 4 – Approved revenue budget 2021/2022

Appendix 5 – Approved indicative capital budget 2021-2024