

GREATER MANCHESTER COMBINED AUTHORITY

Date: 27th November 2020

Subject: GMCA Revenue Update 2020/21

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

PURPOSE OF REPORT

To inform GMCA of the 2020/21 forecast revenue outturn position as at the end of Quarter 2, September 2020.

RECOMMENDATIONS:

GMCA is requested to:

1. Note that the Mayoral General revenue outturn position for 2020/21 shows a breakeven position.
2. Note the GMCA General Budget revenue outturn position for 2020/21 which shows a breakeven position.
3. Note that the Mayoral General – GM Fire & Rescue revenue outturn position for 2020/21 shows an underspend position of £4.003 million.
4. Note the Waste outturn position of breakeven for 2020/21 after proposals agreed with GMCA on 31st July and 25th September and the agreement in principle to refund the Districts for the levy adjustment that will be paid to GMCA as a result of increased tonnages.
5. Note the TfGM revenue position for 2020/21 is in line with budget after efficiency savings and transfers from reserves of £1.6 million.

CONTACT OFFICERS:

Name: Steve Wilson, GMCA Treasurer
Telephone: 07725 481067
E-Mail: steve.wilson@greatermanchester-ca.gov.uk

Name: Steve Warrener, Finance and Corporate Services Director, Transport for Greater Manchester
 Telephone: 07711 819301
 E-mail: steve.warrener@tfgm.com

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 2019/20 budget update.

Financial Consequences – Revenue – The report sets out the forecast outturn position for 2019/20.

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

Equalities Implications: There are no specific equality implications contained within the report

Number of attachments included in the report: 0

BACKGROUND PAPERS:

- Reports to Greater Manchester Combined Authority:
 -GMCA Revenue General Budget - 14 February 2020
 -GMCA Covid Finances and Reserve Position - 31 July 2020
 -GMCA Covid Finances Update – 25th September 2020
 -GMCA Revenue Update 2020/21 – 25th September 2020

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
TfGMC	Overview & Scrutiny Committee	
N/A	N/A	

1. INTRODUCTION

1.1 The report details the GMCA forecast revenue outturn position for 2020/21, covering Mayoral General Budget, Mayoral GM Fire and Rescue Budget, GMCA General Budgets, GM Waste and Transport (TfGM). It provides an analysis of the significant variances in year compared to the approved budget. The table below summarises the 2020/21 position across all GMCA budgets.

Greater Manchester Combined Authority Summary	Approved Budget 2020/21 £000	Quarter 1 Forecast Variation £000	Quarter 2 Forecast Variation £000	Change £000
Mayoral General (exc Transport)	35,122	0	0	0
Mayoral General - GM Fire & Rescue	109,245	-2,946	-4,003	-1,057
GMCA General	209,115	0	0	0
Transport	242,089	0	0	0
Waste	167,242	0	0	0
Total GMCA and Mayoral General	762,813	-2,946	-4,003	-1,057
<u>Memorandum Item</u>				
Transport for Greater Manchester (TfGM)	170,430	0	0	0

2. MAYORAL GENERAL BUDGET

2.1 The Mayoral General Budget for 2020/21 excluding transport is £35.122m and the forecast budget position is breakeven.

2.2 However, the usage of the “our pass” 16-18 concessionary pass has been significantly reduced due to the impact of COVID 19. Current estimates suggest this could lead to an under spend of circa £4m. This position will continue to be monitored closely and updates will be provided to the combined authority.

3. GMCA GENERAL BUDGET

3.1 The approved budget for the GMCA is £209.115m which is funded from a variety of recurrent and non-recurrent sources, made up of local precepts and levies, government grants and reserves. For the 2020/21 budget the districts agreed a levy of £9.040m of funding for GMCA, of which £4.367m supports the core GMCA functions.

3.2 Over the past few months GMCA has implemented a vacancy freeze on all but critical or externally funded posts with an expected saving of £1m. At the meeting on 25th September 2020, the GMCA approved a £1m return of levy funding from GMCA to the ten districts. As a

result of the vacancy freeze and a review of overheads and non-recurrent reserves the GMCA position is projected to breakeven at the end of 2020/21.

3.3 The table below provides breakdown of the GMCA budget and the forecast outturn position at Quarter 2:

GMCA General Budget 2020/21	Approved Budget £000	Quarter 1 Variation £000	Quarter 2 Variation £000	Change £000
Work and Skills	117,498	0	0	0
Reform	25,235	0	0	0
Digital	4,432	300	0	-300
Economy	20,306	0	0	0
Place	15,863	0	-215	-215
Environment	2,678	0	0	0
GMCA Corporate	19,303	-300	-785	-485
Mayoral Election	3,800	0	0	0
Total Expenditure	209,115	0	-1,000	-1,000
District Contributions	-9,040	0	1,000	1,000
Reallocation of common costs	-16,380	0	0	0
Specific Grants	-139,725	0	0	0
Contribution from Business Rates Reserve	-18,111	0	0	0
Contribution from Other Reserve	-12,409	0	0	0
Other Income	-13,450	0	0	0
Total Funding	-209,115	0	1,000	1,000
Net Budget Position	0	0	0	0

Over / -Under Spend

4. MAYORAL GENERAL – GM FIRE AND RESCUE SERVICE

4.1 The revenue outturn position is an underspend of £4.003m against the current budget set for the Fire and Rescue Service which is an increase in the underspend of £1.058m since the last report at Quarter 1.

4.2 The majority of the underspend, £2.311m, is due to workforce pay and pensions. The underspend has reduced by £0.353m since Quarter 1 and reflects the increase from July for the pay award and has been updated for the latest forecast of new recruits from September 2020 and expected for January 2021. The workforce underspend is mainly attributable to the number of uniformed posts being lower than the budgeted establishment throughout the year. Underspends also relate to the vacant positions being held as a contribution to the savings target in 2021/22 as part of Programme for Change.

4.3 Supplies and services is forecast to underspend by £1.183m, this includes savings identified in year, of which £0.647m relates to pre-arranged overtime budget no longer required that could potentially contribute to 2021/22 savings. Transport related expenditure is forecast to

underspend by £0.253m mainly in relation to repairs and maintenance and lower cost of travel due to Covid-19.

- 4.4 There is a reduction in income from Customer and Client Receipts and Other Grants and Contributions which includes the loss of Princes Trust income, this compensated by the increase in Government grants in relation to the support for Covid-19. There is a loss in income from meals which is offset by underspend on supplies and services.
- 4.5 The forecast is based on current information where values can be determined, other considerations that are likely to change the forecasts are:
- Service Desk Tool – the ICT solution is a cloud-based system, therefore, a revenue cost, however, funding was originally earmarked against the Capital Fund Reserve within the Capital Programme. The use of the reserve or use of other revenue budget in year is to be considered.
 - Additional Posts – Additional resource may be required for work on-going with HM Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS).
 - The outcome of proceeding in relation to Bear Scotland vs Fulton case whereby the calculation of holiday pay is to include non-contractual overtime. Whilst the final costs are still be determined they are likely to exceed the provision made.
- 4.6 The funding supporting the 2020/21 Budget represents a one-year settlement from MHCLG, with allocations based on the Spending Review 2019 and no further details are provided beyond 2020/21. Funding beyond 2020/21 will be determined by the Spending Review 2020 which will also be a one year settlement. Like all Fire and Rescue Services, Greater Manchester is continuing to have to make savings because of Government cuts and pressures on council tax. The Service still needs to see a sustainable funding settlement from Central Government and will continue to call for that along with other Fire and Rescue Services. The pandemic and indicates a significant negative impact on Council Tax Collection, which will affect the GMFRS budget beyond 2020/21, with GMFRS having a share of any Collection fund deficits and implications around calculating tax base.

4.7 The forecast 2020/21 Revenue Budget position as at Quarter 2 is shown in the table below:

Greater Manchester Fire and Rescue	Approved Budget	Revised Budget	Quarter 1 Variation	Quarter 2 Variation	Change
	£000	£000	£000	£000	£000
Employees	87,430	85,791	-2,664	-2,311	353
Indirect Employee Allowances	1,114	1,313	42	-239	-281
Premises	4,861	4,864	96	388	292
Transport	2,262	2,262	-20	-253	-233
Supplies & Services	8,360	9,797	420	-1,183	-1,603
Support Services	7,203	7,203	0	22	22
Capital Financing Costs	1,688	1,688	0	0	0
Government Grants	-768	-768	0	-854	-854
Other Grants & Contributions	-1,465	-1,465	-704	109	813
Customer & Client Receipts	-1,440	-1,440	156	589	433
Total Expenditure	109,245	109,245	-2,674	-3,732	-1,058

Total Funding	-109,245	-109,245	-271	-271	0
Net Budget Position	0	0	-2,945	-4,003	-1,058

*Under- / Over Spend

5. GREATER MANCHESTER WASTE

- 5.1 The position on the GM Waste budget is forecast to underspend by £4.8m once the levy adjustment from Districts have been applied. However, it has been agreed in principle to refund the Districts for the levy adjustment that will be paid to GMCA as a result of increased tonnages so that no District is in a net payment position and therefore all sharing GMCA resources and reserves. This sum is currently estimated to be £6.5m, however this position is subject to change as the year progresses.
- 5.2 The refund to the Districts would be met from forecast underspend of £4.8m due to the £5m budget set aside for the impact of Brexit not expected to be required for 2020/21 and draw on reserves of £2m. The sum from reserves would be additional to the previously agreed amounts of £15m and £5m approved at the 31 July 2020 and 25 September 2020 meetings of GMCA to return to Districts.

6. TRANSPORT FOR GREATER MANCHESTER (TfGM)

- 6.1 Due to the impact of Covid-19, there have been a number of significant changes to the forecast outturn result for the year, compared to the original budget approved by GMCA in February. The reports to GMCA on 29 May, 24 June, 31 July and 25 September included updates on the various impacts of Covid-19 on the financial position of TfGM. The forecast presented here reflects those impacts, albeit at this stage in the financial year, there is still significant uncertainty around the forecast presented and it will therefore be further updated as the year develops. The outturn also sets out the currently forecast impact of these changes, and the level of efficiency savings and / or additional government grant income and, to the extent necessary, general reserves required in order to achieve the original budgeted break-even position.
- 6.2 The previous report to GMCA on 25th September reported that in the absence of further funding from government, efficiency savings of £4.8m were required to achieve a balanced budget in 2020/21. £3.2m of potential in year cost savings have been identified for 2020/21, resulting in a remaining requirement of £1.6m to be delivered from further cost and efficiency savings and additional grant income.
- 6.3 Since the date of the previous report and in order to deliver savings in future years, TfGM has launched a voluntary severance scheme. Applications for voluntary severance have recently closed and an assessment of the up-front costs and projected, future years' savings are in the process of being finalised. All applications will be assessed on the basis of financial viability and impact on service provision. An update on the impact on the 2020/21 outturn will be

presented in the next quarterly outturn report. It is proposed that the costs of exercise will be funded from reserves in 2020/21 which will be replenished from savings in future years.

- 6.4 The table below summarises the full year forecast and budget of income and expenditure of TfGM as at Quarter 2. A commentary is provided below on the key changes between the budget and the current forecast.

Transport for Greater Manchester Quarter 2				
	Approved Budget £000	Previous Outturn £000	Current Outturn £000	Outturn Variance £000
Expenditure				
Concessionary Support	79,300	79,300	79,300	0
Supported Services	27,900	30,400	29,500	1,600
Accessible Transport	4,910	4,590	4,590	-320
Operational Costs	38,010	40,700	38,330	320
Clean Air Plan	4,000	11,900	11,900	7,900
GM Infrastructure Programme	10,000	7,000	7,000	-3,000
Financing	6,310	6,310	6,310	0
Total Expenditure	170,430	180,200	176,930	6,500
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 from Rev / Reserve	-10,800	-10,800	-10,800	0
Retained Business Rates	-10,000	0	0	10,000
Utilisation of other funding	0	-7,000	-7,000	-7,000
Other Grants	-6,000	-13,900	-13,900	-7,900
Total Funding	-170,430	-175,330	-175,330	-4,900
Efficiency savings and general reserves	0	-4,870	-1,600	-1,600
Net Budget Position after savings/reserves	0	0	0	0
* Over / -Under Spend				

- 6.5 The budget included a contribution of £10.8m from Metrolink net revenues for 2020/21, as the mechanism for contributing towards capital financing costs which are incurred by GMCA. This amount was deducted from the budgeted Levy payable to TfGM. As reported to GMCA on 28 May, 26 June and 31 July and 25 September, due to the impact of Covid 19, Metrolink has suffered a significant reduction in farebox revenues. In the period to 31 March 2021,

based on the grant funding announced to date by DfT, it is forecast that the loss in net revenues will be largely offset by grant funding from DfT.

- 6.6 In the original budget it was planned that £10m would be made available from Retained Business Rates to support the development of the Greater Manchester Infrastructure Programme (GMIP). Subsequently, on 28 May 2020 GMCA approved the release of up to c.£7m from the previously announced £69.7m of 'Transforming Cities Fund 2' to fund these works instead.
- 6.7 The amount of funding from Other Grants has been increased by £7.9m to reflect the costs that are currently forecast to be incurred in continuing the development of Greater Manchester Clean Air Plan in 2020/21. These costs are fully funded from a grant from the Joint Air Quality Unit (JAQU).
- 6.9 The net costs for supported bus services is currently forecast to outturn circa £1.6m higher than the budget, which equates to the full net forecast adverse variance to budget for the period to 31 March 2021. These higher net costs reflect lower forecast income on services where TfGM takes farebox revenue risk and higher contract costs on the re-procurement of a number of services.
- 6.10 The £320k underspend for the Accessible Transport budget reflects reduced net costs due to reduced levels of service as a result of Covid-19. As above, the final outturn for the year will depend on a number of factors, including in particular the pace and level of recovery throughout the remainder of the year.
- 6.11 The currently forecast increase in Operational Costs is primarily as a result of higher net expenditure in the core budget due to a combination of lower than budget revenues, including for example service recharges, rental and other commercial revenues and higher costs due to COVID-19 response and recovery activity. This is subject to further savings being identified and delivered, as set out below.
- 6.12 In order to achieve an outturn in line with the break-even budget, the overall forecast assumes that a net circa £1.6m overspend, in the absence of further additional government grant, will be offset by efficiency savings or to the extent necessary general reserves. TfGM is continuing to update its detailed reforecast for the year and to identify opportunities for further cost and efficiency savings and/or additional income for how this can be delivered.

7. RECOMMENDATIONS

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