

Date: 14 February 2020

Subject: GMCA Revenue General Budget 2020/21 (Budget Paper D)

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

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## **PURPOSE OF REPORT**

The report sets out the Greater Manchester Combined Authority (GMCA) General budget for 2020/21.

The proposed District Council contributions to be approved for 2020/21 are included within the report together with the consequent allocations to the District Councils.

## **RECOMMENDATIONS:**

The GMCA is requested to:

1. Approve the budget relating to the Greater Manchester Combined Authority functions excluding transport and waste in 2020/21 as set out in section 2 of this report;
2. Approve the use of retained business rates to fund the 2020 Mayoral election (£3.800 million); GMSF (£1.045 million) and to continue to fund a number of other ongoing schemes for two further years as set out in paragraphs 2.9 – 2.29 at a cost of £2.710 million per annum;
3. Approve District Contributions of £9.039 million as set out in section 3 of this report;
4. Approve the use of reserves as set out in section 4 of the report;

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**Equalities Implications: N/A**

**Climate Change Impact Assessment and Mitigation Measures: N/A**

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

**Legal Considerations** – See section 4 of the report.

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

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

**Number of attachments to the report: 0**

**Comments/recommendations from Overview & Scrutiny Committee**

## **BACKGROUND PAPERS:**

Report to Greater Manchester Combined Authority: 'Revenue Update 2019/20' 25 October 2019.

Report to Greater Manchester Combined Authority: 'Revenue Update 2019/20' 26 July 2019.

Report to Greater Manchester Combined Authority: 'GMCA General Budget 2019/20' 15 February 2019.

<b>TRACKING/PROCESS</b>		
Does this report relate to a major strategic decision, as set out in the GMCA Constitution		Yes
<b>EXEMPTION FROM CALL IN</b>		
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	
	11 February 2020	

## 1. INTRODUCTION/BACKGROUND

- 1.1 This report provides details of the proposed GMCA Revenue General budget for 2020/21.
- 1.2 The charges to Districts in relation to the GMCA General budget are set out in section 2 and Appendix 1 to the report.
- 1.3 The reserves are detailed within section 4 of the report including planned utilisation in 2019/20 and 2020/21.
- 1.4 The Authority's legal obligations and the responsibility of the Treasurer to the Combined Authority are also set out in section 5 of the report.

## 2 GMCA GENERAL BUDGET 2020/21

- 2.1 The GMCA General budget was reviewed as part of the 2020/21 budget setting process with a number of potential pressures and priorities being identified as detailed below. The General budget includes all services and functions not separately reported elsewhere, such as Mayoral activity including Fire and Police, Transport and Waste services.

### GMCA General Budget Pressures

- 2.2 A number of general pressures have been identified as detailed below including mitigating factors.

General Budget Pressures	2020/21 £000
Pay Award & Other Pay pressures	1,530
Support for Graduate Trainee Programme	70
Churchgate / Lee House Rent Review	100
Increased ICT Licence and Contract fees	300
<b>Total Pressure</b>	<b>2,000</b>

- 2.3 Pay Award and other pay pressures – The majority of services have now been through a full service review, with many staff moving over to GMCA terms and conditions, including GMCA pay scales. In order to assess the full cost of teams each post is budgeted at the top point of the GMCA scale.
- 2.4 Support for Graduate Trainee Programme – In the summer of 2019, four graduate trainees commenced with the GMCA on a two-year programme. Two of the trainee posts are being funded by TfGM and Work and Skills grants, with the remaining two posts funded from GMCA general resources.
- 2.5 Churchgate / Lee House Rent Review – following a rent review conducted within 2019, the rent will increase by approximately £0.1 million per annum.

2.6 Increased ICT License and Contract fees – Whilst work is on-going to reduce ICT costs down with the renegotiation of contracts, for example mobiles phones and photocopiers, increased activity within the GMCA has resulted in additional licenses needing to be purchased from providers such as Microsoft.

Mitigating Factors

2.7 The above pressures have been absorbed within the overall budget without increasing District contributions by;

- Building in a 3% vacancy factor to account for staff movement throughout the year;
- Undertaking a full review of corporate services to ensure that these costs are being appropriately charged out on an evidence based approach to services like Fire, Waste, PCC, Mayoral etc.;
- Reviewing grants to assess if corporate fees can be charged against them where appropriate; and
- Budgeting for a prudent level of income from deposit interest. Due to the nature and timing of specific grants paid to the GMCA, a certain level of income can be raised ahead of the funding being required.

**Potential Priorities**

2.9 There are a number of specific GM budget priorities which have previously been approved for funding from retained Business Rates. With the exception of the Mayoral Election, continuation of funding is being requested for two years to March 2022. These are listed in the table below:

	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
Mayoral Election	3,800	
GM Spatial Framework Plan	1,045	
Health & Social Care Partnership	480	480
Cultural and Social Impact Fund	1,000	1,000
Digital Strategy	510	510
Youth Combined Authority	50	50
GM Resilience Officer	120	120
Marketing Manchester / MIDAS	550	550
<b>Total On-Going Funding Requests</b>	<b>7,555</b>	<b>2,710</b>

Mayoral Election

2.10 The second GM Mayoral election will take place in May 2020. Whilst some costs will be shared due to local elections taking place, it is anticipated that a total of £4 million will be required, with a cost of £3.8 million anticipated in 2020/21.

- 2.11 It should be noted that lobbying will continue with Government regarding financial support for the election, on the basis that Police and Crime Commissioner Elections are centrally funded. Future forecasts will be reduced if alternative funding becomes available.

#### Greater Manchester Spatial Framework (GMSF)

- 2.12 A concerted effort is needed between GMCA and Districts in order to deliver the GMSF. This provides staff capacity challenges in Districts as well as the financial resource needed to undertake several pieces of work which are fundamental to proving the soundness of GMSF. In particular to demonstrate the viability of many sites considerable work is needed in relation to developing, financing and delivering the appropriate low carbon infrastructure (transport, digital, utilities etc) to keep GM sustainable. The Combined Authority is asked to approve the 2020/21 funding of £1.045 million at the February meeting with any further funding to be the subject of a subsequent approval.

#### Health and Social Care Partnership

- 2.13 Funding of £0.48 million has been requested for the next two financial years to assist with the funding for the Partnership Team and delivery of the Health & Social Care Strategy. This is a reduction of 20% on previous annual allocations.
- 2.14 The purpose of the team is to ensure that Greater Manchester delivers on its vision and strategic objectives. The team will support and facilitate the full engagement of the clinical, professional and managerial leadership across all GM organisations to recognise that the transformation is led by the system and that organisations lead collaboration within their localities and across GM as part of mainstream business.
- 2.15 This funding, which is matched by £1.2 million of funding from the clinical commissioning Groups (CCGs) across GM, enables the GMHSCP team to deliver a remit significantly broader than that funded by NHS England allocations.

#### GM Cultural and Social Impact Fund

- 2.16 The GM Cultural and Social Impact Fund is currently exploring proposals for the next two year programme, commencing in 2020/21. Current proposals anticipate an increase in funding to £4.3 million from £3.5 million.
- 2.17 The 2019/20 budget was funded by £3.3 million District Contributions and £0.2 million retained business rates. Whilst alternative funding opportunities will be explored, including any benefits through ongoing reviews of service budgets or any in year underspends in 2020/21 the default position in the meantime for funding the additional £0.8 million per annum will be retained business rates.
- 2.18 In 2018 - 2020 the portfolio grew from 19 organisations to 28. Increasing levels of investment in Rochdale (Cartwheel Arts) and Salford (Art with Heart), and was able to fund for the first time an organisation based in Wigan (Wigan STEAM).

- 2.19 The portfolio included investment in visual arts for the first time (Centre for Chinese Contemporary Arts) and allowed us to support young contemporary popular and jazz musicians for the first time through investment in Brighter Sounds, as well as increasing our support for cultural festivals.
- 2.20 The portfolio recognised the increasing significance of digital, by almost doubling the investment in this area, continuing to support MADLAB and growing the geographical spread of funded provision to include Wigan STEAM.
- 2.21 GMCA investment in activity delivered by Manchester Jewish Museum for the first time, not only supported the only museum of Jewish history outside of London but also supported a bespoke programme of engagement with BME communities across Greater Manchester.
- 2.22 The portfolio also saw a more balanced spread of investment across art-form delivery as well as increasing the delivery of culture to those from protected characteristic groups across GM.
- 2.23 In its first year the portfolio saw a 39 percentage point increase in annual engagement with GMCA funded cultural organisations – tangibly increasing the scale of access for GM residents, and making a significant contribution to the delivery of the GM Culture Strategy. We anticipate that this may increase in the final year of the programme.
- 2.24 In 2019, GMCA published its first ever Culture Strategy, 2019-2024, that set out the following ambition;
- By 2024, Greater Manchester’s cultural offer will reflect the diversity of our people, who feel empowered to share their stories with the world, improving their wellbeing and increasing the prosperity of our businesses and the attractiveness of our places.
- 2.25 A key priority of the GM Culture Strategy as adopted by the CA is the equality of access to cultural provision – therefore a focus of the development of the portfolio of organisations selected to be funded 2020-2022, is balanced across geography, artform, diversity, scale and ecology which the increased funding proposal will achieve.
- 2.26 Further details regarding the proposed fund can be found elsewhere on the agenda.

### Digital Strategy

- 2.27 In 2017/18 the budget for GM Digital portfolio was £0.2 million and this was primarily used to win the bid to Government of £23.8 million for the Full Fibre programme, support development of the first GM Digital Strategy including two summits which helped crowdsource the content and develop a 5G test bed proposal to Government proposal.
- 2.28 Subsequently the GM Digital Steering Group strongly articulated the need for a budget that reflected the ambition of the Digital Portfolio. The budget enables:
- Network architecture design and contract support for the £32 million procurement of the GM Full Fibre Programme.

- Initial scoping of a pan GM network service proposition which will leverage the new Full Fibre network and which includes proposals for enabling free town centre wifi.
- Research into how thousands of public street furniture assets can be leveraged to potentially support 5G deployment across Greater Manchester and the associated operating and revenue model options.
- Further development of the GM Cyber Advisory Group which lies at the heart of the digital security ecosystem in Greater Manchester.
- A refresh of the 2016 GM Cyber Strategy which directly supported GCHQ's decision to invest in Greater Manchester and which aims to take our digital security opportunity to the next level.
- The Local Data Review which is a priority action within the Local Industrial Strategy.
- The refresh of the GM Digital Strategy 2018 into the GM Digital Blueprint including significant stakeholder engagement and a launch event on 6 February.
- Overall coordination and support for the GM Digital Portfolio including better alignment and opportunity identification between GMCA, GMP, TFGM, Growth Company and HSCP.
- Development of a relationship management capability with large private sector organisations in order to more effectively direct their corporate social responsibility in the areas of digital inclusion, digital skills and SME support.

2.29 The development of the GM Digital Blueprint and a set of associated Action Plans based on each Priority builds on the above activities and extends through until 2023. The funding of £0.51 million per annum will enable this and realise the opportunities presented by pan GM work on digital across the city region. As the Digital Portfolio has no core budget to support it, delivery of the Blueprint is highly dependent upon ongoing use of business rates funding.

#### GM Youth Combined Authority

2.30 Following the success of the Youth Combined Authority funding of £0.05 million has been requested for each of the next two years.

#### GM Resilience Officer

2.25 Funding is requested to support the GM Resilience Officer post for a further two years at £0.12 million per year.

#### MIDAS / Marketing Manchester

2.27 GMCA provides annual funding to MIDAS and Marketing Manchester (MM) of £1 million and £0.377 million respectively. In addition, in 2017 GMCA agreed to increase the funding allocation to both MM and MIDAS by a combined £0.55 million per annum (£0.35 million to MM and £0.2 million to MIDAS) which was agreed as a three-year commitment.

2.28 Current levels of funding secure the following (per annum) outputs across MIDAS and Marketing Manchester:

- £270m additional GVA
- 4,700 jobs created/safeguarded
- £5m Business Rates Income
- £71m Capex
- £395m Visitor Spend

2.29 It is therefore requested that the additional £0.55 million be continued for a further two years.

**Potential future calls against retained Business Rates**

2.30 In addition to the requests above, there are a number of potential calls against Business Rates totalling £16.6 million for 2020/21, £19.4 million for 2021/22, £7.1 million in 2022/23 and £1.4 million in 2023/24, which will be reported back to the GMCA separately for approval once full business cases are available. A summary of the potential calls within thematic areas are shown below:

	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000
Economy - Industrial Strategy, Employment Charter & Internationalisation (GMS 4)	1,850	2,550	2,050	
Economy - Business and Productivity Program 2 (GMS 4)		1,600	4,000	1,400
Skills – NEET Strategy & Careers Portal, DfT/DWP Plan (GMS 2,3)	1,000	1,000	1,000	
Green – 5 Year Plan, Renewables & Retrofitting (GMS 7)	1,000	1,000		
Place – T. Centre Challenge & Stock Conditions (GMS 6)	700	200		
Place – GM Spatial Framework (GMS 6)		1,045		
Infrastructure - GM Infrastructure Programme (GMS 5)	10,000	10,000		
People - Reform Investment Fund (GMS 1, 10)	2,000	2,000		
<b>Total</b>	<b>16,550</b>	<b>19,395</b>	<b>7,050</b>	<b>1,400</b>

2.31 Economy - It is vital that, at a time of economic uncertainty due to BREXIT, GM is doing everything it can to support its businesses to thrive and prosper, to remain competitive in a global environment (particularly via our frontier sectors) and to drive productivity (particularly in our foundational economy). The GM Local Industrial Strategy set out a very clear set of actions to be implemented that were agreed with Government. Further investment may therefore be required to support this agenda.

2.32 Skills - The Independent Prosperity Review was very clear that GM needed a ‘whole system’ approach to work and skills and the Local Industrial Strategy committed GM and Government to a 9 month action plan to develop ‘bold asks’ about how the system needs to avoid fragmentation moving forward. Employers are also very clear that a lack of skills is one of the biggest things holding them back. The system needs to ensure employers can access the skills they need and individuals are enabled to reach their full potential. For example

there are challenges around the number of NEET individuals in GM and irrespective of the success of the 9 month work with DfE/DWP GM needs to take bold actions around the areas of: Quality of all provision; Line of Sight to opportunities; Functional skills for all; Into and In Work Progression; Higher level technical skills. As with the work on Economy, further investment may be required to deliver on this agenda.

- 2.33 Green - Most Districts and the CA have declared a Climate Emergency. Urgent action is needed now on many different fronts if we are to avoid the most severe impacts of climate change. The GMCA has agreed a 5 year Environment Plan and the scale of action required to achieve the carbon reductions needed in the next 5 years is vast, for example ensuring GM is retrofitting 61,000 homes per annum. This will require action by the private, voluntary and public sector in the areas of Building Retrofit, Renewable Energy, Transport, Sustainable Consumption/Production and the Natural Environment. The public sector needs to lead by example both in implementing bold actions and in driving the innovation, research and development of the new technologies and systems/processes need. Currently this work is funded to the level of £1 million over 3 years which will not achieve the scale of activity needed by the public sector. If GM is going to lead by example in this space, and stand a change of meeting the agreed targets, further investment may therefore be required.
- 2.34 Place - Work is needed to ensure that GM's Town Centres are the prosperous, vibrant and sustainable places that they can become. In addition further work is needed to focus on the quality and affordability of GM's housing stock. There may be a need for further investment in these areas over the coming years in order to support the Spatial Framework and sustainable development for GM's residents.
- 2.35 Infrastructure – Greater Manchester Infrastructure Programme – The programme will develop and maintain a holistic infrastructure system that is robust, accommodates sustainable growth and supports the ambitions of the Greater Manchester Strategy to make 'Greater Manchester one of the best places in the world to grow up, get on and grow old'.
- 2.36 People – The Greater Manchester Reform Investment Fund was established to bring together funding to invest in and support innovative approaches that transform public services. So far a number of government funded projects have been included, such as Troubled Families, Working Well programmes, Life Chances Fund and Homelessness Social Impact Bond. The fund's intention is to facilitate investment in reform at greater pace and create efficiencies of scale. Over the next two years there is significant opportunity to increase the impact of this fund and to match its scale to the scale of GM's reform ambitions.

## Proposed GMCA Revenue General Budget 2020/21

2.37 Taking into account the priorities, pressures and revised funding streams as detailed previously in the report the proposed budget for 2020/21 in relation to GMCA's Revenue General budget is summarised in the table below:

	<b>2020/21</b>
	<b>£'000</b>
<b>Resources Available:</b>	
District Contributions	9,040
Reallocation of Common Costs	16,380
Government Grants	139,725
Contrib. from earmarked Reserves - Business Rates	18,111
Contrib. from earmarked Reserves - Other	12,409
Other Income	13,450
<b>Total Resources</b>	<b>209,116</b>
<b>Calls on Resources:</b>	
Senior Management	647
Resilience	120
Strategy, Research and Economic Advice (Including Industrial Strategy and Youth GMCA)	4,407
Business, Innovation and Enterprise Policy (Including Great Places)	391
Cultural and Social Impact Fund	4,300
Planning and Housing	972
Land and Property Strategy (Including One Public Estate)	1,744
Work and Skills (Including Work, Health and Skills Grant Programmes)	30,707
Adult Education	90,947
Environment and Low Carbon (Including 5yr Plan and ignition project)	2,654
Core Investment (Including Housing Investment and Delivery Team)	8,010
MIDAS and Marketing Manchester	1,950
Public Service Reform (Including Troubled Families and H&SC Partnership)	13,157
GM LEP funding (Including Business Growth Hubs)	1,013
GM Productivity Programme (Including Local Growth Funding, Made Smarter and Creative Digital)	16,025
Homelessness (Including Trailblazer, A Bed Every Night and Housing First)	8,041
GM Digital Strategy (Including GM Connect, Full Fibre and GM ' Smart Resident' platform)	4,431
Supported projects (Including LGBT+ Centre and Cricket Strategy)	537
Corporate Costs (Including Mayoral Election costs)	19,064
<b>Total Call on Resources</b>	<b>209,116</b>

### **3 CHARGES TO DISTRICTS**

- 3.1 Charges to districts have remained unchanged from 2019/20, however it should be noted that the main charge now includes the contribution towards a GM Freedom of Information Officer / Information Governance post, which was previously billed directly by Manchester City Council and the GM Procurement Hub has been transferred over to the GMCA budget from AGMA. A corresponding reduction will be seen within the AGMA budget report.

#### Basis of Apportionment of Costs to District Authorities

- 3.2 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 1 details the apportionment of costs across the Districts.
- 3.3 The basis of apportioning historic MIDAS and Marketing Manchester budgets between Districts is set out below:
- MIDAS – 84% of the funding is split equally between each District with the remaining 16% being split on a population basis.
  - Marketing Manchester – For £0.35 million of the funding the recharge is split on the following basis - 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 will be met from retained business rates.
- 3.4 Procurement Hub - Procurement Hub (Including Spend-Pro) – each District pays an equal Contribution, with the exception of Manchester City Council who do not access the Spend Pro software.
- 3.5 The remaining functions are apportioned to Districts on a population basis.

3.6 The proposed charge to each District is detailed in Appendix 1 and summarised in the table below:

<b>District</b>	<b>Billed by GMCA 2020/21 £000</b>
Bolton	908
Bury	650
Manchester	1,692
Oldham	773
Rochdale	731
Salford	824
Stockport	925
Tameside	745
Trafford	775
Wigan	1,018
<b>Total</b>	<b>9,040</b>

## 4 RESERVES

4.1 An analysis of the forecast and budgeted movements in reserves for 2019/20 and 2020/21 is set out below:

<b>GMCA General Reserves</b>	<b>Actual Balance as at 01-Apr-19 £000</b>	<b>Transfer in/(out) 2019/20 £000</b>	<b>Projected Balance as at 31-Mar-20 £000</b>	<b>Transfer in/(out) 2020/21 £000</b>	<b>Projected Balance as at 31-Mar-21 £000</b>
<b>Earmarked Revenue Reserves</b>					
Growing Places Revenue Grant	1,554	-	1,554	-	1,554
Youth Contract	2,411	(300)	2,111	(300)	1,811
LEP Funding	581	134	715	(181)	534
City Deal	1,887	(332)	1,555	(1,461)	94
One Public Estate	654	-	654	(654)	-
GM Trailblazer	1,733	(1,733)	-	-	-
Social Impact Bond	82	(82)	-	-	-
GM Housing First	1,104	(1,104)	-	-	-
Public Service Reform	8,184	740	8,924	(2,631)	6,293
Core Investment Interest & Arrangement Fees	8,915	1,489	10,404	964	11,368
RGF Deposit Interest	113	-	113	-	113
Creative Scale-Up Pilot	650	50	700	(650)	50
Business Rates Top Up Grant	54,390	(7,000)	47,390	(3,579)	43,811
Business Growth Hub	323	-	323	-	323
Business Rates Pool & Growth Retention Scheme	52,745	8,977	61,722	13,553	75,275
GM Connect	1,123	(100)	1,023	(334)	689
Careers & Enterprise Grant	111	(31)	80	(40)	40
GM Skills for Employment Pilot	20	(20)	-	-	-
14-19 Funding	117	(117)	-	-	-
Low Carbon Projects	216	(216)	-	-	-
Ageing Better	75	(75)	-	-	-
Digital Funding (Alpha Projects)	32	(32)	-	-	-
Accommodation Reserve	700	(600)	100	-	100
Planning and Delivery Fund	544	(322)	222	(222)	-
Working Well - Care and Support Programme	182	-	182	-	182
<b>General Revenue Reserves</b>					
General GMCA ED&R Reserves	2,963	128	3,091	-	3,091
<b>TOTAL</b>	<b>141,409</b>	<b>(546)</b>	<b>140,863</b>	<b>4,465</b>	<b>145,328</b>

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

### Growing Places Revenue Grant

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

#### Youth Contract

- 4.4 Greater Manchester was awarded £5.8 million by DWP to test a delivery model for supporting young people that are long term unemployed. As at 1 April 2019 there was £2.411 million of funding left and plans have now been agreed for its use going forward, most notably a contribution towards the Work and Health programme of £1.3 million.

#### LEP Funding

- 4.5 It is currently anticipated that £0.134 million will be added to the reserve in 2019/20 following additional capacity grants awarded within the year. The LEP board has approved its use for a variety of projects including a contribution towards the Local Industrial Strategy.

#### City Deal

- 4.6 A plan for the use of these funds has been approved by the GMCA with an anticipated call against reserves in 2019/20 of £0.332 million and a further £1.462 million in 2020/21.

#### One Public Estate

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

#### GM Trailblazer

- 4.8 The Authority was awarded this grant over a two year period to assist with the homelessness agenda, expenditure plans are now in place with full use of the grant expected by 2019/20.

#### GM Housing First

- 4.9 The Housing First pilot is now in the second year of a three year programme, the initial grant payment in March 2019 is expected to be fully utilised within 2019/20.

#### Public Service Reform, Including Reform Investment Fund

- 4.10 Grants received from a variety of sources make up this reserve such as Troubled Families and Life Chances grants. It is anticipated that £0.74 million will be added to the reserve in 2019/20 with an expected call against the reserve of £2.631 million in 2020/21. Use of these funds have been slower than expected due to other funding streams being utilised ahead of the reform investment fund due to timing constraints, however it is anticipated that the full reserve will be applied against future commitments.

#### Core Investment - Interest & Arrangement Fees

- 4.11 Income is paid to the Authority for interest on loans and arrangement fees earned through the facilitation of loan agreements. The income will be utilised either through reinvestment in loans or in support of the Core Investment Team and the administration of the loans. Loan

interest earned on RGF projects must be ring-fenced for RGF related schemes. The balance at the end of 2019/20 is forecast to be £10.4 million.

#### RGF Deposit Interest

- 4.12 It is a condition of the RGF funding the any interest earned on unspent balances is ring-fenced to RGF related schemes and recycled into funds available. It is not currently confirmed when the income will be drawn down, however once cash flow estimates have been confirmed for the use of the recycled funds, the reserves position will be updated.

#### Creative Scale Up Pilot

- 4.13 The Creative Scale up pilot is a £1.3 million scheme to specifically generate business growth within the creative sector. The first tranche of grant was received March 2019 with the remaining grant expected in March 2020. The scheme is now underway with plans to fully utilise by June 2021.

#### Business Rates Top Up Grant - LGF Revenue / Capital Funding Switch

- 4.14 In 2015-16 GMCA was granted just over £300 million from the national Local Growth Deal (LGF) allocations, subsequent to this a further two rounds of funding have been allocated taking the total funding envelope up to £493.3 million. This funding can only be spent on Capital expenditure.
- 4.15 At the present time the Growth Deal schemes have been capital in nature, however going forwards, particularly on the economic development and regeneration schemes, it is becoming apparent that in order to meet the Greater Manchester Strategy priorities some of the schemes will be more revenue based rather than capital.
- 4.16 The GMCA currently receives revenue funding that is used to support capital spend on Highways and the Local Transport Plan. By utilising this funding to support the revenue Growth Deal schemes, the equivalent amount of LGF funding will be used to top up the funding on Highways and Local Transport Plan capital expenditure.
- 4.17 Current forecasts indicate that £7 million will be drawn down within 2019/20, with a further £3.6 million in 2020/21.

#### Business Growth Hub

- 4.18 Following the introduction of the Productivity Fund in 2018/19, a small balance of funds from the original Business Growth Hub funding is left due to cross over activity between the two programmes. It is forecast that £0.3 million will be in reserves as at 31 March 2021.

#### Business Rate Pool and Growth Retention Scheme

- 4.19 As detailed in paragraphs 2.10 – 2.20 it is currently anticipated that the income from these income streams will be utilised to support the priorities of the GMCA. It should be noted that it is anticipated that £35 million will be paid to the Authority from 2019/20 receipts although these figures will not be confirmed until May 2020.

#### GM Connect

- 4.20 Funding was received from the Transformation Challenge award for the GM Connect team. It is currently anticipated that the balance as at 31 March 2020 will be £1 million with a further draw down of £0.3 million expected with 2020/21.

#### Other Grants

- 4.21 A number of grants have been awarded to the Authority for Skills, Low Carbon and Ageing better activity. It is currently anticipated that all the grants will be utilised within 2019/20.

#### Accommodation

- 4.22 A total of £0.75 million was set aside to fund the fit-out of the additional space at Churchgate House. £0.05 million was utilised in 2018/19 with an anticipated call of £0.6 million in 2019/20.

#### Planning and Delivery Fund

- 4.23 The Authority received this grant late in 2017/18. Whilst the grant is fully committed, the expenditure will run to 2020/21.

#### Working Well – Care and Support

- 4.24 The Working Well – Care and Support scheme has a variety of funds attached to it. Due to the timing and use of other available funds, it is envisaged that the £0.183 million will not be used until 2021/22.

#### **General GMCA Reserve**

- 4.25 The GMCA general reserve is funded through contributions from the GMCA revenue account either planned or as a result of general underspending. It is currently forecast that £0.128 million will transfer into general reserves within 2019/20. This will leave an anticipated balance as at 31 March 2020 of £3.091 million.

## 5 LEGAL ISSUES

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

### Duties of the Treasurer (Chief Finance Officer)

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

### Reasonableness

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

### Risks and Mitigation

- 5.8 The Treasurer has examined the major assumptions used within the budget calculations and considers that they are prudent, based on the best information currently available. A risk assessment of the main budget headings for which the GMCA will be responsible has been undertaken and the key risk identified are as follows.
- 5.9 The budgets for 2020/21 include pressures to deliver additional priorities within existing resources, however this is considered achievable and will be monitored against budget on a regular basis.

## **6 RECOMMENDATIONS**

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

## GMCA BUDGETED CHARGES 2020/21

MID YEAR 2018 POPULATION FIGURES	Basis of Charge	BOLTON 285,372 £	BURY 190,108 £	MANCHESTER 547,627 £	OLDHAM 235,623 £	ROCHDALE 220,001 £	SALFORD 254,408 £	STOCKPORT 291,775 £	TAMESIDE 225,197 £	TRAFFORD 236,370 £	WIGAN 326,088 £	TOTAL DISTRICT CHARGES £	CONTRIBUTION FROM OTHER SOURCES £	TOTAL FUNDING AVAILABLE £
Senior Management	Population	9,076	6,046	17,418	7,494	6,997	8,092	9,280	7,163	7,518	10,371	89,455	557,646	647,101
Resilience	Population	-	-	-	-	-	-	-	-	-	-	-	120,000	120,000
Strategy, Research and Economic Advice	Population	87,114	58,033	167,171	71,927	67,158	77,662	89,068	68,745	72,155	99,543	858,577	3,547,924	4,406,501
Business, Innovation & Enterprise Policy	Population	25,090	16,714	48,147	20,716	19,342	22,367	25,653	19,799	20,782	28,670	247,280	144,102	391,382
Cultural and Social Impact Fund	Population	334,828	223,055	642,533	276,458	258,128	298,498	342,341	264,225	277,334	382,601	3,300,000	1,000,000	4,300,000
Planning and Housing	Population	24,290	16,182	46,613	20,056	18,726	21,655	24,835	19,168	20,119	27,756	239,399	732,832	972,231
Land and Property Strategy	Population	15,902	10,594	30,517	13,130	12,260	14,177	16,259	12,549	13,172	18,171	156,731	1,587,270	1,744,001
Work and Skills	Population	4,553	3,033	8,738	3,760	3,510	4,059	4,656	3,593	3,772	5,203	44,878	30,661,723	30,706,601
Adult Education Budget	Population	-	-	-	-	-	-	-	-	-	-	-	90,947,009	90,947,009
Environment and Low Carbon	Population	21,003	13,992	40,304	17,341	16,192	18,724	21,474	16,574	17,396	23,999	207,000	2,446,867	2,653,867
Core Investment	Population	-	-	-	-	-	-	-	-	-	-	-	8,009,774	8,009,774
MIDAS	Fixed	102,300	102,300	102,300	102,300	102,300	102,300	102,300	102,300	102,300	102,300	1,023,000	200,000	1,223,000
Marketing Manchester	Fixed / Population	27,345	24,966	111,643	26,068	25,686	26,508	27,501	25,827	26,112	28,342	350,000	377,000	727,000
Public Service Reform	Population	52,008	34,646	99,802	42,941	40,094	46,365	53,175	41,041	43,077	59,428	512,577	12,644,231	13,156,809
GM LEP funding	Population	-	-	-	-	-	-	-	-	-	-	-	1,012,500	1,012,500
GM Productivity Programme	Population	-	-	-	-	-	-	-	-	-	-	-	16,024,792	16,024,792
Homelessness	Population	-	-	-	-	-	-	-	-	-	-	-	8,041,014	8,041,014
GM Digital Strategy	Population	-	-	-	-	-	-	-	-	-	-	-	4,431,220	4,431,220
GM Supported Projects	Population	-	-	-	-	-	-	-	-	-	-	-	537,000	537,000
GM Procurement Hub	Fixed	13,289	13,289	10,400	13,289	13,289	13,289	13,289	13,289	13,289	13,289	130,000	-	130,000
Corporate Costs	Population	190,859	127,145	366,256	157,586	147,138	170,150	195,141	150,613	158,086	218,090	1,881,063	17,053,139	18,934,202
<b>TO BE BILLED BY GMCA</b>		<b>907,658</b>	<b>649,996</b>	<b>1,691,842</b>	<b>773,066</b>	<b>730,821</b>	<b>823,845</b>	<b>924,972</b>	<b>744,886</b>	<b>775,112</b>	<b>1,017,763</b>	<b>9,039,961</b>	<b>200,076,043</b>	<b>209,116,004</b>

\* Contributions from Other Sources include External Contributions, Grants and Use of Reserves