

GREATER MANCHESTER CORPORATE ISSUES & REFORM OVERVIEW AND SCRUTINY COMMITTEE

DATE: Tuesday 8 February 2022

TIME: 6.00 pm

VENUE: GMCA, Tootal Buildings, Broadhurst House, 56 Oxford Street, Manchester M1 5JW

SUPPLEMENTARY AGENDA

This agenda pack contains the budget reports that were marked to follow in the original agenda pack.

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| 6. | 2022/23 REVENUE BUDGET | 1 - 10 |
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Presented by Steve Wilson, GMCA Treasurer and Andy Burnham, Greater Manchester Mayor

- | | | |
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| 6.A | MAYORAL GENERAL BUDGET INCLUDING GREATER MANCHESTER FIRE & RESCUE SERVICE | 11 - 38 |
| 6.B | GMCA TRANSPORT REVENUE BUDGET | 39 - 70 |
| 6.C | GMCA GENERAL REVENUE BUDGET | 71 - 86 |

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| BURY | OLDHAM | SALFORD | TAMESIDE | WIGAN |

| | | |
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| 6.D | GREATER MANCHESTER WASTE DISPOSAL BUDGET | 87 - 100 |
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| 8. | 2021/22 GMCA REVENUE UPDATE - QUARTER 3 | 121 - 134 |

Presented by Rachel Rosewell, GMCA Deputy Treasurer

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

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This agenda was issued on 4 February 2022 on behalf of Julie Connor, Secretary to the
Greater Manchester Combined Authority, Broadhurst House, 56 Oxford Street,
Manchester M1 6EU

Corporate Issues & Reform

Overview & Scrutiny Committee

Date: 8 February 2022

Subject: GMCA Revenue Budgets 2022/23 - Overview

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

Purpose of Report:

This report presents an overview of the proposed GMCA budgets for 2022/23 to be reported to GMCA on 11 February 2022. 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:

Scrutiny members are requested to note and comment on the contents and the recommendations in the accompanying papers for GMCA on 11 February 2022.

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Equalities Implications: N/A

Climate Change Impact Assessment and Mitigation Measures:

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 – The report sets out a summary of the proposed revenue budgets for 2022/23 and medium term financial planning for 2022/23 – 2024/25.

Financial Consequences – Capital – There is a separate report on the Capital Programme 2021/22 to 2024/25 at item 8 on the agenda for this meeting.

Number of attachments to the report: 4

Comments/recommendations from Overview & Scrutiny Committee
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BACKGROUND PAPERS:

Report to Greater Manchester Combined Authority: 'GMCA Budget Reports' 12th February 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? | |
| GM Transport Committee | Overview & Scrutiny Committee |
| | 8th February 2022 |

1. Introduction and Background

- 1.1 This report presents an overview of the proposed Greater Manchester Combined Authority (GMCA) budgets for 2022/23. It summarises the position on the Mayoral General Budget and Precept, GMCA General Revenue Budget, GMCA Transport Revenue budget including Transport Levy and Statutory Charge and the GM Waste Service 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/contribution 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.

- **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.
- **GMCA Revenue General Budget** – This includes the core cost of the Combined Authority funded by district contributions together with functions funded through the retention of business rate growth and central grants funding including the Adult Education grant.
- **GM Waste and Resources Service 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).

3.3 This paper does not present the budget proposals for GM Police or the Police and Crime function. At the meeting on the 31st January 2022, it was noted by the Police, Fire 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 27th January 2022. The Panel approved the Mayor's proposal for a precept increase of £10 per year for a band D property. This will take the Band D police precept to £228.30 per year.

3.4 The key elements of each budget area are summarised below:

i) **Mayoral General Budget and Precept Proposals**

This report provides Mayor's proposals for the Mayoral General Budget (including Fire and Rescue) and seeks approval for the Mayoral General Precept for 2022/23. The GMCA is recommended to:

1. To approve the Mayor's General budget for 2022/23 set out in the report together with the calculation of the precepts and Council Tax rates.
2. To approve the Mayoral General Precept to £102.95 (Band D) comprising of £71.20 for functions previously covered by the Fire and Rescue Authority precept and £31.75 for other Mayoral General functions;
3. To approve:
 - i. the overall budget for the Fire and Rescue Service for 2022/23 covered by the Mayoral precept
 - ii. the medium term financial position for the Fire and Rescue Service
4. To approve the use of reserves and the assessment by the Treasurer that the reserves as at March 2022 are adequate;
5. 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.

ii) GMCA Transport Revenue Budget

This report provides the GMCA Transport Revenue Budget for 2022/23. The funding for core GM transport services remains unchanged for 2022/23. The charge made to GM districts through the district levy therefore remains at the same overall cash level as in 2021/22. 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.

TfGM's budget has been managed within the same funding envelope in recent years by making year on year savings from various sources, including a voluntary severance process which was run in the last financial year. This has been very challenging in the context of the additional activities that TfGM has been requested to deliver, the continuing inflationary pressures on budgets, the amount of expenditure which is unavoidable due to it being

related to statutory obligations. There are also a number of key uncertainties in relation to the impact of the pandemic on future Metrolink and Bus passenger volumes and revenues and the availability of government Covid recovery funding beyond the end of March 2022.

Whilst Greater Manchester has made real progress in recent years, there is still much work to do to ‘level Up’ (both at a GM and at a national scale), and to tackle climate change. The key programmes of work outlined in the report include:

- The Bee Network – an integrated ‘London Style’ transport system
- Bus Service Improvement Plan
- City Region Sustainable Transport Settlement
- Pandemic support and recovery in relation to Metrolink and Bus
- Bus Franchising
- Future Infrastructure Scheme Development for the Greater Manchester Transport Strategy

The GMCA is recommended to:

1. Note the issues which are affecting the 2022/23 transport budgets as detailed in the report;
2. Approve the GMCA budget relating to transport functions of £269.4 million funded through the Transport Levy, Statutory Charge and other funding sources as set out in the report for 2022/23;
3. Approve a Transport Levy on the District Councils in 2022/23 of £105.773 million, apportioned on the basis of mid-year population 2020;
4. Approve a Statutory Charge of £86.7 million to District Councils in 2022/23 as set out in Part 4 of the Transport Order, apportioned on the basis of mid-year population 2020;
5. 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 for following schemes:

- Mayors Challenge Fund 2022/23 project and programme management costs of up to £1.9 million;
 - Active Travel Fund (Round 2) £0.25 million of revenue funding for associated programme management and assurance costs.
6. Approve the proposal to increase fees and charges where applicable, in line with inflation and to approve the increases proposed to Bus stop closure charges.
 7. Approve the use of Transport reserves in 2021/22 and 2022/23.
 8. Note that the funding for Bus Franchising in 2022/23 is approved as part of the Mayoral Budget 2022-23.

iii) GMCA Revenue General Budget

Paper D sets outs the Greater Manchester Combined Authority (GMCA) Revenue General Budget for 2022/23. The proposed District contributions to be approved for 2022/23 of £8.603m are included within the report together with the consequent allocations to the individual Councils which is unchanged from 2021/22.

The GMCA is requested to:

1. Approve the budget relating to the Greater Manchester Combined Authority functions of £242.6 million
2. Approve District contributions of £8.603 million.
3. Approve the use of reserves as set out in section 4 of the report.

iv) GM Waste Disposal and Levy Budget

This report provides the proposed waste budget for 2022/23 for the nine GM Districts Councils who are part of the GM waste contract. The report sets out the Waste Levy requirement for 2022/23 and highlights the 2021/22 position being an under of £11.4 million, largely driven by changes in the value of recyclate prices leading to increased income.

The GMCA is requested to:

1. Note the forecast outturn for 2021/22;
2. Note the proposed 2023/24 Trade Waste rate of £118.30 to allow forward planning by Districts;
3. Note the capital programme for 2022/23 as set out in Appendix A;
4. Note the budget and levy for 2022/23 of £164.8m (1.5% increase); and
5. Note the risk position set out in the Balances Strategy and Reserve

4. Conclusion

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

- The Mayor's final proposal for Mayoral General Budget, with the proposed precept 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 front of the paper.

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GREATER MANCHESTER COMBINED AUTHORITY

Date: 11th February 2022

Subject: Mayoral General Budget and Precept Proposals 2022/23

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 2022/23.

The report recommends the setting of the Revenue Budget for 2022/23 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:

1. To approve the Mayor's General budget for 2022/23 set out in this report together with the calculation of the precepts and Council Tax rates set out in Appendix 2.

2. To approve the Mayoral General Precept to £102.95 (Band D) comprising of £71.20 for functions previously covered by the Fire and Rescue Authority precept and £31.75 for other Mayoral General functions;

3. To approve:
 - i. the overall budget for the Fire and Rescue Service for 2022/23 covered by the Mayoral precept
 - iii. the medium term financial position for the Fire and Rescue Service
4. To approve the use of reserves as set out in section 3 of the report and the assessment by the Treasurer that the reserves as at March 2022 are adequate;
5. 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 2022/23 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 2022/23 and future years.

Financial Consequences – Capital – Proposals for Fire and Rescue Services capital spend are set out within Part 2 of the report.

BACKGROUND PAPERS:

GMCA – Mayoral General Budget and Precept Proposals 2021/22 – 12 February 2021

GMCA - Mayoral General Budget and Precept Proposals 2022/23 – 28 January 2022

| 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 | 8 th February 2022 |

1. INTRODUCTION

- 1.1 The purpose of this report set out for the Greater Manchester Combined Authority (GMCA) the Mayor's budget for 2022/23, to meet the costs of Mayoral general functions. The functions of the GMCA which are currently Mayoral General functions are:
 - Fire and Rescue
 - 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 28th January 2022, 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 2022/23. 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. At the time of writing 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 2022/23 will increase to £80.07 for a Band B property split between £55.38 for the fire service and £24.69 for other Mayoral-funded services (£102.95 for a Band D property, with the fire service accounting for £71.20 and £31.75 for non-fire). The Mayoral General Budget 2022/23 is set out in two parts:
 - 1.5.1 Part 1 - Mayoral General Budget 2022/23 (excluding Fire and Rescue). The Mayoral General precept proposals include:
 - Continuation of the flagship A Bed Every Night scheme into the next financial year. This scheme is core to the reduction in rough sleeping by 67% in Greater Manchester since 2017 and it will continue to support local schemes and homelessness partnerships to end rough sleeping across the region.
 - Extension of the Our Pass pilot scheme for a further 12 months from September 2022, providing free bus travel within Greater Manchester for 16-18 year olds.
 - Bus Reform implementation as a key step toward development of The Bee Network, an integrated ‘London-style’ transport system which will join together buses, trams, cycling and walking and other shared mobility services by 2024.
 - 1.5.2 Part 2 - Greater Manchester Fire and Rescue Service (GMFRS) Medium Term Financial Plan 2022/23 – 2024/25. The precept increase in relation to GMFRS is required to ensure there is no impact on frontline fire cover. The Mayor has committed to continuing with 50 fire engines throughout 2022/23 with crewing at the current level of five firefighters at one pump stations and four firefighters on each engine at two pump stations.

2. CHANGES SINCE THE LAST REPORT

- 2.1 At the time of writing the report considered by GMCA on the 28th 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, with the exception of one Council, for which, an estimated £1.531m has been used for Business Rates income and £151k in respect of Section 31 grant income in relation to expected levels of income and reliefs grant in 2022/23. The confirmed figures, together with the estimates stated 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 from 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 2. 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 share business rates income.
- 2.3 The budget for 2022/23 now includes the updated estimated position from GM local authorities on the 2021/22 Council Tax Collection Fund of £1.4m and Tax Income Guarantee funding from Government which has been spread over three years 2021/22 – 2023/24.
- 2.4 There has been an increase to the District Council Tax base shown in Appendix 2 leading to an additional council tax precept income of £91k plus increased income from business rates (including Section 31 grants) of £1.804million.

- 2.5 The increased resource has resulted in a change to planned use of earmarked reserves to fund budget proposals.

3. MAYORAL GENERAL BUDGET 2022/23

- 3.1 The Mayoral General Budget is set out in two parts:
- 3.2 Part 1 - Mayoral General Budget 2022/23 (excluding Fire and Rescue). Although it is required to set a precept specifying the Band D Charge, by far the majority of properties, 82.3%, 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 £24.69.

| 2022/23 | A | B | C | D | E | F | G | H |
|--------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Costs for Band £ | 21.16 | 24.69 | 28.22 | 31.75 | 38.80 | 45.86 | 52.91 | 63.50 |
| Proportion of Properties | 44.9% | 19.8% | 17.6% | 9.4% | 4.8% | 2.1% | 1.3% | 0.2% |

- 3.3 Part 2 - budget in relation to the revenue budget for the Greater Manchester Fire and Rescue Service and the Medium Term Financial Strategy (MTFP). Appendix 2 sets out the amounts of Council Tax for each band, including the Fire element of the precept.
- 3.4 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.
- 3.5 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.

- 3.6 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.
- 3.7 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.
- 3.8 The table below shows the summary of gross and net budget for Mayoral General Budget including GMFRS budget for 2022/23:

| Budget Summary 2022/23 | Gross | Gross | Net |
|----------------------------------------|--------------------|---------------|-----------------|
| | Expenditure | Income | Estimate |
| | £000 | £000 | £000 |
| Fire Service Budget | 116,574 | 3,968 | 112,606 |
| Other Mayoral General Budget | 139,020 | 24,750 | 114,270 |
| Capital Financing Charges | 1,692 | 0 | 1,692 |
| Contribution from balances/reserves | 5,185 | 4,603 | 582 |
| Budget Requirement | 262,471 | 33,321 | 229,150 |
| | | | |
| Localised Business Rates | | 9,508 | -9,508 |
| Business Rate Baseline | | 40,922 | -40,922 |
| Services Grant | | 2,209 | -2,209 |
| Section 31 Grant - Business Rates | | 5,187 | -5,187 |
| Section 31 Grant - pensions | | 5,605 | -5,605 |
| Transport - Statutory Charge | | 86,700 | -86,700 |
| Collection Fund surplus/-deficit | 2,573 | 1,445 | 1,128 |

| | | | |
|---------------------|----------------|----------------|---------------|
| Precept requirement | 265,044 | 184,897 | 80,147 |
|---------------------|----------------|----------------|---------------|

- 3.9 The full calculation of aggregate amounts under Section 42A (2) and (3) of the Local Government Finance Act 1992 as updated in the Localism Act 2011 is shown at Appendix 2.
- 3.10 Taking account of the budget proposals outlined in this paper, the reserves for both Mayoral and GMFRS for 2022/23 are as follows:

| Mayoral and GMFRS Reserves | Closing Balances 31 March 2021 £000 | Transfer out/(in) 2021/22 £000 | Projected Balance March 2022 £000 | Transfer out/(in) 2022/23 £000 | Projected Balance March 2023 £000 |
|-------------------------------------------|-------------------------------------------|--------------------------------------|-----------------------------------------|--------------------------------------|-----------------------------------------|
| General Reserve - Mayoral & GMFRS | -11,781 | | -11,781 | | -11,781 |
| Bus Services Operators Grant | -4,290 | 2,750 | -1,540 | 631 | -909 |
| Our Pass Reserve | -7,021 | 2,704 | -4,317 | 670 | -3,647 |
| A Bed Every Night | -2,000 | 2,000 | 0 | | 0 |
| Capital Reserve | -10,600 | 2,700 | -7,900 | -5,185 | -13,085 |
| Capital Grants Unapplied | -2,050 | 2,050 | 0 | | 0 |
| Earmarked Budgets Reserve | -3,186 | 1,083 | -2,103 | 122 | -1,981 |
| Revenue Grants Unapplied | -8,173 | 6,193 | -1,980 | 930 | -1,050 |
| Insurance Reserve | -2,849 | | -2,849 | | -2,849 |
| Business Rates Reserve | -1,605 | | -1,605 | | -1,605 |
| Restructuring Reserve | -418 | | -418 | | -418 |
| Innovation and Partnership CYP | -127 | | -127 | | -127 |
| Transformation Fund | -3,604 | | -3,604 | | -3,604 |
| Local Council Tax Scheme | | -1,347 | | | |
| Extended Retail Reliefs (2021/22) | | -2,250 | | 2,250 | |
| Total Mayoral & GMFRS Reserves | -57,704 | 15,883 | -38,224 | -582 | -41,056 |

- 3.11 The current General Fund Reserve balance stands at £11.781m, there is no planned use of this reserve.

4. LEGAL ISSUES

- 4.1 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.
- 4.2 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.
- 4.3 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)

- 4.4 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.
- 4.5 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.
- 4.6 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.

- 4.7 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 propose 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

- 4.8 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

- 4.9 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.

**5. PART 1 - PROPOSED MAYORAL GENERAL BUDGET 2022/23
(EXCLUDING FIRE & RESCUE)**

- 5.1 This section provides the proposed Mayoral General Budget (excluding Fire & Rescue) for 2022/23. The Mayoral General Budget funds the Mayor's Office and Mayoral functions including Transport. The budget for 2022/23 is a proposed £139m to be funded from Precept income, Transport Statutory Charge, reserves, grants and external income.
- 5.2 The table below sets out the 2021/22 original and revised budget and 2022/23 proposed budget:

| Mayoral General Budget (Excluding Fire & Rescue Service) | 2021/22 Original Budget | 2021/22 Revised Budget | 2022/23 Proposed Budget |
|-------------------------------------------------------------------------|----------------------------------------|---------------------------------------|----------------------------------------|
| | £000 | £000 | £000 |
| Mayoral Priorities (inc Corporate Support) | | | |
| A Bed Every Night | 1,246 | 1,246 | 1,325 |
| Our Pass | 1,950 | 2,450 | 2,400 |
| Care Leavers | 16,200 | 16,200 | 16,200 |
| Equality Panels | 550 | 550 | 550 |
| Good landlord scheme | 250 | 500 | 350 |
| No Child Goes Hungry | 300 | 300 | 300 |
| Mayoral Priorities | 19,250 | 20,071 | 19,800 |
| TFGM Revenue Support | 90,250 | 90,250 | 90,250 |
| Bus Service Operator's Grant | 11,750 | 11,750 | 11,750 |
| Bus Reform | 4,250 | 4,250 | 15,895 |
| Mayoral Transport | 106,250 | 106,250 | 117,895 |
| Total Expenditure | 126,746 | 127,567 | 139,020 |
| Mayoral Precept | -18,709 | -18,709 | -24,717 |

| | | | |
|-----------------------------------|-----------------|-----------------|-----------------|
| Collection Fund Surplus /-Deficit | 855 | 855 | -1,445 |
| Local Council Tax Scheme | -504 | -504 | 0 |
| BSOG grant | -13,100 | -13,100 | -13,150 |
| Mayoral Capacity grant | -1,000 | -1,000 | -1,000 |
| Statutory charge | -86,700 | -86,700 | -86,700 |
| Earnback revenue grant | 0 | 0 | -9,750 |
| Use of Reserves | -6,738 | -7,559 | -1,408 |
| External Income | -850 | -850 | -850 |
| Gross Income | -126,746 | -127,567 | -139,020 |

- 5.3 In relation to the level of the precept to be levied for Mayoral functions it is proposed that this is increased by £5.44 to £24.69 for a Band B property (£7 to £31.75 per Band D property), which will provide an additional £6 million to support:
- 5.3.1 Continuation of the A Bed Every Night (ABEN) programme, which over the last 4 years has contributed to a reduction in rough sleeping in Greater Manchester. Alongside other funding streams, this contribution will be committed to over a three-year period to enable greater investment in other areas of homelessness response and prevention from investors and reduce the overall requirement by end of the 2024/25.
- 5.3.2 Recurrent funding for schemes currently funded from reserves in 2021/22, including:
- Care Leavers concessionary pass to provide free bus travel in Greater Manchester for young people 18-21 years old that have been in care.
 - Equality panels facilitated by appropriate voluntary organisations, enabling investment in organisations which work in partnership with public services and the wider community, contributing to tackling the inequalities agenda.
 - Good Landlord Scheme to ensure tenants and landlords have access to information and advice, strengthened enforcement to target the

poorest quality and worst managed properties in the sector and capacity to enable landlords to better support tenants.

- 5.3.3 The Our Pass scheme which provides free bus travel within Greater Manchester for 16-18 year olds and direct access to other opportunities in the region. The scheme was proposed run for a pilot period of two years from August 2019, which subsequently became impacted by the Covid pandemic. The scheme was extended in September 2021 and since then the engagement from young people has increased significantly. In order to benefit from a full two year evaluation it is proposed to extend the pilot to August 2023. The Our Pass scheme is funded from a combination of Precept, reserves and other income. A budget of £16.2m is proposed for 2022/23 with a risk reserve held by TfGM if costs increase during the pilot, in line with the original funding strategy for the scheme agreed by the GMCA.
- 5.3.4 Implementation of Bus Reform including the introduction of Bus Franchising and responding to the outcome of the Bus Service Improvement Plan bid to Government in the autumn.

Statutory Transport Charge

- 5.4 The Mayoral Transport includes TfGM Revenue Grant budget met from the statutory transport charge of £86.7m and the Bus Service Operators Grant. Following the GMCA (Functions and Amendment) order being laid in April 2019, I was given further powers for transport functions and a £86.7 million statutory charge to District Councils (with a corresponding reduction in the Transport Levy). The order also states that this amount (£86.7 million) can only be varied with the unanimous agreement of the members of the GMCA.

- 5.5 The full breakdown by District Council is shown below:

| Transport Statutory Charge 2022/23 | | | |
|------------------------------------|------------------|----------------|-------------------|
| District | Pop Mid 2020 | % | £ |
| Bolton | 288,248 | 10.12% | 8,774,084 |
| Bury | 190,708 | 6.70% | 5,805,029 |
| Manchester | 555,741 | 19.51% | 16,916,400 |
| Oldham | 237,628 | 8.34% | 7,233,244 |
| Rochdale | 223,659 | 7.85% | 6,808,037 |
| Salford | 262,697 | 9.22% | 7,996,328 |
| Stockport | 294,197 | 10.33% | 8,955,168 |
| Tameside | 227,117 | 7.97% | 6,913,296 |
| Trafford | 237,579 | 8.34% | 7,231,752 |
| Wigan | 330,712 | 11.61% | 10,066,661 |
| Total | 2,848,286 | 100.00% | 86,700,000 |

6. PART 2 - PROPOSED GREATER MANCHESTER FIRE AND RESCUE REVENUE AND CAPITAL BUDGET 2022/23

- 6.1 The following information provides details supporting the Greater Manchester Fire and Rescue Service Revenue and Capital Budgets.
- 6.2 The Medium-Term Financial Plan (MTFP) to 2024/25 has been updated, based on the 2021/22 baseline 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 2021.
- 6.3 The Chancellor announced the Spending Review in December 2021 which presented a one-year settlement as part of the three-year government

Spending Review. In relation to Fire and Rescue Services, the announcements covered the following:

- Fire & Rescue services receiving a 4.7% increase in core spending power
- Fire services will receive a £24m share of £822m Services Grant
- Flexibility on council tax precept for the lowest quartile Fire Services of £5 for a one-year period, referendum limits for the remainder of the sector to remain at 2%
- Pension Grant will be paid at current rate and will be formally confirmed in January 2022

6.4 The Provisional Local Government Settlement was published in December 2021 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.

6.5 The table below presents the budget requirements incorporating pressures and savings from 2021/22 onwards:

| Greater Manchester Fire and Rescue Service Medium Term Financial Plan | Original Budget 2021/22 | Revised Budget 2021/22 | Proposed Budget 2022/23 | Planned Budget 2023/24 | Planned Budget 2024/25 |
|----------------------------------------------------------------------------------|----------------------------------------|---------------------------------------|----------------------------------------|---------------------------------------|---------------------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Fire Service | 109,514 | 109,514 | 107,956 | 112,605 | 114,040 |
| Pay and price inflation | 212 | 1,275 | 2,625 | 1,961 | 1,999 |
| Savings | -2,857 | -2,857 | -788 | -712 | 0 |
| Cost pressures and variations | 24 | 24 | 2,812 | 186 | 0 |
| Cost of service | 106,893 | 107,956 | 112,605 | 114,040 | 116,039 |
| Capital Financing Charges | 2,316 | 2,316 | 1,692 | 3,875 | 4,960 |
| Transfer to Earmarked Reserves | 1,349 | 1,349 | 5,185 | 0 | 0 |
| Revenue Contribution to Capital Outlay | 2,700 | 2,700 | 0 | 0 | 0 |
| Use of Capital Reserves | -2,700 | -2,700 | 0 | 0 | 0 |
| Net Service Budget | 110,558 | 111,621 | 119,482 | 117,915 | 120,999 |
| | | | | | |

| | | | | | |
|--------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Funded by: | | | | | |
| Localised Business Rates | 10,297 | 10,297 | 9,508 | 9,508 | 9,508 |
| Baseline funding | 40,353 | 40,353 | 40,922 | 40,922 | 40,922 |
| SFA - Services Grant | 0 | 0 | 2,209 | 0 | 0 |
| Section 31 - Business rates related | 2,594 | 2,594 | 5,187 | 5,187 | 5,187 |
| Section 31 - Pension related | 5,605 | 5,605 | 5,605 | 5,605 | 5,605 |
| Precept income (at £71.20 Band D) | 50,041 | 50,041 | 55,429 | 55,429 | 55,429 |
| Collection Fund surplus/deficit | -5,236 | -5,236 | -2,573 | -311 | 0 |
| Local Council Tax Support | 1,349 | 1,349 | 0 | 0 | 0 |
| | 105,003 | 105,003 | 116,287 | 116,341 | 116,651 |
| Shortfall | 5,555 | 6,618 | 3,195 | 1,574 | 4,347 |
| Shortfall Funded by: | | | | | |
| Earmarked Reserves | 5,555 | 5,555 | 3,195 | 120 | 0 |
| General Reserves/Precept Increase | 0 | 1,063 | 0 | 1,454 | 4,347 |
| Use of Earmarked & General Reserves/Precept | 5,555 | 6,618 | 3,195 | 1,574 | 4,347 |

REVENUE BUDGET ASSUMPTIONS

Funding

- 6.6 Funding is based on the details from the Provisional Settlement, released in December. The baseline funding has increased by £0.569m from the 2021/22 position with an additional one-year Services Grant of £2.2m. 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.
- 6.7 From 2019/20 the Home Office confirmed a Section 31 pension grant of £5.605m million towards estimated costs for GMFRS of £6.1m. Payment of this grant in 2020/21 and 2021/22 was made on a flat cash basis, and in 2022/23 indications suggest that the grant will again be paid on a flat cash basis.

- 6.8 Precept income has been included at the increased rate of £55.38 per Band B property (£71.20 per household at Band D equivalent) which ensures there is no impact on frontline fire cover . The estimated Taxbase for 2022/23, i.e. the number of households paying council tax, has seen an increase when compared to levels assumed in 2021/22.
- 6.9 Collection Fund surplus/deficits are to be confirmed by Districts as soon as the information is available. Early indications show that Business Rates deficits are expected to continue due to the impact of the on-going pandemic. The values currently provided in the Medium-Term Financial Plan are the deficits from 2020/21 which have been spread over three financial years from 2021/22 and the indicated recoverable amounts from the Tax Income Guarantee funding from Government.
- 6.10 There is no indication at this stage of future grants to cover Protection related activities.

Pay and Pensions

- 6.11 Pay and price inflation includes 1.5% for uniformed staff and an indicative 1.75% for non-uniformed staff in relation to 2021/22, as presented against the revised 2021/22 budget and an estimated 2% for all staff in 2022/23. Following the pay freeze announced in the Spending Review for 2021/22, an increase of £250 per year per employee for those with a salary of less than £24k was introduced into the budget, however, since the budget setting period, uniformed staff pay award was agreed at 1.5% and negotiations for non-uniformed staff pay award started and negotiations are on-going.
- 6.12 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 and 2021/22 was made on a flat cash basis, which is expected again in 2022/23.

Savings

6.13 The GMFRS Programme for Change has undertaken a whole service review and developed and implemented a new operating model which affected the revenue budget from 2019/20 to 2021/22. The Programme has been completed, however, the Service continually ensure that it is delivered efficiently and effectively. As such, a savings target of £1.5m has been put forward across two financial years. £0.788m of the target has been identified as deliverable in 2022/23 following a line-by-line review and Business Rates payable review, with a further £0.712m to be delivered in 2023/24.

Pressures

6.14 Budget pressures have been identified as set out below:

- Pay Award – As noted at paragraph 6.12, budget pressures have arisen due to pay awards for 2021/22 and 2022/23. Uniformed staff 2021/22 pay award has been agreed at 1.5% which requires a budget increase of £0.818m, indicative increases have been calculated for 2021/22 non-uniformed staff at 1.75% which equates to £0.245m and 2022/23 at 2% for all staff which has been calculated at £1.664m.
- National Insurance – Government announced an increase of National Insurance contributions which increased employers' contribution rate from 13.8% to 15.05%. This increase, estimated at £0.553m is to be funded by the Services Grant.
- Price Inflation - energy costs inflation has been identified with an estimated budget increase requirement of £0.408m. No further inflation has been introduced to the budget, any that arise will be met through existing budgets.

- MTFA capability – an agreement has been reached with the representative body to support a ballot of its members enabling this capability to continue on a permanent basis. This ballot will take place in January – February 2022. The budget introduced to implement and maintain this is £1.385m on a recurring basis.
- Training – A full scale review of Training Needs Assessment, the capacity to deliver and external costs associated has recently been undertaken. This has been costed and has raised a budget pressure of £0.751m.
- Support Services – Back-office support from the wider GMCA will see a cost increase, mainly in relation to pay award. This has been estimated at £0.379m based on a 5% increase.

Transfer to Earmarked Reserves

6.15 The transfer to Earmarked Reserves represents the planned use of revenue funding to be transferred to the Capital Fund Reserve. This is to reduce future capital financing costs against capital programme expenditure.

CAPITAL PROGRAMME

6.16 GMFRS have reviewed capital investment requirements for the Fire Estates, Fire ICT schemes and Operational Vehicles and Equipment, and the proposed Capital Programme requirements are set out below.

| Capital Programme | 2021/22 | 2022/23 | 2023/24 | Future Years to 2027/28 | Total |
|--------------------------------|----------------|----------------|----------------|--------------------------------|---------------|
| | £000 | £000 | £000 | £000 | £000 |
| Estates | 3,194 | 12,666 | 11,010 | 18,290 | 45,160 |
| Transport | 3,478 | 5,480 | 2,084 | 8,958 | 20,001 |
| ICT | 1,820 | 1,574 | 184 | 600 | 4,178 |
| Equipment | 301 | 2,154 | 540 | 1,614 | 4,609 |
| Sustainability | 342 | 240 | 75 | 300 | 957 |
| Health & Safety | 0 | 0 | 0 | 0 | 0 |
| Waking Watch Relief Fund | 2,050 | 0 | 0 | 0 | 2,050 |
| Total Capital Programme | 11,186 | 22,114 | 13,893 | 29,762 | 76,956 |

6.17 A long-term Estates Strategy is being formulated, the approved Phase 1 of the scheme with plans for new builds, extensions, refurbishments and carbon reduction schemes is underway with expected completion by 2025/26. Alongside this is the Bury Training and Safety Centre which is also underway and due to complete within 2022/23.

6.18 Transport and Equipment replacement programme budgets are profiled in accordance with expected need and delivery profiles allowing for lead times where supply chains require orders to be placed up to 18 months prior to goods being delivered.

BUDGET RISKS

6.19 Future budget risks are set out below:

- A one-year settlement was included in the three-year Government Spending Review, future funding beyond 2022/23 has not been confirmed.
- Pay claims for firefighters and Local Government Employees in excess of the assumptions set out in the report.

- 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 being determined but are likely to be significant in future years beyond 2022/23.
- 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 , Fire Safety Act 2021, and the Building Safety bill.
- Any Business Continuity Arrangements that require funding which are not part of the Base Budget.
- As no capital grants are available to FRSs, 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.

7. RECOMMENDATIONS

7.1 Detailed recommendations appear at the front of this report.

Appendix 1

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.

**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 2022/23

| Budget Summary 2022/23 | Gross | Gross | Net |
|-------------------------------------|--------------------|----------------|-----------------|
| | Expenditure | Income | Estimate |
| | £000 | £000 | £000 |
| Fire Service Budget | 116,574 | 3,968 | 112,606 |
| Other Mayoral General Budget | 139,020 | 24,750 | 114,270 |
| Capital Financing Charges | 1,692 | 0 | 1,692 |
| Contribution from balances/reserves | 5,185 | 4,603 | 582 |
| Budget Requirement | 262,471 | 33,321 | 229,150 |
| | | | |
| Localised Business Rates | 9,508 | -9,508 | |
| Business Rate Baseline | 40,922 | -40,922 | |
| Services Grant | 2,209 | -2,209 | |
| Section 31 Grant - Business Rates | 5,187 | -5,187 | |
| Section 31 Grant - pensions | 5,605 | -5,605 | |
| Transport - Statutory Charge | 86,700 | -86,700 | |
| Collection Fund surplus/-deficit | 2,573 | 1,445 | 1,128 |
| Precept requirement | 265,044 | 184,897 | 80,147 |

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</u> |
|-----------------|------------------|
| | <u>Tax Base</u> |
| Bolton | 77,795.0 |
| Bury | 55,611.0 |
| Manchester | 127,620.0 |
| Oldham | 57,450.0 |
| Rochdale | 56,232.0 |
| Salford | 71,905.0 |
| Stockport | 96,883.1 |
| Tameside | 63,306.0 |
| Trafford | 77,601.0 |
| Wigan | 94,100.0 |
| Total | 778,503.1 |

AMOUNTS OF COUNCIL TAX FOR EACH BAND

| 2022/23 | A | B | C | D | E | F | G | H |
|------------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|
| Costs for Band £ | 68.63 | 80.07 | 91.51 | 102.95 | 125.82 | 148.70 | 171.58 | 205.90 |

CALCULATION OF BAND D EQUIVALENT TAX RATE

| | £ |
|--------------------------------------|-------------------------|
| NET EXPENDITURE UNDER SN 42A (4) | 262,470,966 |
| LESS:- Funding (Including S31 grant) | 183,451,665 |
| | <hr/> 79,019,301 |

ADJUSTED FOR SURPLUS (-) / DEFICIT ON DISTRICT COLLECTION FUNDS

| | |
|--------------|------------------------|
| BOLTON | -115,842 |
| BURY | -120,061 |
| MANCHESTER | 279,125 |
| OLDHAM | 265,115 |
| ROCHDALE | 33,227 |
| SALFORD | 153,659 |
| STOCKPORT | 271,613 |
| TAMESIDE | -19,856 |
| TRAFFORD | 243,075 |
| WIGAN | 137,538 |
| Total | <hr/> 1,127,593 |

NET BUDGETARY REQUIREMENT

TO BE MET BY COUNCIL TAX

80,146,894

NET BUDGETARY REQUIREMENT

80,146,894

AGGREGATE TAX BASE

778,503.1

BASIC TAX AMOUNT AT BAND 'D' **102.95**

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GREATER MANCHESTER COMBINED AUTHORITY

Date: 11 February 2022

Subject: Budget Paper C - GMCA Transport Revenue Budget 2022/23

Report of: Cllr David Molyneux, Portfolio Leader for Resources and Steve Wilson,
Treasurer to GMCA

PURPOSE OF REPORT

The report sets out the transport related Greater Manchester Combined Authority (GMCA) budget for 2022/23. The proposed Transport Levy to be approved for 2022/23 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 2022/23 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 2022/23.
3. Approve a Transport Levy on the District Councils in 2022/23 of £105.773 million, apportioned on the basis of mid-year population 2020.

4. Approve a Statutory Charge of £86.7 million to District Councils in 2022/23 as set out in Part 4 of the Transport Order, apportioned on the basis of mid-year population 2020.
5. 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 for following schemes detailed in paragraph 4.36:
 - Mayors Challenge Fund 2022/23 project and programme management costs of up to £1.9 million;
 - Active Travel Fund (Round 2) £0.25 million of revenue funding for associated programme management and assurance costs.
6. Approve the proposal to increase fees and charges where applicable, in line with inflation and to approve the increases proposed to Bus stop closure charges. as set out in paragraphs 4.59 and 4.60.
7. Approve the use of Transport reserves in 2021/22 and 2022/23 as detailed in section 5.
8. Note that the funding for Bus Franchising in 2022/23 is approved as part of the Mayoral Budget 2022-23 also on this agenda.

CONTACT OFFICERS:

Name: Steve Wilson, Treasurer to GMCA

E-Mail: steve.wilson@greatermanchester-ca.gov.uk

Name: Steve Warrener, Finance and Corporate Services Director,
Transport for Greater Manchester

E-Mail: steve.warrener@tfgm.com

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 2022/23.

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 Transport Revenue Budget’ 12 February 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 | 8 th February 2022 |

1 INTRODUCTION

- 1.1 The report provides details of the proposed budget, including Mayoral funded functions as they relate to Transport for 2022/23.
- 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 2022/23

- 2.1 The proposed Transport budget for 2022/23 is £269.353m summarised in the table below:

| Transport Revenue Budget | Approved Budget 2021/22 | Proposed Budget 2022/23 | Change |
|---------------------------------|----------------------------------------|----------------------------------------|---------------|
| Resources Available: | £000 | £000 | £000 |
| Transport Levy | 105,773 | 105,773 | 0 |
| Statutory Charge | 86,700 | 86,700 | 0 |
| Mayoral General Precept | 17,050 | 21,414 | 4,364 |
| Government Grants | 24,693 | 35,375 | 10,682 |
| External Income | 850 | 850 | 0 |
| Contribution from Reserves | 11,360 | 19,242 | 7,881 |
| Total Resources | 246,426 | 269,353 | 22,927 |
| 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 | 11,785 | 11,785 | 0 |

| | | | |
|--------------------------------|----------------|----------------|---------------|
| Scheme Development Costs | 0 | 15,900 | 15,900 |
| Our Pass Concession | 16,200 | 16,200 | 0 |
| Care Leavers Concession | 550 | 550 | 0 |
| Bus Reform | 4,250 | 15,895 | 11,645 |
| GMCA Traffic Signals | 3,822 | 3,822 | 0 |
| GMCA Corporate | 975 | 1,024 | 49 |
| Capital Financing Costs | | | |
| - Levy Funded | 52,904 | 52,904 | 0 |
| - GMCA Funded from Revs/Res | 11,558 | 12,951 | 1,393 |
| - TfGM Funded from Revs/Res | 19,479 | 13,419 | -6,060 |
| Total Call on Resources | 246,426 | 269,353 | 22,927 |

- 2.2 The overall Transport budget for 2022/23 is an increase of £22.927m compared to 2021/22, the major changes relate to:
- Earnback revenue grant – increased use of grant to meet a proportion of the implementation costs of Bus Reform;
 - Increase in Mayoral Precept to meet implementation cost of Bus Franchising;
 - Use of reserves to meet Scheme Development Costs offset by a reduction in capital financing charges
- 2.3 From the Transport budget of £269.353m, a budget of £190.725m will be allocated to TfGM and the remainder will be retained by GMCA to meet capital financing costs, traffic signal maintenance and corporate overheads. Section 4 below provides detail on the TfGM budget strategy for 2022/23 and a breakdown of the proposed TfGM revenue budget.
- 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 2022/23 will be set at £105.773m and the Statutory Charge be set at £86.7 million, a total of £192.473m which has been unchanged over the last two years.
- 3.3 The Transport Levy and Statutory Charge is distributed across the Districts based on mid-year 2020 population. An analysis of amounts payable by each District Council in 2022/23 is shown in the table below.
- 3.4 As in previous years 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.
- 3.5 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 2022/23.

Proposed GMCA Transport Levy and Statutory Charge 2022/23 per District

- 3.6 The table below details both the Transport Levy and the Statutory Charge per district.

| District | 2022/23 Transport Levy £000 | 2022/23 Statutory Charge £000 | 2022/23 Total Charge £000 |
|--------------|--------------------------------------|----------------------------------------|------------------------------------|
| Bolton | 10,704 | 8,774 | 19,478 |
| Bury | 7,082 | 5,805 | 12,887 |
| Manchester | 20,638 | 16,916 | 37,554 |
| Oldham | 8,824 | 7,233 | 16,058 |
| Rochdale | 8,306 | 6,808 | 15,114 |
| Salford | 9,755 | 7,996 | 17,752 |
| Stockport | 10,925 | 8,955 | 19,880 |
| Tameside | 8,434 | 6,913 | 15,347 |
| Trafford | 8,823 | 7,232 | 16,054 |
| Wigan | 12,281 | 10,067 | 22,348 |
| Total | 105,773 | 86,700 | 192,473 |

4. TfGM BUDGET STRATEGY 2022/23

- 4.1 The budget presented relates to the TfGM element of the Transport budgets.

Context and overview

- 4.2 Recognising, that whilst Greater Manchester has made real progress in recent years, there is still much work to do to ‘level Up’ (both at a GM and at a national scale), and to tackle climate change. Transport is the foundation not least in supporting GMCA to secure stronger control over bus services, so as to deliver a zero carbon, London-style, affordable, transport network. It will foster a stronger, more efficient and resilient city-region economy, connect people to homes, jobs, learning, leisure and culture, and create opportunities for all of Greater Manchester’s communities from urban to rural, city to town and village.

Bee Network

- 4.3 The Bee Network is an integrated ‘London-style’ transport system which will join together buses, trams, cycling and walking and other shared mobility services by 2024, with commuter rail incorporated by 2030, to transform how people travel in Greater Manchester.
- 4.4 By designing and delivering public transport, active travel and shared mobility services as one system with local accountability and aligned to national and local priorities, the Bee Network will transform the travelling experience and make sustainable, low carbon transport an attractive option for all.
- 4.5 Accessible, affordable, integrated, inclusive and easy to use, with a daily fare cap and Greater Manchester-wide multi-modal fares, the Bee Network will support seamless end-to-end journeys within Greater Manchester, irrespective of the destination.

Bus Service Improvement Plan

- 4.6 Greater Manchester is strongly aligned with Government and the National Bus Strategy in terms of understanding the potential for buses to play a central role in supporting sustainable economic growth in Greater Manchester’s city and town centres and major development areas, in supporting levelling up across Greater Manchester by enabling the most excluded groups to access opportunities and in driving decarbonisation of the transport system. These shared ambitions were set out, in detail, in our Bus Service Improvement Plan (BSIP) that was submitted to Government last October.
- 4.7 As Government work to conclude the best use of the BSIP / bus revenue funding, we are seeking a firm commitment from Government to provide the financial support needed to stabilise the network and increase service frequencies and make fares

more equitable, so that we are raising standards to London levels across the whole transport system.

City Region Sustainable Transport Fund (CRSTF) and Settlement (CRSTS)

- 4.8 In addition, on 20 July 2021, DfT issued the guidance for the renamed City Region Sustainable Transport Fund (CRSTF) and Settlement (CRSTS) process. At its meeting on 10th September, GMCA approved the submission of the Prospectus based upon the upper bound guideline of £1.19bn for government consideration as part of the 2021 Spending Review process. Subsequently, on 22 November 2021, the Secretary of State wrote to the GM Mayor to say that GMCA had been allocated an indicative allocation of £1.07 billion of capital funding conditional on the submission of a programme business case by the end of January 2022. The programme business case should set out the outcomes that are expected to be achieved and how they meet the objectives of programme.

Pandemic support and recovery funding

- 4.9 Unlike most other UK Light Rail Systems, GMCA / TfGM takes full revenue risk on the Metrolink network. The system has (pre Covid) been almost exclusively reliant on passenger farebox revenues to fund the costs of operation, maintenance and repayment of the £1 billion of locally funded borrowings used (in conjunction with Government grant funding) to fund the Phase 3 expansion programme. The system represents the largest local-central government local transport investment / partnership programme in the UK. The costs to the Greater Manchester Combined Authority of repaying this debt are approximately £55 million per annum.
- 4.10 The investment was prioritised on the basis of Gross Value Added (GVA) returns and, at an overall programme level, was forecast to generate additional GVA of £1.2 billion per annum and 20,000 additional jobs, generating the tax returns and farebox revenues to fund the ongoing and committed costs of debt repayment and interest.

- 4.11 Therefore, without ongoing central government support, the ‘revenue shock’ that is being experienced currently and into the future is unsustainable and will have a very damaging impact on the ability of GM to recover from Covid.
- 4.12 GM has received c£100 million of funding from Government during the pandemic that has, coupled with the interventions by made by TfGM to reduce costs, enabled the Metrolink network to continue to operate and to serve and support communities and key workers and others during the pandemic.
- 4.13 Whilst work is ongoing to seek to minimise the request for ongoing support, the estimated funding requirement into next year and beyond is predominantly as a result of the impacts of Covid and its impact on travel patterns (particularly commuting to work) which equates to c£40m per annum.
- 4.14 There are therefore a number of key uncertainties in relation to the impact of Covid-19 on future Metrolink and Bus passenger volumes and revenues; and the availability of ‘Covid recovery funding’ beyond the end of March 2022.
- 4.15 In addition, there are other matters which will significantly impact the budget for 2022/23 including in particular:
- Bus Franchising;
 - Expenditure required to develop future infrastructure schemes;
 - Other activities and inflationary cost pressures.

Metrolink

- 4.16 As a result of the various lockdowns, restrictions and guidance due to Covid, during the current financial year passenger volumes on public transport have, continued to be significantly below pre pandemic levels. Farebox revenues on Metrolink have continued to be significantly lower than those assumed in the funding strategy for repayment of the debt raised for the expansion of the system. Prior to the most recent

restrictions, volumes had recovered to c70% of pre-pandemic levels however they are currently around 58%.

- 4.17 To date, this funding gap has been filled from a combination of efficiency savings, where possible, and, much more substantially, from DfT grants. Based on the level of grant currently committed by DfT until 31 March 2022, the forecast shortfall in 2021/22 will be c.£5 million, which would need to be funded from reserves.
- 4.18 Discussions are continuing with DfT regarding funding beyond the end of March 2022, however currently, there is no indication that funding will be available beyond that date. In the event that additional funding is unavailable it is currently estimated that there would be a net shortfall of c. £40 million in 2022/23, in terms of operating deficit and the planned contribution to capital financing costs, with a similar level of net shortfall forecast in future years. This represents a significant risk to sustaining the current levels of Metrolink service provision. Work is ongoing to review how costs can be further reduced including through potential service changes and operating efficiencies, increased income through reducing fare evasion, increasing patronage and farebox revenues and from commercial opportunities.

Bus

- 4.19 Passenger volumes have also been significantly impacted on bus services, with volumes fluctuating between 9% and 82% of pre-pandemic levels during 2020 and 2021, and are currently around 62% of pre-pandemic levels. The impact is expected to be largely mitigated through DfT funding in the current financial year, however there are significant cost pressures going forward, particularly into 2022/23, given the ongoing uncertainty as to the quantum and longevity of ongoing government funding beyond the end of March 2022. This raises the risk of the deregistration of potentially significant volumes of commercial services which would bring further pressure on TfGM budgets to provide subsidy to ensure those services are maintained, to support GM economic growth and to stabilise the network as far as possible in advance of the introduction of franchising.

- 4.20 In October 2021, GMCA/TfGM submitted its ‘Bus Services Improvement Plan’ (BSIP), which sets out future plans for bus services and included a bid for revenue funding for the stabilisation and future development of the bus network. This included funding to reduce fares and to improve the experience of customers using buses in Greater Manchester; and a bid for capital funding of c£600 million (largely for zero emission fleet and systems in the period until March 2027) which was in addition to the capital ask from the CRSTS to fund bus priority infrastructure and improvements to passenger waiting facilities.
- 4.21 As set out in the *City Region Sustainable Transport Settlement Draft Programme* Case report to GMCA on 28 January 2022, the capital asks within BSIP have been included as part of the reprioritisation and development of the draft CRSTS Programme Business Case that was submitted to Government at the end of January 2022. This is following receipt of a letter from the Secretary of State, supported by other feedback from Government and on the assumption that GM will receive no capital funding via the Bus Service Improvement Plan.
- 4.22 The revenue funding bid, which included £30m per annum to replace the current Government Covid Bus funding and to stabilise the bus network, was between approximately £60 million and £140 million across the three year period 2022/23 to 2024/25 covered by the BSIP funding. This range reflected the incremental and phased introduction of service and fares improvements. Beyond this time period, and in order to maintain the benefits which would be delivered through BSIP, there would be a requirement for an ongoing annual revenue subsidy of approximately £175 million.
- 4.23 The Department for Transport (DfT) wrote to all Local Transport Authority Transport Directors (in England, outside London) on 11 January 2022. The letter stated that ‘*We [DfT] continue to review and assess the BSIPs covering all 79 LTAs and expect to provide details of indicative funding by February 2022. This will recognise that the budget available for transformation, including for Zero Emission Buses, is around*

£1.4bn for the next three years and that prioritisation is inevitable, given the scale of the ambition across the country greatly exceeds this amount.' It is understood that of the £1.4 billion, only c£600m is for revenue investment.

- 4.24 To the extent that budgets need to be updated after the BSIP bid outcome is announced, this will be done through the quarterly budget updates to GMCA.
- 4.25 The proposed Supported Bus budget for 2022/23 includes an allowance for both inflationary costs and a risk provision for additional service deregistrations. However, the funding of c£30m included in BSIP to replace the current Government Covid Bus funding and to stabilise the bus network is not confirmed and is therefore a significant further risk.

Bus Franchising

- 4.26 On 30 March 2021 the Mayor made the Greater Manchester Franchising Scheme for Buses 2021 ("the Franchising Scheme") and the GMCA published its response to the consultation together with the Mayor's decision, as required by section 123G of the Transport Act 2000 and (on behalf of the Mayor) the Franchising Scheme itself.
- 4.27 Previous reports to GMCA, including in October 2019, set out the preferred funding scenario for the Proposed Franchising Scheme. In brief that consisted of:
 - i. £78.0 million, in total, of Mayoral 'earn back' funds provided by central government as part of Greater Manchester's Devolution Agreement;
 - ii. £11.0 million, in total, raised by the existing precept as part of the Mayor's 2019/20 budget for bus reform purposes (equating to £2.2 million per annum applied each year from 2020/21);
 - iii. £17.8 million, in total, of contributions by Local Authorities as a proposed one-off increase in the statutory contribution. This was originally proposed to be in 2020/21 but has now been re-phased to 2024/25, see below;

- iv. £5 million, in total, of existing and forecast business rates pooling receipts held by the GMCA; and
- v. £22.7 million, in total, of Mayoral precept required from future years' budgets.

Under these proposals the increase in funding from the Precept in 2022/23 is proposed to be £3.3 million.

- 4.28 The current implementation plans for the introduction of Bus Franchising include a budgeted revenue cost of £15.895 million in 2022/23. This will be funded from Precept and Earnback income. The outputs of this planned expenditure for 2022/23 include in particular:
- i. procurement of local service contracts required for the implementation and operation of the franchising scheme;
 - ii. procurement of on-bus equipment, other equipment, and systems and associated services which are necessary for the implementation and operation of the franchising scheme;
 - iii. depot and land acquisition financing costs aligned to the depot strategy, as set out in the Assessment;
 - iv. Work to establish, operate and manage the Residual Value mechanism, as set out in the Assessment; and
 - v. A quantified risk allowance, in line with the allowance in the Assessment, and as considered appropriate for this stage of development.

- 4.29 GMCA/TfGM is currently awaiting the outcome of the Judicial Review into Bus Franchising which took place in May 2021.

Future Infrastructure Scheme Development

- 4.30 In January 2021 TfGM published a five year Delivery Plan to sit alongside the refreshed Transport Strategy 2040. TfGM and the districts have been 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 Infrastructure development programme. 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.

- 4.31 As referenced above in August 2021 GMCA submitted a bid for funding of £1.19 billion to the government's City Region Sustainable Transport Settlement (CRSTS). This bid was for capital funding for the further development and delivery of the schemes in the development programme and included £170 million of locally committed funding to support the bid. In October 2021 government announced that GM had been successful in its bid and had been allocated £1.07 billion of CRSTS funding. Work is ongoing to agree the final allocations of this funding to proposed schemes.
- 4.32 To date the development work in relation to the above has been funded from a combination of previously approved 'top slices' of £22 million from Transforming Cities Fund 2 (TCF2) over the three year period from 2020/21 to 2022/23 and £8.6 million of Intra-City Transport Fund (ICTF) revenue funding provided by DfT.
- 4.33 The forecast spend for 2021/22 is estimated to outturn at c. £10 million. Combined with spend and drawdowns in 2020/21, this means that £15.9 million of the previously approved funding from TCF2 and ICTF is available for funding the ongoing work in 2022/23.
- 4.34 The letter from the Secretary of State to the Mayor in November 2021 also set out that, additional to the revenue funding provided in 2021/22, Government is committed to providing further funding to support the development and delivery of CRSTS settlements. In 21/22 GMCA received £8.6m from a national funding allocation of £50m, and Government are looking to provide a similar level of grant to the eight participating MCAs in 2022/23; £25m in 2023/24; and £25m in 2024/25. To date, no further information has been received on this funding.

4.35 The current budget for revenue expenditure on revenue Scheme development activities in 2022/23 is £15.9 million. This funding will support the further development of Strategic Outline Cases (SOC) for the schemes within the agreed CRSTS programme once the Programme Case is approved. At this stage there are around 10 programme business case and approximately 70 scheme business cases to develop with this revenue funding. At this point the proposed budget for 2022/23 does not include the additional grant funding referred to above, which is essential to support the completion of the business case work set out above. When the final quantum of this grant is confirmed the budget will be updated in future quarterly updates.

Other activities and cost pressures

4.36 In line with previous years, TfGM will be delivering a number of additional or expanded activities. Although a number of these are funded, at least in part, they are all exerting additional pressures on core budgets in terms of the overall organisational overhead required to deliver them. In 2022/23 the following activities will be new or expanded on previous years:

- Rail Reform: In 2022/23 additional costs, estimated at £0.5 million, will be required to support activities in relation to Rail Reform including consideration of, and planning for the impact of, the Shapps/Williams Report. No external funding is available to support this work;
- Cycling and Walking: TfGM is supporting the delivery of the programme of cycling and walking schemes which have been funded from TCF and other specific Active Travel grants from DfT. In recent years these programme costs have outturned at c.£2 million per annum. These activities will need to continue into 2022/23 in order to deliver the Pipeline of schemes within the programme. Due to the expansion of the programme it is estimated that the costs will be c £2.3 million in 2022/23. It is proposed that these costs will continue to be largely funded, as in previous years, through a top slice of capital funding from the Mayors Challenge Fund (£1.9 million)

along with other funding available through the Active Travel revenue grants (£0.4 million);

- Inflationary cost pressures: In recent months TfGM has, in line with other organisations, been impacted by a number of inflationary cost pressures, including for example energy costs, which are forecast to increase significantly in 2022/23 due to the recent significant volatility in energy markets. Also, and in addition to pay inflation, TfGM will also need to absorb the planned increase in employer national insurance contributions of 1.25% from April 2022; and there is also a significant risk of cost inflation on bus supported services as referred to above. All of these costs will need to be absorbed by making savings through procurement and other efficiencies.

4.37 TfGM has been appointed by Greater Manchester councils to deliver the Clean Air Service. Delivery of GM's Clean Air Plan, in compliance with the Ministerial Direction to reduce NO₂ to within legal levels, is a statutory responsibility of the ten GM districts, but its delivery has been delegated to GMCA, acting by its officer TfGM. The direct costs to implement the scheme and the associated measures, including grant support, are being funded from grants from the Joint Air Quality Unit. On an ongoing basis the financial position of the Clean Air Service will be accounted for on an 'agency' basis by TfGM.

2022/23 Budget Strategy

4.38 TfGM's budget has been managed within the same funding envelope in recent years by making year on year savings from various sources, including a voluntary severance process which was run in the last financial year. This has been very challenging in the context of the additional activities that TfGM has been requested to deliver, the continuing inflationary pressures on budgets, the amount of expenditure which is unavoidable due to it being related to statutory obligations, including for example the English National Concessionary Travel Scheme and other fixed and financing costs.

4.39 The ability of TfGM to continue to make year on year incremental savings to fund ongoing cost pressures over the medium to longer term is therefore relatively limited and is increasingly challenging in the context of the inflationary pressures and funding uncertainties set out within this report.

Concessionary Support

- 4.40 Since the first lockdown TfGM has, as encouraged by DfT, continued to reimburse operators for concessionary reimbursement on the basis of pre-pandemic levels of patronage. DfT has issued guidance for reimbursement beyond March 2022 which includes a phased return to reimbursement based on actual volumes of concessionary journeys. Therefore there are still significant uncertainties in relation to the costs of reimbursement after that date including what the final DfT guidance will be, the ongoing recovery of patronage, the impact of any fare increases and the impact on reimbursement rates of future travel patterns.
- 4.41 The 2022/23 budget has been prepared based on the most recent DfT guidance and a current forecast of future travel. If any changes to the budget result from the factors referred to above this will be reported to GMCA as part of the quarterly revenue monitoring reports.
- 4.42 The Our Pass scheme provides free bus travel within Greater Manchester for 16-18 year olds and direct access to other opportunities in the region. The scheme was proposed to run for a pilot period of two years from August 2019, which subsequently became impacted by the Covid pandemic. The scheme was extended in September 2021 and since then the engagement from young people has increased significantly. In order to benefit from a full two year evaluation it is proposed to extend the pilot to August 2023. The Our Pass scheme is funded from a combination of Mayoral precept, reserves and other income. A budget of £16.2m is proposed for 2022/23 with a risk reserve held by TfGM if costs increase during the pilot, in line with the original funding strategy for the scheme agreed by the GMCA.

Supported Bus Services

- 4.43 Since 1986 bus services in Greater Manchester have been deregulated. That means the buses are run by commercial bus companies who decide the routes, timetables, fares and standards. The bus companies receive the revenue from fares and retain the profits. Some services which cannot be operated for sufficient commercial return have continued to be supported financially by TfGM via the Supported Bus Services Budget. The supported bus network amounts to approximately a fifth of the overall bus network mileage in Greater Manchester, at an annual cost in excess of £30 million, including provision for schools' services.
- 4.44 Due to ongoing underlying pressures, costs have increased in the last year. In previous years significant efficiency savings have been made in the Supported Bus Services budget. The majority of these savings have been delivered from efficiency savings and service reductions rather than service removals. However, there have been reductions in some services which are no longer been deemed to represent value for money, particularly in respect to patronage and cost.
- 4.45 Through the pandemic, supported services have remained at similar levels to support travel, including for key workers. The net costs for 2021/22 are forecast to outturn largely in line with budget, but there is expected to be significant additional pressure on budgets for 2022/23 when the current government financial support for bus services is currently scheduled to end.
- 4.46 The proposed budget for 2022/23 of £36 million includes allowances for inflationary costs and a risk provision for additional service de-registrations. However, the funding of c£30m included in BSIP to replace the current Government Covid Bus funding is still not confirmed and is therefore a significant further risk.
- 4.47 It is budgeted that the grant that TfGM provides to GMATL to fund Ring and Ride services, will remain at the 2021/22 outturn level of £3.7 million.

4.48 In line with recent years, it is proposed that the fares and charges on certain products or services that TfGM provide, including certain bus fares (on schools, DRT and Ring Ride services) and Departure Charges, will be subject to increases in line with inflation, at various dates between April 2022 and September 2022.

Other costs and budget pressures

4.49 A number of other budget pressures and risks exist, as follows:

- Funding will be required to support the work to consider the options and potential for future Rail Reform as noted above. No external funding is available for these costs;
- Continuing loss of income in a number of areas due to the ongoing impact of the pandemic, including income generated from property rental and commercial income from advertising and other sources, both of which have been key to TfGM continuing to manage within ‘cash flat’ levy settlements in recent years;
- Ongoing Covid related cost pressures, including project and programme management support for GM wide initiatives;
- Costs of operating and maintaining an expanding network of traffic signals, largely with no additional funding for operational costs;
- Continuing costs required to support the ongoing development of ticketing initiatives. £1.8m is being drawn down from the Integrated Ticketing Reserve to support these costs in 2021/22 and a further drawdown of £1.8 million is proposed in 2022/23; and
- Cost inflation on both staff and other operating costs, and the increase in national insurance contributions of 1.25% from 1 April 2022.

4.50 The additional costs and funding pressures on the TfGM budget in 2022/23, including from the matters referred to above, and from increasing pressures on the Supported Bus Services budgets, have resulted in additional cost pressures of c£6 million onto the base budget for 2022/23 (assuming sufficient funding, estimated at c£30m per annum, is available from TfGM’s BSIP bid to support the stabilisation of the bus network from April 2022). These additional cost pressures of c£6 million will need to

be offset through the generation of additional savings and efficiencies in operating costs and the generation of additional commercial income; and work is ongoing, as part of the preparation of the detailed budgets, to identify where these savings will be generated.

4.51 Considering the above the budget proposal is that:

- The Levy will again be subject to a cash ‘standstill’ for 2022/23, with all cost increases being absorbed by savings within TfGM’s core budgets;
- A drawdown of £1.8 million from the Integrated Ticketing Reserve to continue the development of ticketing solutions;
- TfGM fares and departure charges to increase in line with rates up to inflation at varying points in 2022/23 as set out in this report;
- Bus Stop Closure Charges to increase as set out in paragraph 4.60 below; and
- To the extent that DfT funding is insufficient to fund the net operating and financing costs for Metrolink, any shortfalls not covered by further DfT grant funding (currently estimated to be c£5m in 2021/22 and c£40m pa in each of the next 2 years) could be borrowed in the short term from the Capital Programme Reserve. However, this reserve is earmarked to support the long term repayment of capital financing costs and to fund future tram renewals to ensure system integrity

TfGM Proposed Budget 2022/23

4.52 Based on the proposals above the TfGM budget for 2022/23 would be as follows:

| Transport for Greater Manchester Revenue Budget | 2021/22 | 2022/23 |
|------------------------------------------------------------|---------------------------|----------------------------|
| | Revised Budget | Proposed Budget |
| | £000 | £000 |
| Concessionary Support | 77,900 | 75,600 |
| Supported Services | 32,000 | 36,000 |
| Accessible Transport | 3,900 | 3,700 |
| Operational Costs | 35,820 | 36,920 |
| Clean Air Plan costs | 6,500 | 400 |
| Capital scheme development costs | 7,000 | 15,900 |
| Bus Franchising costs | 4,250 | 15,895 |
| Financing | 6,310 | 6,310 |
| Total Expenditure | 173,680 | 190,725 |
| Levy allocated to TfGM | -36,380 | -28,380 |
| Statutory Charge | -86,700 | -86,700 |
| Mayoral General budget | -18,650 | -19,750 |
| Rail Grant | -1,900 | -1,900 |
| Metrolink funding from Revenue / Reserves | -10,800 | -18,800 |
| Clean Air grants | -6,500 | -400 |
| Capital / revenue switch | -7,000 | -15,900 |
| Bus franchising funding | -4,250 | -15,895 |
| Other Grants | -1,500 | -3,000 |
| Gross Income | -173,680 | -190,725 |

- 4.53 There are a number of risks to the proposed budget as set out above including:
- The ending or reduction of government Covid funding from April 2022
 - Increases in supported bus services costs resulting from price increases and bus service de-registrations
 - Cost and pay inflation and their impacts on the ability to deliver the expanding range of activities within the same budget envelope
 - The ability to deliver the savings required to balance the budget.

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

Expenditure

- 4.55 The concessionary reimbursement budget includes the cost of the English National Concessionary Travel Scheme (ENCTS) and the local Concessionary scheme, including the recently introduced 16-18 concessionary travel scheme.
- 4.56 The budget for Supported Services for 2022/23 includes an allowance for the risks, referred to earlier in this report, for inflationary cost increases and risk of further de-registrations, but also assumes funding of c£30 million is available from the BSIP bid to meet the ongoing pressures on costs of Supported Bus Services, due to uncertainty around ongoing Government funding.
- 4.57 The budgeted grant payable to GMATL of £3.7 million is in line with the 2021/22 outturn.
- 4.58 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.
- 4.59 The budget includes an assumption that Bus Station Departure Charges will increase in line with inflation from April 2022. These would be the first increases in two years.

The additional income will be used to partly offset the increasing costs of operating bus stations.

- 4.60 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 £270 to £290 for the first four stops and that the costs thereafter are increased from £90 to £100 per stop. The costs for ‘revisiting’ a stop are also assumed to increase from £120 to £130.

Income

- 4.61 Following Transport Orders being laid in April 2019, the Mayor was given further powers for transport functions, which in relation to TfGM’s activities supports activities associated with delivery of Bus related activities. An amount of £86.7 million was agreed as the cost of delivering these functions and this funding is raised via a statutory charge to District Councils. This was offset by a corresponding reduction in the Transport Levy, so overall funding was unchanged. As overall funding has been on a ‘cash flat’ basis over this period (and before), the total level of funding from the Levy/Statutory Charge is budgeted to be the same in 2022/23 as it was in 2021/22. The Levy allocated to TfGM is budgeted to reduce due to a higher budgeted contribution from Metrolink reserves, however this assumes DfT funding continues beyond March 2022.
- 4.62 The Mayoral General budget is also funding other costs in 2022/23 which relate to Mayoral functions, including 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 2021/22, and the costs of Concessionary scheme for 16-18 travel are, as stated above, budgeted to be £16.2 million.
- 4.63 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.

- 4.64 The funding from Metrolink Revenue/Reserves represents the budgeted contribution from Metrolink net revenues which are ring fenced to fund the financing costs which are incurred in GMCA as per the original funding plan. These budgeted net revenues assume that DfT funding continues beyond April, which is currently uncertain.
- 4.65 Utilisation of other reserves/funding relates to the proposed drawdown of funding from TCF2 to fund ongoing Infrastructure scheme development costs (£15.9 million) and funding from the Mayoral budget from the Precept and Earnback to fund the costs of Bus Reform (£15.895 million).
- 4.66 The funding from other grants and reserves includes specific ringfenced grants and funding from reserves earmarked for capital, to fund revenue expenditure on capital schemes.

5 RESERVES

- 5.1 An analysis of the forecast and budgeted movements in transport related reserves for 2021/22 and 2022/23 is set out below:

| Transport Reserves and Balances | Final Closing Balances 31st March 2021 | 2021/22 Planned Use | Projected Closing Balance 31st March 2022 | 2022/23 Planned Use | Projected Closing Balance 31st March 2023 |
|----------------------------------------|-------------------------------------------|---------------------|----------------------------------------------|---------------------|----------------------------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Capital Programme Reserve | -88,891 | 6,060 | -82,831 | 0 | -82,831 |
| Business Rates Top-Up - Highways/LTP | -35,483 | 9,072 | -26,411 | 15,900 | -10,511 |
| Integrated Ticketing Reserve | -11,703 | 1,800 | -9,903 | 1,800 | -8,103 |
| Revenue Grants Unapplied Reserve | -6,239 | 0 | -6,239 | 0 | -6,239 |
| Concessionary Fares Reserve | -7,900 | -3,300 | -11,200 | 0 | -11,200 |
| Property Reserve | -10,100 | 500 | -9,600 | 500 | -9,100 |
| Metrolink Reserve | -2,100 | 0 | -2,100 | 0 | -2,100 |
| Joint Road Safety Group Reserve | -4,500 | -1,100 | -5,600 | 500 | -5,100 |
| <u>General Revenue Reserves</u> | | | | | |
| General Reserve - TfGM | -1,100 | 0 | -1,100 | 0 | -1,100 |
| General Reserve - General | -1,085 | 0 | -1,085 | 0 | -1,085 |
| Total | -169,101 | 13,032 | -156,069 | 18,700 | -137,369 |

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 2022 is £1.085 million for GMCA and £1.100m for TfGM and there is no planned use for 2022/23.

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 included 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.

- 5.4 The current forecast balance on the Capital Programme Reserve at 31 March 2022 is approximately £82.8m. 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.
- 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 early April 2022.

Business Rates Pilot Top-Up – Highways/Local Transport Plan

- 5.6 As the GMCA is part of the 100% Business Rates Pilot, the previous receipt of some grants has been replaced by funding through a Business Rates ‘top up’. GMCA currently receives funding to support spend in GM Local Authorities for highways maintenance and the Local Transport Plan through a Business Rates ‘top-up’ grant of c£43m annually. As this is revenue funding it enables flexibility to support the revenue element of capital schemes. When necessary, approval is sought through GMCA to approve delegated authority to the GMCA Treasurer to make to make adjustments between capital funding and this reserve to ensure the correct accounting treatment for planned revenue spend.

Integrated Ticketing Reserve

- 5.7 The Integrated Ticketing Reserve had a balance of £11.7m on 31 March 2021. 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 £1.8m in 2021/22 with a planned further drawdown of £1.8m in 2022/23, which would reduce the balance at 31st March 2023 to £8.1m

Revenue Grants Unapplied Reserve

- 5.8 This relates to grants received ahead of expenditure, with the largest grants being in relation to Clean Air plan funding and the Active Travel Fund.

Concessionary Fares Reserve

- 5.9 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;
- 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.

Property Reserve

- 5.10 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

- 5.10 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 and to fund future renewals to ensure system integrity, in line with the approved financial strategy.

Joint Road Safety Group Reserve

- 5.12 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. In particular, this includes passenger revenue from Metrolink, which has been significantly adversely impacted over the last two years. 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. As Government support reduces risk continues into 2022/23 for Metrolink and bus services for which the impact and mitigation is referenced in Section 4 above (paragraphs 4.9 – 4.25).
- 6.10 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.
- 6.12 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.

Greater Manchester Combined Authority

Date: 11 February 2022

Subject: Budget Paper D - GMCA Revenue General Budget 2022/23

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) Revenue General Budget for 2022/23. The proposed District contributions to be approved for 2022/23 of £8.603m are included within the report together with the consequent allocations to the individual Councils which is unchanged from 2021/22.

RECOMMENDATIONS:

The GMCA is requested to:

1. Approve the budget relating to the Greater Manchester Combined Authority functions excluding transport and waste in 2022/23 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;

CONTACT OFFICERS:

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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 2022/23 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 2022/23.

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 2021/22 - 26 November 2021.

Report to Greater Manchester Combined Authority: GMCA General Budget 2021/22 – 12 February 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? | | |
| GM Transport Committee | Overview & Scrutiny Committee | |
| 8th February 2022 | | |

1. INTRODUCTION AND BACKGROUND

- 1.1 This report provides details of the proposed Greater Manchester Combined Authority (GMCA) Revenue General budget for 2022/23. The budgets for Mayoral activities including Fire and Police, Transport and Waste services are reported separately.
- 1.2 The proposed 2022/23 GMCA General budget reflects the latest position for GMCA taking account of devolved funding, specific grant funding and new cost pressures such as National Insurance contributions and pay and price inflation. 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 set out in the GMCA Corporate Plan.
- 1.3 The District contributions 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 2021/22 and 2022/23. 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 2022/23

- 2.1 The proposed budget for 2022/23 for the GMCA Revenue General budget is £242.621 million summarised in the table below. A detailed breakdown of the budget is provided in Appendix 1:

| GMCA General Revenue Budget | 2021/22 | 2022/23 |
|-------------------------------------|------------------------|------------------------|
| | Original Budget | Proposed Budget |
| Expenditure | £000 | £000 |
| GMCA Corporate | 26,580 | 27,320 |
| Digital | 1,674 | 2,597 |
| Economy | 18,954 | 18,499 |
| Environment | 2,697 | 758 |
| Place Making | 7,940 | 6,707 |
| Public Service Reform | 21,993 | 30,961 |
| Education, Work and Skills | 140,406 | 155,779 |
| GM Election | 3,800 | 0 |
| Total Expenditure | 224,044 | 242,621 |
| Government Grants | 153,046 | 180,133 |
| District Contributions | 8,603 | 8,603 |
| Internal Recharges | 17,000 | 18,995 |
| Earmarked Reserves - Business Rates | 24,569 | 16,327 |
| Earmarked Reserves - Other | 7,104 | 3,683 |
| Other Income | 13,722 | 14,879 |
| Total Resources | 224,044 | 242,621 |

GMCA Corporate

- 2.2 The proposed GMCA Corporate budgets for 2021/22 totals £27.3 million 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 Commercial Services, Legal and Governance and the Core Investment Team. Funding of GMCA corporate functions is predominantly from recharges within the GMCA and to grants, external funding and District contributions.

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. 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.

- 2.5 The proposed 2022/23 budget for Digital is £2.6 million, this includes the key programmes of GM Connect, GM Digital Strategy and Smart Residents Data Exchange Platform, Local Full Fibre Network and GM One Network. Of this £1.4 million is met from previously agreed retained business rates growth and £1.2 million from grants and reserves.

Economy

- 2.6 The Economy portfolio leads key groups including the Growth Board, Local Industrial Strategy Programme Delivery Executive, GM Economic Resilience Group and GM LEP. The team leads on Spending Review submissions to Government for GM, bringing together voices and ideas from across the 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.
- 2.7 The proposed 2022/23 budget for Economy is £18.5 million, which includes:
- £10.3 million for the GM Productivity Programme and GM Local Industrial Strategy programmes, both of which are funded from previously agreed retained business rate growth.
 - £2.150 million relating to Marketing Manchester and MIDAS funded from District Contributions of £1.4 million and £0.75 million from previously agreed retained business rate growth.
 - £4 million relating to Made Smarter Adoption North West programme fully funded from Government grant.
 - £1.8 million for the Economy team funded from a combination of internal recharges, grants and previously agreed retained business rates growth.

Environment

2.8 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 proposed 2022/23 budget for Environment is £0.76 million which is predominantly funded from government grants, recharges and District contributions.

Place making

- 2.9 Place making focuses 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.
- 2.10 The proposed 2022/23 budget for Place Making is £6.7 million the majority of which relates to Cultural and Social Impact Fund of £4.4m funded by District contributions and £1.1m of new retained business rates growth agreed by GMCA in September 2021. In addition there is £2.3 million of budget for Business, Innovation and Enterprise Policy, Planning and Housing and Land and Property Strategy funded from a combination of internal recharges and District contributions.

Public Service Reform

- 2.11 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.

2.12 The proposed 2021/22 budget for Public Service Reform is £31 million, this includes:

- Supporting Families, a continuation of the programme which includes confirmed grant funding of £11.6 million for 2022/23 for local authority delivery of intensive family support and Early Help.
- Homelessness and Rough Sleeping including:
 - A Bed Every Night (ABEN) of £5.850 million funded from Mayoral Precept, partner contributions and Government grant;
 - Housing First programme with funding of £3.2 million funded from Government grant;
 - Rough Sleeper Initiative, Rough Sleeper Accommodation and Community Accommodation programmes with Government grant funding totaling £3.2 million;
 - Homelessness Social Impact Bond of £1.5 million funded from previously agreed retained business rates growth and GMCA reserves.
- Changing Futures funding of £1.8 million for 2022/23 which is the second year of a three year programme to improve outcomes for adults experiencing multiple disadvantage.
- Delivery resources and other programmes including Children and Young People Plan, School Readiness, GM Gambling, Armed Forces plan.

Education, Work and Skills

2.13 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. The proposed 2022/23 budget is £155.8 million to support the following programmes:

- The Adult Education Budget (AEB) of £96.2 million devolved to GM to support the city-region's residents to develop skills needed for life and work, plus an additional £6.7 million for the AEB National Skills Fund Adult Level 3 programme.

- European Social Fund (ESF) Skills for Growth Programme of £22.3 million, 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, including the Work and Health Programme of £9.6 million, Job Entry Targeted Support (JETS) programme of £6.7 million and Working Well Specialist Employment of £0.9 million.
- European Social Fund (ESF) Not in Employment, Education or Training (NEET) prevention/reduction and youth employment programme of £5.3 million.
- Future Workforce Fund of £1 million to focus on supporting the most disadvantaged young people, providing a targeted, flexible and personalized pathway.
- Self-Employment Pilot of £1.5 million to support GM self-employed residents to sustain and grow their business.
- UK Community Renewal Fund of £1.7 million projects following bids approved by Government in November 2021.
- Delivery resources and other programmes including Greater Manchester Apprenticeship & Careers Service, Young Person's Guarantee, GM Careers Hub and Digital Skills.

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 previously been approved by GMCA to be met from retained business rates growth.

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

| District | 2021/22 | 2022/23 |
|-----------------|----------------|----------------|
| | £000 | £000 |
| Bolton | 861 | 861 |
| Bury | 606 | 606 |
| Manchester | 1,640 | 1,640 |
| Oldham | 729 | 729 |
| Rochdale | 692 | 692 |
| Salford | 795 | 795 |
| Stockport | 877 | 877 |
| Tameside | 701 | 701 |
| Trafford | 729 | 729 |
| Wigan | 973 | 973 |
| Total | 8,603 | 8,603 |

4. RESERVES

- 4.1 An analysis of the forecast and budgeted movements in reserves for 2021/22 and 2022/23 is set out below:

| GMCA Reserves and Balances | Closing Balance s 31 March 2021 | 2021/22 Planned Use | Projected 2021/22 Closing Balance | 2022/23 Planned Use | Projected 2021/22 Closing Balance |
|-----------------------------------|----------------------------------------------------|------------------------------------|------------------------------------------------------|------------------------------------|------------------------------------------------------|
| | £000s | £000s | £000s | £000s | £000s |
| | | | | | |

| | | | | | |
|-------------------------------------------|----------------|---------------|----------------|---------------|----------------|
| General Reserve | -4,245 | 0 | -4,245 | 0 | -4,245 |
| Business Rates Growth Pilot & Levy | -33,193 | 13,884 | -19,310 | 16,327 | -2,983 |
| Earmarked Reserves | -25,290 | 1,618 | -23,672 | 2,427 | -21,245 |
| Revenue Grants Unapplied | -18,458 | 1,065 | -17,393 | 1,256 | -16,137 |
| Total GMCA Reserves & Balances | -81,186 | 16,567 | -64,619 | 20,010 | -44,609 |

General GMCA Reserve

- 4.2 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 reserve as part of the budget proposals in this report.

Business Rate Pool and Growth Retention Scheme

- 4.3 This reserve had a balance of £33.2 million at 1 April 2021, which was the remaining balance committed to following decisions taken at GMCA on 27th November 2020. Of the remaining commitments, £13.9 million is planned to be spent in 2021/22 and £16.3 million is included in the budget plan for 2022/23, with the remaining spend in future financial years.
- 4.4 Due to the unprecedented impact of the COVID 19 Pandemic on the ten GM local authorities the business rates growth accrued in 2020/21 has been retained by the districts. There is expected to be circa £45m business rates growth in 2021/22 and there will be ongoing discussions on the approach to be taken to this funding following confirmation of the final sum. The Government has confirmed the growth retention pilot will continue for one more year so further income may accrue during the 2022/23 financial and again the use of this funding will be the subject of ongoing discussions.
- 4.5 It is expected that the Government will announce the approach for futures alongside the wider review of business rates and local government funding.

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.

6. RECOMMENDATIONS

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

Appendix 1

| GMCA Budget 2022/23 | District Contributions | Internal Recharges | Grants | Business Rates Reserve | Other Earmarked Reserves and Balances | Other Income | Total Budget 2022/23 |
|------------------------------|------------------------|--------------------|------------|------------------------|---------------------------------------|---------------|----------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Senior Management | 89 | 456 | 0 | 0 | 0 | 134 | 679 |
| Resilience | 0 | 0 | 63 | 122 | 40 | 183 | 408 |
| Strategy | 241 | 625 | 0 | 0 | 79 | 103 | 1,047 |
| Research | 378 | 661 | 75 | 0 | 145 | 469 | 1,728 |
| Communications | 176 | 993 | 0 | 0 | 0 | 18 | 1,187 |
| ICT Technology | 491 | 3,241 | 0 | 0 | 0 | 166 | 3,898 |
| Total Building | 35 | 402 | 0 | 0 | 0 | 1,065 | 1,503 |
| Finance - Accountancy | 331 | 1,537 | 0 | 0 | 0 | 43 | 1,911 |
| Commercial Services | 251 | 364 | 0 | 0 | 0 | 26 | 642 |
| Internal Audit and Risk | 67 | 349 | 0 | 0 | 0 | 99 | 514 |
| Core Investment Team | 0 | 0 | 0 | 0 | 0 | 6,355 | 6,355 |
| Legal Services | 17 | 303 | 0 | 0 | 0 | 0 | 320 |
| Information Governance | 63 | 585 | 0 | 0 | 0 | 1,057 | 1,705 |
| Democratic Services | 129 | 604 | 0 | 0 | 0 | 50 | 783 |
| Business Support | 238 | 383 | 0 | 0 | 0 | 47 | 667 |
| People Development & Support | 45 | 829 | 0 | 0 | 0 | 314 | 1,188 |
| Talent Learning & Resourcing | 0 | 1,203 | 0 | 0 | 0 | 13 | 1,217 |
| OD & Culture | 0 | 328 | 0 | 0 | 0 | 37 | 365 |
| Safety, Health & Wellbeing | 19 | 343 | 0 | 0 | 0 | 0 | 362 |
| Data Accelerator | 0 | 0 | 704 | 0 | 0 | 0 | 704 |
| Total GMCA Corporate | 2,569 | 13,344 | 843 | 122 | 263 | 10,179 | 27,320 |
| GM Connect | 0 | 95 | 0 | 0 | 171 | 0 | 266 |

| | | | | | | | |
|--------------------------------------------|--------------|------------|--------------|---------------|------------|------------|---------------|
| GM Digital Strategy | 0 | 0 | 0 | 250 | 0 | 0 | 250 |
| Smart Residents Data Exchange Platform | 0 | 0 | 0 | 1,190 | 151 | 740 | 2,081 |
| Total Digital | 0 | 95 | 0 | 1,440 | 322 | 740 | 2,597 |
| Economic Advice | 34 | 2 | 0 | 0 | 0 | 0 | 36 |
| Economy | 0 | 316 | 664 | 587 | 0 | 220 | 1,787 |
| MIDAS | 1,023 | 0 | 0 | 200 | 0 | 0 | 1,223 |
| Marketing Manchester | 350 | 0 | 0 | 550 | 0 | 27 | 927 |
| GM Productivity Programme | 0 | 0 | 0 | 7,451 | 0 | 0 | 7,451 |
| GM Local Industrial Strategy | 0 | 25 | 0 | 2,727 | 124 | 0 | 2,876 |
| Cricket Strategy | 0 | 0 | 0 | 200 | 0 | 0 | 200 |
| Made Smarter Adoption North West | 0 | 0 | 4,000 | 0 | 0 | 0 | 4,000 |
| Total Economy | 1,407 | 343 | 4,664 | 11,714 | 124 | 247 | 18,499 |
| Environment and Low Carbon | 207 | 200 | 0 | 0 | 0 | 0 | 407 |
| Natural Course | 0 | 0 | 169 | 0 | 0 | 0 | 169 |
| GM Local Energy Markets | 0 | 0 | 36 | 0 | 0 | 0 | 36 |
| Cognition | 0 | 50 | 71 | 0 | 0 | 0 | 121 |
| Five Year Environment Plan | 0 | 2 | 0 | 0 | 0 | 0 | 2 |
| Green Homes Grant | 0 | 0 | 22 | 0 | 0 | 0 | 22 |
| Total Environment | 207 | 252 | 298 | 0 | 0 | 0 | 758 |
| Business, Innovation and Enterprise Policy | 189 | 146 | 0 | 0 | 0 | 0 | 335 |
| Planning and Housing | 217 | 15 | 0 | 0 | 0 | 62 | 294 |
| Cultural and Social Impact Fund | 3,300 | 0 | 0 | 1,100 | 0 | 8 | 4,408 |
| Land and Property Strategy | 157 | 754 | 0 | 0 | 61 | 0 | 971 |
| Housing Package | 0 | 0 | 0 | 0 | 0 | 699 | 699 |
| Total Place Making | 3,862 | 915 | 0 | 1,100 | 61 | 769 | 6,707 |
| Childrens Services | 0 | 296 | 1,049 | 0 | 0 | 53 | 1,398 |
| GM Health Devolution | 0 | 0 | 0 | 0 | 0 | 217 | 217 |
| Equalities | 0 | 350 | 0 | 0 | 0 | 0 | 350 |
| Ageing Better | 109 | 10 | 0 | 0 | 37 | 19 | 175 |
| Social Impact Bond - Homelessness | 0 | 0 | 0 | 751 | 710 | 0 | 1,460 |
| Public Service Reform | 404 | 179 | 13,528 | 0 | 486 | 67 | 14,663 |

| | | | | | | | |
|-------------------------------------------|--------------|---------------|----------------|---------------|--------------|---------------|----------------|
| Housing First | 0 | 0 | 3,164 | 0 | 0 | 0 | 3,164 |
| A bed every night | 0 | 2,650 | 750 | 0 | 0 | 2,450 | 5,850 |
| Rough Sleeping Initiative | 0 | 0 | 2,157 | 0 | 0 | 0 | 2,157 |
| Rough Sleeper Accommodation Programme | 0 | 0 | 429 | 0 | 0 | 0 | 429 |
| What Works for Children's Social Care | 0 | 0 | 137 | 0 | 0 | 0 | 137 |
| Special Educational Needs & Disabilities | 0 | 0 | 0 | 0 | 0 | 15 | 15 |
| GM Safeguarding Alliance | 0 | 0 | 16 | 0 | 0 | 0 | 16 |
| Community Accommodation | 0 | 0 | 611 | 0 | 0 | 0 | 611 |
| Total Public Service Reform | 513 | 3,803 | 21,842 | 751 | 1,233 | 2,821 | 30,961 |
| Work and Skills | 45 | 15 | 75 | 1,200 | 250 | 32 | 1,617 |
| Self Employment Pilot | 0 | 0 | 1,464 | 0 | 33 | 0 | 1,497 |
| Skills Capital | 0 | 0 | 0 | 0 | 272 | 71 | 343 |
| Fast Track Digital Work | 0 | 0 | 0 | 0 | 44 | 0 | 44 |
| Future Workforce Fund | 0 | 0 | 956 | 0 | 0 | 0 | 956 |
| ESF Neet 10m | 0 | 0 | 5,290 | 0 | 0 | 0 | 5,290 |
| Working Well JETS | 0 | 0 | 6,709 | 0 | 7 | 0 | 6,715 |
| Apprenticeship & technical education | 0 | 0 | 10 | 0 | 245 | 0 | 255 |
| Careers & Enterprise | 0 | 230 | 484 | 0 | 45 | 0 | 759 |
| Youth Contract | 0 | 0 | 0 | 0 | 139 | 0 | 139 |
| Work & Health Programme | 0 | 0 | 9,613 | 0 | 0 | 0 | 9,613 |
| Adult Education | 0 | 0 | 96,208 | 0 | 0 | 0 | 96,208 |
| City Deal Tax Incentives | 0 | 0 | 0 | 0 | 527 | 0 | 527 |
| WW - Specialist Employment | 0 | 0 | 889 | 0 | 0 | 0 | 889 |
| ESF Skills for Growth | 0 | 0 | 22,383 | 0 | 0 | 0 | 22,383 |
| UK Community Renewal Fund | 0 | 0 | 1,622 | 0 | 118 | 0 | 1,740 |
| Education and Employability Board | 0 | 0 | 82 | 0 | 0 | 20 | 102 |
| AEB -Nat. Skills Fund Level 3 Adult Offer | 0 | 0 | 6,701 | 0 | 0 | 0 | 6,701 |
| Total Education, Work and Skills | 45 | 245 | 152,486 | 1,200 | 1,680 | 123 | 155,779 |
| GMCA Totals | 8,603 | 18,995 | 180,133 | 16,327 | 3,683 | 14,879 | 242,621 |

Appendix 2

2022/23 DISTRICT CONTRIBUTION

| District | Mid-Year Population 2020 | | GMCA General Budget | Cultural & Social Impact Fund | Marketing Manchester | MIDAS | Total |
|--------------|--------------------------|----------------|---------------------|-------------------------------|----------------------|--------------|--------------|
| | | | £000 | £000 | £000 | £000 | £000 |
| Bolton | 288,248 | 10.12% | 398 | 334 | 27 | 102 | 861 |
| Bury | 190,708 | 6.70% | 263 | 221 | 25 | 97 | 606 |
| Manchester | 555,741 | 19.51% | 767 | 644 | 112 | 118 | 1,640 |
| Oldham | 237,628 | 8.34% | 328 | 275 | 26 | 100 | 729 |
| Rochdale | 223,659 | 7.85% | 309 | 259 | 26 | 99 | 692 |
| Salford | 262,697 | 9.22% | 362 | 304 | 27 | 101 | 795 |
| Stockport | 294,197 | 10.33% | 406 | 341 | 27 | 103 | 877 |
| Tameside | 227,117 | 7.97% | 313 | 263 | 26 | 99 | 701 |
| Trafford | 237,579 | 8.34% | 328 | 275 | 26 | 100 | 729 |
| Wigan | 330,712 | 11.61% | 456 | 383 | 28 | 105 | 973 |
| Total | 2,848,286 | 100.00% | 3,930 | 3,300 | 350 | 1,023 | 8,603 |



GREATER MANCHESTER COMBINED AUTHORITY

Date: 11th February 2022

Subject: Waste Budget and Levy 2022/23 and Medium-Term Financial Plan to 2024/25

Report of: Cllr David Molyneux, Portfolio Leader for Resources and Steve Wilson, Treasurer to GMCA

PURPOSE OF REPORT

The purpose of the report is to seek comment on the budget and levy for 2022/23 and on the Medium-Term Financial Plan (MTFP) for a further two-year period to 2024/25. Those plans are delivered by:

1. A total levy requirement for 2022/23 of £164.8m, which represents a 1.5% average increase over 2021/22. At a District level the levy changes range from -2.2% to 4.3%.

2. The MTFP then proposes levy charges of £170.5m in 2023/24 and £174.7m in 2024/25.

RECOMMENDATIONS:

The GMCA is requested to:

1. Note the forecast outturn for 2021/22;

| | | | | |
|--------|------------|----------|-----------|----------|
| BOLTON | MANCHESTER | ROCHDALE | STOCKPORT | TRAFFORD |
| BURY | OLDHAM | SALFORD | TAMESIDE | WIGAN |

2. Note the proposed 2023/24 Trade Waste rate of £118.30 to allow forward planning by Districts;
3. Note the capital programme for 2022/23 as set out in Appendix A;
4. Note the budget and levy for 2022/23 of £164.8m (1.5% increase); and
5. Note the risk position set out in the Balances Strategy and Reserves.

Contact Officers

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Name: Lindsey Keech, Head of Finance
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Equalities Impact, Carbon and Sustainability Assessment:

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 2022/23.

Financial Consequences – Capital

This report sets out the proposed capital budget for waste disposal in 2022/23.

Number of attachments to the report: ?

Comments/recommendations from Overview & Scrutiny Committee

N/A

Background Papers

GMCA, 12th February 2021 - Greater Manchester Waste 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 |
| | 8 th February 2021 |

1. INTRODUCTION

- 1.1 The base budget for 2022/23 has been compiled and updated based upon:
- a) District final tonnage information, as supplied in the November 2021 submissions; and
 - b) Actual inflation (as measured using the CPI September 2021 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 2021/22;
 - b) Original Estimate 2022/23;
 - c) MTFP for two further years to 2024/25;
 - d) Balances and Reserves Strategy;
 - e) Budget Engagement; and
 - f) Risk Assessment.

2. EXPECTED OUTTURN 2021/22

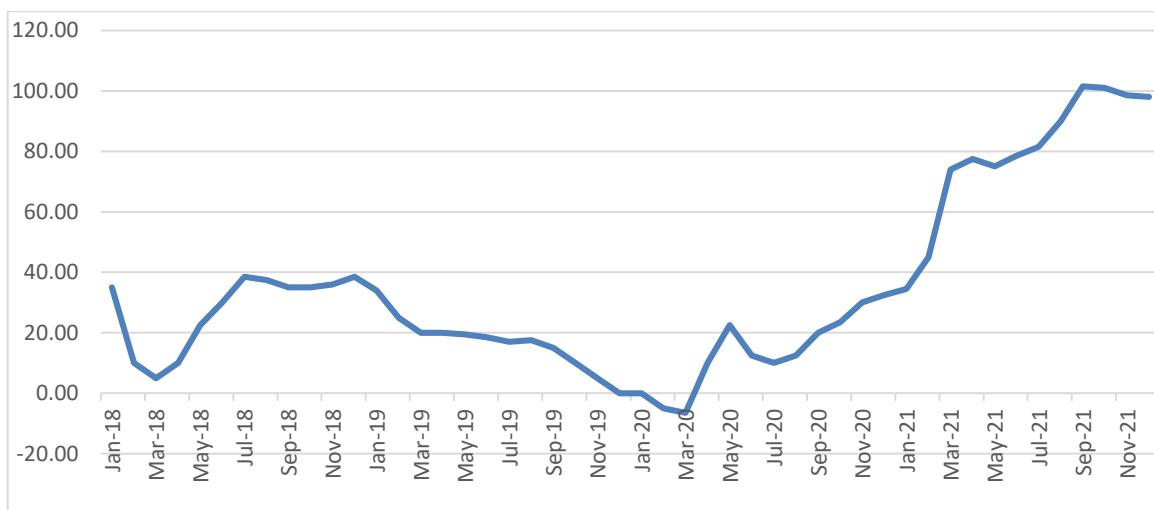
- 2.1 The budget for 2021/22 was set by the GMCA at £162.402m in February 2021. The forecast outturn for 2021/22 is shown below.

| | Budget 2021/22 | Forecast 2021/22 | Variance 2021/22 |
|---------------------------|---------------------------|-----------------------------|-----------------------------|
| | £m | £m | £m |
| Operational Costs | 105.023 | 94.726 | (10.297) |
| Operational Financing | 48.830 | 47.446 | (1.384) |
| Office Costs | 6.190 | 6.105 | (0.085) |
| Non-Operational Financing | 2.629 | 2.640 | 0.011 |
| Total Budget | 162.672 | 150.917 | (11.755) |

| | | |
|-----------------|----------------|--------------------------------|
| Levy Adjustment | 0.056 | 0.056 |
| Use of Reserves | (0.270) | - 0.270 |
| Levy | 162.402 | 150.973 (11.429) |

2.2 The forecast underspend in Operational Costs is largely driven by changes in the value of recyclate prices leading to increased income. Forecast income from paper & card being £5.3m higher and from commingled being £3.0m higher.

2.3 The Let's Recycle average price for mixed paper and card in domestic mills over the last 4 years is shown below.



2.4 Budgeted and forecast tonnages received from Districts and from the HWRCs are shown below.

| | Levy | Latest Projected | Variance |
|------------------|---------|------------------|----------|
| | 2021/22 | 2021/22 | |
| Residual | 384,221 | 387,806 | 3,585 |
| Biowaste | 208,239 | 203,740 | (4,499) |
| Commingled | 119,368 | 122,011 | 2,643 |
| Paper & Card | 78,567 | 80,536 | 1,969 |
| Street Sweepings | 23,619 | 23,595 | (24) |

| | | | |
|--------------|------------------|------------------|--------------|
| Trade | 46,570 | 46,291 | (279) |
| HWRC | 290,707 | 292,297 | 1,590 |
| Total | 1,151,291 | 1,156,276 | 4,985 |

- 2.5 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.
- 2.6 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 2021/22 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.

| | Charge/ (Refund) |
|--------------|------------------|
| | £m |
| Bolton | 0.225 |
| Bury | (0.235) |
| Manchester | 0.755 |
| Oldham | (0.001) |
| Rochdale | (0.197) |
| Salford | (0.166) |
| Stockport | 0.089 |
| Tameside | (0.122) |
| Trafford | (0.142) |
| Total | 0.206 |

- 2.7 A revised capital programme is shown below:

| | Budget | Forecast | Variance |
|------------------------|--------|----------|----------|
| | £m | £m | £m |
| Operational assets | 21.300 | 24.150 | 2.850 |
| Non-Operational Assets | 1.750 | 0.189 | (1.561) |
| Total | 23.050 | 24.339 | 1.289 |

- 2.8 The main variances on Operational Assets are due to the schemes regarding further modifications to Bredbury and Cobden Street and the new HWRC at Reliance Street being reprofiled into 2022/23 with increases for additional works at Raikes Lane, Bolton TRF and the carry forward from 2020/21 for mobile plant.
- 2.9 The main variances relating to Non-Operational Assets are due to the reprofiling of drainage works at Bredbury former landfill site in to 2022/23.

3. ORIGINAL ESTIMATES 2022/23

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 £2.438m increase in net budget requirement for 2022/23 (1.5% increase). Further detail is provided below:

| | Budget 2022/23 £m |
|-----------------------|-------------------------|
| Operational Costs | 107.872 |
| Operational Financing | 50.614 |

| | |
|---------------------------|----------------|
| Office Costs | 6.318 |
| Non-Operational Financing | 0.510 |
| Total Budget | <u>165.314</u> |
| Use of Reserves | (0.474) |
| Levy | <u>164.840</u> |

3.2. Levy Apportionment

- 3.2.1 The tonnages supplied by Districts, in October 2021, 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 1.5% decrease and have a range of 6.5% (covering -2.2% to 4.3%). The final allocations to Districts can be summarised as:

| | 2021/22 | 2022/23 | Increase/ | Increase/ |
|------------|---------|---------|------------|------------|
| | Levy | Levy | (Decrease) | (Decrease) |
| | £m | £m | £m | % |
| Bolton | 19.025 | 19.373 | 0.348 | 1.8 |
| Bury | 13.375 | 13.384 | 0.009 | 0.1 |
| Manchester | 28.731 | 29.956 | 1.225 | 4.3 |
| Oldham | 16.892 | 17.174 | 0.282 | 1.7 |
| Rochdale | 14.992 | 15.113 | 0.121 | 0.8 |
| Salford | 19.115 | 19.383 | 0.268 | 1.4 |
| Stockport | 19.614 | 19.933 | 0.319 | 1.6 |
| Tameside | 15.033 | 15.249 | 0.216 | 1.4 |
| Trafford | 15.625 | 15.275 | (0.350) | (2.2) |
| Total | 162.402 | 164.840 | 2.438 | 1.5 |

3.3 Capital

- 3.3.1 The revenue budget takes account of the proposed spend on items of a capital nature. Appendix A sets out details of proposed capital spend in 2022/23. The forecast spend of £10.354m can be summarised as:
- a) £9.004m for operational sites; and
 - b) £1.350m for non-operational sites (former landfill sites and solar farm).
- 3.3.2 Any programme carry forward from 2021/22 will increase the values above.

4. MEDIUM TERM FINANCIAL PLAN TO 2024/25

- 4.1 The GMCA has adopted a current year plus 2-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 2022/23 and beyond.
- 4.2 The forward look assumptions for RPIx and CPI inflation are shown below and have been included in the Medium Term Financial Plan (MTFP). These inflation forecasts are under pressure with analysts currently predicting that inflation will stay above the Bank of England target for longer due to recent rises in wholesale energy prices and core producer prices having been bigger than expected and that by December 2022 inflation will still be 4%. However, balanced alongside other factors it is still felt that the budget represents a balanced view and changes to all assumptions will be closely monitored during the year.

| Year | Financial | Forecast | Forecast |
|---------|-----------|----------|-----------|
| | Year | December | September |
| | | RPIx | CPI |
| 2022/23 | | 7.2% | 3.0% |
| 2023/24 | | 3.0% | 2.0% |
| 2024/25 | | 3.0% | 2.0% |

- 4.3 The MTFP projections have also assumed that:
- Districts will be able to deliver on the expected waste declarations;
 - No change from England's Resources and Waste Strategy;
 - Landfill tax will continue to rise annually by RPI; and
 - An income for mixed paper and card equivalent to the handling charge.
- 4.4 Taking account of the above, the estimated budget and levy for the MTFP period are:

| | Budget Requirement | Use of Reserves | Levy | Increase/ (Decrease) |
|----------------|-----------------------|--------------------|---------|-------------------------|
| | £m | £m | £m | |
| 2021/22 | 162.672 | (0.270) | 162.402 | |
| 2022/23 | 165.313 | (0.474) | 164.840 | 1.5% |
| 2023/24 | 170.477 | | 170.477 | 3.4% |
| 2024/25 | 174.668 | | 174.668 | 2.5% |

- 4.5 Below the headline figures, the impact on Districts will be slightly different and dependent on tonnage forecasts. Appendix B provides indicative details of the District Levy changes over the MTFP period.

5. BALANCES

- 5.1 The balances attributable to the Waste & Resources team as at 1 April 2021 were £44.2m. The budget for 2022/23 contains proposals to utilise £0.319m of MTFP Reserve and £0.155m of Behavioural Change Reserve.
- 5.2 The level of balances is assessed for adequacy on a risk assessed basis, and this reflects the risks below:

- a) Tonnages of waste delivered and received at facilities;
 - b) Achievement of recycling/composting levels;
 - c) Reduction in contamination;
 - d) Recyclate income prices; 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 usual practice, officers have sought to engage on budget matters with both Waste Chief Officers and Treasurers of constituent Districts and reflect feedback in the budget proposals.

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.

Appendix A – Capital Programme

| | | 2021/22 | 2022/23 | 2023/24 | 2024/25 | |
|--------------------------------------|------------------------------------------------------------------------------------|---------|---------|---------|---------|------------------------------------------------------------------------------------|
| Facility | Requirements / Comments | £m | £m | £m | £m | Comments |
| Longley Lane MBT | MBT Modifications | 2.400 | 0.600 | | | Works ongoing with conclusion in May 22, 80% of costs likely to be paid in 2021/22 |
| Reliance Street MBT | Replacement of existing MBT Facility | 14.000 | 1.000 | 4.000 | | Works now significantly complete but not yet passed testing phase |
| | New HWRC | | | | | Allowed £1m for demolition and enabling works in 2022/23 and £4m for construction. |
| Raikes Lane TRF | Process Improvements (additional to Turbine replacement) | 2.750 | 4.584 | | | Improvements to existing plant outside the turbine works |
| Longley Lane MRF Improvements | Operational Improvements for Longley Lane MRF | 2.000 | | | | Refurbishments of existing plant. |
| Bredbury Paper and Card | Removal of IVC equipment and installation of fire suppression/ detection equipment | | 1.500 | | | Project delayed. Allowance to be made in 2022/23. |
| All sites | Rail Wagons | | 1.320 | 1.320 | 1.320 | Replacement programme |
| All sites | Mobile Plant and Vehicles | 3.000 | | | | Expired Assets |

| | | 2021/22 | 2022/23 | 2023/24 | 2024/25 | |
|---------------------------|-----------------------------------|---------|---------|---------|---------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Facility | Requirements / Comments | £m | £m | £m | £m | Comments |
| Waithlands | Culvert improvements | | 0.250 | 0.750 | | £250k set aside for further surveys and reviews and also for the provision of a new access road. £750k allowed for significant repairs in 2023/24 |
| | Site boundary fencing / security | 0.120 | | | | Work to be delivered in 2021/22, contractor appointed. |
| | Future Leachate Management (MSP) | | | | 1.200 | Consideration for future works |
| Bredbury | Rising main 2019 – 2020 | 0.065 | | | | Rising Main now not required as a more cost effective solution has been agreed with Suez. Some costs were allocated to improving the MSP under this allocation |
| | Northern section drainage repairs | | 1.100 | | | Drainage repair and replace project to address damaged leachate collection system. |
| Salford Road, Over Hulton | Balance on modular building | 0.004 | | | | |
| | | 24.339 | 10.354 | 6.070 | 2.520 | |

Appendix B – Forecast levy increases per District

| | 2021/22 | 2022/23 | Increase/ (Decrease) | | 2023/24 | Increase/ (Decrease) | | 2024/25 | Increase/ (Decrease) | |
|------------|---------|---------|-------------------------|--------|---------|-------------------------|------|---------|-------------------------|------|
| | | | £m | £m | | £m | £m | | £m | £m |
| Bolton | 19.025 | 19.373 | 0.348 | 1.8% | 20.038 | 0.670 | 3.5% | 20.523 | 0.485 | 2.4% |
| Bury | 13.375 | 13.384 | 0.009 | 0.1% | 13.852 | 0.467 | 3.5% | 14.205 | 0.353 | 2.5% |
| Manchester | 28.731 | 29.956 | 1.225 | 4.3% | 31.018 | 1.064 | 3.6% | 31.798 | 0.781 | 2.5% |
| Oldham | 16.892 | 17.174 | 0.282 | 1.7% | 17.761 | 0.585 | 3.4% | 18.171 | 0.410 | 2.3% |
| Rochdale | 14.992 | 15.113 | 0.121 | 0.8% | 15.668 | 0.558 | 3.7% | 16.090 | 0.423 | 2.7% |
| Salford | 19.115 | 19.383 | 0.268 | 1.4% | 19.986 | 0.597 | 3.1% | 20.477 | 0.491 | 2.5% |
| Stockport | 19.614 | 19.933 | 0.319 | 1.6% | 20.614 | 0.683 | 3.4% | 21.115 | 0.501 | 2.4% |
| Tameside | 15.033 | 15.249 | 0.216 | 1.4% | 15.771 | 0.513 | 3.4% | 16.138 | 0.367 | 2.3% |
| Trafford | 15.625 | 15.275 | (0.350) | (2.2%) | 15.770 | 0.500 | 3.3% | 16.151 | 0.381 | 2.4% |
| Total | 162.402 | 164.840 | 2.438 | 1.5% | 170.477 | 5.638 | 3.4% | 174.668 | 4.191 | 2.5% |

Greater Manchester Combined Authority

Date: 11 February 2022

Subject: Budget Paper F - GMCA Capital Programme 2021/22 -2024/25

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

Purpose of Report

To present an update in relation to the Combined Authority's 2021/22 capital expenditure programme and to present the capital programme budget for 2022/23 – 2024/25 for approval.

Recommendations:

GMCA is requested to:

- a) Note the current 2021/22 forecast of £479.9m compared to the 2021/22 quarter 2 capital forecast of £625.7m; and
- b) Approve the capital programme budget for 2022/23 and the forward plan as detailed in the report and in Appendix A.

Contact Officers

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Equalities Impact, Carbon and Sustainability Assessment:

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. 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 expenditure for 2021/22, 2022/23 and future years.

Number of attachments to the report: 0

Comments/recommendations from Overview & Scrutiny Committee

Background Papers

Reports to Greater Manchester Combined Authority:

GMCA Capital Programme 2020/21 – 2023/24 - 12 February 2021

GMCA Capital Update 2021/22 – Quarter 1 – 10 September 2021

GMCA Capital Update 2021/22 – Quarter 2 – 26 November 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 | 8 th February 2022 |

1. INTRODUCTION AND BACKGROUND

- 1.1 The Greater Manchester Combined Authority (GMCA) approved the 2021/22 Capital Programme at its meeting on 12 February 2021. The latest 2021/22 capital reforecast was reported to and noted by the GMCA at its meeting on 26 November 2021.
- 1.2 GMCA's capital programme includes Greater Manchester Fire and Rescue Services, Economic Development and Regeneration programmes, Waste & Resources Service and the continuation of the programme of activity currently being delivered by Transport for Greater Manchester (TfGM) and Local Authorities including the following elements:
- a) The Greater Manchester Transport Fund (GMTF);
 - b) Metrolink Trafford Park Line Extension;
 - c) Clean Air Schemes including Early Measures Investment Fund (EMIF), Clean Bus Initiatives, Office for Zero emissions Vehicles (OZEV) Electric Vehicle (EV) Taxi, Clean Air Plan (CAP) EV Taxi Infrastructure, Clean Air Zones (CAZ) and Financial Support Scheme (FSS);
 - d) Other capital projects and programmes including Transforming Cities 1 and 2, Active Travel, Cycle City Ambition Grant (CCAG 2), Rail – Access for All, Cycle Safety, and Bus Franchising;
 - e) Transport Growth Deal Major Schemes;
 - f) Minor Works (including schemes funded by Integrated Transport Capital Block and Growth Deal);
 - g) Capital Highways Maintenance, Traffic Signals and Full Fibre;
 - h) Investments including Growing Places, Regional Growth Fund and Housing Investment Fund;
 - i) Economic Development and Regeneration Schemes;
 - j) Fire and Rescue Service Schemes; and
 - k) Waste & Resources Schemes.
- 1.3 The 2021/22 Capital Programme is summarised in Appendix A and the major variances are described in this report.

- 1.4 The 2022/23 Capital Programme forecast does not include any of the recently allocated City Region Sustainable Transport Settlement funding (CRSTS), as the programme case was submitted to Government during January 2022, with confirmation of the award currently anticipated by the end of March 2022. The 2022/23 budget will be updated and brought back to GMCA for approval once the final programme has been confirmed.

2. IMPACT OF COVID-19

- 2.1 As previously reported, the progression of a significant number of schemes and their associated expenditure profiles has been impacted upon by COVID-19. During 2021, these impacts have been compounded by global pressures on construction materials availability and associated pricing, to which the pandemic and other market forces have proved to be contributory factors.
- 2.2 TfGM and Local Authority Delivery Partners are continuing to work with their respective supply chains to keep the impacts of the above matters to a minimum.
- 2.3 Some of these impacts have manifested themselves on the capital expenditure forecast figures reported within this update. It is anticipated that these impacts will continue, to varying degrees, in respect of expenditure and overall scheme costs within current and future financial years.
- 2.4 These impacts are being kept under regular review and will continue to be reported to the GMCA through future capital updates.

3. TRANSPORT SCHEMES

3.1 Greater Manchester Transport Fund (GMTF)

- 3.1.1 The GMTF programme is funded from a combination of grants from the Department for Transport (DfT); a ‘top slice’ from the Greater Manchester Integrated Transport Block (ITB) Local Transport Plan (LTP) funding; and from a combination of borrowings, to be undertaken by GMCA, and partly from local/third party contributions and local resources (including LTP and prudential borrowings).
- 3.1.2 The GMTF was established on the basis that GMCA would repay the borrowings in full by 2045, in part through the application of Metrolink net revenues (being Metrolink revenues, net of operating, maintenance and other related costs); in part

by the application of the annual ring-fenced levy contributions, which will be raised by the GMCA, under its levying powers; and in part from local, third party, revenue contributions.

- 3.1.3 The GMCA and TfGM hold earmarked reserves which are ring-fenced to pay for and manage the risks of delivering their ongoing capital programme. This includes the capital programme reserve which will be utilised as the financing costs (which include both the interest costs and minimum revenue provision with respect to the borrowings, which have been or will be taken out to fund the delivery of the schemes).
- 3.1.4 As reported previously to GMCA, due to the impact of COVID-19, Metrolink has suffered a significant reduction in farebox revenues. Following a period of stability and patronage growth since September 2021, the recent emergence of the Omicron variant has resulted in patronage and farebox revenue decreasing once more. The confirmed COVID support, provided up to the end of the financial year, is currently forecast to be sufficient to cover the majority of the operating deficit in 2021/22. However, no funding has been agreed to support the forecast deficit for 2022/23 onwards; and discussions with DfT are ongoing.

3.2 Metrolink Programme

- 3.2.1 The Metrolink Programme includes the close out of certain activities relating to the Phase 3 expansion programme.
- 3.2.2 The current forecast expenditure in 2021/22 on these residual works is £7.0m, which is in line with the previous forecast.
- 3.2.3 The 2022/23 budgeted expenditure is £5.9m.
- 3.2.4 The total forecast and budget outturn costs are within the total approved budget.

3.3 Metrolink Renewal and Enhancement Capital Programme

- 3.3.1 The Metrolink Renewals and Enhancements programme has historically been funded by prudential borrowings, with repayments being made from Metrolink net revenues. However, as result of COVID-19 and the associated impact on Metrolink revenues referred to at 3.1.4 above, the programme was reprioritised,

with only works that are either safety or operationally critical currently being delivered.

- 3.3.2 The current forecast expenditure in 2021/22 is £9.3m, compared to a previous forecast of £8.5m. The variance relates to the early conclusion of procurement and associated contract award exercises for track renewals works as well as phasing of risk allowances.
- 3.3.3 The 2022/23 budgeted expenditure is £10.2m.
- 3.3.4 The total forecast and budget outturn costs are within the total approved budget.

3.4 Park and Ride

- 3.4.1 The current forecast and budget expenditure in 2021/22 is £0.1m, which is in line with the previous forecast.
- 3.4.2 The 2022/23 budgeted expenditure is £0.01m.
- 3.4.3 The total forecast outturn costs are within the total approved budget.

3.5 Bus Priority Programme

- 3.5.1 The current forecast expenditure in 2021/22 is £0.2m, which is in line with the previous forecast.
- 3.5.2 The 2022/23 budgeted expenditure is £0.2m.
- 3.5.3 The total forecast and budget outturn costs are within the total approved budget.

3.6 Interchanges

- 3.6.1 The current forecast expenditure in 2021/22 is £0.1m, which is line with the previous forecast.
- 3.6.2 The 2022/23 budgeted expenditure is £0.1m.
- 3.6.3 The total forecast and budget outturn costs are within the total approved budget.

3.7 A6 to Manchester Airport Relief Road (A6MARR)

- 3.7.1 Stockport Council is responsible for the delivery of the A6MARR, resulting in the expenditure largely comprising grant payments to Stockport Council.
- 3.7.2 The current forecast expenditure in 2021/22 of £3.7m, is in line with the previous forecast of £3.4m
- 3.7.3 The 2022/23 budgeted expenditure is £6.2m.
- 3.7.4 The total forecast and budget outturn cost is within the total approved budget.

3.8 Metrolink Trafford Extension

- 3.8.1 The current forecast expenditure in 2021/22 is £0.7m, compared to a previous forecast of £0.2m. The variance is predominately due to the rephasing of risk allowances arising from the completion of several land transactions in the current financial year.
- 3.8.2 The 2022/23 budget expenditure is £0.4m.
- 3.8.3 The total forecast and budget outturn costs are within the total approved budget.

3.9 Transforming Cities Fund – First Allocation (TCF)

- 3.9.1 This programme includes:
 - a) Metrolink Additional Capacity; and
 - b) Cycling and Walking Mayoral Challenge Fund (MCF)
- 3.9.2 The Metrolink Additional Capacity programme includes the purchase of 27 additional trams and additional supporting infrastructure. The current forecast expenditure in 2021/22 is £16.9m, which is in line with the previous forecast.
- 3.9.3 The 2022/23 budgeted expenditure is £15.0m.
- 3.9.4 The Cycling and Walking Challenge Fund 2021/22 current forecast expenditure in 2021/22 is £40.6m, compared to a previous forecast of £43.5m. The variance reflects reforecasting across the 111 schemes within the programme, with 92 schemes rephasing works into the current financial year. 19 schemes have

rephased final design works and contractual milestones predominantly into next financial year, with the balance into next, and future, financial years.

3.9.5 The 2022/23 budgeted expenditure is £42.3m.

3.9.6 Total forecast and budget outturn costs are within the total approved budgets.

3.9.7 In 2022/23, TfGM will continue to undertake the MCF programme management role and associated activities with delivery of the overall programme on behalf of the GMCA, including the provision of a central support team. This is in recognition of the need to continue programme delivery beyond the original 4-year term of MCF, in support of ongoing GM-wide scheme delivery. In July 2018, the GMCA approved MCF programme funding of the initial 4 years of the programme. Therefore, as the MCF programme extends into year 5, MCF capital funding is required in 2022/23 to cover the following activities:

- a) Programme and project development support and advice to scheme promoters;
- b) Core programme management, reporting and associated activities, including assurance and governance in accordance with the GM Single Pot Assurance Framework;
- c) MCF programme monitoring and evaluation activities; and
- d) Communications and engagement activity to support scheme and programme promotion.

3.9.8 Note a release from the Mayor's Cycling and Challenge Fund (MCF) funding of £1.9 million to fund these programme management and associated costs in 2022/23 is now required.

3.10 Transforming Cities Fund - Second Allocation (TCF2)

3.10.1 The current TCF2 forecast expenditure in 2021/22 is £1.0m, compared to a previous forecast of £2.2m. The variance is due to the continuing development of schemes and programmes, resulting in some of the budgeted expenditure in 2021/22 now being incurred next financial year.

3.10.2 The 2022/23 budgeted expenditure is £11.7m.

3.10.3 The total forecast and budget outturn costs are within the total approved budget.

3.11 Active Travel Fund (ATF)

3.11.1 The Active Travel Fund (ATF) programme comprises 21 cycling and walking infrastructure schemes located on the public highway, which are to be delivered by the 10 Greater Manchester Authorities. The current ATF forecast expenditure in 2021/22 is £2.5m, compared to a previous forecast of £3.4m. The variance is due to the rephasing of certain design development and other costs into the 2022/23 financial year.

3.11.2 The 2022/23 budgeted expenditure is £10.2m.

3.11.3 Total forecast and budget outturn costs are within the total approved budgets.

3.12 Clean Air Programme

3.12.1 Forecast spend against a range of clean air schemes for 2021/22 has reduced slightly on the previous forecast to £32.9m. This is funded entirely through grant funding from central Government.

3.12.2 The forecast spend against these schemes is expected to be £18.6m in 2022/23.

3.12.3 The total forecast and budget outturn costs are within the total approved budget for all projects.

3.13 Other Capital Schemes and Programmes

3.13.1 The other capital schemes and programmes include:

- a) Cycle City Ambition Grant 2 (CCAG2); and
- b) Rail - Access for All

3.13.2 The current forecast expenditure in 2021/22 on the CCAG 2 programme is £1.7m which is in line with the previous forecast.

3.13.3 The Greater Manchester Rail Access for All Programme consists of £6.7m of funding, awarded by the DfT to Network Rail. The Access for All Programme forecast expenditure in 2022 is £0.6m which is in line with the previous forecast of £0.5m.

3.13.4 The 2022/23 budgeted expenditure is £2.7m.

3.13.5 The total forecast and budget outturn costs are within the total approved budgets for these programmes.

3.14 Bus Franchising

3.14.1 The current forecast expenditure for bus franchising related capital expenditure for 2021/22 is £6.4m compared to a previous forecast of £15.6m. The variance is due to the phasing of expenditure into the next financial year.

3.14.2 The 2022/23 currently budgeted expenditure is £37.5m.

The outputs of this planned expenditure for 2022/23 include in particular:

- a) Costs related to the delivery of the depot strategy, as set out in the Assessment; and
- b) Costs relating to the purchase of on-bus equipment, other equipment and systems which are necessary for the implementation and operation of the franchising scheme.

3.14.3 Note the additional capital expenditure of £19.33 million of the sums approved at the GMCA meeting on 10 September 2021, for the expenditure outlined above

3.14.4 The total forecast and budget outturn costs are within the total approved budget for project. The funding proposal for these costs was set out in the financial strategy for funding Bus Reform as reported to GMCA in November 2020 and was originally approved by GMCA in October 2019.

3.15 Transport Local Growth Deal 1 Majors Schemes And 3 (Major and Minor Schemes)

3.15.1 The Transport Local Growth Deal 1 & 3 Majors Programme consists of 15 major schemes (excluding Stockport Town Centre Access Plan (TCAP)) which are being delivered by TfGM and the Local Authorities. The total current forecast expenditure is £26.4m compared to a previous forecast of £27.5m with the main variances being due to the repassing of risk allowances on the well-advanced Salford Bolton Network Improvements scheme and the repassing of works into the

next financial year on the Oldham Town Centre initiative, now that schemes have been tendered and associated programmes of work received.

- 3.15.2 The Local Growth Deal 3 Minor Works schemes are being delivered by TfGM and the Local Authorities. The current forecast expenditure in 2021/22 is £2.3m, compared to a previous forecast of £3.1m. The variance is predominantly due to the re-phasing of some of the delivery of bus stop accessibility works into the next financial year.
- 3.15.3 The 2022/23 budgeted expenditure is £49.7m for the Major Schemes and £1.1m for the Minor Schemes.
- 3.15.4 Total forecast and budget outturn costs are within the total approved budgets.

3.16 Minor Works

- 3.16.1 The 2021/22 current expenditure forecast for these schemes is £6.6m compared to a previous forecast of £7.3m. The variance is due to works across various schemes now anticipated to be completed next financial year.
- 3.16.2 The 2022/23 budgeted expenditure is £2.5m.
- 3.16.3 Total forecast outturn costs are within the total approved budgets.

3.17 Traffic Signals

- 3.17.1 The current forecast is in line with the budget of £2.5m. All traffic signals are externally funded and the annual amount will fluctuate year on year dependant on the level of new installations and developments. Future year forecasts are expected to stay within the £2.5m range.

3.18 Full Fibre Network

- 3.18.1 Expenditure has been reprofiled into 2022/23 for the remaining sites to be installed. Forecast for 2021/22 is £11.2m.

3.19 Highways Maintenance

- 3.19.1 Funding is received from central government to be distributed to the constituent authorities. All funding has now been transferred.

- 3.19.2 There is no forecast for 2022/23 onwards as the CRSTS in paragraph 1.4 consolidates the funding for this budget line.

3.20 GM One Network

- 3.20.1 Following installation of full fibre network at paragraph 3.18.1, the GM One Network project will provide the equipment to ‘light the fibre’ that has been installed at the public sector sites.

4. ECONOMIC DEVELOPMENT AND REGENERATION

4.1 Regional Growth Fund/ Growing Places

- 4.1.1 The RGF of £65m was secured by GM through two rounds of bidding in 2012/13 and 2013/14. The RGF has supported eligible projects and programmes raising private sector investment to create economic growth and employment. The forecast loan advances in 2022/23 is £5m.
- 4.1.2 The Growing Places Fund originally secured by GM in 2012/13 totalled £34.5m of capital grant funding which is being used to provide up front capital investment in schemes. Loan advances of £8.4m are forecast for 2022/23.

4.2 Housing Investment Fund

- 4.2.1 The Greater Manchester Housing Investment Fund has been designed to accelerate and unlock housing schemes. It will help build the new homes to support the growth ambitions across Greater Manchester. To facilitate this DCLG have provided a £300 million loan to provide the up-front funding and loans are approved by GMCA. Forecast drawdowns for 2021/22 currently stand at £77.4m as projects are subject to chance one specific loans and timings are approved. This means the forecast expenditure may come to fruition during 2021/22 but may be carried forward into 2022/23 which is currently forecast as £80.4m.

4.3 Skills Capital

- 4.3.1 Forecast expenditure for 2021/22 stands at £4.6m which is slightly down on budget and previous quarter forecast.
- 4.3.2 Spend for 2022/23 has been forecast as £1.4m.

4.4 Life Sciences Fund

- 4.4.1 The GM&C Life Sciences Fund is a seed and early stage venture capital fund targeting life sciences businesses located in the Greater Manchester and Cheshire & Warrington region.
- 4.4.2 Forecast expenditure for 2021/22 has risen slightly from previous forecast but is still below budget. Expenditure has now been reprofiled into 2022/23.

4.5 Pankhurst Centre

- 4.5.1 The expenditure for 2021/22 has been reprofiled into 2022/23.

4.6 Getting Building Fund

- 4.6.1 The 2021/22 current expenditure forecast is £34.6m which is the balance of grant funding available. No further grant or expenditure is available in 2022/23.

4.7 Brownfield Land Fund

- 4.7.1 The 2021/22 current expenditure forecast is £37.9m compared to an original budget of £30m. The variance relates to rephasing and timing of drawdowns by participants.
- 4.7.2 The remainder of the multi-year grant is forecast to be expended as per the original timing schedule.

4.8 Affordable Homes

- 4.8.1 Programme to bring empty homes back in to use. Expenditure is dependent on number of units completed and funding for each is received from Homes England.

4.9 Public Sector Decarbonisation Scheme

- 4.9.1 The submission of a bid for the Public Sector Decarbonisation Scheme (PSDS) was reported to the 27 November 2020 meeting of the GMCA. The purpose of the grant via Salix is to halve carbon emissions from the Public Estate by 2032, through the deployment of energy efficiency and heating measures, excluding gas powered boilers and Combined Heat and Power (CHP).

4.9.2 The 2021/22 current expenditure forecast is £57.6m which is being spent by GMCA, TfGM, GM Local Authorities and other partner organisations within GM. The scheme has been extended and the remaining sum of £20.6m will be spent in 2022/23.

4.10 Homelessness Rough Sleeper Programme

4.10.1 The 2021/22 current expenditure forecast is £1.3m and was approved at the 27 November 2020 meeting of the GMCA. All funds have been expended.

4.11 Green Homes Grant

4.11.1 The 2021/22 current expenditure forecast is £3.3m which includes phases 1a, 1b and 2 and is to support domestic retrofit projects fully funded by UK central government.

4.11.2 The total budget for 2022/23 is £21.5m which is within the total approved budget.

5. FIRE AND RESCUE SERVICE

5.1 Since the previous forecast, work has been undertaken with budget holders to update the estimated spend within the year and future years in relation to schemes and projects. This has resulted in a forecast for 2021/22 of £11.185m with the slippage mainly due to updated delivery plans in relation to the Estates Strategy.

5.2 The forecast spend for 2022/23 has been updated to reflect the slippage from the current year.

6. WASTE AND RESOURCES SERVICE

6.1 Operational Sites

6.1.1 The current forecast spend on Operational Sites is £24.150m which is slightly lower than previous forecast. This forecast assumes facilities will have passed acceptance tests in the current financial year.

6.1.2 Future years expenditure has been allowed for a replacement HWRC, process improvements on the turbine and a rolling programme of rail wagon replacements.

6.2 Non-Operational Sites

- 6.2.1 The current forecast for non-operational sites is in line with previous forecasts
- 6.2.2 Future years expenditure includes provision for culvert improvement and drainage replacement on two closed landfill sites.

7. FUNDING REQUIREMENTS

- 7.1 The capital programme over the next three years, results in a borrowing requirement of £360.8m. Provision has been made in the revenue budget for the associated financing costs.
- 7.2 The estimated funding profile for the forecast spend in financial year 2022/23 is as follows:

| Source | £m |
|------------------------------------|--------------|
| Borrowings | 157.1 |
| Capital Receipts | 94.4 |
| Access for All grant | 2.7 |
| Active Travel grant | 10.2 |
| Affordable Homes | 0.2 |
| Brownfield Land Fund | 18.0 |
| Clean Air grant | 18.4 |
| Early Measures grant | 0.2 |
| Earnback grant | 6.6 |
| Green Homes grant | 21.5 |
| Public Sector Decarbonisation Fund | 20.6 |
| Transforming Cities grant | 57.3 |
| Transforming Cities 2 grant | 11.7 |
| Revenue Contribution | 0.1 |
| External income | 2.5 |
| Total funding | 421.6 |

Appendix 1

Capital Programme 2021/22 – 2024/25

| | Budget 2021/22 | Previous 2021/22 Forecast | Current 2021/22 Forecast | Variance | | 2022/23 Forecast | 2023/24 Forecast | 2024/25 Forecast | Future years forecast |
|------------------------------------------|-------------------|---------------------------------|--------------------------------|--------------|-------|---------------------|---------------------|---------------------|-----------------------------|
| | | | | | £'000 | £'000 | £'000 | £'000 | £'000 |
| Metrolink Programme | 5,770 | 7,029 | 7,020 | 9 | | 5,871 | 28,792 | 25,129 | - |
| Metrolink Renewals and Enhancements | 8,394 | 8,513 | 9,257 | (744) | | 10,217 | 11,819 | 5,747 | 298,968 |
| Park and Ride | - | 115 | 97 | 18 | | 8 | - | - | 7,706 |
| Bus Priority Programme | 77 | 233 | 198 | 35 | | 186 | 11,949 | - | - |
| Interchange Programme | 51 | 83 | 62 | 21 | | 54 | 284 | - | - |
| Greater Manchester Transport Fund | 14,292 | 15,973 | 16,634 | (661) | | 16,336 | 52,844 | 30,876 | 306,674 |
| Road Schemes (Stockport) | | | | | | | | | |
| A6 MARR / SEMMMS | 5,552 | 3,410 | 3,732 | (322) | | 6,204 | 15,852 | - | - |
| Stockport Council Schemes total | 5,552 | 3,410 | 3,732 | (322) | | 6,204 | 15,852 | - | - |
| Other Metrolink Schemes | | | | | | | | | |
| Trafford Extension | 196 | 174 | 710 | (536) | | 410 | 3,891 | 3,891 | 4,020 |
| Other Metrolink Schemes total | 196 | 174 | 710 | (536) | | 410 | 3,891 | 3,891 | 4,020 |
| Clean Air Schemes | | | | | | | | | |
| OLEV & CAP Taxi | 1,986 | 1,852 | 2,530 | (678) | | 1,187 | 1,341 | - | - |
| Clean Air Financial Support Scheme (FSS) | - | 3,678 | 3,294 | 384 | | 1,843 | - | - | - |
| Clean Air Zone (CAZ) | - | 18,065 | 18,137 | (72) | | 8,267 | 12,299 | - | - |
| Clean Bus Technology Fund | 1,733 | 2,071 | 2,071 | - | | - | - | - | - |
| Clean Bus Fund | 11,571 | 10,092 | 6,582 | 3,510 | | 7,076 | 2,496 | 2,629 | - |
| Early Measures | 342 | 563 | 320 | 243 | | 243 | - | - | - |

BOLTON

BURY

MANCHESTER

OLDHAM

ROCHDALE

SALFORD

STOCKPORT

TAMESIDE

TRAFFORD

WIGAN

| | Budget 2021/22 | Previous 2021/22 Forecast | Current 2021/22 Forecast | Variance | | 2022/23 Forecast | 2023/24 Forecast | 2024/25 Forecast | Future years forecast |
|------------------------------------------------|-------------------|---------------------------------|--------------------------------|--------------|--|---------------------|---------------------|---------------------|-----------------------------|
| | | | | | | £'000 | £'000 | £'000 | £'000 |
| Clean Air Schemes total | 15,632 | 36,321 | 32,934 | 3,387 | | 18,616 | 16,136 | 2,629 | - |
| Other Capital Schemes | | | | | | | | | |
| CCAG 2 | 2,179 | 1,732 | 1,732 | - | | - | - | - | - |
| TCF - Mayors Challenge Fund | 54,290 | 43,509 | 40,574 | 2,935 | | 42,288 | 22,095 | 19,465 | - |
| TCF - Metrolink Capacity Improvement Programme | 18,132 | 16,925 | 16,856 | 69 | | 15,044 | 5,856 | - | - |
| Active Travel Fund | 6,697 | 3,372 | 2,461 | 911 | | 10,235 | - | - | - |
| Access For All | 1,788 | 502 | 624 | (122) | | 2,716 | 6,447 | - | - |
| Cycle Safety | - | - | - | - | | - | 1,542 | - | - |
| Other Capital Schemes total | 83,086 | 66,040 | 62,247 | 3,793 | | 70,283 | 35,940 | 19,465 | - |
| Growth Deal | | | | | | | | | |
| TfGM Majors | 22,117 | 16,335 | 16,765 | (430) | | 46,020 | 66,140 | 27,139 | - |
| Local Authorities Majors | 12,418 | 11,144 | 9,675 | 1,469 | | 3,669 | 4,578 | - | - |
| Growth Deal total | 34,535 | 27,479 | 26,440 | 1,039 | | 49,689 | 70,718 | 27,139 | - |
| Minor Works | | | | | | | | | |
| ITB Local Authorities | 849 | 1,160 | 1,011 | 149 | | 970 | - | - | - |
| Growth Deal 1 & 2 Local Authorities | 6,932 | 5,395 | 4,993 | 402 | | 1,497 | - | - | - |
| Growth Deal 2 TfGM Schemes | 910 | 703 | 638 | 65 | | 55 | 992 | - | - |
| Growth Deal 3 TfGM schemes | 1,347 | 3,094 | 2,343 | 751 | | 1,077 | 49 | - | - |
| Growth Deal 3 Local Authorities | 1,040 | - | 43 | (43) | | - | - | - | - |
| Minor Works total | 11,078 | 10,352 | 9,028 | 1,324 | | 3,599 | 1,041 | - | - |
| Transforming Forming Cities 2 | | | | | | | | | |
| TCF2 | 2,625 | 2,222 | 1,029 | 1,193 | | 11,710 | 23,437 | 10,880 | 444 |
| Transforming Forming Cities 2 total | 2,625 | 2,222 | 1,029 | 1,193 | | 11,710 | 23,437 | 10,880 | 444 |

| | Budget 2021/22 | Previous 2021/22 Forecast | Current 2021/22 Forecast | Variance | | 2022/23 Forecast | 2023/24 Forecast | 2024/25 Forecast | Future years forecast |
|------------------------------------------------|-------------------|---------------------------------|--------------------------------|----------------|--|---------------------|---------------------|---------------------|-----------------------------|
| | | | | | | £'000 | £'000 | £'000 | £'000 |
| Bus Franchising | | | | | | | | | |
| Bus Franchising | - | 15,600 | 6,423 | 9,177 | | 37,510 | - | - | - |
| Bus Franchising total | - | 15,600 | 6,423 | 9,177 | | 37,510 | - | - | - |
| Traffic Signals (Externally Funded) | 2,500 | 2,500 | 2,500 | - | | 2,500 | 2,500 | 2,500 | - |
| Full Fibre Network | 21,184 | 17,252 | 11,200 | 6,052 | | 3,344 | - | - | - |
| Highways Capital Maintenance | 27,202 | 34,940 | 34,940 | - | | - | - | - | - |
| GM One Network | - | - | - | - | | 12,053 | - | - | - |
| Total Capital - Transport | 217,882 | 232,263 | 207,817 | 24,446 | | 232,254 | 222,358 | 97,380 | 311,138 |
| Regional Growth Fund | 5,000 | 10,103 | 8,295 | 1,808 | | 5,000 | 3,000 | 2,000 | - |
| Growing Places | 20,000 | 11,182 | 10,250 | 932 | | 8,444 | 4,250 | 2,125 | - |
| Housing Investment Fund | 90,142 | 148,181 | 77,434 | 70,747 | | 80,444 | 88,060 | 90,000 | - |
| Growth Deal - Skills Capital Round 2 & 3 | 9,673 | 5,053 | 4,596 | 457 | | 1,404 | - | - | - |
| Growth Deal - Life Sciences Fund | 1,749 | 814 | 999 | (185) | | 489 | - | - | - |
| Growth Deal - Pankhurst Institute | 793 | - | - | - | | 793 | - | - | - |
| Getting Building Fund | 31,316 | 34,612 | 34,612 | - | | - | - | - | - |
| Brownfield Land Fund | 30,000 | 37,907 | 37,907 | - | | 18,000 | 8,500 | 8,400 | - |
| Affordable Homes | - | 200 | 200 | - | | 200 | 200 | 200 | - |
| Public Sector Decarbonisation Scheme | - | 78,237 | 57,648 | 20,589 | | 20,589 | - | - | - |
| Homelessness Rough Sleeper Programme | - | 1,335 | 1,335 | - | | - | - | - | - |
| Green Homes | - | 27,222 | 3,300 | 23,922 | | 21,457 | - | - | - |
| Total Economic Development & Regen. | 188,673 | 354,846 | 236,576 | 118,270 | | 156,820 | 104,010 | 102,725 | - |
| Estates | 4,999 | 4,275 | 3,194 | 1,081 | | 12,666 | 11,010 | 10,810 | 7,480 |
| ICT | 4,017 | 2,205 | 1,820 | 385 | | 1,574 | 184 | 150 | 450 |

| | Budget 2021/22 | Previous 2021/22 Forecast | Current 2021/22 Forecast | Variance | 2022/23 Forecast | 2023/24 Forecast | 2024/25 Forecast | Future years forecast |
|--------------------------------------|-------------------|---------------------------------|--------------------------------|----------------|---------------------|---------------------|---------------------|-----------------------------|
| | £'000 | £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| Vehicles & Equipment | 4,186 | 4,446 | 3,779 | 667 | 7,634 | 2,625 | 2,884 | 7,688 |
| Sustainability | 75 | 342 | 342 | - | 240 | 75 | 75 | 225 |
| Waking Watch Relief | - | 2,050 | 2,050 | - | - | - | - | - |
| Total Fire and Rescue Service | 13,277 | 13,318 | 11,185 | 2,133 | 22,114 | 13,894 | 13,919 | 15,843 |
| Operational Sites | 21,300 | 25,000 | 24,150 | 850 | 9,004 | 5,320 | 1,320 | - |
| Non Operational Sites | 1,750 | 200 | 189 | 11 | 1,350 | 750 | 1,200 | - |
| Total Waste and Resources | 23,050 | 25,200 | 24,339 | 861 | 10,354 | 6,070 | 2,520 | - |
| Total GMCA Capital | 442,882 | 625,627 | 479,917 | 145,710 | 421,542 | 346,332 | 216,544 | 326,981 |

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Date: 11th February 2022
Subject: GMCA Revenue Update Quarter 3 - 2021/22
Report of: Cllr David Molyneux, Portfolio Leader for Resources and Steve Wilson, Treasurer to GMCA

PURPOSE OF REPORT

To inform GMCA of the 2021/22 financial position at the end of December 2021 (quarter 3) and forecast revenue outturn position for the 2021/22 financial year.

RECOMMENDATIONS:

1. Approve an increase to Mayoral budget of £125k to be funded from reserves as set out in Section 2.
2. Approve an increase to the Fire and Rescue Service budget of £539k to be fully funded from reserves as set out in Section 4.

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Risk Management – An assessment of major budget risks faced by the authority are carried out quarterly as part of the reporting process – the risks are identified within the report.

Legal Considerations – There are no specific legal implications with regards to the 2021/22 budget update.

Financial Consequences – Revenue – The report sets out the forecast outturn position for 2021/22.

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

Equalities Implications; - There are no specific equalities implications in the report.

Number of attachments included in the report: 0

BACKGROUND PAPERS:

Reports to Greater Manchester Combined Authority:

GMCA Budget Reports – 12th February 2021

GMCA Revenue Update Quarter 3 2021/22 – 26th November 2021

| TRACKING/PROCESS | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|
| Does this report relate to a major strategic decision, as set out in the GMCA Constitution | No |
| 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 |

| | | |
|------|----------------------------------------------------------|--|
| TGMC | Overview & Scrutiny Committee | |
| N/A | GM Corporate Issues & Reform 8 th Feb 2022 | |

1. INTRODUCTION

- 1.1 The report details the GMCA actual position to 31st December 2021 and forecast revenue outturn position for 2021/22, covering Mayoral General Budget, Mayoral GM Fire and Rescue Budget (GMFRS), GMCA General Budgets, GM Waste and Transport including Transport for Greater Manchester (TfGM). It provides an analysis of the significant forecast variances in year compared to approved budget and seeks approval for revisions to the budget.
- 1.2 The position at Quarter 3 is summarised in the table below with further detail on the variances provided in the report.

| GMCA Revenue Update 2021/22 Quarter 3 | Approved Budget | | | Q3 Forecast Outturn | | | Change | | |
|---------------------------------------------|-----------------|-----------------|----------|---------------------|-----------------|----------------|----------------|---------------|----------------|
| | Exp | Income | Total | Exp | Income | Total | Exp | Income | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Mayoral | 127,567 | -127,567 | 0 | 127,692 | -127,692 | 0 | 125 | -125 | 0 |
| GMCA General | 259,765 | -259,765 | 0 | 240,115 | -240,115 | 0 | -19,650 | 19,650 | 0 |
| GM Fire and Rescue | 111,636 | -111,636 | 0 | 110,037 | -112,114 | -2,076 | -1,5989 | -479 | -2,076 |
| Waste | 162,402 | -162,402 | 0 | 150,973 | -162,402 | -11,429 | -11,429 | 0 | -11,429 |
| Transport | 246,426 | -246,426 | 0 | 250,476 | -250,476 | 0 | 4,050 | -4,050 | 0 |
| Total | 907,796 | -907,796 | 0 | 879,294 | -892,799 | -13,505 | -28,502 | 14,997 | -13,505 |
| <u>Memorandum item</u> | | | | | | | | | |
| TfGM | 173,680 | -173,680 | 0 | 177,730 | -177,730 | 0 | 4,050 | -4,050 | 0 |

2. MAYORAL BUDGET

- 2.1 The revised Mayoral budget for 2021/22 approved by GMCA following the GMCA Revenue Update Quarter 2 in July 2021 is £127.567m. At the end of quarter 3 the forecast position for the Mayoral budget is breakeven with projected expenditure of £127.692m. The table below summarises the position:
- 2.2 The quarter 3 position is an increase of expenditure by £125k to be funded by a transfer from Mayoral reserves relating to continued funding to the 'No Child Goes Hungry'

scheme over the autumn term school holidays.

| Mayoral Budget 2021/22 Quarter 3 Position | Original Budget | Revised Budget | Forecast Outturn | Forecast Variance |
|------------------------------------------------------|----------------------------|---------------------------|-----------------------------|------------------------------|
| | £000 | £000 | £000 | £000 |
| Employee Related | 457 | 452 | 456 | 4 |
| Supplies and Services | 2 | 9 | 7 | -2 |
| Travel Related | 33 | 8 | 9 | 1 |
| Corporate Recharge | 756 | 756 | 756 | 0 |
| Mayoral Priorities | 19,250 | 20,092 | 20,214 | 122 |
| Mayoral Transport | 106,250 | 106,250 | 106,250 | 0 |
| Total Expenditure | 126,749 | 127,567 | 127,692 | 125 |
| | | | | |
| Funding | -126,749 | -127,567 | -127,692 | -125 |
| | | | | |
| Net Expenditure | 0 | 0 | 0 | 0 |

3. GMCA GENERAL BUDGET

- 3.1 The 2021/22 budget approved for GMCA in February 2021 was £224.044m funded from recurrent and non-recurrent sources, made up of local precepts and levies, government grants and reserves. Since the quarter 2 2021/22 revised budget was approved in September 2021 there have been changes to planned expenditure across the Directorates. The forecast outturn at quarter 3 is expenditure of £240.115m fully funded from grants, recharges, reserves and other income to provide a breakeven forecast for the year.
- 3.2 The table below provides a breakdown of the GMCA budget and the forecast outturn position at quarter 3.

| GMCA Revenue Monitoring 2021/22 Quarter 3 | Approved Budget | Revised Budget at Quarter 2 | Current Forecast Outturn | Forecast Variance |
|------------------------------------------------------|----------------------------|--------------------------------------------|-----------------------------------------|------------------------------|
| | £000 | £000 | £000 | £000 |
| Digital | 1,674 | 3,784 | 2,345 | -1,439 |

| | | | | |
|--------------------------|-----------------|-----------------|-----------------|----------------|
| Economy | 18,954 | 26,573 | 16,105 | -10,468 |
| Environment | 2,697 | 3,235 | 2,741 | -494 |
| Place | 7,941 | 8,437 | 7,563 | -874 |
| Public Service Reform | 21,993 | 34,443 | 35,098 | 654 |
| Work and Skills | 140,406 | 151,417 | 143,029 | -8,387 |
| GMCA Corporate | 26,580 | 28,475 | 29,834 | 1,358 |
| GM Election | 3,800 | 3,400 | 3,400 | 0 |
| Total Expenditure | 224,044 | 259,765 | 240,115 | -19,650 |
| | | | | |
| Funding | -224,044 | -259,765 | -240,115 | 19,650 |
| | | | | |
| Net Expenditure | 0 | 0 | 0 | 0 |

- 3.3 Digital Directorate - There is an overall decrease in planned spend of in relation to Smart Residents Data Exchange Platform due to a review of service provision and associated spend on consultants and software.
- 3.4 Economy Directorate - Spend against the GM Productivity Programme and GM Local Industrial Strategy has been rephased into 2022/23.
- 3.5 Environment Directorate – A reduction in planned spend relating to the Ignition project which has been extended in 2022/23 due to the timescales for European Union auditors completing their work.
- 3.6 Place Directorate – The most significant variance is a reduction in forecast spend in 2021/22 against the Places for Everyone Programme, which has been delayed in 2022/23.
- 3.7 Public Service Reform Directorate – An increase in planned expenditure due to additional external funding received for Rough Sleeper and Children's Social Care programmes.
- 3.8 Work and Skills Directorate – A reduction in planned expenditure in 2021/22 relating to a reprofiling of expenditure into 2022/23 relating to the ESF Skills for Growth and Working Well Job Entry Targeted Support (JETS) Programmes.

3.9 GMCA Corporate Directorate – A increase forecast expenditure relating to Covid related expenditure which will be funded from a contribution from NHS and GMCA earmarked reserves.

4. MAYORAL GENERAL – GM FIRE AND RESCUE SERVICE

4.1 The 2021/22 budget for GM Fire and Rescue Service (GMFRS) in November 2021 was approved at £111.636m. The forecast revenue outturn position at quarter 3 is an underspend of £2.076m. The table below provides a summary of the position:

| <u>GMFRS Budget 2021/22</u> <u>Quarter 3</u> | <u>Approved</u> <u>Budget</u> | <u>Actual</u> <u>Quarter 2</u> | <u>Forecast</u> <u>Outturn</u> | <u>Forecast</u> <u>Variance</u> |
|---------------------------------------------------------------|------------------------------------------------|-------------------------------------------------|-------------------------------------------------|--------------------------------------------------|
| | £000 | £000 | £000 | £000 |
| Employees | 86,098 | 62,905 | 83,817 | -2,281 |
| Indirect Employees | 1,852 | 680 | 1,476 | -376 |
| Premises | 5,070 | 2,706 | 4,494 | -576 |
| Transport | 2,260 | 1,380 | 2,059 | -201 |
| Supplies & Services | 8,699 | 6,175 | 8,224 | -475 |
| Support Services | 7,469 | 5,599 | 7,783 | 314 |
| Government Grants | -768 | -644 | -707 | 61 |
| Other Grants & Contributions | -214 | -76 | 378 | 592 |
| Customer & Client Receipts | -2,586 | -1,347 | -2,042 | 544 |
| Capital Financing Costs | 2,406 | 340 | 3,206 | 800 |
| Tfr to Earmarked Reserve | 1,349 | 0 | 1,349 | 0 |
| Total Expenditure | 111,636 | 77,718 | 110,037 | -1,598 |
| Localised Business Rates | -10,297 | -7,723 | -10,297 | 0 |
| Baseline Funding | -40,353 | -30,668 | -40,353 | 0 |
| Section 31 - Business Rates | -2,594 | -1,903 | -2,535 | 58 |
| Section 31 - Pension Related | -5,605 | -5,605 | -5,605 | 0 |
| Precept Income | -50,041 | -37,113 | -50,041 | 0 |
| Collection Fund Surplus/Deficit | 5,236 | 397 | 5,236 | 0 |
| Local Council Tax Support | -1,349 | -1,347 | -1,347 | 2 |
| Trf from Earmarked Reserve | -6,632 | 0 | -7,171 | -539 |
| Total Funding | -111,636 | -83,961 | -112,114 | -479 |

| | | | | |
|------------------------|----------|---------------|---------------|---------------|
| Net Expenditure | 0 | -6,243 | -2,076 | -2,076 |
|------------------------|----------|---------------|---------------|---------------|

Employee Related

- 4.2 Employees pay and pensions is a forecast underspend of £2.281m. This forecast is based on the current strength figures across GMFRS with the addition of 1.5% increase from July for pay award for uniformed pay and an assumption on increased costs for non-uniformed salaries. The pay award budget was set at 0%, however, the increase is being absorbed through vacancies.
- 4.3 The forecast also includes expected costs of future new recruit cohorts throughout the financial year. The figures do not include any assumptions of leavers in the last quarter of the financial year, it does include a number of vacancies which are expected to remain vacant to the end of the year.
- 4.4 The pay underspend is mainly attributable to the number of uniformed posts being lower than the budgeted establishment. The recruitment strategy seeks to increase headcount up to budgeted establishment numbers within 2022/23. Pre-arranged overtime has been included in the forecast based on average cost to date for the hours required to maintain ridership.

Non-pay related

- 4.5 Indirect Employee Allowances position is an underspend of £376k. The underspend is mainly in relation to insurance and reduced cost of other training expenses in year.
- 4.6 Premises Related expenditure is forecast to underspend by £576k attributable to a reduction in business rates expenditure. This includes one off rebates following valuations of the Estate and recurring savings which are being factored into the budget planning for 2022/23 onwards.

- 4.7 Transport Related forecast is an underspend of £201k based on costs incurred to date, however, travel costs may increase in line with the easing of national restrictions and internal hybrid working arrangements.
- 4.8 Supplies, Services and Other Expenditure is forecast at an underspend of £475k including savings identified in year which will be reinvested if pressures arise during the financial year.
- 4.9 Support Services budget incorporates the central recharges received from the wider Combined Authority. Further charges for specific additional support from HROD for the whole-time firefighter recruitment and selection process and Communications for various projects and strategies outside of central recharges have been forecast which result in an overspend of £314k.
- 4.10 Included in the forecasts is a revenue contribution to in-year capital outlay to reduce borrowing requirements, therefore, reducing the budget requirement in relation to capital financing in future years.

Income

- 4.11 Income is expected to underachieve by £1,197k in total, however, work is on-going to identify apprenticeship levy income and the requirements of offsetting the costs of end point assessments to be incurred by HROD within the wider CA. This and other elements of income will be closely monitored to identify any further variances. Loss of income for activities has been impacted by the pandemic, therefore, the Service request a drawdown from the Covid-19 grant reserve to cover the loss.
- 4.12 The Service requests further approval for use of reserves for the costs incurred or losses directly attributable to the pandemic, use of the Covid-19 revenue grant reserve of £539k.

5. GM WASTE AND RESOURCES

- 5.1 The 2021/22 budget for Waste in February 2021 was £162.402m based on November 2020 tonnage information supplied by GM Local Authorities and inflation for the Waste and Resource Management Services (WRMS) and Household Waste Recycling Centre Management Services Contracts (HWRCMS).
- 5.2 The position at quarter 3 is an underspend of £11.429m. The table below provides a breakdown of the position.

| GM Waste Budget 2021/22 Quarter 3 | Approved Budget | Previous Forecast Outturn | Current Forecast Outturn | Forecast Variance |
|----------------------------------------------|----------------------------|------------------------------------------|-----------------------------------------|------------------------------|
| | £000 | £000 | £000 | £000 |
| Operational costs | 105,023 | 104,379 | 94,726 | -10,297 |
| Operational financing | 48,830 | 47,640 | 47,446 | -1,384 |
| Office costs | 6,190 | 6,105 | 6,105 | -85 |
| Non operational financing | 2,629 | 2,640 | 2,640 | 11 |
| Total Budget | 162,672 | 160,764 | 150,917 | -11,755 |
| Levy adjustment | 0 | -757 | 56 | 56 |
| Use of reserves | -270 | 0 | 0 | 270 |
| Levy | 162,402 | 160,007 | 150,973 | -11,429 |

- 5.3 The forecast underspend in operational costs is largely driven by changes in the value of recyclate prices leading to increased income. Forecast income from paper and card being £5.3m higher and from commingled being £3m higher.

- 5.4 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 and Resources service is currently utilising the cash flow of the wider GMCA.
- 5.5 The current Levy Allocation Methodology Agreement (LAMA) provides for in year adjustments to be made when actual waste arisings vary from expected levels. Based upon updated profiled 2021/22 tonnages, an indicative outturn position has been calculated which predicts a Levy adjustment at District level.
- 5.6 Further information on the Waste position for 2021/22 is provided as part of the Waste Budget and Levy 2021/22 and Medium Term Financial Plan 2022/23 – 2024/25 elsewhere on agenda for this meeting.

6. TRANSPORT REVENUE BUDGET

- 6.1 The Transport revenue budget approved by GMCA in February 2021 is £246.426m, which includes funding from the Transport Levy and Statutory Charge, Mayoral precept, grants and reserves. The majority of the Transport revenue budget is paid to Transport for Greater Manchester (TfGM) for transport delivery and the budget approved for 2021/22 was £173.680m. The remainder of the Transport revenue budget is retained by GMCA for capital financing costs for Metrolink and other programmes.
- 6.2 The table below summarises the original approved budget for TfGM for 2021/22 and the proposed revised budget at quarter 3 of £177.730 million, an increase of £4.1 million compared to the original budget. A commentary on the key changes is provided below the table.

| TfGM Revenue Budget 2021/22 Quarter 3 | Approved Budget | Previous Forecast Outturn | Current Forecast Outturn | Forecast Variance |
|----------------------------------------------------|--------------------|---------------------------------|--------------------------------|----------------------|
| | £000 | £000 | £000 | £000 |
| Expenditure | | | | |
| Concessionary Support | 77,900 | 74,700 | 77,900 | 0 |
| Supported Services | 32,000 | 32,000 | 32,000 | 0 |
| Accessible Transport | 3,900 | 3,900 | 3,700 | -200 |
| Operational Costs | 35,820 | 41,120 | 38,620 | 2,800 |
| Clean Air Plan Costs | 6,500 | 4,200 | 4,200 | -2,300 |
| Scheme/Pipeline Development Costs | 7,000 | 9,000 | 10,000 | 3,000 |
| Bus Franchising costs | 4,250 | 10,000 | 5,000 | 750 |
| Financing | 6,310 | 6,310 | 6,310 | 0 |
| Total Expenditure | 173,680 | 181,230 | 177,730 | 4,050 |
| Funded by | | | | |
| Levy Allocated to TfGM | -36,380 | -36,380 | -36,380 | 0 |
| Statutory Charge | -86,700 | -86,700 | -86,700 | 0 |
| Mayoral Budget | -18,650 | -18,650 | -18,650 | 0 |
| Rail Grant | -1,900 | -1,900 | -1,900 | 0 |
| Metrolink funding revenue/reserves | -10,800 | -10,800 | -10,800 | 0 |
| Clean Air Plan JAQU grants | -6,500 | -4,200 | -4,200 | 2,300 |
| TCF2 funding for Scheme/Pipeline Development Costs | -7,000 | -400 | -1,400 | 5,600 |
| ICTF funding for Scheme/Pipeline Development Costs | 0 | -8,600 | -8,600 | -8,600 |
| Bus Franchising funding | -4,250 | -10,000 | -5,000 | -750 |
| Utilisation of reserves/other grants | -1,500 | -3,600 | -4,100 | -2,600 |
| Total Funding | -173,680 | -181,230 | -177,730 | -4,050 |

- 6.3 The costs of concessionary reimbursement are currently forecast to outturn in line with budget after transfers to reserves. Whilst TfGM has, in line with previous Department for Transport (DfT) guidance, continued to reimburse bus operators for concessionary reimbursement in line with pre COVID-19 volumes, adjustments have been made, in line with further DfT guidance, where operated mileage has been less than 100% of pre COVID-19 levels. It is proposed to transfer this surplus, which is

estimated at c. £3.3 million to reserves, in order to manage future costs, including the risk that Our Pass costs are in excess of the funding available in the Mayoral budget.

- 6.4 Payments for the 16-18 free travel concession, where volumes have recovered strongly in recent months, are currently forecast to be in line with budget.
- 6.5 The costs of Supported Service are currently forecast to outturn in line with budget in this year although there are significant cost pressures going forward, in particular into 2022/23, given the ongoing uncertainty as to the quantum and longevity of ongoing government funding beyond the end of March 2022.
- 6.6 The costs of Accessible Transport are currently forecast to outturn slightly below budget due to lower grants paid to GMATL to operate the Ring and Ride Service. This is due to less services being operated due to lower patronage during the pandemic.
- 6.7 Operational costs are currently forecast to outturn c.£2.8 million higher than the original budget due to the costs of activities which are funded by additional grants (£2.6 million); and other additional costs incurred, including those as a result of COVID-19 (£0.2 million).
- 6.8 The costs relating to the Clean Air Plan are currently forecast to outturn £2.3 million lower than budget. As in previous years, all of these costs are funded by grants from the Government's Joint Air Quality Unit.
- 6.9 Scheme/Pipeline Development costs relate to a pipeline of Greater Manchester Infrastructure Programme (GMIP) schemes being developed by TfGM and the ten local authorities. Expenditure is forecast to outturn £3 million higher than the original budget due to the phasing of work. As a result of receiving the £8.6 million of Intra City Transport Fund (ICTF) funding in the current year, the unutilised Transforming Cities Fund 2 (TCF2) funding will be carried forward to enable the further development of the pipeline in future years.

- 6.10 The total forecast expenditure on revenue funded implementation costs for Bus Franchising is £5 million, which is £0.75 million higher than the original budget. This is due to the phasing of a number of workstreams.
- 6.11 The spend against reserves/other grants is £2.6 million higher than budget due to expenditure on costs funded by additional grants, including previous approvals for use of reserves to fund revenue spend against capital schemes and spending against additional revenue grants received during the year.

7. Recommendations

- 7.1 Recommendations are included at the front of the report.