

Date: 25th September 2020

Subject: GMCA Revenue Update 2020/21

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

PURPOSE OF REPORT

To inform GMCA of the 2020/21 forecast revenue outturn position as at the end of June 2020.

RECOMMENDATIONS:

GMCA is requested to:

1. Note that the Mayoral General revenue outturn position for 2020/21 shows a breakeven position
2. Note that the Mayoral General – GM Fire & Rescue revenue outturn position for 2020/21 shows an underspend position of £2.946 million;
3. Note the GMCA General Budget revenue outturn position for 2020/21 which shows a breakeven position;
4. Note the GMCA transport revenue outturn position for 2020/21 is in line with budget;
5. Note the Waste outturn position for 2020/21 after proposals agreed with GMCA on 31st July 2020 and proposed further proposal to transfer from reserves estimated at £2.142m;
6. Note the TfGM revenue position for 2020/21 is in line with budget after efficiency savings and transfers from reserves of £4.870 million;
7. Note that appropriate adjustments to the 2020/21 budget will be included in the Quarter 2 revenue update.

CONTACT OFFICERS:

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

Name: Rachel Rosewell, Deputy Treasurer
 Telephone: 07725 482865
 E-Mail: rachel.rosewell@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:

Report to Greater Manchester Combined Authority: ‘GMCA Revenue General Budget’ 14 February 2020.

Report to Greater Manchester Combined Authority; ‘GMCA COVID Finances and Reserve Position’ 31 July 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, Transport, GM Waste and Transport (TfGM). It provides an analysis of the significant variances in year compared to planned spend.
- 1.2 The forecast outturn position for the year ending 31 March 2021 is an under/over spend against budget of £2.946 million. The table below details the position:

Function / Service	Approved Budget 2020/21 £000	Revised Budget 2020/21 £000	Forecast Outturn 2020/21 £000	Outturn Variation 2020/21 £000
Mayoral General (exc Transport)	35,122	35,122	35,122	0
Mayoral General - GM Fire & Rescue	109,245	109,245	106,299	-2,946
GMCA General	209,116	209,116	209,116	0
Transport	242,089	242,089	242,089	0
Waste	167,242	167,242	167,242	0
Total GMCA and Mayoral General	762,814	762,814	759,868	-2,946
<u>Memorandum Item</u> TfGM	170,430	175,330	175,330	0

2. MAYORAL GENERAL BUDGET

- 2.1 The Mayoral General Budget for 2020/21 is £35.122m and the forecast budget position is breakeven. The forecast for “our pass” activity for the year will be reviewed following the commencement of the academic year

3. MAYORAL GENERAL – GM FIRE AND RESCUE SERVICE

- 3.1 The revenue outturn position is a net underspend of £2.946m against the current budget set for the Fire and Rescue Service. The underspend is due to employee forecasts, mainly attributable to the number of uniformed posts being lower than the budgeted establishment throughout the year. The retirement profile of uniformed staff is expected to be greater than the number of expected recruits. Recruitment has been limited due to the COVID-19 pandemic which has seen a reduction in the number of expected new recruits in comparison to the planned numbers. This position reflects the latest position on the pay award of 2% for uniformed staff and 2.75% for non-uniformed staff overall. The workforce position is subject to change and under constant review and the forecast may change as the COVID-19 guidance is refreshed and other developments that impact on the workforce occur.
- 3.2 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. 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 government and will continue to call for that along with other fire and rescue services.

3.3 Whilst the impacts of the pandemic and subsequent lockdown are yet to be fully understood, there will be impact on Council Tax and Business Rates. Early analysis indicates a significant negative impact on Council Tax Collection, which will affect the GMFRS budget beyond 2020/21, with GMCA having a share of any Collection Fund deficits.

3.4 In March and April 2020, GMFRS received notification from MHCLG of its share of COVID-19 additional funding to support the pandemic response totaling £2,672,118. The reported position reflects full spend of this allocation during 2020/21. The funding is intended to provide support for cost pressures in the following areas:

- Overtime costs as staff self-isolate or take on caring responsibilities;
- On-call staff costs, where relevant;
- ICT infrastructure/licencing;
- Reduction in income due to the service not providing 'special services' for which there is a charge;
- Personal Protective Equipment to meet public health guidelines;
- Station cleaning/decontamination.

3.5 Home Office grant funding of £729,974 has been allocated in 2020/21 for Protection related activity, the use of which will be monitored and reported in accordance with the grant conditions. The breakdown of the funding is as follows:

- £251,733 for high rise residential buildings over 18m (£6m nationally);
- £164,956 pot for a wider range of high risk properties – largely sleeping risk (£10m nationally);
- £313,285 for Infrastructure fund, to support delivery of the lessons and recommendations of the Grenfell Tower inquiry Phase 1 report (£5.4m nationally).

3.6 The forecast 2020/21 revenue budget position as at 30th June 2020 is shown in the table below:

Greater Manchester Fire and Rescue	Approved Budget	Forecast Outturn	Outturn Variation*
	£000	£000	£000
Employees	87,430	84,766	-2,664
Indirect Employee Allowances	1,114	1,156	42
Premises	4,861	4,957	96
Transport	2,262	2,242	-20
Supplies & Services	8,360	8,779	420
Support Services	7,203	7,203	0
Capital Financing Costs	1,688	1,688	0
Government Grants	-768	-768	0
Other Grants & Contributions	-1,465	-2,168	-704
Customer & Client Receipts	-1,440	-1,284	156
Total Expenditure	109,245	106,571	-2,674
Funded by:			
Localised Business Rates	-10,614	-10,614	0
Baseline funding	-40,250	-40,250	0
Section 31 - Business rates related	-2,062	-2,333	-271
Section 31 - Pension related	-5,605	-5,605	0
Precept income	-50,494	-50,494	0
Collection Fund surplus/deficit	-220	-220	0
Total Funding	-109,245	-109,517	-271
Net Budget Position	0	-2,946	-2,946

*Under- / Over Spend

4. GMCA GENERAL BUDGET

- 4.1 Based on expenditure during Quarter 1 of 2020/21 the GMCA General Budget is projected to breakeven. ICT Technology budget has an overspend risk of £300k relating to software and mobile phone charges. The contracts are currently under review to determine options for mitigating the position and is expected that this can be managed within the overall budget or from use of earmarked reserve.
- 4.2 Over the past few weeks in response to managing financial pressures across GM both non-recurrent and recurrent savings are being identified from within the GMCA budget which will be reported in the next revenue update to GMCA.
- 4.3 The table below shows the breakdown of the GMCA budget and the source of funding approved by GMCA in February 2020.

GMCA General Budget 2020/21	Approved	Revised	Forecast	Outturn
	Budget	Budget	Outturn	Variance
	£000	£000	£000	£000
GMCA Portfolio				
Work and Skills	117,498	117,498	117,498	0
Reform	25,235	25,235	25,235	0
Digital	4,432	4,432	4,732	300
Economy	20,306	20,306	20,306	0
Place	15,863	15,863	15,863	0
Environment	2,678	2,678	2,678	0
GMCA Corporate	19,303	19,303	19,003	-300
Mayoral Election	3,800	3,800	3,800	0
Total Expenditure	209,115	209,115	209,115	0
Funded by:				
District Contributions	-9,040	-9,040	-9,040	0
Reallocation of common costs	-16,380	-16,380	-16,380	0
Specific Grants	-139,725	-139,725	-139,725	0
Contribution from Business Rates	-18,111	-18,111	-18,111	0
Contribution from Other Reserve	-12,409	-12,409	-12,409	0
Other Income	-13,450	-13,450	-13,450	0
Total Funding	-209,115	-209,115	-209,115	0
Net Budget Position	0	0	0	0
*Over / -Under Spend				

5. GREATER MANCHESTER WASTE

- 5.1 The position on the GM Waste budget is forecast to breakeven.
- 5.2 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 £6.984m, however this position is subject to change as the year progresses.
- 5.3 The refund to the Districts would be met from forecast underspend of £4.842m 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 £2.142m. The sum from reserves would be additional to the previously agreed amount of £15m approved at the 31 July 2020 meeting of GMCA to return to Districts.

6. TRANSPORT FOR GREATER MANCHESTER (TfGM)

- 6.1 The TfGM budget position reflects the majority of the transport budget for GMCA. 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 2020. The reports to GMCA on 29 May, 24 June and 31 July included updates on the various impacts of

COVID-19 on the financial position of TfGM. The forecast outturn 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 shows 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 table below summarises the full year forecast and budget of income and expenditure of TfGM. A commentary is provided below on the key changes between the budget and the current forecast.

Transport for Greater Manchester			
	Approved Budget £000	Forecast Outturn £000	Outturn Variance £000
Expenditure			
Concessionary Support	79,300	79,300	0
Supported Services	27,900	30,400	2,500
Accessible Transport	4,910	4,590	-320
Operational Costs	38,010	40,700	2,690
Clean Air Plan	4,000	11,900	7,900
GM Infrastructure Programme	10,000	7,000	-3,000
Financing	6,310	6,310	0
Total Expenditure	170,430	180,200	9,770
Funded by:			
Levy Allocated to TfGM	-36,380	-36,380	0
Statutory Charge	-86,700	-86,700	0
Mayoral Budget	-18,650	-18,650	0
Rail Grant	-1,900	-1,900	0
Metrolink funding from Rev / Reserve	-10,800	-10,800	0
Retained Business Rates	-10,000	0	10,000
Utilisation of other funding	0	-7,000	-7,000
Other Grants	-6,000	-13,900	-7,900
Total Funding	-170,430	-175,330	-4,900
Efficiency savings and general reserves	0	-4,870	-4,870
Net Budget Position after savings/reserves	0	0	0
* Over / -Under Spend			

6.3 The budget included a contribution of £10.8 million from Metrolink net revenues, being the budgeted net revenues for Metrolink for 2020/21, as the mechanism for contributing

towards the 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, due to the impact of COVID-19, Metrolink has suffered a significant reduction in farebox revenues. In the period to 26 October this is forecast to be largely offset by grant funding from Department for Transport (DfT).

- 6.4 Based on the latest passenger volumes and the grant funding now confirmed by DfT, it is currently forecast that the total forecast loss for the year, should no further government funding be provided beyond 26 October, would be in the range of £18 million to £26 million. The assumption in this forecast is however that the projected ongoing reductions in net revenues will be met from further government funding for the remainder of the financial year, with the risk of any shortfall in government funding being mitigated from reserves earmarked for the capital financing of Metrolink over the medium to long term. This would not be a sustainable source of funding if government do not continue to provide funding to cover ongoing shortfalls in Metrolink net revenues.
- 6.5 In the original budget it was assumed that £10 million 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.£7 million from the previously announced £69.7 million of 'Transforming Cities Fund 2' to fund these works instead.
- 6.6 The amount of funding from Other Grants has been increased 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).
- 6.7 The net costs for supported bus services is currently forecast to outturn circa £2.5 million higher than the budget. These higher net costs reflect lower forecast income on services where TfGM takes farebox revenue risk, as well as a number of challenges in managing contract costs in the current environment, which has led to higher contract costs on the re-procurement of a number of services. In the absence of further funding from government, the forecast reflects that the overspend will be managed by efficiency savings and use of reserves.
- 6.8 The outturn 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.
- 6.9 The 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.
- 6.10 In total in order to achieve an outturn in line with the break-even budget, efficiency savings, additional income and to the extent necessary, general reserves of £4.870 million are

currently forecast to be required. TfGM is currently undertaking a detailed reforecasting exercise for the remainder of the financial year.

7. RECOMMENDATIONS

7.1 The recommendations appear at the front of this report.

