

Date: 12 February 2021

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

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

PURPOSE OF REPORT

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

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

RECOMMENDATIONS:

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

CONTACT OFFICERS:

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

Name: Steve Warrener, Finance and Corporate Services Director TfGM
E-mail: steve.warrener@tfgm.gov.uk

Name: Rachel Rosewell, Deputy Treasurer to GMCA
E-Mail: rachel.rosewell@greatermanchester-ca.gov.uk

Equalities Implications: N/A

Climate Change Impact Assessment and Mitigation Measures: N/A

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

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

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

Financial Consequences – Capital – The report sets out a summary of the proposed capital programme for 2020-2024.

Number of attachments to the report: 0

Comments/recommendations from Overview & Scrutiny Committee

BACKGROUND PAPERS:

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

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

1. Introduction and Background

- 1.1 This report presents an overview of the proposed Greater Manchester Combined Authority (GMCA) budgets for 2021/22. It summarises the position on the Mayoral General Budget and Precept Proposals, The GMCA General Budget, GMCA Transport budgets including Transport Levy and Statutory Charge and the GM Waste Services Levy.
- 1.2 The report and the attached papers set out the implications of the proposed budgets and the resultant charges on districts and the Mayoral Precept.

2. Principles Underlying development of the Mayoral and GMCA budgets

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

3. Overview of GMCA Budgets

- 3.1 The overall GMCA budgets are made up of a variety of both historic budgets and new budgets relating to the functions provided by the Mayor and the GMCA as a whole.
- 3.2 The various orders under which these functions are provided, determine how such costs are funded such that:
 - **Mayoral General Budget** – Funded from the Mayoral precept and statutory charge/contributions from the districts (excluding the transport levy). Fire funding is part of the Mayoral precept but also receives a revenue support grant, business rates income and a top up grant. The Mayoral General budget and precept proposals are detailed in ***Paper B***
 - **GMCA Transport Revenue Budget** – This is funded from a contribution from the mayoral budget for statutory mayoral functions include Bus services and from a levy on district budgets for non-mayoral functions in relation to public transport and a contribution to Metrolink financing costs agreed previously as part of the establishment of the Greater Manchester Transport Fund. The budget also includes a number of other grants received in relation to specific activities, for example activities in relation to the development of the Clean Air Plan and Rail. The GM Transport Revenue budgets are detailed in ***Paper C***
 - **GMCA Revenue General Budget** – This includes the core cost of the CA funded by district contributions together with functions funded through the retention of

business rate growth and central grants funding including the Adult Education grant. The GMCA General budget is detailed in **Paper D**

- **GM Waste Disposal Budget** – This is funded through a levy to the nine GM districts who participate in the GM waste service (Wigan are not part of the waste contract). The contributions are on the basis of an agreed funding mechanism (LAMA). The Waste Budget is set out in **Paper E**
- **GM Capital Programme** – The required capital programme to support the delivery of the GMCA and Mayoral functions is set out in **Paper F** and is funded from a variety of sources including, where required, external borrowing.

3.3 This paper does not present the budget proposals for GM Police or the Police and Crime function. At their meeting on the 29th January 2021, it was noted by the Police and Crime Panel that the Mayor had considered his proposed increase to the police precept in light of the responses by members of the public to the proposals set out in the consultation which concluded on the 28th January 2021. The Panel approved the Mayor’s proposal to reduce the precept increase of £15 per year for a band D property to an increase of £10 per year for a band D property with effect from 1 April 2021. This will take the Band D police precept to £218.30 per year (£169.78 for a Band B property).

3.4 It should be noted that any increase in precept funding is effectively recurrent and therefore to not increase by the full £15 will have a recurrent impact on police and crime funding from 2021/22 onwards. To enable GMP to manage their finances within the proposed envelope savings will need to be identified within the service.

3.5 The proposals for neighbourhood policing, the number of officers to be recruited and the major deliverables described in the original budget proposal are not expected to be affected by this change. The increased funding provided by the uplift to the Government Grant and the proposed increase in the precept would deliver an additional 325 Police Officers in Greater Manchester plus funding for 16 additional officers to support the NW Regional Crime Unit (ROCU).

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

i) Mayoral General Budget and Precept Proposals

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

1. To approve the Mayor’s General budget for 2021/22 set out in this report together with the calculation of the precepts and Council Tax rates;
2. To approve a Mayoral General Precept for 2021/22 at £90.95 (Band D) comprising of £66.20 for functions previously covered by the Fire and

- Rescue Authority precept and £24.75 for other Mayoral General functions. This is unchanged from 2020/21;
3. To approve the overall budget for the Fire and Rescue Service for 2021/22 and the medium term financial position for the Fire and Rescue Service covered by the Mayoral precept;
 4. To approve the funding included in the budget for Bus Reform and note that a further update on expenditure and funding will be provided following a Mayoral decision on Bus Reform;
 5. To approve the use of reserves in 2020/21 and 2021/22.

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

ii) GM Fire and Rescue Service

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

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

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

iii) GMCA Transport Revenue Budget

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

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

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

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

Bus Reform - A report was presented to GMCA in November 2020 which considered the Covid-19 Impact on the Bus Franchising Assessment which was prepared by TfGM on behalf of the GMCA. This report recommended that the GMCA agree to undertake a public consultation in respect of the Covid-19 Impact on Bus Franchising Report, between 2 December 2020 and 29 January 2021. The Mayoral General Budget includes an estimated sum of £4.250m for the costs of pre-decision Bus Reform in 2021/22. However, if a decision is taken by the Mayor to introduce bus franchising a further report will be brought to GMCA for approval of the proposed expenditure and funding arrangements to support the implementation of that decision.

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

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

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

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

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

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

In February 2020, a £10 annual charge for concessionary pass holders to buy a 'product' to access off peak tram and rail services, was introduced. Due to the impact of the pandemic, renewal charges for existing product holders are to be deferred for a period, currently until 31 March 2021. To the extent this extends beyond the end of March this will start to impact the 2021/22 budget and, to the extent that there is no external funding available to offset any losses, will mean that additional savings will need to be delivered to compensate for this loss of income.

iv) GMCA Revenue General Budget

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

- District contributions of £8.6 million to the core running costs of the CA, including £3.3 million cultural funding and £1.4 million for MIDAS and Marketing Manchester. This funding remains at the same as in 2020/21;
- Central government grants of £153 million including £94 million funding for Adult Education;

- The 2021/22 budget reflects the decisions made by the GMCA at the meeting on 27th November 2020 on use of planned investment of the remaining Business Rates reserve held by GMCA of £25 million;
- Funding from reserves, other income sources and recharges of £39 million.

v) GM Waste Disposal Budget

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

For 2021/22 the report recommends:

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

vi) GM Capital Programme

The final paper, paper F, sets out the GMCA capital programme for 2020-2024. The GMCA's capital programme includes Economic Development and Regeneration programmes, Waste and the continuation of the programme of activity currently being delivered by Transport for Greater Manchester ("TfGM") and Local Authorities including the following elements:

- The Greater Manchester Transport Fund ('GMTF');
- Metrolink Phase 3 extensions;
- Metrolink Trafford Park Line Extension;
- Other Metrolink Schemes;
- Transport Interchanges;
- Bus Priority;
- Other capital projects and programmes including those funded from the Transforming Cities, Early Measures, Cycle Safety, and Cycle City Ambition (CCAG 2) Grants
- Growth Deal Major Schemes;
- Minor Works (including schemes funded by Integrated Transport Capital Block and Growth Deal);
- Capital Highways Maintenance, Traffic Signals and Full Fibre programmes;
- Investments including Growing Places, Regional Growth Fund and Housing Investment Fund;
- Economic Development and Regeneration schemes;

The capital programme over the three year period (2021-2024) as presented will require a long term borrowing requirement of £342.5m. Provision has been made in

the revenue budgets for the associated financing costs. The expenditure profiles in 2021/22 and future years will remain subject to scrutiny and possible change as part of the continuous review of the capital programme.

4. Conclusion

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

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

5. Recommendations

5.1 Recommendations are presented at the front of the paper.

