

GREATER MANCHESTER CORPORATE ISSUES & REFORM OVERVIEW AND SCRUTINY COMMITTEE 2020/21

DATE: Tuesday 9 February 2021

TIME: 4.30 pm

VENUE: Virtual Meeting via Microsoft Teams

SUPPLEMENTARY AGENDA

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For copies of papers and further information on this meeting please refer to the website www.greatermanchester-ca.gov.uk. Alternatively, contact the following Governance & Scrutiny Officer: Jenny Hollamby, Senior Governance & Scrutiny Officer
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This agenda was issued on 2 February 2021 on behalf of Julie Connor, Secretary to the Greater Manchester Combined Authority, Broadhurst House, 56 Oxford Street, Manchester M1 6EU

BOLTON	MANCHESTER	ROCHDALE	STOCKPORT	TRAFFORD
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Date: 12 February 2021

Subject: Budget Paper A - GMCA Revenue and Capital Budgets 2021/22 Overview

Report of: Cllr David Molineux, Portfolio Holder - Resources
Steve Wilson, Treasurer to GMCA

PURPOSE OF REPORT

This report presents an overview of the proposed GMCA budgets for 2021/22. It summarises the position on the Mayoral General Budget and Precept Proposals, The GMCA General Budget, GMCA Transport budgets including Transport Levy and Statutory Charge and the GM Waste Services Levy.

It sets out the implications of the proposed budgets and the resultant charges on districts and the Mayoral Precept.

RECOMMENDATIONS:

Recommendations on the specific budget areas are contained in the accompanying papers. In relation to this paper, members are asked to note the contents of this summary paper

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Equalities Implications: N/A

Climate Change Impact Assessment and Mitigation Measures: N/A

Risk Management – An assessment of major budget risks faced by the authority are carried out quarterly as part of the reporting process – at the present time a significant proportion of the capital budget is funded through grant. In order to mitigate the risk of monetary claw back the full programme is carefully monitored against the grant conditions and further action would be taken as necessary.

Legal Considerations – There are no specific legal implications contained within the report.

Financial Consequences – Revenue – There are no specific revenue considerations contained within the report, however, the revenue budget contains resources to meet the capital costs of the authority. Changes in the capital programme can affect the budget to meet these costs.

Financial Consequences – Capital – The report sets out the forecast expenditure for 2019/20 and future years.

Number of attachments to the report: 0

Comments/recommendations from Overview & Scrutiny Committee

BACKGROUND PAPERS:

Report to Greater Manchester Combined Authority: ‘GMCA Budget Reports’ 14th February 2020

TRACKING/PROCESS		
Does this report relate to a major strategic decision, as set out in the GMCA Constitution		Yes
EXEMPTION FROM CALL IN		
Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?		
GM Transport Committee	Overview & Scrutiny Committee	
	9th February 2021	

1. Introduction and Background

1.1 This report presents an overview of the proposed Greater Manchester Combined Authority (GMCA) budgets for 2021/22. It summarises the position on the Mayoral

General Budget and Precept Proposals, The GMCA General Budget, GMCA Transport budgets including Transport Levy and Statutory Charge and the GM Waste Services Levy.

- 1.2 The report and the attached papers set out the implications of the proposed budgets and the resultant charges on districts and the Mayoral Precept.

2. Principles Underlying development of the Mayoral and GMCA budgets

- 2.1 The budgets presented to the Combined Authority for approval focus on the delivery of the priorities set out in the Greater Manchester Strategy (GMS).
- 2.2 Delivery of the GMS priorities will require the GMCA, Districts, businesses and the voluntary and community sector and other stakeholders to work in partnership. The Mayoral precept and GMCA budgets will support key areas of delivery for the strategy and its implementation plan, particularly in areas where the investments made in Districts can be supported by the GMCA.

3. Overview of GMCA Budgets

- 3.1 The overall GMCA budgets are made up of a variety of both historic budgets and new budgets relating to the functions provided by the Mayor and the GMCA as a whole.

- 3.2 The various orders under which these functions are provided, determine how such costs are funded such that:

- **Mayoral General Budget** – Funded from the Mayoral precept and statutory charge/contributions from the districts (excluding the transport levy). Fire funding is part of the Mayoral precept but also receives a revenue support grant, business rates income and a top up grant. The Mayoral General budget and precept proposals are detailed in ***Paper B***
- **GMCA Transport Revenue Budget** – This is funded from a contribution from the mayoral budget for statutory mayoral functions include Bus services and from a levy on district budgets for non-mayoral functions in relation to public transport and a contribution to Metrolink financing costs agreed previously as part of the establishment of the Greater Manchester Transport Fund. The budget also includes a number of other grants received in relation to specific activities, for example activities in relation to the development of the Clean Air Plan and Rail. The GM Transport Revenue budgets are detailed in ***Paper C***
- **GMCA Revenue General Budget** – This includes the core cost of the CA funded by district contributions together with functions funded through the retention of business rate growth and central grants funding including the Adult Education grant. The GMCA General budget is detailed in ***Paper D***
- **GM Waste Disposal Budget** – This is funded through a levy to the nine GM districts who participate in the GM waste service (Wigan are not part of the waste contract). The contributions are on the basis of an agreed funding mechanism (LAMA). The Waste Budget is set out in ***Paper E***

- 3.3 This paper does not present the budget proposals for GM Police or the Police and Crime function. At their meeting on the 29th January 2021, it was noted by the Police and Crime Panel that the Mayor had considered his proposed increase to the police precept in light of the responses by members of the public to the proposals set out in the consultation which concluded on the 28th January 2021. The Panel approved the Mayor's proposal to reduce the precept increase of £15 per year for a band D property to an increase of £10 per year for a band D property with effect from 1 April 2021. This will take the Band D police precept to £218.30 per year (£169.78 for a Band B property).
- 3.4 It should be noted that any increase in precept funding is effectively recurrent and therefore to not increase by the full £15 will have a recurrent impact on police and crime funding from 2021/22 onwards. To enable GMP to manage their finances within the proposed envelope savings will need to be identified within the service.
- 3.5 The proposals for neighbourhood policing, the number of officers to be recruited and the major deliverables described in the original budget proposal are not expected to be affected by this change. The increased funding provided by the uplift to the Government Grant and the proposed increase in the precept would deliver an additional 325 Police Officers in Greater Manchester plus funding for 16 additional officers to support the NW Regional Crime Unit (ROCU).
- 3.6 The key elements of each budget area are summarised below:

i) Mayoral General Budget and Precept Proposals

Paper B sets out the Mayor's proposals for the Mayoral General Budget (including Fire and Rescue) and seeks approval for the Mayoral General Precept for 2021/22. The GMCA is recommended to:

1. To approve the Mayor's General budget for 2021/22 set out in this report together with the calculation of the precepts and Council Tax rates;
2. To approve a Mayoral General Precept for 2021/22 at £90.95 (Band D) comprising of £66.20 for functions previously covered by the Fire and Rescue Authority precept and £24.75 for other Mayoral General functions. This is unchanged from 2020/21;
3. To approve the overall budget for the Fire and Rescue Service for 2021/22 and the medium term financial position for the Fire and Rescue Service covered by the Mayoral precept;
4. To approve the funding included in the budget for Bus Reform and note that a further update on expenditure and funding will be provided following a Mayoral decision on Bus Reform;
5. To approve the use of reserves in 2020/21 and 2021/22.

The Mayor's budget allows the continuation of the flagship A Bed Every Night scheme into the next financial year. Over the winter, at least 520 places will be provided across Greater Manchester to people who have been sleeping rough. The 2021/22 budget also supports the continuation of the Our Pass scheme, preparation for a decision on Bus Reform and addresses a deficit on the Council Tax Collection Fund from 2020/21.

ii) GM Fire and Rescue Service Page 4

Paper B also sets out in Appendix 2 the GM Fire and Rescue Service revenue budget for 2021/22 and Medium Term Financial Plan (MTFP). The Chancellor announced a one-year Spending Review in November 2020, in relation to the Fire and Rescue Service, the Spending Review announcements covered the following:

- Council Tax referendum limits of 2% for Fire and Rescue Services
- Compensation of 75% for irrecoverable Council Tax revenue relating to 2020/21 arrears, which would otherwise need funded from budgets in 2021/22
- Grant funding to compensate GMFRS for loss of 2021/22 precept income resulting from Local Authorities enhancing local Council Tax relief schemes
- Real terms protection expected with flat cash pensions grant
- Public sector pay is frozen for one year

In 2021/22, savings of £1.458m were originally identified through Programme for Change, however, alternative savings have been identified to replace those held against pump reductions. Further alternative savings of £1.394 have been identified via a line by line review including the reduction in employee budget as a result of pay award being lower than anticipated in 2020/21. This has resulted in total savings of £2.857m for 2021/22.

iii) **GMCA Transport Revenue Budget**

Paper C sets out the GMCA Transport Revenue Budget for 2021/22. The funding for core GM transport services remains unchanged for 2021/22. The charge made to GM districts through the district levy therefore remains at the same overall cash level as 2020/21. Similarly the statutory charge made to districts for Mayoral travel functions also remains the same at £86.7 million as set out in the relevant legislation.

The Levy will again be subject to a cash 'standstill' for 2021/22, with all cost increases being 'managed' by savings within TfGM's core budgets. This has been very challenging in the context of the additional activities that TfGM has been requested to deliver, however the position needs to be considered in the context of the significant funding pressures on the Greater Manchester Authorities, who fund the majority of TfGM's operating budget through the Levy and Statutory Charge.

The development of budget proposals by TfGM has included a review of various elements of its service provision and its cost base, including in the context of School Bus services; the provision of Accessible Transport, including the Ring and Ride services; the delivery of Special Educational Needs transport and reviews of its cost base in the delivery of the services it provides.

As in previous years there are a number of additional activities that TfGM is delivering on behalf of GMCA and the Mayor. The main activities in this regard along with a forecast of the proposed funding in 2021/22 are set out below:

Bus Reform - A report was presented to GMCA in November 2020 which considered the Covid-19 Impact on the Bus Franchising Assessment which was prepared by TfGM on behalf of the GMCA. This report recommended that the GMCA agree to undertake a public consultation in respect of the Covid-19 Impact on Bus Franchising Report, between 2 December 2020 and 29 January 2021. The

Mayoral General Budget includes an estimated sum of £4.250m for the costs of pre-decision Bus Reform in 2021/22. However, if a decision is taken by the Mayor to introduce bus franchising a further report will be brought to GMCA for approval of the proposed expenditure and funding arrangements to support the implementation of that decision.

Greater Manchester Infrastructure Programme (GMIP) - At its meeting on 29 January 2021, GMCA approved, for adoption and publication, the revised Greater Manchester Transport Strategy 2040 and the final version of the Five-Year Transport Delivery Plan (2021-2026). In 2021/22, specific transport scheme development activity will focus on responding to the funding opportunities announced in Spending Review 2020, particularly the Intra-City Transport Fund for which government have indicative development funding will be available in 2021/22 and preparing for the multi-year Spending Review expected later this year.

Metrolink - As has been reported regularly to GMCA during the year, due to the impact of the pandemic, farebox revenues on Metrolink have been significantly below budget. In 2020/21 this funding gap has been filled from a combination of efficiency savings where possible and, much more substantially, from a grant from Department for Transport (DfT). The grant is currently committed until 31 March 2021 with no funding yet agreed beyond that date. TfGM has produced a 'Recovery Plan' which sets out the future strategy for the network and the likely requirement for ongoing funding to support its ongoing recovery. The Recovery Plan is currently being considered by DfT and HM Treasury.

Our Pass - The costs of the concession for 16-18s for free travel on bus are funded from the Mayoral budget. The Mayoral General Budget has allowed for extension of the scheme in 2021/22 beyond its initial 2 year pilot period.

Concessionary Support - Since the first lockdown TfGM has continued to reimburse operators for concessionary reimbursement on the basis of pre-pandemic levels of patronage. For the purposes of the 2021/22 budget it has been assumed that this basis will continue, however discussions will continue with DfT and operators on the ongoing appropriateness of this policy. If any changes to the budget result from this it will be reported back to GMCA.

Supported Bus Services will continue to be under significant pressure during 2021/22 due to a combination of inflationary pressures, lower income and the risk of further commercial de-registrations. Currently it has not yet been confirmed whether funding from DfT for lost income, on services where TfGM takes the revenue risk will continue. Some allowances for these risks have been made in the 2021/22 budget.

During 2020/21 DfT has been providing grant funding to bus operators through its COVID-19 Bus Service Support Grant (CBSSG), subject to an 8 week 'notice period' for its withdrawal. The funding position beyond the current 8 week notice period is currently very uncertain and this represents a significant risk in TfGM's budget for 2021/22.

In February 2020, a £10 annual charge for concessionary pass holders to buy a 'product' to access off peak tram and rail services, was introduced. Due to the impact of the pandemic, renewal charges for existing product holders are to be

deferred for a period, currently until 31 March 2021. To the extent this extends beyond the end of March this will start to impact the 2021/22 budget and, to the extent that there is no external funding available to offset any losses, will mean that additional savings will need to be delivered to compensate for this loss of income.

iv) GMCA Revenue General Budget

Paper D sets out the overall GMCA revenue budget 2021/22 and includes the core costs of the authority and its central programmes. The proposed District Council contributions to be approved for 2021/22 of £8.603m are included within the report together with the consequent allocations to the Councils. This is a reduction of £437k on the contribution for 2020/21. The total budget proposed for the GMCA revenue budget in 2021/22 is £224 million. This is funded from the following sources:

- District contributions of £8.6 million to the core running costs of the CA, including £3.3 million cultural funding and £1.4 million for MIDAS and Marketing Manchester. This funding remains at the same as in 2020/21;
- Central government grants of £153 million including £94 million funding for Adult Education;
- The 2021/22 budget reflects the decisions made by the GMCA at the meeting on 27th November 2020 on use of planned investment of the remaining Business Rates reserve held by GMCA of £25 million;
- Funding from reserves, other income sources and recharges of £39 million.

v) GM Waste Disposal Budget

Paper E sets out the proposed waste budget for 2021/22 for the nine GM Districts Councils who are part of the GM waste contract. The report highlights the 2020/21 position being breakeven, taking account of a refund of levy of £20m to Districts approved by GMCA in July and September 2020.

For 2021/22 the report recommends:

1. A total levy requirement for 2021/22 of £162.4m, which represents an average 2.9% decrease over 2020/21;
2. The MTFP then proposes levy charges of £163.1m in 2022/23, £164.8m in 2023/24 and £167.6m in 2024/25.

4. Conclusion

4.1 The attached reports set out the detailed proposals for each budget area including:

- The Mayor's final proposal for his General Budget, consistent with a precept of £90.95 and the detailed budget and statutory calculations following receipt of final information from District Councils.
- Contributions from District Councils in relation to the Transport Levy, Waste Levy and GMCA costs

5. Recommendations

5.1 Recommendations are presented at the end of the paper.

Date: 12th February 2021

Subject: Budget Paper B - Mayoral General Budget and Precept Proposals 2021/22

Report of: Andy Burnham, Mayor of Greater Manchester

PURPOSE OF REPORT

The report sets out the Mayor's proposals for the Mayoral General Budget (including Fire and Rescue) and seeks approval for the Mayoral General Precept for 2021/22.

The report recommends the setting of the Revenue Budget for 2021/22 as required under Section 42A of the Local Government Finance Act 1992 (updated in the Localism Act 2011) and the precepts and relevant levels of Council Tax required under sections 40, 42B and 47 of the Act.

RECOMMENDATIONS:

The GMCA is recommended to:

1. To approve the Mayor's General budget for 2021/22 set out in this report together with the calculation of the precepts and Council Tax rates set out in Appendix 4.
2. To approve a Mayoral General Precept for 2021/22 at frozen at £90.95 (Band D) comprising of £66.20 for functions previously covered by the Fire and Rescue Authority precept and £24.75 for other Mayoral General functions.
2. To approve:
 - i. the overall budget for the Fire and Rescue Service for 2021/22 covered by the Mayoral precept
 - iii. the medium term financial position for the Fire and Rescue Service
4. To approve the funding included in the budget for Bus Reform and note that a further update on expenditure and funding will be provided following a Mayoral decision on Bus Reform
5. To approve the use of reserves as set out in section 4 of the report and the assessment by the Treasurer that the reserves as at March 2022 are adequate;

6. To note that in accordance with legal requirements, the minutes will record the names of those Members voting for or against the Mayor’s budget and precept proposals.

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Equalities Implications: N/A

Climate Change Impact Assessment and Mitigation Measures: N/A

Risk Management – An assessment of the potential budget risks faced by the authority are carried out quarterly as part of the monitoring process. Specific risks and considerations for the budget 2021/22 insofar as they relate to the Fire Service are detailed in Appendix 2.

Legal Considerations – See Appendix 1 of the report.

Financial Consequences – Revenue

The report sets out the planned budget strategy for 2021/22 and future years.

Financial Consequences – Capital – Proposals for Fire and Rescue Services capital spend are set out in separate report to GMCA on 12th February 2021: Paper F -GMCA Capital Programme 2020-2024

BACKGROUND PAPERS:

GMCA – Mayoral General Budget – 14 February 2020

GMCA – Mayoral General Budget and Precept Proposals – 29 January 2021

TRACKING/PROCESS	
Does this report relate to a major strategic decision, as set out in the GMCA Constitution	Yes
EXEMPTION FROM CALL IN	
Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?	N/A

GM Transport Committee	Overview & Scrutiny Committee	
N/A	9 th February 2021	

1. INTRODUCTION AND BACKGROUND

- 1.1 The purpose of this report set out for the Greater Manchester Combined Authority (GMCA) the Mayor's budget for 2021/22, to meet the costs of Mayoral general functions. The functions of the GMCA which are currently Mayoral General functions are:
- Fire and Rescue
 - Spatial development strategy
 - Compulsory Purchase of Land
 - Mayoral development corporations
 - Development of transport policies
 - Preparation, alteration and replacement of the Local Transport Plan
 - Grants to bus service operators
 - Grants to constituent councils
 - Decisions to make, vary or revoke bus franchising schemes
- 1.2 The sources of funding for Mayoral costs, to the extent that they are not funded from other sources, are a precept or statutory contributions (not Fire). A precept can be issued by the Mayor to District Councils as billing authorities. The precept is apportioned between Districts on the basis of Council Tax bases and must be issued before 1st March.
- 1.3 At the meeting of the Greater Manchester Combined Authority held on 29th January 2021, the Mayor's proposed budget was considered and a number of recommendations were made in respect of the budget strategy. Based upon these recommendations being acceptable, this report sets out the necessary resolutions and statements required to be approved in order to set the budget and precept for 2021/22. The legal process (Appendix 1) specifies that the GMCA should notify the Mayor before 8th February, if they intend to issue a report on this proposal for the budget and precept and/or propose an alternative. No such report has been received.
- 1.4 The Mayoral General Precept is part of the overall council tax paid by Greater Manchester residents and used to fund Greater Manchester wide services for which the Mayor is responsible.
- 1.5 The Mayoral General Precept for the financial year 2021/22 will be frozen at £90.95 for a Band D property, with the fire service accounting for £66.20 and £24.75 for non-fire (Band B £70.73 - £51.48 for the fire service and £19.25 for other Mayoral-funded services). The proposal to freeze the precept is intended to relieve pressure on residents who are struggling after the pandemic and facing wider increases in council tax bills to meet cost of social care and other council services not funded by government.
- 1.6 Despite freezing the Mayoral precept, there will be no impact on frontline fire cover provided by Greater Manchester Fire and Rescue Service. The Mayor has committed to running 50 fire engines throughout 2021/22 with crewing at the current level of five firefighters at one pump stations and four firefighters on each engine at two pump stations.

1.7 The Mayor's budget proposal also allows the continuation of the flagship A Bed Every Night scheme into the next financial year. Over the winter, at least 520 places will be provided across Greater Manchester to people who have been sleeping rough.

2. CHANGES SINCE THE LAST REPORT

- 2.1 At the time of writing the report considered by GMCA on the 29th January, the position on District Council tax bases and the Collection Funds together with the position on the Authority's share of the Retained Business Rates was not finalised, as the deadline for providing this information was 31 January. The figures have now been received and are showing a change from that previously reported as set out in the following paragraphs.
- 2.2 The tax base is used in the calculation of how much money will be received for the precept levied. Each Council is required by regulations published under the Local Government Finance Act 1992 to calculate a Council Tax Base. The tax base for each Council is shown in Appendix 4. Each Council is required to calculate its estimated position for Council Tax and Business Rates in the form of a surplus or a deficit on the Collection Fund. This is the account that records all council tax and business rates receipts. The share for the Mayoral General budget (including Fire and Rescue) is calculated as part of this process. In addition to this, Fire and Rescue receives 1% of retained business rates income.
- 2.3 There has been an increase to the District Council Tax base shown in Appendix 4 leading to an additional council tax precept income of £0.193 million and increased income from business rates (including Section 31 grants) of £0.532 million. The Spending Review 2020 included £670m (nationally) of additional grant funding to support households least able to afford council tax payments in 2021/22. GMCA's indicative Local Council Tax Support grant in relation to the Mayoral General Precept is £1.853m. This income has now been reflected in the funding of the budget for 2021/22.
- 2.4 The Collection Fund position for 2020/21 was previously estimated to be a deficit of £0.438 million. This reflected an expectation from the Spending Review 2020 that local authorities would be compensated for 75% of irrecoverable loss of council tax and business rates revenue in 2020/21 that would otherwise need to be funded through budgets in 2021/22 and later years. Following recent Government guidance on the scheme and interpretation by Districts, this has increased the net deficit on the Collection Fund to £0.985 million. For the Mayoral General Budget, this is an overall Collection Fund deficit of £6.090 million offset by an estimated £5.105 million of irrecoverable council tax compensation and additional NNDR Relief Grant. The deficit position on the Collection Fund in relation to 2020/21 includes the element of the total deficit that is mandatory to be spread over three years 2021/22 to 2023/24 and the compensation grant has also been spread across these financial years in line with the deficit and the budget for 2021/22 reflects this.

3. MAYORAL GENERAL BUDGET

- 3.1 Attached at Appendix 2 are the outline budgets in relation to the revenue budget for the Greater Manchester Fire and Rescue Service and the Medium Term Financial Strategy (MTFP).
- 3.2 In addition, income from Business Rates, both a share of the income collected by District Councils and a 'top up' grant, is received. As the GMCA is part of the 100% Business Rates Pilot, the previous receipt of Revenue Support Grant has been replaced by equivalent baseline funding through an increased Business Rates top up.
- 3.3 At the present time, both Council Tax and Business Rates income is subject to confirmation by District Councils, and the estimate of the Business Rates 'top up' grant will be confirmed in the final settlement.
- 3.4 In relation to non-Fire functions, in addition to precept income, there are funds relating to the Government 'Mayoral Capacity' funding, the position on Council Tax collection identified by District Councils as relating to the Mayoral Precept, Bus Services Operators Grant, Transport Statutory Charges and External Income.
- 3.5 Following the GMCA (Functions and Amendment) order being laid in April 2019, the Mayor was given further powers for transport functions. As with the 2020/21 budget, in 2021/22 £86.7 million is met via a statutory charge to District Councils, (with a corresponding reduction in the Transport Levy). A full breakdown by District Council is attached at Appendix 3. The order also states that this amount (£86.7 million) can only be varied with the unanimous agreement of the members of the GMCA.
- 3.6 The budget supports the continuation of the Our Pass and A Bed Every Night schemes into the new financial year and addresses a deficit on the Collection Fund from 2020/21. An estimated sum of £4.250m has been included for Bus Reform. If a decision is made to introduce bus franchising a further report will be brought to the GMCA setting out for approval the proposed expenditure and funding arrangements to support the implementation of that decision.
- 3.7 In relation to the level of the precept to be levied for Mayoral functions excluding fire, this will be frozen at £24.75 per Band D property, which will raise (on the latest estimated tax band) £18.7 million. When taken with other funding streams available this will give overall funding of £126.7 million. The overall breakdown of funding for the 2021/22 Mayoral budget (excluding GMFRS) compared to 2020/21 is as follows:

Mayoral (Non Fire)	Approved Budget 2020/21	Proposed Budget 2021/22
	£000	£000
Mayoral Direct Costs (inc Corporate Support)	1,239	1,247
Mayoral Priorities (inc A Bed Every Night)	2,633	3,050
Transport Policy & Strategy	3,500	3,500
Bus Service Operators Grant		
-Grants to operators	11,500	11,750
-Administration	50	50
Opportunity Pass	16,200	16,200
Sub-total - Pre-additional transport powers	35,122	35,797
Bus Reform	5,250	4,250
Bus Concessionary Re-imburement	51,300	50,000
Supported Bus	27,900	32,000
Accessible Transport/Ring & Ride	4,600	3,600
Allocation of Bus Operational Costs	2,900	1,100
Total expenditure	127,072	126,747
Funded by:		
Precept	18,877	18,709
Collection Fund Surplus /-Deficit	1,045	-855
Collection Fund Compensation	0	103
Local Council Tax Scheme Grant	0	504
Mayoral Capacity Funds	1,000	1,000
Bus Service Operators Grant	13,100	13,100
Use of Reserves	5,000	6,636
Earnback capital	500	0
External Income	850	850
Transport Statutory Charge	86,700	86,700
Total funding	127,072	126,747

- 3.8 Although it is required to set a precept specifying the Band D Charge, by far the majority of properties, 82.6%, in Greater Manchester will be required to pay less than this amount. The following table outlines the additional amounts to be paid by each band and the proportion of properties which fall into each band. Based on Band B being the average charge paid, this equates to £19.25.

2021/22	A	B	C	D	E	F	G	H
Costs for Band £	16.50	19.25	22.00	24.75	30.25	35.75	41.25	49.50
Proportion of Properties	45.6%	19.6%	17.4%	9.2%	4.8%	2.0%	1.2%	0.2%

- 3.9 Appendix 4 sets out the amounts of Council Tax for each band, including the Fire element of the precept.

4. RESERVES

- 4.1 Taking account of the budget outlined in this paper, the reserves for both Mayoral and GMFRS for 2021/22 are as follows:

Mayoral and Greater Manchester Fire & Rescue (GMFRS) Reserves and Balances	Closing Balances 31 March 2020	Transfer out/(in) 2020/21	Projected Balance March 2021	Transfer out/(in) 2021/22	Projected Balance March 2022
	£000	£000	£000	£000	£000
General Reserve - Mayoral & GMFRS	(11,615)		(11,615)	0	(11,615)
Bus Services Operators Grant	(3,040)	(618)	(3,658)	2,750	(908)
Capital Reserve	(4,676)	(2,700)	(7,376)	2,700	(4,676)
Earmarked Budgets Reserve	(2,460)	(4,637)	(7,097)	2,439	(4,658)
Revenue Grants Unapplied	(1,735)		(1,735)	0	(1,735)
Insurance Reserve	(2,849)		(2,849)	0	(2,849)
Business Rates Reserve	(2,093)	(2,000)	(4,093)	2,000	(2,093)
Collection Fund Reserve	0	(5,721)	(5,721)	5,105	(616)
Restructuring Reserve	(418)		(418)	0	(418)
Innovation and Partnership CYP	(127)		(127)	0	(127)
Transformation Fund	(3,604)		(3,604)	0	(3,604)
Total Mayoral & GMFRS Reserves	(32,617)	(15,676)	(48,293)	14,994	(33,299)

- 4.2 The current General Fund Reserve balance stands at £11.615m as previously reported in the quarterly revenue update report to GMCA there is no planned use of this reserve.
- 4.3 Full use of Capital Reserve is yet to be confirmed. The planned use was based on the available reserve balance to fund capital expenditure within the programme, however, the reserve may be required to fund revenue investments, mainly in relation ICT due to the move to cloud based technologies.
- 4.4 Use of Business Rates Reserve was built into the MTFP for one off expenditure, mainly in relation to Programme for Change.
- 4.5 Given the current scale of activities falling on the General budget, the level of reserves held is felt to be appropriate. In considering the medium term financial position of the Fire Service, the ongoing level of reserves is falling and the short-term position is considered sustainable. However in light of the potential implications following the Grenfell Fire Public Inquiry and locally the Cube fire in Bolton, it is considered appropriate to seek additional funding for the Fire and Rescue Service, through a combination of increases to Council Tax and lobbying Central Government for additional funding.

5. BUDGET SUMMARY 2021/22

- 5.1 The table below shows the summary of gross and net budget for Mayoral Budget including GMFRS budget for 2021/22:

Budget Summary 2021/22	Gross Expenditure £000	Gross Income £000	Net Estimate £000
Fire Service Budget	109,316	2,422	106,894
Other Mayoral General Budget	126,747	14,950	111,797
Capital Financing Charges	2,316	0	2,316
Revenue Contribution to Capital Outlay	2,700	0	2,700
Contribution from balances/reserves	1,349	14,994	-13,645
Budget Requirement	242,428	32,366	210,062
Localised Business Rates		10,297	-10,297
Business Rate Baseline		40,353	-40,353
Section 31 Grant - Business Rates		2,594	-2,594
Section 31 Grant - pensions		5,605	-5,605
Transport - Statutory Charge		86,700	-86,700
Collection Fund deficit	6,090		6,090
Local Council Tax Support		1,853	-1,853
Precept requirement	248,518	179,769	68,750

6. LEGAL ISSUES

- 6.1 In coming to decisions in relation to the revenue budget, I have various legal and fiduciary duties. The amount of the precept must be sufficient to meet my legal and financial commitments, ensure the proper discharge of my statutory duties and lead to a balanced budget.
- 6.2 In exercising my fiduciary duty, I should be satisfied that the proposals put forward are a prudent use of my resources in both the short and long term and that they are acting in good faith for the benefit of the community whilst complying with all statutory duties.
- 6.3 Given that I intend to make firm proposals relating to the Fire Service budget at the February meeting, there will be a need to reassess the overall prudence of the budget, but at this stage, there are sufficient reserves available to ensure a balanced budget is set.

Duties of the Treasurer (Chief Finance Officer)

- 6.4 The Local Government Finance Act 2003 requires the Chief Finance Officer to report to me on the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. I have a statutory duty to have regard to the CFO's report when making decisions about the calculations.
- 6.5 Section 28 of the Local Government Act 2003 imposes a statutory duty on the Mayor to monitor during the financial year the expenditure and income against the budget calculations. If the monitoring establishes that the budgetary situation has deteriorated, I must take such action as I consider necessary to deal with the situation. This might include, for instance, action to reduce spending in the rest of the year, or to increase income, or to finance the shortfall from reserves.

- 6.6 Under Section 114 of the Local Government Finance Act 1988, where it appears to the Chief Finance Officer that the expenditure of the Mayoral General budget incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure, the Chief Finance Officer has a duty to make a report to me.
- 6.7 The report must be sent to the GMCA's External Auditor and I/the GMCA must consider the report within 21 days at a meeting where we must decide whether we agree or disagree with the views contained in the report and what action (if any) we proposes to take in consequence of it. In the intervening period between the sending of the report and the meeting which considers it, the GMCA is prohibited from entering into any new agreement which may involve the incurring of expenditure (at any time) by the GMCA, except in certain limited circumstances where expenditure can be authorised by the Chief Finance Officer. Failure to take appropriate action in response to such a report may lead to the intervention of the External Auditor.

Reasonableness

- 6.8 I have a duty to act reasonably taking into account all relevant considerations and not considering anything which is irrelevant. This Report sets out the proposals from which members can consider the risks and the arrangements for mitigation set out below.

Risks and Mitigation

- 6.9 The Treasurer has examined the major assumptions used within the budget calculations and considers that they are prudent, based on the best information currently available. A risk assessment of the main budget headings has been undertaken and the level of reserves is adequate to cover these.

LEGAL REQUIREMENTS, MAYORAL PRECEPT – GENERAL COMPONENT

- 1.1 The Finance Order sets out the process and the timetable for determining the general component of the precept.

Stage 1

- 1.2 The Mayor must before 1st February notify the GMCA of the Mayor's draft budget in relation to the following financial year.
- 1.3 The draft budget must set out the Mayor's spending and how the Mayor intends to meet the costs of the Mayor's general functions, and must include "the relevant amounts and calculations".
- 1.4 "The relevant amounts and calculations" mean:
- (a) estimates of the amounts to be aggregated in making a calculation under sections 42A, 42B, 47 and 48;
 - (b) estimates of other amounts to be used for the purposes of such a calculation;
 - (c) estimates of such a calculation; or
 - (d) amounts required to be stated in a precept.

Stage 2

- 1.5 The GMCA must review the draft budget and may make a report to the Mayor on the draft.
- 1.6 Any report:
- (a) must set out whether or not the GMCA would approve the draft budget in its current form; and
 - (b) may include recommendations, including recommendations as to the relevant amounts and calculations that should be used for the financial year
- 1.7 The Mayor's draft budget shall be deemed to be approved by the GMCA unless the Combined Authority makes a report to the Mayor before 8th February.

Stage 3

- 1.8 Where the GMCA makes a report under 1.5, it must specify a period of at least 5 working days within which the Mayor may:
- (a) decide whether or not to make any revisions to the draft budget; and
 - (b) notify the GMCA of the reasons for that decision and, where revisions are made, the revised draft budget

Stage 4

- 1.9 When any period specified by GMCA under 1.8 has expired, the GMCA must determine whether to:
- (a) approve the Mayor's draft budget (or revised draft budget, as the case may be), including the statutory calculations; or
 - (b) veto the draft budget (or revised draft budget) and approve the Mayor's draft Budget incorporating GMCA's recommendations contained in the report to the Mayor in 1.5 (including recommendations as to the statutory calculations).
- 1.10 The Mayor's draft budget (or revised draft budget) shall be deemed to be approved unless vetoed within 5 working days beginning with the day after the date on which the period specified in 1.8 expires.
- 1.11 Any decision to veto the Mayor's budget and approve the draft budget incorporating the GMCA's recommendations contained in the report to the Mayor in 1.5 must be decided by a two-thirds majority of the members (or substitute members acting in their place) of the GMCA present and voting on the question at a meeting of the authority (excluding the Mayor).
- 1.12 Immediately after any vote is taken at a meeting to consider a question under 1.9, there must be recorded in the minutes the names of the persons who cast a vote for the decision or against the decision or who abstained from voting.

GREATER MANCHESTER FIRE AND RESCUE SERVICE REVENUE AND CAPITAL BUDGET 2021/22

1. INTRODUCTION

- 1.1 This report sets out the updated Medium Term Financial Plan (MTFP) to 2023/24, updated for pay and price inflation, known cost pressures and agreed savings. The funding supporting the 2021/22 budget represented a one-year settlement from MHCLG, with allocations based on the Spending Review 2020.
- 1.2 The Chancellor announced a one-year Spending Review in November 2020, in relation to the Fire and Rescue Service, the Spending Review announcements covered the following:
- Council Tax referendum limits of 2% for Fire and Rescue Services
 - Compensation of 75% for irrecoverable Council Tax revenue relating to 2020/21 arrears, which would otherwise need funded from budgets in 2021/22
 - Grant funding to compensate GMFRS for loss of 2021/22 precept income resulting from Local Authorities enhancing local Council Tax relief schemes
 - Real terms protection expected with flat cash pensions grant
 - Public sector pay is frozen for one year
- 1.3 The Provisional Local Government Settlement was published in December 2020 and the MTFP has been updated based on this. Final confirmation of the funding position will be confirmed in the Local Government Final Settlement due for late January / early February.
- 1.4 The table below presents the budget requirements incorporating pressures and savings from 2021/22 onwards:

Medium Term Financial Plan	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000
Fire Service	103,570	109,514	106,893	106,400
Pay and price inflation	2,609	212	1,529	1,552
Savings – Prog. for Change and other	-29	-2,857	-1,791	-5,294
Cost – Prog. for Change and other	3,363	24	-231	-22
Cost of service	109,514	106,893	106,400	102,637
Capital Financing Charges	1,687	2,316	3,246	4,324
Transfer to Earmarked Reserve	0	1,349	0	0
Revenue Contribution to capital	4,201	2,700	0	0
Use of Capital Reserves	-4,201	-2,700	0	0
Net Service Budget	111,201	110,558	109,646	106,961
Funded by:				
Localised Business Rates	10,614	10,297	10,297	10,297
Baseline funding	40,250	40,353	40,353	40,353
Section 31 - Business rates related	2,062	2,594	2,594	2,594
Section 31 - Pension related	5,605	5,605	0	0
Precept income (at £66.20 Band D)	50,494	50,041	50,792	50,792
Collection Fund surplus/deficit	220	-5,236	-311	-311
Local Council Tax Support Grant	0	1,349	0	0

	109,245	105,003	103,725	103,725
	2020/21	2021/22	2022/23	2023/24
Shortfall	1,956	5,555	5,921	3,236
due to Pension Increase/Loss of Grant	0	0	5,605	5,605
due to Other Pressures	1,956	5,555	316	-2,369
Funded by:				
Earmarked Reserves	1,956	5,555	204	204
General Reserves/Precept Increase	0	0	5,717	3,032
	1,956	5,555	5,921	3,236

2. REVENUE BUDGET ASSUMPTIONS

Funding

- 2.1 Funding is based on the details from the Provisional Settlement, released in December. The baseline funding has increased by £103k from the 2020/21 position. Localised business rates are assumed at the same level of income as last year, with information from Districts not yet available to determine next year's position at this stage.
- 2.2 For 2019/20 the Home Office confirmed a Section 31 grant of £5.605m million, towards estimated costs for GMFRS of £6.1 million. Payment of this grant in 2020/21 was made on a flat cash basis, and in 2021/22 whilst not yet formally confirmed by the Home Office, informal indications suggest that the grant will again be paid on a flat cash basis.
- 2.3 Precept income has been included at the same rate as 2020/21 - £66.20 per household at Band D equivalent. The forecast Taxbase for 2021/22, i.e. the number of households paying council tax, has seen a decrease when compared to levels assumed in 2020/21, which means that the amounts collected as precept income will fall in 2021/22.
- 2.4 Collection Fund deficit includes the forecast amounts that will be uncollected during 2020/21, impacted by the pandemic with forecasts from GM Districts showing a significant deficit for the year in relation to GMFRS share of £2.913m relating to Business Rates. This deficit can be spread over the next three financial years, which is £971k per year. Within the Spending Review, the Chancellor announced that 75% of irrecoverable 2020/21 Council Tax arrears will be funded by government. Further information is required on how this funding will be allocated and at this stage a sum of £728k has been estimated to be received to offset of the deficit position.
- 2.5 The Spending Review also announced Grant funding to compensate GMFRS for loss of 2021/22 precept income resulting from Local Authorities enhancing local Council Tax relief schemes. The indicative sum for GMFRS is £1.349m, the budget will be updated to reflect this once the final Council Tax baseline position is confirmed by GM Districts at the end of January.
- 2.6 There is no indication at this stage of grants to cover Protection related activities.

Pay and Pensions

- 2.7 Pay and price inflation includes a small element of non-pay inflation plus an increase of £250 per year per employee for those with a salary of less than £24k on the basis of a pay freeze for public sector announced in the Spending Review.
- 2.8 Changes by the Treasury in 2019/20 concerning the discount rate for unfunded public sector pension schemes, have had the effect of increasing employers' contributions from 17.6% to 30.2%, equating to £115 million for English Fire and Rescue Authorities (FRAs). For 2019/20 the Home Office confirmed a Section 31 grant of £5.605m, towards estimated costs for GMFRS of £6.1m. Payment of this grant in 2020/21 was made on a flat cash basis, and in 2021/22 whilst not yet formally confirmed by the Home Office, informal indications suggest that the grant will again be paid on a flat cash basis.

Programme for Change

- 2.9 The GMFRS Programme for Change has undertaken a whole service review and developed a proposed operating model for GMFRS and has affected the GMFRS revenue budget from 2019/20 and onwards. Programme for Change outlined a range of options to deliver savings for GMFRS, alongside investment required to deliver transformational change.
- 2.10 Programme for Change savings included in the MTFP are set out in the table below.

Savings	2021/22	2022/23	2023/24
	£000	£000	£000
Role of the Firefighter - Reduce to 48 Pumps			316
Role of the Firefighter - Station Mergers		1,791	
Role of the Firefighter - Crewing			4,267
Role of the Firefighter - Non-SDS			711
Prevention	1,463		
Total Programme for Change savings	1,463	1,791	5,294
New savings (not Programme for Change)	1,394	0	0
Total savings	2,857	1,791	5,294

- 2.11 In 2021/22, savings of £1.458m were originally identified through Programme for Change, however, alternative savings have been identified to replace those held against pump reductions. Further alternative savings of £1.394 have been identified via a line by line review including the reduction in employee budget as a result of pay award being lower than anticipated in 2020/21. This has resulted in total savings of £2.857m for 2021/22.
- 2.12 Non-recurrent implementation costs of Programme for Change included in the 2020/21 budget are not required in the budget for 2021/22, this has led to a reduced budget requirement of £340k.

3. BUDGET RISKS

3.1. Future budget risks are set out below:

- The anticipated multi-year 2020 Comprehensive Spending Review was deferred in light of the implications of the pandemic, with a one-year Spending Review for 2021/22 in its place. Future funding beyond 2021/22 has not been confirmed.
- Unresolved pay claims for firefighters and Local Government Employees.
- McCloud/Sargeant Remedy – the judgement refers to the Court of Appeal’s ruling that Government’s 2015 public sector pension reforms unlawfully treated existing public sectors differently based upon members’ age. The implications of the remedy are not yet known but are likely to be significant in future years beyond 2021/22.
- Delivery of sufficient savings to meet the requirements of the Medium Term Financial Strategy, and dependent on availability resources to deliver a change programme of this scale.
- Emergency Services Mobile Communications Project (ESMCP) – a national project to procure and replace the Emergency Services Network.
- Any changes required following the Manchester Arena Public Inquiry, Grenfell Inquiry and Hackett Review – an independent Review of Building Regulations and Fire Safety following the Grenfell Fire.
- Any Business Continuity Arrangements that require funding which are not part of the Base Budget.
- As no capital grants are available to FRAs, future schemes in our Capital Programme will be funded by a combination of revenue underspends and borrowing. The costs associated with additional borrowing will have to be met from the Revenue Budget.

Proposed Statutory Charge per District

Transport Statutory Charge 2021/22			
District	Population Mid 2019	%	£
Bolton	287,550	10.14%	8,791,730
Bury	190,990	6.74%	5,839,445
Manchester	552,858	19.50%	16,903,419
Oldham	237,110	8.36%	7,249,546
Rochdale	222,412	7.84%	6,800,161
Salford	258,834	9.13%	7,913,749
Stockport	293,423	10.35%	8,971,294
Tameside	226,493	7.99%	6,924,936
Trafford	237,354	8.37%	7,257,007
Wigan	328,662	11.59%	10,048,713
Total	2,835,686	100.00%	86,700,000

CALCULATION OF AGGREGATE AMOUNTS UNDER SECTION 42A (2) AND (3) OF THE LOCAL GOVERNMENT FINANCE ACT 1992 UPDATED IN THE LOCALISM ACT 2011)

BUDGET SUMMARY 2021/22

Budget Summary 2021/22	Gross Expenditure £000	Gross Income £000	Net Estimate £000
Fire Service Budget	109,316	2,422	106,894
Other Mayoral General Budget	126,747	14,950	111,797
Capital Financing Charges	2,316	0	2,316
Revenue Contribution to Capital Outlay	2,700	0	2,700
Contribution from balances/reserves	1,349	14,994	-13,645
Budget Requirement	242,428	32,366	210,062
Localised Business Rates		10,297	-10,297
Business Rate Baseline		40,353	-40,353
Section 31 Grant - Business Rates		2,594	-2,594
Section 31 Grant - pensions		5,605	-5,605
Transport - Statutory Charge		86,700	-86,700
Collection Fund deficit	6,090		6,090
Local Council Tax Support		1,853	-1,853
Precept requirement	248,518	179,769	68,750

CALCULATION OF TAX BASE

The Tax Base is the aggregate of the Tax Bases calculated by the District Councils in accordance with the Local Authorities (Calculation of Council Tax Base) Regulations 1992. These are currently estimated as:

<u>District</u>	<u>Council Tax Base</u>
Bolton	76,281.0
Bury	53,828.0
Manchester	119,649.3
Oldham	57,200.0
Rochdale	54,637.0
Salford	68,109.0
Stockport	95,945.1
Tameside	61,843.4
Trafford	75,816.0
Wigan	92,600.0
Total	755,908.8

AMOUNTS OF COUNCIL TAX FOR EACH BAND

2021/22	A	B	C	D	E	F	G	H
Costs for Band (including Fire)	£60.63	£70.74	£80.84	£90.95	£111.16	£131.37	£151.58	£181.90

CALCULATION OF BAND D EQUIVALENT TAX RATE

	£
Net expenditure	242,428,067
Less funding	-179,768,580
	62,659,487
Adjusted for estimated surplus(-)/deficit on collection funds	6,090,419
Net budget requirement to be met from Council Tax	68,749,906
Net budgetary requirement	68,749,906
Aggregate tax base	755,908.8
Basic tax amount at Band 'D'	£90.95

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Date: 12 February 2021

Subject: Budget Paper C - GMCA Transport Revenue Budget 2021/22

Report of: Cllr David Molyneux, Portfolio Holder - Resources
Steve Wilson, Treasurer to GMCA

PURPOSE OF REPORT

The report sets out the transport related Greater Manchester Combined Authority (GMCA) budget for 2021/22. The proposed Transport Levy to be approved for 2021/22 is included within the report together with the consequent allocations to the District Councils of Greater Manchester.

RECOMMENDATIONS:

The GMCA is recommended to:

1. Note the issues which are affecting the 2021/22 transport budgets as detailed in the report;
2. Approve the GMCA budget relating to transport functions funded through the levy, as set out in this report for 2021/22;
3. Approve a Transport Levy on the District Councils in 2021/22 of £105.773 million, apportioned on the basis of mid-year population 2019;
4. Approve a Statutory Charge of £86.7 million to District Councils in 2021/22 as set out in Part 4 of the Transport Order, apportioned on the basis of mid-year population 2019;
5. Approve the use of reserves in 2020/21 and 2021/22 as detailed in section 5;
6. Delegate authority to the GMCA Treasurer, in conjunction with the TfGM Finance and Corporate Services Director, to make the necessary adjustments between capital funding and revenue reserves to ensure the correct accounting treatment for the planned revenue spend on the following schemes:
 - GMIP development costs of up to £7 million from the second tranche of the Transforming Cities Fund (TCF2);
 - Mayors Challenge Fund programme costs of up to £1.5 million; and
 - Clean Air Plan Delivery costs of up to £2.2 million

- 7 Note that the funding position on Bus Reform remains as that set out in the report to GMCA on 27 November 2020;
- 8 Endorse the proposal to increase fares by Retail Price Index (RPI) where applicable and the increases proposed to Bus Stop closure charges.

CONTACT OFFICERS:

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Equalities Implications: N/A

Climate Change Impact Assessment and Mitigation Measures: N/A

Risk Management – An assessment of major budget risks faced by the authority are carried out quarterly as part of the reporting process – no risks have been identified in this quarter. For risk management in relation to budget setting, please refer to section 6 of the report.

Legal Considerations – There are no specific legal implications with regards to the 2020/21 budget update, however please refer to section 6 of the report for budget setting considerations.

Financial Consequences – Revenue – The report sets out the proposed budget for 2020/21.

Financial Consequences – Capital – There are no specific capital considerations contained within the report, however the revenue budget contains resources to meet the capital costs of the authority. Changes in the capital programme can affect the budget to meet these costs.

BACKGROUND PAPERS:

Report to Greater Manchester Combined Authority: ‘GMCA Revenue Update 2020/21’ 25 September 2020.

Report to Greater Manchester Combined Authority: ‘GMCA Revenue Update 2020/21’ 27 November 2020.

Report to Greater Manchester Combined Authority: ‘Covid-19 Impact on Bus Franchising Report and Consultation 27 November 2020.

Report to Greater Manchester Combined Authority: ‘Mayoral General Budget and Precept’ 14 February 2020.

Report to Greater Manchester Combined Authority: ‘Transport Revenue Budget’ 14 February 2020.

Report to Greater Manchester Combined Authority: 'GMCA Revenue General Budget' 14 February 2020.

TRACKING/PROCESS		
Does this report relate to a major strategic decision, as set out in the GMCA Constitution		Yes
EXEMPTION FROM CALL IN		
Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?		N/A
GM Transport Committee	Overview & Scrutiny Committee	
N/A	9 th February 2021	

1 INTRODUCTION

- 1.1 The report provides details of the proposed budget, including Mayoral funded functions as they relate to Transport for 2021/22.
- 1.2 The allocation to District Councils in relation to the Transport Levy and Transport Statutory Charge is set out in paragraph 3.5 of the report.
- 1.3 Part 4 of the Transport Order laid before Parliament in April 2019 provides that some £86.7m of funding will be provided to the Mayor by way of a 'statutory charge', in respect of costs that were previously met from the levy.
- 1.4 The Authority's legal obligations and the responsibility of the Treasurer to the Combined Authority are also set out in more detail later in the report.

2 TRANSPORT REVENUE BUDGET 2021/22

- 2.1 The proposed Transport budget for 2021/22 is summarised in the table below:

Transport Budget	Approved Budget 2020/21 £'000	Proposed Budget 2021/22 £'000	Change
Resources Available:			
Transport Levy	105,773	105,773	0
Statutory Charge	86,700	86,700	0
Mayoral General Precept	17,050	17,050	0
Mayoral Capacity Grant	550	0	(550)
Government Grants	20,243	24,693	4,450
External Income	850	850	0
Contrib. from Reserves	10,923	11,360	437
Total Resources	242,089	246,426	4,337
Calls on Resources:			
Gross Grant to TfGM	138,322	138,322	0
TfGM Funded Finance Costs	(13,419)	(13,419)	0
Grant Paid to TfGM	124,903	124,903	0
Other Grants	12,429	11,785	(644)
Scheme Development Costs	500	0	(500)
16-18 Concessionary	16,200	16,200	0
Bus Reform	4,750	4,250	(500)
Care Leavers	550	550	0
GMCA Traffic Signals	3,822	3,822	0
Capital Financing Costs			
- Levy Funded	52,904	52,904	0
- GMCA Funded from Reserves/Revenues	7,108	11,558	4,450
- TfGM Funded from Reserves/Revenues	15,029	16,552	1,523
- TfGM Funded from Efficiencies	2,919	2,927	7
GMCA Corporate Core Costs	975	975	0
Total Call on Resources	242,089	246,426	4,337

2.2 Within Government Grants in the table above is £11.593m of Earnback funding which is budgeted to be used to fund Trafford Metrolink Capital Financing Costs (£11.558m) and the costs of the Cycling and Walking Commissioner (£35k).

3 PROPOSED GMCA TRANSPORT LEVY AND MAYORAL STATUTORY CHARGE 2021/22

3.1 Following the 'Transport Order' which was laid before Parliament in April 2019, the funding for transport functions has now been split between the Transport Levy and a Statutory Charge.

3.2 It is proposed that the Transport Levy for 2021/22 will be set at £105.773m and the Statutory Charge be set at £86.7 million, a total of £192.473m which is unchanged from 2020/21.

3.3 The Transport Levy and Statutory Charge is distributed across the Districts based on mid-year 2019 population. An analysis of amounts payable by each District Council in 2021/22 is shown in the table below.

3.4 As was the case in 2020/21, in addition to the Transport Levy, it is anticipated that earmarked reserves will be utilised to fund a number of other activities. These additional activities are set out in Section 5.

Proposed GMCA Transport Levy and Statutory Charge 2021/22 per District

3.5 The table below details both the Transport Levy and the Statutory Charge per district;

District	2021/22 Transport Levy £000	2021/22 Statutory Charge £000	2021/22 Total Charge £000
Bolton	10,726	8,792	19,518
Bury	7,124	5,839	12,964
Manchester	20,622	16,903	37,525
Oldham	8,844	7,250	16,094
Rochdale	8,296	6,800	15,096
Salford	9,655	7,914	17,568
Stockport	10,945	8,971	19,916
Tameside	8,448	6,925	15,373
Trafford	8,853	7,257	16,110
Wigan	12,259	10,049	22,308
Total	105,773	86,700	192,473

3.6 In addition to the Transport Levy and Statutory Charge, it is anticipated that earmarked reserves and Earnback grant will be utilised to fund certain capital financing costs and other devolution and scheme development related costs for 2021/22.

4 TfGM BUDGET STRATEGY 2020/21

- 4.1 The budget presented relates to the TfGM element of the Transport budgets.
- 4.2 As in previous years there are a number of additional activities that TfGM is delivering on behalf of GMCA and the Mayor. The main activities in this regard along with a forecast of the proposed funding in 2021/22 are set out below.

Bus Reform

- 4.3 A report was presented to GMCA in November 2020 which considered the Covid-19 Impact on the Bus Franchising Assessment which was prepared by TfGM on behalf of the GMCA. That report considered the potential impact and effects of Covid-19 on the bus market in Greater Manchester and how they may affect the key conclusions of the assessment of the proposed bus franchising scheme and the recommendations made that franchising is the best option for reforming the bus market in Greater Manchester.
- 4.4 This report made several recommendations, including that the GMCA agree to undertake a public consultation in respect of the Covid-19 Impact on Bus Franchising Report, between 2 December 2020 and 29 January 2021. The position in relation to the funding for Bus Reform is unchanged from that presented in the November 2020 report.
- 4.5 The Mayoral General Budget includes an estimated sum of £4.250m for the costs of Bus Reform in 2021/22. However, if a decision is taken by the Mayor to introduce bus franchising a further report will be brought to GMCA for approval of the proposed expenditure and funding arrangements to support the implementation of that decision.

Greater Manchester Infrastructure Programme (GMIP)

- 4.6 At its meeting on 29 January 2021, GMCA approved, for adoption and publication, the revised Greater Manchester Transport Strategy 2040 and the final version of the Five-Year Transport Delivery Plan (2021-2026) as a statement of what GM plans to achieve in the next five years through transport investment and reforms, in support of Our Network and the 2040 Transport Vision.
- 4.7 TfGM and the 10 Local Authorities are working to use the interventions identified within the Delivery Plan to continue to develop a pipeline of transport infrastructure to support GM's priorities of sustainable growth as part of the wider GMIP. The programme will cover reviews of prioritisation, approvals and delivery models to ensure that the scheme development activity is focused on effective, value for money delivery of interventions that support GM's placed-based and decarbonisation priorities. In 2021/22, specific transport scheme development activity will focus on responding to the funding opportunities announced in Spending Review 2020, particularly the Intra-City Transport Fund for which government have indicative development funding will be available in 2021/22 and preparing for the multi-year Spending Review expected later this year.

- 4.8 The Budget report presented to GMCA in February 2020 noted a potential investment of £10m in 2020/21 to support the development of GMIP. The priorities for 2020/21 included scheme development for early delivery of infrastructure to support fiscal stimulus objectives; developing solutions that assist in the viability of the Existing Land Surplus element of the GMSF; in formulating GM's response to the Integrated Rail Plan, including HS2 and supporting the delivery of Our Network.
- 4.9 Recognising the pressures on Local Authority funding, it was agreed to progress the work, but rather than funding from retained business rates, it was proposed and agreed to fund the costs from a 'top slice' of up to 10%, which would equate to c. £7 million, from the previously announced £69.7 million of 'Transforming Cities Fund 2' ('TCF2').
- 4.10 The forecast spend for 2020/21 is estimated to outturn at c. £6.3 million. In order to fund the continuation of this work into 2021/22 it is proposed that a further £7 million will be top sliced from the same funding source in 2021/22.
- 4.11 Subject to approval of the proposal above, it is proposed to delegate authority to the GMCA Treasurer, in conjunction with the TfGM Finance and Corporate Services Director, to make the necessary adjustments between capital and revenue reserves to ensure the correct accounting treatment for this planned spend.

Our Pass

- 4.12 The costs of the concession for 16-18s for free travel on bus are funded from the Mayoral budget. The Mayoral General Budget has allowed for extension of the scheme in 2021/22 beyond its initial 2 year pilot period.

TfGM Budget Strategy

- 4.13 The development of the budget strategy for 2021/22 has been subject to discussions with GM local authority Leaders during November and December 2020. It was recognised that the TfGM's budget has been 'managed' within the same funding envelope in recent years by making year on year savings from various incremental ongoing activities. This has been very challenging in the context of the additional activities that TfGM has been requested to deliver, however the 'cash flat' funding position also needs to be considered in the context of the significant funding pressures on the Greater Manchester Authorities, who fund the majority of TfGM's operating budget through the Levy and Statutory Charge.
- 4.14 It was also recognised that the ability for TfGM to continue to make year on year 'incremental' savings to fund ongoing cost pressures over the medium to longer term is limited, in particular in view of the widening range of activities that TfGM has been, and continues to be, requested to deliver.
- 4.15 The development of budget proposals by TfGM with Leaders has included a review of various elements of its service provision and its cost base, including in the context of School Bus services; the provision of Accessible Transport, including the Ring and Ride services; the

delivery of Special Educational Needs transport and reviews of its cost base in the delivery of the services it provides. This work will continue through 2021/22.

Concessionary Support

- 4.16 Since the first lockdown TfGM has, as encouraged by the Department for Transport (DfT), continued to reimburse operators for concessionary reimbursement on the basis of pre-pandemic levels of patronage. The position beyond the current lockdown is currently uncertain as to how long, and to what level, this will need to continue.
- 4.17 For the purposes of the 2021/22 budget therefore it has been assumed that this basis will continue, however discussions will continue with DfT and operators on the ongoing appropriateness of this policy. If any changes to the budget result from this, it will be reported back to GMCA.
- 4.18 A new concessionary travel scheme providing free bus travel for young people aged 16-18 was introduced in 2019/20. The funding for this scheme is part of the Mayoral General Budget as set out at section 4.12 above. It was previously agreed by GMCA that the existing balance on the Concessionary Fares Reserve, which is forecast to remain at c. £7.9 million at 31 March 2021, is retained to fund any risks connected with the 16-18 free bus concession.
- 4.19 'Fixed rate' reimbursement arrangements with the major bus operators are currently in place, all of which expire at 31 March 2021. Discussions are to take place with operators regarding the rates from 1 April 2021, however it is not expected that these will change significantly, if at all, from 1 April given the current circumstances.

Supported Bus Services

- 4.20 In recent years the Supported Services budget has reduced by over 20%. In the main these savings have been delivered from efficiency savings and service reductions rather than service removals. However there have been cuts to some services which have no longer been deemed to represent value for money, in particular in respect to patronage and cost.
- 4.21 Throughout 2020/21 supported services have remained at similar levels to support travel, including for key workers, during the pandemic. However the cost of providing the services is expected to outturn c.£2 million above budget, due to a combination of higher contract costs and lower fares income. These additional net costs have been funded from the delivery of savings in TfGM's wider budget. It is expected that the Supported Services Budget will continue to be under significant pressure during 2021/22 due to a combination of inflationary pressures, lower income and the risk of further commercial de-registrations. Cost pressures have already materialised in procuring contract renewals for April 2021. In addition, currently it has not yet been confirmed whether funding from DfT for lost income, on services where TfGM takes the revenue risk, will continue into 2021/22. Some allowances for these risks have been made in the 2021/22 budget.

- 4.22 During 2020/21 DfT has been providing grant funding to bus operators through its COVID-19 Bus Service Support Grant (CBSSG). This, together with the 'overpayments' on concessionary travel referred at 4.16 above, have offset the substantial reduction in farebox incomes by the bus operators in order for key services to continue. CBSSG funding is currently confirmed by DfT on an ongoing basis subject to an 8 week 'notice period' for its withdrawal, depending on the continuation of social distancing. Supported by this funding bus operators have continued to operate the vast majority of the previously timetabled services. The funding position beyond the current 8 week notice period is currently very uncertain and this represents a significant risk in TfGM's budget for 2021/22.
- 4.23 As noted at 4.15 above, and due to the ongoing wider pressures on TfGM's budgets, during 2021/22 reviews will continue of the delivery of School Bus services; the provision of Accessible Transport, including the Ring and Ride services; and the delivery of Special Educational Needs transport. Where applicable, these reviews will be factored into budget setting for future years.
- 4.24 In February 2020, a £10 annual charge for concessionary pass holders to buy a 'product' to access off peak tram and rail services, was introduced. This was forecast to generate c. £1.25 million of income in a full year and experience to date has been in line with that. Due to the impact of the pandemic, renewal charges for existing product holders are to be deferred for a period, currently until 31 March 2021. To the extent this extends beyond the end of March this will start to impact the 2021/22 budget and, to the extent that there is no external funding available to offset any losses, will mean that additional savings will need to be delivered to compensate for this loss of income.
- 4.25 In 2019/20 the grant to Greater Manchester Accessible Transport Ltd (GMATL) to fund Ring and Ride services increased by £0.3 million to part fund the replacement of up to 31 fleet vehicles which will reach the end of their 'useful economic' life over the next two years. Despite this, significant pressures still existed within the GMATL budget and further efficiency savings have been delivered. In 2020/21, due to the impacts of the pandemic, service reductions have been implemented which have generated a saving in TfGM's budget of c. £0.9 million, due to savings in staff costs and vehicle costs. Due to the ongoing impact of this; and the implementation of a number of efficiency measures, including for example a senior management restructure, it is budgeted that this saving will continue into 2021/22.
- 4.26 In line with recent years, the fares and charges on certain products or services that TfGM sells, including fares on schools' services and Local Link, and Departure Charges, will all be subject to increases in line with inflation, which will be implemented at various dates between April 2021 and January 2022.

Metrolink

- 4.27 As has been reported regularly to GMCA during the year, due to the impact of the pandemic, farebox revenues on Metrolink have been significantly below budget. During the first lockdown in spring 2020 revenues reduced to c. 5% of budgeted levels. After the easing of some restrictions volumes recovered to c. 50% later in 2020, before reducing again to the

current level of c. 15% following the implementation of the current national lockdown. To date, this funding gap has been filled from a combination of efficiency savings where possible and, much more substantially, from a grant from DfT. The grant is currently committed until 31 March 2021 with no funding yet agreed beyond that date.

- 4.28 TfGM has produced a 'Recovery Plan' which sets out the future strategy for the network and the likely requirement for ongoing funding to support its ongoing recovery. The Recovery Plan is currently being considered by DfT and HM Treasury.

Other costs and budget pressures

- 4.29 A number of other budget pressures exist, as follows:
- Costs of supporting the wide and increasing range of additional activities that TfGM has been requested to undertake in recent years;
 - Work to consider the options and potential for future rail reform. No specific allowances have been made for this work in the budget. Any work required, which has been funded by additional budget allowances of up to £0.5 million in previous years, will need to be absorbed into base budgets;
 - Continuing loss of income in a number of areas due to the ongoing impact of the pandemic;
 - Additional COVID-19 related cost pressures, including unfunded project support for GM wide initiatives;
 - Other unfunded project support, including for example Housing Investment Fund and Growth Deal Programme support; and Regional Centre co-ordination;
 - Costs of operating and maintaining an expanding network of traffic signals, with no additional funding for operational costs;
 - Continuing costs required to support the ongoing development of ticketing initiatives. £1.5m is being drawn down from the TfGM Ticketing Reserve to support these costs in 2020/21 and a further drawdown of £1.8 million is proposed in 2021/22 so that the levy is 'protected' from increased required costs in this area; and
 - Impact of inflation on operating costs.
- 4.30 The additional costs and funding pressures on the TfGM budget in 2021/22, including from the matters referred to above, and from increasing pressures on the Supported Bus Services budgets, have added additional cost pressures of c£7.7 million into the base budget for 2021/22. It is proposed that these will need to be offset through the generation of additional savings and efficiencies in operating costs and the generation of additional commercial income. The delivery of savings has been assisted by a voluntary severance programme launched by TfGM late in 2020 and through the launch of the 'Future Ready' programme, which is a programme of work to ensure that TfGM can deliver its outcomes and outputs as effectively and efficiently as possible.
- 4.31 In addition to the key risks referred to in earlier paragraphs above, including in particular the potential withdrawal of DfT funding for Bus and Metrolink services, there are a number of additional risks in a number of other areas impacting the budget including:

- Currently unknown costs for the work connected with completing the development and implementation of plans to address Air Quality. The budget assumption is that these costs will continue to be funded by grants to GMCA from the Joint Air Quality Unit (JAQU); and
- The levels of scheme development funding, in the context of the development aspirations of the Greater Manchester Infrastructure. Despite the £7million of additional funding requested from TCF2 for scheme / pipeline development requested in this report; and the c£50m (to be, but not as yet, allocated across all of the Mayoral Combined Authorities) Intra City Transport Fund (revenue) development funding that was announced in the 2020 Spending Review, there is a risk that this may not be sufficient to develop the pipeline of schemes as quickly as required. This could limit the scale and pace at which these schemes can be developed and place additional cost pressures on TfGM 'core' budgets.

4.32 Considering the above, the proposal is that:

- The Levy will again be subject to a cash 'standstill' for 2021/22, with all cost increases being 'managed' by savings within TfGM's core budgets;
- A proposed release, following approval by GMCA of the prioritisation of TCF2 at its meeting on 29 January 2021 of £7million of funding from TCF2 to fund ongoing Scheme Development costs as part of the development of the Greater Manchester Infrastructure Programme;
- A drawdown of £1.8 million from the Integrated Ticketing Reserve to continue to develop the work around Ticketing initiatives to support recovery
- TfGM fares and departure charges to increase in line with inflation at varying points in 2021/22 as set out in this report; and
- Bus Stop Closure Charges to increase as set out in paragraph 4.42 below.

TfGM Proposed Budget 2021/22

4.33 Based on the proposals above the TfGM budget for 2021/22 would be as follows:

	2020/21 Revised Budget £000	2021/22 Proposed Budget £000	Variance £000
Resources			
Levy allocated to TfGM	36,380	36,380	-
Statutory Charge	86,700	86,700	-
Mayoral General budget	10,250	18,650	8,400
Rail Grant	1,900	1,900	-
Metrolink funding from revenues	10,800	10,800	-
Clean Air Plan JAQU Grants	14,700	6,500	(8,200)
TCF2 funding for GMIP	6,300	7,000	700
Utilisation of other Reserves/Grants	2,100	5,750	3,650
Total Revenue	169,130	173,680	4,550
Call on Resources			
Concessionary Support	70,900	77,900	(7,000)
Supported Services	30,000	32,000	(2,000)
Accessible Transport	3,900	3,900	-
Operational Costs	37,020	40,070	(3,050)
Clean air Plan costs	14,700	6,500	8,200
GMIP development costs	6,300	7,000	(700)
Financing	6,310	6,310	-
Total Expenditure	169,130	173,680	(4,550)
Surplus/Deficit	-	-	-

4.34 There are a number of risks to the proposed budget as noted above, including ongoing impact on costs and revenues from COVID-19; increases in supported bus services costs resulting from price increases and bus service deregistrations; the ability to deliver the expanding range of activities within the same budget envelope; and the ability to deliver the remainder of the savings required to balance the budget.

4.35 The main elements of the proposed budget are considered further below.

Resources

4.36 Following Transport Orders being laid in April 2019, the Mayor was given further powers for transport functions, which in relation to TfGM's activities relates to activities associated with

delivery of Bus related activities. As noted in the Mayoral Budget report an assessment has been made in relation to the cost of those functions and it is proposed that £86.7 million is raised via a statutory charge to District Councils, with a corresponding reduction in the Transport Levy. The total level of funding from the Levy/Statutory Charge is budgeted to be the same in 2021/22 compared to 2020/21.

- 4.37 The Mayoral General budget is also funding other costs in 2021/22 which relate to Mayoral functions and which therefore need to be funded from the Mayoral General budget. This includes the costs associated with updating and delivering the Local Transport Plan (LTP) and the costs of the 16-18 Concessionary Travel Scheme. The LTP costs are budgeted to be £3.55 million which is unchanged from 2020/21.
- 4.38 The funding from the DfT Rail grant in 2021/22 is budgeted to remain at the same level and this has recently been confirmed by DfT.
- 4.39 The funding from Metrolink Revenue/Reserves represents the contribution from Metrolink net revenues which are ring fenced to fund the financing costs which are incurred in GMCA. These net revenues are subject to the ongoing funding position as set out at section 4.27 above.
- 4.40 Utilisation of other reserves/funding relates to the proposed drawdown of funding from TCF2 to fund ongoing GMIP development costs and funding from reserves to fund the costs of Bus Reform in 2021/22. The funding included in the budget for Bus Reform will be further updated following a Mayoral decision on Bus Reform.
- 4.41 The funding from other grants is budgeted to reduce which reflects the profile of expenditure on other grant funded activity, including in particular the costs of activities to develop the Clean Air Plan Full Business Case, which are fully funded by grants from the Joint Air Quality Unit. Of the total costs budgeted to be incurred and funded by JAQU in 2021 of £6.5 million, £2.2 million will be funded from capital grants for JAQU and therefore will need to be subject to a capital revenue 'switch'.

Calls on Resources

- 4.42 The concessionary reimbursement budget includes the cost of the English National Concessionary Travel Scheme (ENCTS) and the local Concessionary scheme, including the pilot 16-18 concessionary travel scheme. The ENCTS is a statutory scheme and TfGM cannot mitigate these costs other than seeking to manage its risk by agreeing multi-year 'fixed price' arrangements where appropriate.
- 4.43 The budget for Supported Services for 2020/21 includes some allowance for inflationary cost increases; further de-registrations and loss of income not supported by additional grant income.
- 4.44 The grant payable to GMATL in the proposed budget will be at the same level as the 2020/21 outturn of c. £3.6 million. The Accessible Transport budget also includes the costs of taxi vouchers which is c. £0.3 million.
- 4.45 Operational costs include the costs of operating and maintaining the TfGM owned bus stations, travel shops and other infrastructure, and the costs of support functions.

- 4.46 The budget includes an assumption that Bus Station Departure Charges will increase in line with RPI, by 1p, from April 2021, which represents an increase of c[1.3% and additional income of up to c£40,000. The additional income will be used to partly offset the increasing costs of operating bus stations.
- 4.47 The budget also assumes that the fees applied to utility companies, commercial contractors and developers when temporarily opening and closing bus stops / shelters are increased from £250 to £270 for the first four stops and that the costs thereafter are increased from £70 to £90 per stop. The costs for 'revisiting' a stop are also assumed to increase from £100 to £120.
- 4.48 As in previous years the budget includes very challenging targets for savings in operational and support costs, including from reducing costs. Efficiencies from collaboration with GMCA and the generation of additional commercial income. These are required in order that TfGM can deliver the additional activities requested by GMCA within a standstill budget. As discussed with the Scrutiny Panel, c. £7.7 million of cost savings will need to be delivered in 2021/22 to manage within the standstill budget proposed.

5 RESERVES

- 5.1 An analysis of the forecast and budgeted movements in transport related reserves for 2019/20 and 2021/22 is set out below:

GMCA Transport Reserves	Actual Balance as at 31-Mar-20	Transfer (in)/out 2020/21	Projected Balance as at 31-Mar-21	Transfer (in)/out 2021/22	Projected Balance as at 31-Mar-22
<u>Earmarked Revenue Reserves</u>					
Capital Programme Reserve - GMCA	(91,700)	3,100	(88,600)	(6,060)	(94,660)
Earnback Revenue - GMCA	(10,000)	-	(10,000)	-	(10,000)
Integrated Ticketing Reserve - GMCA	(12,500)	1,500	(11,000)	1,800	(9,200)
Revenue Grants Unapplied Reserve - GMCA	(14,800)	891	(13,909)	-	(13,909)
Concessionary Fares Reserve - TfGM	(7,900)	-	(7,900)	-	(7,900)
Property Reserve - TfGM	(11,600)	1,500	(10,100)	-	(10,100)
MetroLink Reserve - TfGM	(2,100)	-	(2,100)	-	(2,100)
Joint Road Safety Group Reserve - TfGM	(4,300)	(200)	(4,500)	-	(4,500)
<u>General Revenue Reserves</u>					
General Reserve - TfGM	(5,100)	2,100	(3,000)	-	(3,000)
General Reserve - GMCA	(1,100)	-	(1,100)	-	(1,100)
	(161,100)	8,891	(152,209)	(4,260)	(156,469)

General Reserves

- 5.2 Current good practice states that reserves should be maintained at an appropriate level as determined by a detailed business risk review. The forecast balance on the General Reserve at 31 March 2021 is £4.1 million, which reflects a drawdown of £2.1 million in 2020/21 to fund the costs of voluntary severance.

Capital Programme Reserve

- 5.3 GMCA and TfGM hold certain reserves which are primarily ring-fenced to pay for and manage the risks of delivering their ongoing capital programme. These reserves are revenue reserves and can be used for capital and revenue purposes, including repaying capital and interest on borrowings. TfGM is responsible for delivering a capital programme of public transport investment and infrastructure, which during the period up to 2021 has totalled over £3 billion. The programme includes trebling the size of the Metrolink network, including the Trafford Line extension; the construction of new transport interchanges; the bus priority schemes; rail schemes and the introduction of a smart card to operate across all transport modes. The forecast annual capital expenditure in 2021/22 forecast to be circa £203m.
- 5.4 The current forecast balance on the Capital Programme Reserve at 31 March 2021 is approximately £88.5m. The forecast balance on the Capital Programme Reserve is consistent with the work undertaken in relation to financing costs. There is projected to be significant utilisation of reserves in the next 5-10 years due to combined demands of financing the Capital Programme and costs of future capital scheme development. Specifically for 2021/22 it is anticipated that a net £6m will transfer into the Capital Programme Reserve, to meet future capital financing commitments. The optimum mix of reserves utilisation and borrowings will be determined by the GMCA Treasurer, prior to the closure of the relevant years' accounts.
- 5.5 The long term balance on the Capital Programme Reserve is very sensitive to the ongoing delivery of the planned net revenues from Metrolink and will be under very significant short term pressure if DfT funding for revenues losses during the pandemic is not extended beyond 31 March 2021.

Earnback Revenue Reserve

- 5.8 Earnback reserves are fully ringfenced for the costs of Bus Reform, as referenced in recent presentations on Bus Reform financing.

Integrated Ticketing Reserve

- 5.9 The Integrated Ticketing Reserve had a balance of £12.5m on 31 March 2020. The reserve will be used over a period of time to contribute towards the development and delivery of integrated, including smart, ticketing schemes. Planned use of the reserve is £1.5m in 2020/21 and £1.8m in 2021/22 which would reduce the balance at 31st March 2022 to £9.2m

Revenue Grants Unapplied Reserve

- 5.6 This relates to grants received ahead of expenditure, with the largest grant of £14.2m being in relation to Clean Air plan funding.

Concessionary Fares Reserve

- 5.7 A reserve is held to cover specific costs and manage various risks including:
- costs of fixed deal arrangements with the larger bus operators;
 - forecast costs of reimbursing other operators;
 - costs of renewing existing National Concessionary Travel Passes (cards only valid for five years); these costs were funded by central government when introduced in April 2008; and
 - other costs including concessionary travel data collection and 'smart' related costs, which would otherwise be funded from the Levy;
 - the costs of new, or extensions to, existing concessions, to the extent that they can't be managed within the 'core' budget, including in particular the 16-18 travel concession and Women's Concessionary Travel Scheme.

Property Reserve

- 5.8 The Property Reserve has been generated from the disposal of a number of historic surplus assets and is being used to fund the depreciation costs of the TfGM Head Office. The remaining balance will be applied to match the depreciation charges.

Metrolink Reserves

- 5.9 TfGM Metrolink reserves relates largely to historic reserves which have been retained for specific purposes. The balance will be used, to fund the capital financing costs for the capital programme, in line with the approved financial strategy.

Joint Road Safety Group Reserve

- 5.10 The Greater Manchester Joint Road Safety Group operates as part of TfGM. The forecast and budgeted movements represent the net income generated from the delivery of driver improvement training offset by the cost of investments in road safety schemes.

6. LEGAL ISSUES

- 6.1 In coming to decisions in relation to the revenue budget the Authority has various legal and fiduciary duties. The amount of the transport levy and statutory charge must be sufficient to meet the Authority's legal and financial commitments, ensure the proper discharge of its statutory duties and lead to a balanced budget.
- 6.2 In exercising its fiduciary duty the Authority should be satisfied that the proposals put forward are a prudent use of the Authority's resources in both the short and long term and that they

are acting in good faith for the benefit of the community whilst complying with all statutory duties.

Duties of the Treasurer (Chief Finance Officer)

- 6.3 The Local Government Finance Act 2003 requires the Chief Finance Officer to report to the Authority on the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. The Authority has a statutory duty to have regard to the CFOs report when making decisions about the calculations.
- 6.4 Section 28 of the Local Government Act 2003 imposes a statutory duty on the Authority to monitor during the financial year its expenditure and income against the budget calculations. If the monitoring establishes that the budgetary situation has deteriorated, the Authority must take such action as it considers necessary to deal with the situation. This might include, for instance, action to reduce spending in the rest of the year, or to increase income, or to finance the shortfall from reserves.
- 6.5 Under Section 114 of the Local Government Finance Act 1988, where it appears to the Chief Finance Officer that the expenditure of the GMCA incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure, the Chief Finance Officer has a duty to make a report to the Authority.
- 6.6 The report must be sent to the Authority's External Auditor and every member of the Authority and the Authority must consider the report within 21 days at a meeting where it must decide whether it agrees or disagrees with the views contained in the report and what action (if any) it proposes to take in consequence of it. In the intervening period between the sending of the report and the meeting which considers it, the authority is prohibited from entering into any new agreement which may involve the incurring of expenditure (at any time) by the authority, except in certain limited circumstances where expenditure can be authorised by the Chief Finance Officer. Failure to take appropriate action in response to such a report may lead to the intervention of the Authority's Auditor.

Reasonableness

- 6.7 The Authority has a duty to act reasonably taking into account all relevant considerations and not considering anything which is irrelevant. This Report sets out the proposals from which members can consider the risks and the arrangements for mitigation set out below.

Risks and Mitigation

- 6.8 The Treasurer has examined the major assumptions used within the budget calculations and considers that they are prudent, based on the best information currently available. A risk assessment of the main budget headings for which the GMCA will be responsible has been undertaken and the key risk identified are as follows;

- 6.9 The pandemic has had a significant impact on the finances of TfGM. This includes, in particular, on passenger revenue from Metrolink, which was significantly adversely impacted during the first national lockdown and continues to be materially below budgeted levels. As a consequence, and alongside exploring all opportunities to minimise its expenditure, TfGM has worked with the Department for Transport (DfT) to secure financial support to alleviate the financial impact of Covid-19 on TfGM. TfGM has received support through 'Covid-19 Light Rail Revenue Grant' which, to date, is providing funding for the period to 31 March 2021 and which has largely mitigated the shortfalls in net revenues over this period. Discussions are ongoing in relation to further funding beyond the end of this period however, to date, no firm commitment has been made.
- 6.10 TfGM has also suffered reduced levels of income and additional costs in other areas of activity, including loss of bus service related incomes and loss of commercial revenues. Government support has been received to alleviate the loss of revenues for the period to 31 March 2021, and whilst there was a commitment in the Spending Review to continue funding in 2021/22 for bus services, the position beyond 31 March 2021 remains uncertain.
- 6.11 A downside case scenario would be no DfT grant from 1st April 2021 and 25% of pre-pandemic revenues for the period April 2021 to January 2022 and 50% from February 2022 to July 2022. This would lead to a TfGM negative reserve position of £55m, which could be met from the GMCA Capital Financing Reserve. The reserves would need to be replenished from revenue funding in future years or a re-financing of the debt for Metrolink to manage the long term impact.
- 6.12 For anticipated borrowings current market interest rate forecasts have been used. While these costs have been budgeted, there remains a risk that until the costs are fixed actual costs may exceed budget. This risk is mitigated by the specific Capital Programme Reserve.
- 6.13 The budgets for 2021/22 include potential pressure areas, particularly within the TfGM controlled budgets. The budgets are however considered achievable and will be monitored against budget on a regular basis.
- 6.14 The complex nature of the significant capital developments being undertaken to enhance and extend the transport network is another key risk area. Whilst these projects and programmes are subject to rigorous management and governance arrangements and each contains an appropriate level of risk allowance and contingency, there remains an inherent financial risk with any project or programme of this size.

7. **RECOMMENDATIONS**

- 7.1 Detailed recommendations appear at the front of this report.

Date: 12 February 2021

Subject: Budget Paper D - GMCA Revenue General Budget 2021/22

Report of: Cllr David Molineux, Portfolio Holder - Resources
Steve Wilson, Treasurer to GMCA

PURPOSE OF REPORT

The report sets out the Greater Manchester Combined Authority (GMCA) General budget for 2021/22. The proposed District Council contributions to be approved for 2021/22 of £8.603m are included within the report together with the consequent allocations to the District Councils. This is a reduction of £437k on the contribution for 2020/21.

RECOMMENDATIONS:

The GMCA is requested to:

1. Approve the budget relating to the Greater Manchester Combined Authority functions excluding transport and waste in 2021/22 as set out in section 2 of this report;
2. Approve District Contributions of £8.603 million as set out in section 3 of this report;
3. Approve the use of reserves as set out in section 4 of the report;

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Equalities Implications: N/A

Climate Change Impact Assessment and Mitigation Measures: N/A

Risk Management – An assessment of the potential budget risks faced by the authority are carried out quarterly as part of the monitoring process. Specific risks and considerations for the budget 2020/21 are noted in section 4 of the report.

Legal Considerations – See section 4 of the report.

Financial Consequences – Revenue – The report sets out the planned budget strategy for 2020/21.

Financial Consequences – Capital – There are no specific capital considerations contained within the report.

Number of attachments to the report: 0

Comments/recommendations from Overview & Scrutiny Committee

BACKGROUND PAPERS:

Report to Greater Manchester Combined Authority: Revenue Update 2020/21 - 27 November 2020.

Report to Greater Manchester Combined Authority: Revenue Update 2020/21 - 25 September 2020.

Report to Greater Manchester Combined Authority: GMCA General Budget 2020/21 - 14 February 2020.

TRACKING/PROCESS		
Does this report relate to a major strategic decision, as set out in the GMCA Constitution		Yes
EXEMPTION FROM CALL IN		
Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?		
GM Transport Committee	Overview & Scrutiny Committee	
	9th February 2021	

1. INTRODUCTION AND BACKGROUND

- 1.1 This report provides details of the proposed Greater Manchester Combined Authority (GMCA) Revenue General budget for 2021/22. This budget includes all services and functions and reflects the organisation structure implemented in early 2020 and the key funding sources which support the activities of the combined authority (CA). The budgets for Mayoral activities including Fire and Police, Transport and Waste services are reported separately.
- 1.2 The proposed 2021/22 GMCA General budget reflects the outcome of the Spending Review 2020 and the impact of the Covid-19 pandemic on resources available to the CA. Financial strains and pressures arising from the pandemic will be a reality that the GMCA, along with all other public agencies, will be faced with for this year and many following. Settlements from Government for the coming years are likely to be lower than previous years, and less likely to be multiyear settlements than we have seen previously. The GMCA will achieve a balanced budget for the year ahead, and will ensure activities achieve value for money, add value and drive progress against priorities, supporting Greater Manchester within the current and future context of a more challenging financial envelope.
- 1.3 During 2020/21 a review of GMCA core budgets and reserves enabled the authority to release non-recurrent resources of £4.7m to provide additional support during the pandemic. For 2021/22 the CA has identified savings of £1.568m of which £437k will be deducted from District Contributions in 2021/22 and £1.132m will be applied to meet spending pressures and priority developments within the CA.
- 1.4 GM local authorities retain an element of business rates (BR) under the existing 100% BR retention pilot scheme as part of the Greater Manchester devolution agreement. The GMCA general budget for 2020/21 was approved on the basis of GMCA having available £35m (50% share) of retained BR for 2020/21, together with existing BR reserves to support investment into GM priorities.
- 1.5 During 2020 there was a need to review planned activities and re-prioritise the use of the retained BR resource to meet the financial challenges for GM brought by the pandemic. This resulted in the £35m BR retention anticipated in the 2020/21 budget being removed and a return of £16.7m of the existing BR reserve to GM local authorities. The 2021/22 budget reflects the decisions made by the GMCA at the meeting on 27th November 2020 on use of planned investment of the remaining BR reserve held by GMCA.
- 1.6 The charges to Districts in relation to the GMCA General budget are set out in section 3 and Appendix 2 to the report. The reserves are detailed within section 4 of the report including planned utilisation in 2020/21 and 2021/22. The Authority's legal obligations and the responsibility of the Treasurer to the Combined Authority (CA) are also set out in section 5 of the report.

2. PROPOSED BUDGET 2021/22

2.1 The proposed budget for 2021/22 in relation to the GMCA Revenue General budget is summarised in the table below. A detailed breakdown of the budget is provided in Appendix 1:

GMCA General Budget	2020/21 Approved Budget	2021/22 Proposed Budget	Budgeted FTEs
	£'000	£'000	
Expenditure			
GMCA Corporate	19,303	20,706	272.6
Work and Skills	117,498	140,406	74.0
Economy	20,306	18,763	11.9
Environment	2,678	2,697	21.5
Place Making	15,863	14,005	57.0
Public Service Reform	25,235	21,993	20.5
Digital	4,432	1,674	20.3
Other	3,800	3,800	
Total Expenditure	209,115	224,044	477.8
Government Grants	139,725	153,046	
District Contributions	9,040	8,603	
Internal Recharge of GMCA Running Costs	16,380	17,000	
Earmarked reserves - Business Rates	18,111	24,569	
Earmarked Reserves - Other	12,409	7,104	
Other Income	13,450	13,721	
Total Resources	209,115	224,044	

GMCA Corporate

2.2 The proposed GMCA Corporate budgets for 2021/22 totals £20.706m and relates to support for the whole of GMCA including GMFRS, PCC and Waste. The Corporate functions include services such as ICT, HR, Finance, Audit and Procurement, Legal and Governance. Funding of GMCA corporate functions is predominantly from recharges within the GMCA and to grants, external funding and district contributions.

2.3 The proposed budget for 2021/22 reflects savings identified and funding from within GMCA to meet cost pressures of £1.132m in relation to:

- New requirements for information governance, systems development, ICT services and health and safety (£593k);
- Ending of funding from the GM Health and Social Care Transformation Fund (£289k);
- Changes in the planned use of retained Business Rates (£57k) and

- Investment in capacity to support GM priorities, including the influencing the outcome of the Comprehensive Spending Review (£193k).

2.3 The GMCA Corporate budgets have been reviewed to deliver savings to reduce the contribution made from Districts in 2021/22 by £437k. This has included savings from service redesigns in HR and Finance, Audit and Procurement and reduction of two senior posts in Research and Economy together with other workforce efficiencies.

Digital

2.4 The GM Digital team is committed to delivering on the GM Digital Strategy through a three year approach set out in the GM Digital Blueprint. Activities to deliver on the blueprint have been shaped by the process of developing the one year GM Covid Resilience plan, and will help reach the shared ambition that underpins and enables both the Local Industrial Strategy and the Greater Manchester Strategy.

2.5 GM Digital collaborates across the GM digital system which includes industry, universities, health, Voluntary, Community and Social Enterprise (VCSE) sector to create opportunities, maximise outcomes and generate inward investment. A comprehensive approach to communications and stakeholder engagement supports all the work in the GM Digital Portfolio, ensuring that the successes delivered by the GM Digital Team are shared with on a local, national and global platform.

2.6 The priorities for 2021/2022 include:

- Smart GM Places: A range of initiatives which build and leverage GM Digital infrastructure, technical capability and data to enable innovative public services and empower GM citizens and businesses to live successfully, safely and sustainably. Key programmes include Full Fibre Network and One Network for public services as well as a number projects using the Internet of Things and data led innovation to create Smart GM Places.
- GM Digital Inclusion: Agenda for Change: This vision for 100% Digital Inclusion in GM will be delivered in collaboration with Industry, localities and VCSE sector by innovating to reduce inequality of digital access and opportunity. Working towards full digital inclusion in Greater Manchester key areas of work include the enabling businesses to get online and the provision of access to devices, connectivity and digital skills for citizens and businesses.
- Cyber and Digital Security: A unique, world leading set of collaborative arrangements, establishments, events and projects to support the assurance of safe and secure digital, data and Artificial Intelligence in GM and catalyse inward investment and the creation of employment opportunities. Key projects include the Cyber Security and Trust Catapult, the Cyber Talent Pipeline and the Cyber and Digital Security Innovation Hub.
- GM Digital Platform: An extensive programme of projects to develop technical architecture and a range of use cases which re-use the technical capabilities of GM Digital Platform. Key activities include the deployment of digitised Early Years support across GM, continued digital support to the Covid response through the Community

Hub Application and Contact Track and Trace and the support for assessing and implementing digital public services across GM and in support of place based working.

- 2.7 The proposed 2021/22 budgets for Digital is £1.674m, this includes the key programmes of GM Connect, GM Digital Strategy and Local Full Fibre Network. Of this £1.420m is funded from the retained Business Rates reserve and £254k from reserves and other income.

Economy

- 2.8 Economy supports a variety of economic and business policy related priorities focusing on four key areas:
- Shaping the Economic Vision for GM, working with National Government, partners and stakeholders to influence and align economic priorities and maximise investment across GM;
 - Delivery of the GM Local Industrial Strategy, coordinating cross cutting priorities with partners, delivering specific projects, commissioning programmes, developing business cases and contributing to effective fund management;
 - Analysing and advising on the economic trends of today and tomorrow, led by the evidence, promoting debate and developing new ideas with stakeholders and partners;
 - Supporting portfolio holders and leaders, the GM Local Enterprise Partnership, and other stakeholders to make decisions effectively and appropriately.
- 2.9 The Economy portfolio leads key groups including the Growth Board, Local Industrial Strategy Programme Delivery Executive, GM Economic Resilience Group and GM LEP and has led on the recent CSR submission, bringing together voices and ideas from across the organisation and wider GM system to present an integrated and strategic set of priorities. The implementation of the Local Industrial Strategy is also system wide, with actions delivered by Digital, Education, Work and Skills, Environment, Research and Place Making portfolios as well as partners such as the Growth Company and TfGM.
- 2.10 The priorities for 2021/2022 include:
- Continuing to understand and respond to the impacts of Covid-19 on the Greater Manchester economy;
 - Developing and driving a new model for innovation - 'Innovation GM';
 - Implementing the Leadership and Management programme;
 - Delivering Year 2 of the Local Industrial Strategy Implementation Plan, as well as engaging and influencing the new national Industrial Strategy;
 - Continuing to drive GM's priorities through major fiscal events including the Spring Statement and any further Spending Reviews as well as the forthcoming Devolution White Paper;
 - Delivery of the Made Smarter Pilot and its potential extension.
- 2.11 The proposed 2021/22 budget for Economy is £18.763m, of which £12.199m relates to the GM Productivity Programme and £3.505m to the GM Local Industrial Strategy. Both programmes are funded from the retained Business Rates reserve. The budget includes

£1.596m of District contributions which largely relates to the budgets for Marketing Manchester and MIDAS.

Environment

- 2.12 Environment is the lead for the implementation of the GM Five Year Environment Plan and delivering housing and public retrofit programmes as part of green economic recovery and progressing the environment plan to continue to reduce carbon emissions and create an improved, more resilient natural environment for socially distanced recreation. The priorities for 2021/22 are as follows:
- Bid for and deliver Green Homes Grant Funding to support retrofit and fuel poverty alleviation;
 - Bid for and support District delivery of Public Sector Decarbonisation Scheme;
 - Undertake research (Carbon Neutral Homes Retrofit) and develop a Retrofit Accelerator;
 - Work with Department for Business, Energy and Industrial Strategy (BEIS) to develop outline business cases for the decarbonisation of heat across sectors;
 - Develop business models for increased investment in managing new and existing parks and green infrastructure, through IGNITION;
 - Promoting the natural environment with local authorities and partners through a common communications strategy and approach;
 - Develop a Local Nature Recovery Strategy to support prioritisation of actions to enhance GM's natural environment for the benefit of biodiversity and people;
 - Deliver a Local Energy Market design and 10 District Plans, identify opportunities for investment;
 - Continue to implement of the Five-Year Environment Plan, with partners, to address wider low carbon, SCP and natural environment priorities.
- 2.13 The proposed 2021/22 budget for Environment is £2.697m which is predominantly funded from government grants and external income totaling £2.267m supported by a small amount of Business Rates reserve, internal recharge and District contributions to support delivery of the priorities set out above.

Place making

- 2.14 Place making focusses on the development of individual places and all the elements that support prosperous and vibrant places in which GM residents can grow up, live and grow old. This has brought together Housing and Planning, Land and Property, Culture, Delivery and Infrastructure teams, each of which has a vital role to play in place development. The priorities for 2021/22 are:
- Completion of consultation and adoption of the GM Spatial Framework (GMSF), GM's plan for Home, Jobs and the environment;
 - Continued development of the GM Infrastructure Programme to enable the delivery of developments set out in the GMSF;
 - Implementation of Culture Recovery Plan and Night Time Economy Blueprint – developing approaches to support the wider culture sector that enable them, as far as

possible, to adapt and survive during the current pandemic and lobby for funding for those in the sector that miss out on the national support packages;

- Provision of funding to build new assets under both the Getting Building Fund and Brownfield Housing Fund – ensuring prioritised projects receive the necessary grant funding to start construction, creating jobs that will support the economy in the short term and the platform for business and homes in the longer term, crucial for the recovery from the pandemic; and
- Progressing GM bids for national funding pots (One Public Estate, Public Sector Building Decarbonisation and Social Housing Retrofit) – supporting development of plans that underpin town centre regeneration, unlocking the value of the Public Estate and accessing the funding required to reduce carbon emissions from the built environment.

2.15 The proposed 2021/22 budget for Place Making is £14.005m which includes the Cultural and Social Impact Fund of £4.308m funded by District contributions and Business Rates reserve, Business Investment of £6.374m funded from loan interest and fees and Spatial Development Framework £1.045m funded from the Housing Investment Fund reserve.

2.16 On 31st July 2020 the GMCA approved the authority entering into Brownfield Land Fund Agreement with MHCLG for £81m over a five year period. Subsequently GMCA has received allocation of £1.943m in revenue grant funding to support activity related to the delivery of the Brownfield Housing Fund. The funding will be need to be utilised by 31st March 2022 for the administration of the capital grant and accelerating the delivery of Brownfield Housing sites.

Public Service Reform

2.17 Public Service Reform supports reform, innovation and social policy development across GM with the overarching objective of addressing inequality and improving outcomes for all residents across the city-region. It is made up of a number of thematic strands with lead responsibilities that include Early Years, Children and Young People, Troubled Families, Homelessness and Rough Sleeping; Asylum and Refugees, Armed Forces and Veterans, Gambling Harm Reduction and the GM Ageing Hub. The service performs a cross-cutting role across GM in collaboration with localities, other public service organisations and the voluntary, community and social enterprise (VCSE) sector to drive the implementation of unified public services for the people of Greater Manchester. The key priority for 2021/22 will be to support the delivery of the GM Living with Covid plan.

2.18 The proposed 2021/22 budget for Public Service Reform is £21.993m, this includes:

2.19 A Bed Every Night (ABEN) of £6.124m funded from Mayoral Precept, non-recurrent external contributions and MHCLG Rough Sleeper Initiative bid. ABEN has developed from a winter programme to a year round commitment that is critical to ensuring that there is accommodation available to anyone who is rough sleeping. During 2020/21 GMCA has been working with local authorities to develop a sustainable funding model to reduce reliance on non-recurrent funding by maximising the use of Housing Benefit welfare

contributions and more formal alignment with the Rough Sleeper Initiative. In 2021/22 there will be a small realisation of this, with further changes planned for 2022/23.

- 2.20 A continuation of the Troubled Families programme which had been due to end in March 2021 was confirmed as part of the 2020 Spending Review. This includes expected grant funding of £10.772m for 2021/22 which will provide continuation of funding to GM local authorities. District contributions, reserves and internal recharges support the costs of School Readiness, GM Gambling and other reform programmes.
- 2.21 Greater Manchester Housing First three year pilot commenced in 2019/20 with the aim of rehousing more than 400 people who are homeless or at risk of being homeless across Greater Manchester. There is planned spend of MHCLG funding held in reserve of £3.155m in 2021/22 which relates to grant payments to housing providers working in partnership across GM.

Education, Work and Skills

- 2.22 Education, Skills & Work works in partnership with local authorities, partners and businesses to deliver and performance manage programmes that support people to enter, progress and remain in work. Priorities include:
- Helping young people to fulfil their potential
 - Capitalising on high-growth sectors
 - Tackle inequalities and delivers inclusive growth
 - Maintaining quality and consistency in GM approach;
 - Providing system leadership, challenge and support
- 2.23 The proposed 2021/22 budget support the priorities above and includes funding for the following programmes:
- The Adult Education Budget of £93.8m devolved to GM to support the city-region's residents to develop skills needed for life and work;
 - European Social Fund (ESF) Skills for Growth Programme of £16.2m, part of £40m over three years to support business growth and deliver an integrated approach to employment and skills;
 - Working Well services to support people experiencing or at risk of long term unemployment, this includes the Work and Health Programme of £8.6m, Job Entry Targeted Support (JETS) programme of £9.1m and Early Help Programme of £2.2m;
 - Future Workforce Fund of £2.2m to focus on supporting the most disadvantaged young people, providing a targeted, flexible and personalized pathway;
 - Self-Employment Pilot of £4m to support GM self-employed residents to sustain and grow their business.

Greater Manchester Mayoral Election

- 2.24 The postponed GM Mayoral election is scheduled to place in May 2021. Whilst some costs will be shared due to local elections taking place, it is anticipated that a budget of at least £3.8m will be required in 2021/22. The authority will continue to lobby government for

financial support on the basis that Police and Crime Commissioner Elections are centrally funded by the Home Office.

3. BASIS OF APPORTIONMENT OF COSTS TO DISTRICTS

3.1 Constituent Councils have to meet the GMCA's costs which are reasonably attributable to the exercise of its functions. The amount payable by each Council is determined by apportioning the costs between the Councils in such proportions as they (unanimously) agree or, in default of such agreement, in proportion to the resident population. The 2011 Order provides flexibility to deal with the apportionment of costs in respect of the functions. Appendix 2 details the apportionment of costs across the Districts.

3.2 The basis of apportioning historic MIDAS and Marketing Manchester budgets between Districts is set out below:

- MIDAS recharge of £1.023m – 84% of the funding is split equally between each District with the remaining 16% being split on a population basis.
- Marketing Manchester recharge of £350k - 80% of the funding is split 35% Manchester City Council and the remaining 65% split equally between the other nine Districts, the remaining 20% of the total funding is split on a population basis.
- Additional funding for both MIDAS and Marketing Manchester has been approved by GMCA to be met from retained business rates.

3.3 The Cultural and Social Impact Fund of £3.3m is unchanged from 2020/21 and is allocated on the basis of population.

3.4 The remaining functions are apportioned to Districts on a population basis. For 2021/22 a reduction of 10% (£436.5k) is proposed as part of this budget which results in a charge of £3.930m.

3.5 The proposed charge to each District is detailed in Appendix 2 and summarised in the table below:

District	2020/21	2021/22
	£000	£000
Bolton	908	863
Bury	650	609
Manchester	1,692	1,639
Oldham	773	730
Rochdale	730	692
Salford	824	787
Stockport	925	878
Tameside	745	702
Trafford	775	731
Wigan	1,018	971
Total	9,040	8,603

4. RESERVES

4.1 An analysis of the forecast and budgeted movements in reserves for 2020/21 and 2021/22 is set out below:

GMCA General Reserves and Balances	Closing Balances 31 Mar 2020	Planned use in 2020/21 Trf (in)/out	Projected Balance 31 Mar 2021	Planned use in 2021/22 Trf (in)/out	Projected Balance 31 Mar 2022
	£000s	£000s	£000s	£000s	£000s
General Reserve	(4,245)	0	(4,245)		(4,245)
Earmarked Reserves					
Growing Places Revenue Grant	(1,554)		(1,554)		(1,554)
Youth Contract	(2,245)	1,446	(799)		(799)
LEP Strategic Plans Funding (LEP)	(562)	288	(274)	173	(101)
City Deal	(1,560)	380	(1,180)	1,168	(12)
One Public Estate	(531)	531	0		0
Social Impact Bond	(197)		(197)		(197)
GM Housing First	(426)	(2,752)	(3,178)	3,145	(33)
Public Service Reform	(6,739)	2101	(4,638)	470	(4,168)
Core Investment Interest & Arrangement Fees	(10,121)		(10,121)		(10,121)
Regional Growth Fund Deposit Interest	(113)		(113)		(113)
Creative Scale Up Project	(1,300)	460	(840)	97	(743)
Business Rates Top Up Grant	(37,128)	263	(36,865)	(2,634)	(39,499)
Business Growth Hub	(323)		(323)		(323)
Business Rates Growth Pilot & Levy	(87,978)	61,372	(26,606)	24,569	(2,037)
GM Connect	(880)	206	(674)	171	(503)
Accommodation Reserve	(700)	700	0		0
Planning & Delivery Fund	(544)	222	(322)	55	(267)
Working Well-Care and Support	(759)		(759)	492	(267)
Other Earmarked Reserves	(1,169)	334	(835)	332	(503)
Total Earmarked Reserves	(154,829)	65,551	(89,278)	28,039	(61,239)
TOTAL	(159,074)	65,551	(93,523)	28,039	(65,484)

4.2 Further information on the reserves is provided in the following paragraphs.

Growing Places Revenue Grant

4.3 The GMCA was allocated one-off revenue funding of £2.828m to fund costs associated with the administration of the Growing Places Fund (Capital) Grant. This has been previously used to support activity within the Core Investment and Low Carbon Investment teams.

Youth Contract

4.4 Greater Manchester was awarded £5.8 million by DWP to test a delivery model for supporting young people that are long term unemployed. As at 1 April 2020 there was

£2.245m of funding left and during 2020/21 there is planned spend of £1.446m with agreed use going forward, most notably a contribution towards the Work and Health programme.

LEP Funding

- 4.5 The balance on 1 April 2020 was £562k with a planned use of £288k in 2020/21 and £173k in 2021/22. The LEP board has approved its use for a variety of projects including a contribution towards the Local Industrial Strategy.

City Deal

- 4.6 A plan for the use of these funds has been approved by the GMCA. The balance on 1 April 2020 was £1.560m with an anticipated use of £380k in 2020/21 and further £1.168m in 2021/22.

One Public Estate

- 4.7 Various tranches of One Public Estate grant have been awarded with a multi themed programme of works in place. Whilst the grant is fully committed, draw down has been slower than anticipated. It is expected that the balance will be fully utilised by March 2021.

GM Housing First

- 4.8 Greater Manchester Housing First three year pilot commenced in 2019/20. There is planned spend of MHCLG funding held in reserve during 2020/21 and 2021/22.

Public Service Reform

- 4.9 Grants received from a variety of sources make up this reserve such as Troubled Families and Life Chances grants. The balance of the reserves on 1 April 2020 was £6.739m with anticipated £2.101m call against the reserve in 2020/21, including £1.420m for the 'Everyone In' scheme earlier in 2020/21. It is anticipated that £470k will be applied in 2021/22, with the full reserve being applied against future commitments.

Core Investment - Interest & Arrangement Fees

- 4.10 Income is paid to the Authority for interest on loans and arrangement fees earned through the facilitation of loan agreements. The income will be utilised either through reinvestment in loans or in support of the Core Investment Team and the administration of the loans. Loan interest earned on RGF projects must be ring-fenced for RGF related schemes. The balance at 1 April 2020 was £10.121m.

Regional Growth Fund (RGF) Deposit Interest

- 4.11 It is a condition of the RGF funding the any interest earned on unspent balances is ring-fenced to RGF related schemes and recycled into funds available, there was a small balance of £113k at 1 April 2020. It is not currently confirmed when the income will be drawn down,

however once cash flow estimates have been confirmed for the use of the recycled funds, the reserves position will be updated.

Creative Scale Up Pilot

- 4.12 The Creative Scale up pilot is a £1.3 million scheme to specifically generate business growth within the creative sector. The scheme is now underway with plans to utilize £460k in 2020/21 and further £97k in 2021/22.

Business Rates Top-Up Grant – Revenue

- 4.13 The GMCA currently receives revenue funding that is used to support capital spend on Highways and the Local Transport Plan of c£43m annually. The capital financing budget which funds the Capital Programme has a planned revenue contribution from this reserve of £27.5m in 2020/21 and £30m in 2021/22.
- 4.14 This funding also enables flexibility to support the revenue element of capital schemes. For the 2020/21 and 2021/22 approval has been sought to delegate authority to the GMCA Treasurer to make the necessary adjustments between capital funding and revenue reserves to ensure the correct accounting treatment for the planned revenue spend on the following schemes:
- #SafeStreetsSaveLives £4m of revenue spend from MCF as detailed in Capital Update 2020/21 report to GMCA on 27th November 2020;
 - Greater Manchester Infrastructure Programme (GMIP) development costs of up to £6.3m in 2020/21 and £7m in 2021/22 as recommended in reports to GMCA on 12th February 2021;
 - Mayors Challenge Fund (MCF) delivery costs of up to £1.5 million in 2020/21 and £1.5m in 2021/22 as recommended in reports to GMCA on 12th February 2021;
 - Clean Air Delivery cost of £4.3m in 2020/21 and £2.2m in 2021/22 as recommended in reports to GMCA on 12th February 2021

Business Growth Hub

- 4.15 Following the introduction of the Productivity Fund in 2018/19, a small balance of funds from the original Business Growth Hub funding is left due to cross over activity between the two programmes. It is forecast that £323k will be in reserves as at 31 March 2021.

Business Rate Pool and Growth Retention Scheme

- 4.14 This reserve had a balance of £87.978 at 1 April 2020, of this £20m was returned to Districts early in 2020/21 as previously agreed. As referenced in paragraph 1.5 above, during 2020/21 there has been a review of existing commitments and new proposals for use of the current reserve agreed with GMCA on 27th November 2020. This planned spend, together with a further return of £16.7m to Districts leaves a projected balance at 31 March 2021 of £26.606m and at 31 March 2022 of £2.037m.

GM Connect

- 4.15 Funding was received from the Transformation Challenge award for the GM Connect team. The balance as at 1 April 2020 was £0.880m with a further draw down of £206k expected with 2020/21 and £171k in 2021/22.

Accommodation

- 4.16 A total of £0.75 million was set aside to fund the fit-out of the additional space at Churchgate House. £0.05 million was utilised in 2018/19 with an anticipated call of £0.7m in 2020/21.

Planning and Delivery Fund

- 4.17 The Authority received this grant late in 2017/18 and the balance at 1 April 2020 was £0.544m. There is planned spend of £222k in 2020/21 and £55k in 2021/22.

Working Well – Care and Support

- 4.18 The Working Well – Care and Support scheme has a variety of funds attached to it and a balance of £0.759m at 1 April 2020. Due to the timing and use of other available funds, it is envisaged that the £492k be used in 2021/22.

Other Earmarked Reserves

- 4.17 A number of grants have been awarded to the Authority for Skills, Low Carbon and Ageing Better activity which has been transferred to earmarked reserve to align with the planned spend over the medium term.

General GMCA Reserve

- 4.18 The GMCA general reserve is funded through contributions from the GMCA revenue account either planned or as a result of general underspending. The current balance is £4.245m and there is no planned change to this as part of the budget proposals in this report.

5 LEGAL ISSUES

- 5.1 In coming to decisions in relation to the revenue budget the Authority has various legal and fiduciary duties. The amount of the Transport Levy and the amount charged to the Districts in respect of the Authority's General functions must be sufficient to meet the Authority's legal and financial commitments, ensure the proper discharge of its statutory duties and lead to a balanced budget.
- 5.2 In exercising its fiduciary duty the Authority should be satisfied that the proposals put forward are a prudent use of the Authority's resources in both the short and long term and that they are acting in good faith for the benefit of the community whilst complying with all statutory duties.

Duties of the Treasurer (Chief Finance Officer)

- 5.3 The Local Government Finance Act 2003 requires the Treasurer to report to the Authority on the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. The Authority has a statutory duty to have regard to the CFOs report when making decisions about the calculations.
- 5.4 Section 28 of the Local Government Act 2003 imposes a statutory duty on the Authority to monitor during the financial year its expenditure and income against the budget calculations. If the monitoring establishes that the budgetary situation has deteriorated, the Authority must take such action as it considers necessary to deal with the situation. This might include, for instance, action to reduce spending in the rest of the year, or to increase income, or to finance the shortfall from reserves.
- 5.5 Under Section 114 of the Local Government Finance Act 1988, where it appears to the Treasurer that the expenditure of the GMCA incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure, the Treasurer has a duty to make a report to the Authority.
- 5.6 The report must be sent to the Authority's External Auditor and every member of the Authority and the Authority must consider the report within 21 days at a meeting where it must decide whether it agrees or disagrees with the views contained in the report and what action (if any) it proposes to take in consequence of it. In the intervening period between the sending of the report and the meeting which considers it, the authority is prohibited from entering into any new agreement which may involve the incurring of expenditure (at any time) by the authority, except in certain limited circumstances where expenditure can be authorised by the Treasurer. Failure to take appropriate action in response to such a report may lead to the intervention of the Authority's Auditor.

Reasonableness

- 5.7 The Authority has a duty to act reasonably taking into account all relevant considerations and not considering anything which is irrelevant. This Report sets out the proposals from which members can consider the risks and the arrangements for mitigation set out below.

Risks and Mitigation

- 5.8 The Treasurer has examined the major assumptions used within the budget calculations and considers that they are prudent, based on the best information currently available. A risk assessment of the main budget headings for which the GMCA will be responsible has been undertaken and the key risk identified are as follows.
- 5.9 The budgets for 2021/22 include pressures to deliver additional priorities within existing resources, however this is considered achievable and will be monitored against budget on a regular basis.

6. RECOMMENDATIONS

- 6.1 Detailed recommendations appear at the front of this report.

Appendix 1 GMCA Budget 2021/22	District Contributions	Other Recharge CC's	Internal Recharges	Grants	Business Rates Reserve	Earmarked Reserves	Other Income	Total Budget 2021/22	FTE Posts
	£000	£000	£000	£000	£000	£000	£000	£000	
-									
Senior Management	89		426	0	0	0	128	643	3.0
Resilience	0		0	0	120	0	0	120	1.0
Strategy	241		614	0	636	68	61	1,619	14.3
Research	378		644	150	169	145	338	1,824	34.0
Communications	176		965	0	135	0	0	1,275	22.0
ICT Technology	488		3,202	0	0	0	169	3,859	41.0
Tootle Building	35		402	0	0	0	1,054	1,492	
Finance - Accountancy	331		1,569	0	0	0	22	1,922	34.1
Contracts and Procurement	251		328	50	0	0	150	779	15.0
Sustainability Initiatives	3		45	0	0	0	66	114	2.0
Internal Audit and Risk	67		403	0	0	0	15	485	7.8
Churchgate Extension	0		0	0	0	0	0	0	
Legal Services	17		292	0	0	0	0	310	1.8
Information Governance	63		673	0	0	0	330	1,065	16.0
Democratic Services	129		570	0	0	0	50	749	12.0
Business Support	238		326	0	0	0	45	608	15.6
LEP Core Capacity	0		0	0	0	0	500	500	
GM Youth Combined Authority	0		0	0	50	0	0	50	
GM Coalition of Disabled People	0		0	0	0	0	50	50	
People Development & Support	109		748	0	0	0	390	1,246	24.0
Talent Learning & Resourcing	-41		964	0	0	0	0	923	17.0
OD & Culture	-22		320	0	0	0	0	298	4.0
Safety, Health & Wellbeing	19		757	0	0	0	0	776	8.0
Total GMCA Corporate	2,569		13,248	200	1,109	212	3,367	20,706	272.6

Appendix 1 GMCA Budget 2021/22	District Contributions	Other Recharge CC's	Internal Recharges	Grants	Business Rates Reserve	Earmarked Reserves	Other Income	Total Budget 2021/22	FTE Posts
	£000	£000	£000	£000	£000	£000	£000	£000	
GM Connect	0		0	0	0	171	83	255	3.2
GM Digital Strategy	0		0	0	430	0	0	430	7.4
Smart Residents Data Exchange Platform	0		0	0	990	0	0	990	9.7
Total Digital	0		0	0	1,420	171	83	1,674	20.3
Business, Innovation and Enterprise Policy	189		70	50	0	0	0	309	4.7
Economic Advice	34		0	0	0	0	0	34	0.2
Economy	0		249	0	0	0	220	469	7.0
MIDAS	1,023		0	0	200	0	0	1,223	
Marketing Manchester	350		27	0	350	0	0	727	
GM Productivity Programme	0		0	0	12,199	0	0	12,199	
GM Local Industrial Strategy	0		0	0	3,477	28	0	3,505	
Creative industry scale up	0		0	0	0	97	0	97	
Cricket Strategy	0		0	0	200	0	0	200	
Total Economy	1,596		346	50	16,426	125	220	18,763	11.9
Environment and Low Carbon	207		122	109	0	0	19	457	7.8
Great Places	0		0	43	0	0	0	43	1.0
Natural Course	0		0	0	0	0	456	456	3.5
GM Local Energy Markets	0		0	135	0	0	0	135	2.8
Ignition	0		0	1,200	0	0	0	1,200	3.5
Five Year Environment Plan	0		0	234	100	0	0	334	3.0
Green Homes Grant	0		0	70	0	0	0	70	
Total Environment	207		122	1,792	100	0	475	2,697	21.5

Appendix 1 GMCA Budget 2021/22	District Contributions	Other Recharge CC's	Internal Recharges	Grants	Business Rates Reserve	Earmarked Reserves	Other Income	Total Budget 2021/22	FTE Posts
-	£000	£000	£000	£000	£000	£000	£000	£000	
Planning and Housing	217		92	0	357	0	94	759	13.0
Cultural and Social Impact Fund	3,300		0	0	1,000	0	8	4,308	
Land and Property Strategy	157		711	0	0	55	0	923	21.0
Core Investment	0		34	0	0	0	6,340	6,374	18.0
GM Delivery Team (HIF)	0		0	0	0	0	596	596	5.0
Spatial Development	0		0	0	45	0	1,000	1,045	
Total Place Making	3,673		837	0	1,402	55	8,038	14,005	57.0
Childrens Services	0		0	204	0	0	0	204	3.5
GM Health Devolution	0		0	0	312	0	0	312	
Ageing Better	109		0	0	0	6	80	194	3.0
Social Impact Bond - Homelessness	0		0	24	0	0	0	24	
Public Service Reform	404		138	10,772	0	470	68	11,851	13.0
Housing First	0		10	0	0	3,145	0	3,155	1.0
A bed every night	0		2,233	1,500	0	0	2,391	6,124	
Rough Sleeping Initiative	0		0	128	0	0	0	128	
Total Public Service Reform	513		2,381	12,629	312	3,621	2,538	21,993	20.5
Work and Skills	45		67	437	0	250	0	799	9.5
Self Employment Pilot	0		0	4,001	0	0	0	4,001	4.0
Skills Capital	0		0	0	0	258	0	258	2.5
Fast Track Digital Work	0		0	263	0	0	0	263	3.0
Future Workforce Fund	0		0	2,239	0	0	0	2,239	1.0
ESF Neet 10m	0		0	74	0	0	0	74	1.0
Working Well JETS	0		0	9,053	0	0	0	9,053	
Apprenticeship & technical education	0		0	0	0	400	0	400	
Careers & Enterprise	0		0	470	0	115	0	585	13.0
Work & Health Programme	0		0	8,648	0	0	0	8,648	3.5
WW - Early Help	0		0	2,182	0	0	0	2,182	4.0

Adult Education	0		0	93,813	0	0	0	93,813	15.0
City Deal Tax Incentives	0		0	0	0	653	0	653	
WW - Specialist Employment	0		0	1,010	0	242	0	1,252	2.0
ESF Skills for Growth	0		0	16,185	0	0	0	16,185	15.5
Total Education, Work and Skills	45		67	138,376	0	1,918	0	140,406	74.0
GM Election	0		0	0	3,800	0	0	3,800	
GMCA Totals	8,603		17,000	153,046	24,569	6,104	14,721	224,044	477.8

Appendix 2

District Charges 2021/22	Population 2019		GMCA General Budget	Cultural & Social Impact Fund	Marketing Manchester	MIDAS	Total
			£000	£000	£000	£000	£000
Bolton	287,550	10.14%	399	335	27	103	863
Bury	190,990	6.74%	265	222	25	97	609
Manchester	552,858	19.50%	766	643	112	118	1,639
Oldham	237,110	8.36%	329	276	26	100	730
Rochdale	222,412	7.84%	308	259	26	99	692
Salford	258,834	9.13%	359	301	27	101	787
Stockport	293,423	10.35%	407	341	27	103	878
Tameside	226,493	7.99%	314	264	26	99	702
Trafford	237,354	8.37%	329	276	26	100	731
Wigan	328,662	11.59%	455	382	28	105	971
Total	2,835,686	100.00%	3,930	3,300	350	1,023	8,603

Date: 12th February 2021

Subject: Budget Paper E - Greater Manchester Waste Budget and Levy 2021/22 and Medium Term Financial Plan to 2024/25

Report of: Cllr David Molineux, Portfolio Holder - Resources
Steve Wilson, Treasurer to GMCA

PURPOSE OF REPORT

The purpose of this report is to seek comment on the budget and levy for 2021/22 and on the Medium Term Financial Plan (MTFP) for the three year period to 2024/25. Those plan are delivered by:

1. A total levy requirement for 2021/22 of £162.4m, which represents an average 2.9% decrease over 2020/21.
2. The MTFP then proposes levy charges of £163.1m in 2022/23, £164.8m in 2023/24 and £167.6m in 2024/25.

RECOMMENDATIONS:

The GMCA is recommended to:

1. Note the proposed revised budget and levy for 2021/22;
2. Approve the Trade Waste of £102.30 in 2021/22 and £114.83 in 2022/23 to allow forward planning for the Districts;
3. Approve the transfer to earmarked reserves any unspent budget in relation to potential areas of underspend to support activity in 2021/22 as set out in paragraphs 2.3 and 2.5.

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Equalities Implications

There are no equalities impacts arising from this report.

Climate Change Impact Assessment and Mitigation Measures

A fundamental principle of the WRMS and HWRCMS contracts is the sustainable management of waste in order to reduce carbon emissions from landfill disposal. The carbon impacts of the contracts are monitored and provided annually by the contractor.

Risk Management:

Under Section 25 of the Local Government Act 2003, the Authority's Chief Financial Officer (the Treasurer) is required to report on the robustness of the estimates made for the purposes of the budget and levy calculations and the adequacy of the proposed reserves. This information enables a longer term view of the overall financial position to be taken.

In accordance with these requirements a review has been undertaken of the risks that the GMCA may face from Waste & Resources activities which would require the allocation of resources over and above those already included in the MTFP budgets. That review broadly supports the proposed Revenue and Balances Strategy.

Legal Considerations:

Please refer to Risk Management section above.

Financial Consequences – Revenue:

This report sets out the proposed Revenue budget for waste disposal in 2021/22.

Financial Consequences – Capital:

This report sets out the proposed capital budget for waste disposal in 2021/22.

Number of attachments to the report: 0;

Comments/recommendations from Overview & Scrutiny Committee

BACKGROUND PAPERS:

GM Waste and Recycling Committee, 13th January 2021 'Budget and Levy 2021/22 and Medium Term Financial Plan to 2024/25'

TRACKING/PROCESS		
Does this report relate to a major strategic decision, as set out in the GMCA Constitution	Yes	
EXEMPTION FROM CALL IN		
Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?		
GM Transport Committee	Overview & Scrutiny Committee	
	9 th February 2021	

1. INTRODUCTION AND BACKGROUND

1.1 The base budget for 2021/22 has been compiled and updated based upon:

- a) District final tonnage information, as supplied in their November 2020 submissions; and
- b) Actual inflation (as measured using the CPI September 2020 index) for the Waste and Resource Management Services (WRMS) and Household Waste Recycling Centre Management Services Contracts (HWRCMS).

1.2 This report is structured to cover the following matters:

- a) Expected Outturn 2020/21;
- b) Original Estimate 2021/22;
- c) MTFP for three further years to 2024/25;
- d) Balances and Reserves Strategy;
- e) Budget Engagement; and
- f) Risk Assessment.

2. FORECAST OUTTURN 2020/21

2.1 The budget for 2020/21 was set by the GMCA at £167.242m in February 2020. The forecast outturn for 2020/21 is shown below.

	Budget	Forecast	Variance
	2020/21	2020/21	2020/21
	£000	£000	£000
Operational Costs	109,667	113,820	4,153
Operational Financing	49,118	46,689	-2,429
Office Costs	5,755	4,795	-960
Non-Operational Financing	2,702	2,792	90
Total Budget	167,242	168,096	854
Levy Adjustment 2019/20		27	27
Levy Adjustment 2020/21		-5,197	-5,197
Refund of Levy to Districts (From)/ To Reserves		26,951	26,951
Levy	167,242	167,242	-

2.2 The forecast overspend in Operational Costs is driven by increases in tonnages being presented by Districts offset by contingencies not expected to be required. Updated tonnage forecasts per waste stream are shown below.

2.3 The above forecast outturn includes sums of money to cover disruption costs during redevelopment works at Longley Lane, Sharston. Should the works not be completed during

2020/21 to it is proposed to carry forward any underspend in the Medium Term Financial Plan reserve.

	Levy 2020/21	Latest Projected 2020/21	Variance
Residual	351,741	413,252	61,511
Biowaste	204,607	208,052	3,445
Commingled	107,302	128,280	20,978
Paper and Card	83,482	76,385	(7,097)
Street Sweepings	20,650	22,970	2,320
Trade waste	51,042	40,743	(10,299)
WCA Total	818,824	889,682	70,858

- 2.4 The forecast underspend on operational financing arises from a slight reduction in the Minimum Revenue Provision charge for the year, but mostly is due to reduced interest rates to be paid on the temporary borrowing that is still in place from the termination of the PFI contract. The Waste & Resources service is currently utilising the cash flow of the wider GMCA.
- 2.5 The forecast underspend on Office Costs is a combination of reduced spending on consultancy fees, premises related expenditure as a result of the focus on the residual processing at facilities and vacant posts that are not expected to be filled. It is proposed to transfer any underspend from the Communications and Behavioural Change and employee costs team budget to earmarked reserves to support the activity on tackling contamination and contract monitoring in 2021/22.
- 2.7 The current Levy Allocation Methodology Agreement (LAMA) provides for in-year adjustments to be made when actual waste arisings vary from declared levels. Based upon updated profiled 2020/21 tonnages, an indicative outturn position has been calculated which predicts at District level, additional charges for year-end adjustments may be needed as set out below.

	£m
Bolton	0.567
Bury	0.357
Manchester	1.326
Oldham	0.686
Rochdale	0.520
Salford	0.672
Stockport	0.229
Tameside	0.494
Trafford	<u>0.345</u>
Total	5.197

2.8 The forecast at 2.1 includes a refund of levy of £20m to Districts that was approved at 31 July 2020 GMCA meeting (£15m) and 25 September 2020 GMCA meeting (£5m) alongside the proposal to refund a further amount to offset the levy adjustment payable by Districts so no District pays more than the original levy amount.

3. ORIGINAL ESTIMATES 2021/22

3.1 Revenue

3.1.1 A base budget has been produced based upon achieving the vision and objectives set out in the Greater Manchester Waste Management Strategy.

3.1.2 The effect of the above is to produce a £4.840m decrease in net budget requirement for 2021/22 (2.9% decrease). Further detail is provided below:

	Budget 2021/22 £m
Operational Costs	105.023
Operational Financing	48.830
Office Costs	6.190
Non-Operational Financing	<u>2.629</u>
Total Budget	162.672
Use of Reserves	<u>(0.270)</u>
Levy	<u>162.402</u>

3.2 Levy Apportionment

3.2.1 The tonnages supplied by Districts, in November 2020, have been subjected to scrutiny by the Waste & Resources Team and detailed discussions with District Waste Chief Officers. Future year's projections also include the impact of population/ housing growth.

3.2.2 The tonnage forecasts mean that individual Districts' allocations will vary from the average of 2.9% decrease and have a range of -3.9% (covering -4.4% to -0.5%). The final allocations to Districts can be summarised as:

	2020/21 Levy £m	2021/22 Levy £m	Increase/ (Decrease)
Bolton	19.679	19.025	(3.3%)
Bury	13.573	13.375	(1.5%)
Manchester	30.051	28.731	(4.4%)
Oldham	17.448	16.892	(3.2%)
Rochdale	15.282	14.992	(1.9%)
Salford	19.572	19.115	(2.3%)

Stockport	20.440	19.614	(4.0%)
Tameside	15.111	15.033	(0.5%)
Trafford	16.085	15.625	(2.9%)
Total	167.242	162.402	(2.9%)

- 3.3 At the February 2015 GMWDA meeting it was agreed that Trade Waste rates would be increased annually for the following year (to allow for forward planning) using the RPIx measure of inflation. The Levy Allocation Methodology Agreement allows for a review of trade waste each year. This year’s review has identified that residual and trade waste being presented by Districts has outstripped the spare capacity that was previously available.
- 3.4 After discussion with District Waste Chief Officers it has been agreed that the rate set will change from 2022/23 to match the forecast cost of waste processed outside the core capacity. That rate in 2022/23 is forecast to be £114.83 per tonne.

4. MEDIUM TERM FINANCIAL PLAN TO 2024/25

- 4.1 The GMCA has adopted a current year plus 3 year planning cycle in this budget paper. A number of assumptions have been made which take a balanced view of the risks facing the service in 2021/22 and beyond.
- 4.2 Our forward look assumptions for RPIx and CPI inflation are shown below and have been included in the MTFP.

Financial Year	Forecast December RPIx	Forecast September CPI
2021/22	2.8%	0.55%
2022/23	3.0%	2.00%
2023/24	3.0%	2.00%
2024/25	3.0%	2.00%

- 4.3 The MTFP projections have also assumed that:
- a) Districts will be able to deliver on their expected waste declarations;
 - b) No change from England’s Resources and Waste Strategy; and
 - c) Landfill tax will continue to rise annually by RPI.
- 4.4 Taking account of the above, the estimated budget and levy for the MTFP period are:

	Budget Requirement £m	Use of Reserves £m	Levy £m	Increase/ (Decrease)
2020/21	167.242		167.242	

2021/22	162.672	(0.270)	162.402	(2.9%)
2022/23	163.058		163.058	0.4%
2023/24	164.764		164.764	1.0%
2024/25	167.625		167.625	1.7%

4.5 Below the headline figures, the impact on Districts will be slightly different and dependent on tonnage forecasts.

5. BALANCES

5.1 The balances attributable to the Waste & Resources team as at 1 April 2020 were £54.458m. During 2020/21 it has been agreed that an in-year refund of £20m of levy from reserves will be given back to Districts. It was also proposed at the 31 July 2020 GMCA meeting that the additional levy imposed on Districts from delivering waste in excess of amounts levied for would be managed by a further return of reserves so that no District has a net cost in excess of their levied amount. The balance of reserves as at 31 March 2021 is forecast to be £32.205m.

5.2 The level of balances is assessed for adequacy on a risk assessed basis, and this reflects the risks below:

- a) Achievement of recycling/composting levels;
- b) Reduction in contamination;
- c) Recyclate income prices;
- d) Assumptions on timetable for modification of remaining facilities and additional operational costs during the period; and
- e) Upside/ downside risks from energy prices at the Runcorn TPS.

5.3 The level of balances is an area that may be reviewed once all outstanding insurance claims and construction works are completed and facilities have passed Acceptance Testing. However, financial risk assessment on an annual basis and the need to hold an appropriate level of balances, will continue to have a major influence on the budget and MTFP for the Waste & Resources Team.

6. BUDGET ENGAGEMENT

6.1 In accordance with our usual practice, Officers have sought to engage on budget matters with both Waste Chief Officers and Treasurers of constituent Districts. As far as possible the budget and levy take into account their comments.

7. RISK ASSESSMENT

7.1 Under Section 25 of the Local Government Act 2003, the Authority's Chief Financial Officer (the Treasurer) is required to report on the robustness of the estimates made for the

purposes of the budget and levy calculations and the adequacy of the proposed reserves. This information enables a longer term view of the overall financial position to be taken.

7.2 In accordance with these requirements a review has been undertaken of the risks that the GMCA may face from Waste & Resources activities which would require the allocation of resources over and above those already included in the MTFP budgets. That review broadly supports the proposed Revenue and Balances Strategy.

8. Recommendations

8.1 Recommendations are presented at the front of the report.