

# GMCA Budget Setting 2021/22

Greater Manchester Corporate Issues & Reform  
Overview & Scrutiny Committee  
8<sup>th</sup> December 2020

Steve Wilson  
GMCA Treasurer

# Agenda

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1. Mayoral
2. GMCA General
3. Transport
4. Next Steps

# Mayoral Budget

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- Key Issues for 2021/22
  - Mayoral Capacity Grant £1m – Still awaiting confirmation following SR
  - Series of one off or Pilot items funded from precept
    - Our Pass – Pilot ends mid year (31<sup>st</sup> August 2021)
    - ABEN – Phase 3 coming to an end
    - Bus Reform – Timing impacted by COVID
  - Collection fund deficit estimated at £779k
  - Tax base reduced by 1.2% - £221k reduction
  - New Mayoral Priorities TBC

# Mayoral Budget (excluding Fire)

Mayoral Budget	Approved Budget 2020/21 £'000s
Employee Related	455
Travel Related	33
Supplies and Services	2
Corporate Recharge	756
Transport Statutory Functions	86,700
<b><i>Mayoral Priorities</i></b>	
A Bed Every Night	1,450
Care Leavers	550
Opportunity Pass	16,200
Other Mayoral Priorities	626
Bus Reform Precept	5,250
Transport Policy and Strategy	3,500
Bus Service Operator's Grant	11,550
<b>Total Expenditure</b>	<b>127,072</b>

- 2020/21 Mayoral Budget £127.1m
- Costs potentially funded from Our Pass underspend in 2020/21
  - ABEN Costs (agreed Nov 20 CA)
    - Phase 3 overspend - £300k
    - Expansion - £300k
  - No child goes hungry
  - Operation Black vote
  - Young Persons Guarantee
- 2021/22 Mayoral priorities TBC

# Mayoral Budget (excluding Fire)

Mayoral Budget - Funding Sources	Approved 2020/21 £'000s	Draft 2021/22 £'000s	Movement £'000s
Mayoral Precept	(18,877)	(18,656)	221
BSOG grant	(13,100)	(13,100)	0
Mayoral Capacity grant	(1,000)	0	1,000
Collection fund surplus	(1,045)	779	1,824
Statutory charge (new a/c code )	(86,700)	(86,700)	0
Transfer from Reserve (BSOG)	(2,500)	(2,500)	0
Transfer from Reserve (Business rates)	(2,500)	(2,500)	0
Earn back (grant)	(500)	(500)	0
External Income (Our pass-from colleges)	(850)	(850)	0
<b>Gross Income</b>	<b>(127,072)</b>	<b>(124,027)</b>	<b>3,045</b>

- 2020/21 Mayoral budget of £127.1m including statutory transport charge
- Estimated loss on precept £2,045k after smoothing over 3 years
- £1m potential loss on capacity grant – Awaiting MHCLG confirmation
- Precept level to be confirmed for 2021/22
- £1m requires increase circa £1.33 Band D

# GMCA Budgets

GMCA Budget	2020/21 £'000s
Work and Skills	117,498
Reform	25,235
Digital	4,432
Economy	20,306
Place	15,863
Environment	2,678
GMCA Corporate	19,303
Mayoral Election	3,800
<b>Total Expenditure</b>	<b>209,115</b>
District Contributions	(9,040)
Reallocation of common costs	(16,380)
Specific Grants	(139,725)
Contribution from Business Rates Reserve	(18,111)
Contribution from Other Reserve	(12,409)
Other Income	(13,450)
<b>Total Funding</b>	<b>(209,115)</b>

- Total GMCA Core Budget 2020/21 is £209.1m
- Majority of funding is from grant income in year or brought forward from previous year
- Eg Adult Education Budget £91m 2020/21
- GMCA Corporate running costs are £19m
- This is funded from
  - District Funding - 20%
  - Internal recharges - 55%
  - Grant overhead - 10%
  - Other income - 15%
- 25% of Core Funding is therefore uncertain and requires flexible approach to budget management

# GMCA Budgets – District Contributions

<b>GMCA Budget - District Contributions</b>	<b>Core £'000s</b>	<b>Specific £'000s</b>
Work and Skills	44	0
Reform	513	
Economy	418	1,373
Place	396	3,300
Environment	207	0
GMCA Corporate	2,789	0
<b>Total Expenditure</b>	<b>4,367</b>	<b>4,673</b>

- District Contribution £9,040k in 2020/21
- £1m returned to districts through non recurrent savings
- District contribution held at flat cash in 20/21
- Significant growth in workload has required efficiencies across the CA
- Appropriate recharges to grants and other funding streams – To be reviewed for 2021/22

# Transport Budgets - 2020/21 Outturn

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The Outturn for 2020/21 for the Levy budget, as presented to CA in November was for a deficit of c£1.6m

Includes payment of Pre Covid Bus Concessions (excl Our Pass) as requested by DfT and is net of reductions in grant payable to Ring and Ride (reflecting lower levels of service) and through furloughing staff who are funded by eg commercial income and other non levy funded sources

Additional MHCL and DfT / DfE grants now expected meaning that deficit is now likely to be between £0.4m to £0.6m. It is currently forecast that this gap will be closed through efficiency savings and/or reserves.

The projected deficit is however subject to the following risks:

- Subsidised Bus - Further service de-registrations and general cost pressures;
- Covid-19 - Income impact – continuing revenue losses for activities impacted by Covid-19, including in particular commercial income
- Covid-19 – Cost impact – whilst reducing on the level in April-August, some costs still being incurred including mainly cleaning, customer communications and work on GM wide initiatives
- Ability to deliver additional savings – additional savings of £0.4m to £0.6m required to balance S1 budget



**Slide 8**

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**S1**

Shoud we refer to VS here?

Steve, 03/12/20

# Impact of Covid-19 on Levy Budget

There are a number of ongoing Covid impacts on the Levy budget which are expected to continue into 21/22.

- **Metrolink Revenues** - Currently forecasting a revenue loss of c. £58m in 20/21 (from a total farebox budget c. £80m) Patronage reduced to c. 5% of usual/budgeted levels in March/April and had increased back to c. 40% through the summer. However, since 'Lockdown 2' patronage has reduced again to c. 25% of budgeted levels. Funding from Government up to 31/3/21 subject to ministerial review
- **Loss of commercial income, ticket sales, on bus income and Departure charges.** The total estimated income loss in 20/21 is £3m. This is forecast to be partly mitigated in the current year from Govt grants, however the grant funding position beyond March is currently unknown and revenue losses will continue after that date. The anticipated impact in 21/22 is a net loss of £0.7m
- **Operational Cost increases:** including people costs, additional costs of PPE and cleaning and other costs on TfGM assets. The anticipated impact in 21/22 is a net loss of £1.9m
- **Concessionary reimbursement:** For the current financial year, and as 'strongly encouraged' by DfT, TfGM has been reimbursing bus operators on the basis of 'pre Covid-19' / budgeted levels of patronage. This is forecast to result in an 'overpayment' against actual patronage of c. £22m. The anticipated 'overpayment' in 2021/22 is £15m - £20m
- **Supported services reimbursement levels:** similarly TfGM has been 'encouraged' by DfT to reimburse in line with pre Covid-19 activity. As most bus services have operated at pre Covid-19 levels during and after lockdown this has resulted in a far lower 'overpayment' - estimated at c. £4m, again covered by existing budgets
- **Supported services – cost increases:** TfGM is seeing significant proposed cost increases on contract tenders due for renewal from April 2021. On average, on the contracts which are out to tender (approximately one third of the network) rates are increasing by 15-20%, estimated at an annualised impact of £2m - £3m
- **Ring and Ride** – due to reduced demand and the consequent lower costs, it is forecast that the grant for Ring and Ride will reduce by c. £1m in 20/21

# 2020 Spending Review

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**2.5 billion for intracity transport settlements** across the eight Mayoral CAs across England from 2022-23, '...maintaining government's commitment of £4.2 billion for five-year settlement'

**50 million of resource / revenue funding** in 2021-22 to support the relevant Mayoral Combined Authorities with preparation of these settlements (**scheme development match funding**)

**ovid support for rail / public transport** – £21.3bn reserve / contingency allowance in 2021/22 for 'support for public services' / Covid support measures across health, education, transport, local govt etc. 2021/22 allocated spending for rail reduces to £2bn (75% headcount reduction) - no specific references to Light Rail

**300 million in 2021-22 to drive transformation of bus services.** This funding will be drawn down in the first instance for any further Covid-19 support that may be required, while progressing reform to deliver better outcomes

**1.7 billion in 2021-22 for local roads maintenance and upgrades** to tackle potholes, relieve congestion and boost connectivity

**Reform of the Green Book** - HM Treasury has updated the Green Book to end the dominance of the BCR in decision making. Will need to understand how DfT will react to that

**120 million for zero emission buses** in 2021-22 which will 'support delivery of over 800 zero emission buses'

**1.9 billion for charging infrastructure and consumer incentives** (incl. £950m for SRN, £582 million for the Plug-in Car, Van, Taxi, Motorcycle Grant until 2022-23, £275 million to extend support for charge point installation at homes, workplaces and on-street locations.... so that they target difficult parts of the market such as leaseholders and small and medium-sized enterprises (SMEs)

**levelling Up Fund:** £4bn across CLG and DfT open for bids of up to £20m (per project) from next year (with £600m available in 2021/22). Open to all areas in England. Will prioritise growth and regeneration...and areas that have received less government investment in recent years

**UK Shared Prosperity Fund:** will 'at least' match receipts from EU structural funding (reaching £1.5bn a year) with funding profile similar to the next SR. Places receiving funding will need to agree specific outcomes to target within the UK-wide framework and will need to develop investment proposals to be approved by the government.' There will also be £220m for places to 'pilot programmes and approaches' in 2021-22

*Balance will be need reviewing to fully understand what all of these mean for GM*

# 2021/22 Transport Revenue Budget

- A large portion of the for 2021/22 is committed to costs which cannot be reduced in the short to medium term including particularly financing costs and cost allocated to Bus Reform
- Of the total Levy/Precept/ Statutory Charge of £196m, only £50.2m or c25% is 'influenceable' or is 'available' to deliver savings from
- Significant risks remain in relation to Metrolink revenues and bus support in 2021/22

	Levy £m	Bus Statutory charge £m	Total Levy/ Charge £m	Comments
'Base' Levy/Charge	109.3	86.7	196.0	At 2019/20 Level, includes Precept funding for LTP
Levy funded Finance costs	(59.1)	-	(59.1)	Includes TfGM Finance costs
Bus concessionary reimbursement Supported Bus	-	(50.0) (32.7)	(50.0) (32.7)	
Accessible Transport/Ring and Ride		(3.8)	(3.8)	
Allocation of Bus Operational costs		(0.2)	(0.2)	
Funding remaining for other costs	50.2	-	50.2	
Current total of other costs from initial draft budget			57.9	From current draft budget
Current budget deficit/savings challenge from Budget process			7.7	Pre VS savings

Summary	Total £m
Staff Costs	24.2
Other Concessionary costs	12.0
Computer & telecoms	8.1
Finance costs / Insurance	6.4
Highways Traffic signal costs	3.8
Premises	1.9
Other	1.5
	<u>57.9</u>

# Next Steps

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- Scrutiny review – December
- Follow up Scrutiny in January
- Initial Mayoral budget proposal – GMCA 29<sup>th</sup> January 2021
- Police and Crime Precept – February 2021
- Final budget approval – GMCA February 2021