

Date: 11th February 2022

Subject: GMCA Revenue Update Quarter 3 - 2021/22

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

PURPOSE OF REPORT

To inform GMCA of the 2021/22 financial position at the end of December 2021 (quarter 3) and forecast revenue outturn position for the 2021/22 financial year.

RECOMMENDATIONS:

1. Approve an increase to Mayoral budget of £125k to be funded from reserves as set out in Section 2.
2. Approve an increase to the Fire and Rescue Service budget of £539k to be fully funded from reserves as set out in Section 4.

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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 2021/22 budget update.

Financial Consequences – Revenue – The report sets out the forecast outturn position for 2021/22.

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

Equalities Implications; - There are no specific equalities implications in the report.

Number of attachments included in the report: 0

BACKGROUND PAPERS:

Reports to Greater Manchester Combined Authority:

GMCA Budget Reports – 12th February 2021

GMCA Revenue Update Quarter 3 2021/22 – 26th November 2021

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

TGMC	Overview & Scrutiny Committee	
N/A	GM Corporate Issues & Reform 8 th Feb 2022	

1. INTRODUCTION

1.1 The report details the GMCA actual position to 31st December 2021 and forecast revenue outturn position for 2021/22, covering Mayoral General Budget, Mayoral GM Fire and Rescue Budget (GMFRS), GMCA General Budgets, GM Waste and Transport including Transport for Greater Manchester (TfGM). It provides an analysis of the significant forecast variances in year compared to approved budget and seeks approval for revisions to the budget.

1.2 The position at Quarter 3 is summarised in the table below with further detail on the variances provided in the report.

GMCA Revenue Update 2021/22 Quarter 3	Approved Budget			Q3 Forecast Outturn			Change		
	Exp	Income	Total	Exp	Income	Total	Exp	Income	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Mayoral	127,567	-127,567	0	127,692	-127,692	0	125	-125	0
GMCA General	259,765	-259,765	0	240,115	-240,115	0	-19,650	19,650	0
GM Fire and Rescue	111,636	-111,636	0	110,037	-112,114	-2,076	-1,5989	-479	-2,076
Waste	162,402	-162,402	0	150,973	-162,402	-11,429	-11,429	0	-11,429
Transport	246,426	-246,426	0	250,476	-250,476	0	4,050	-4,050	0
Total	907,796	-907,796	0	879,294	-892,799	-13,505	-28,502	14,997	-13,505
<u>Memorandum item</u>									
TfGM	173,680	-173,680	0	177,730	-177,730	0	4,050	-4,050	0

2. MAYORAL BUDGET

2.1 The revised Mayoral budget for 2021/22 approved by GMCA following the GMCA Revenue Update Quarter 2 in July 2021 is £127.567m. At the end of quarter 3 the forecast position for the Mayoral budget is breakeven with projected expenditure of £127.692m. The table below summarises the position:

2.2 The quarter 3 position is an increase of expenditure by £125k to be funded by a transfer from Mayoral reserves relating to continued funding to the 'No Child Goes Hungry'

scheme over the autumn term school holidays.

Mayoral Budget 2021/22 Quarter 3 Position	Original Budget	Revised Budget	Forecast Outturn	Forecast Variance
	£000	£000	£000	£000
Employee Related	457	452	456	4
Supplies and Services	2	9	7	-2
Travel Related	33	8	9	1
Corporate Recharge	756	756	756	0
Mayoral Priorities	19,250	20,092	20,214	122
Mayoral Transport	106,250	106,250	106,250	0
Total Expenditure	126,749	127,567	127,692	125
Funding	-126,749	-127,567	-127,692	-125
Net Expenditure	0	0	0	0

3. GMCA GENERAL BUDGET

3.1 The 2021/22 budget approved for GMCA in February 2021 was £224.044m funded from recurrent and non-recurrent sources, made up of local precepts and levies, government grants and reserves. Since the quarter 2 2021/22 revised budget was approved in September 2021 there have been changes to planned expenditure across the Directorates. The forecast outturn at quarter 3 is expenditure of £240.115m fully funded from grants, recharges, reserves and other income to provide a breakeven forecast for the year.

3.2 The table below provides a breakdown of the GMCA budget and the forecast outturn position at quarter 3.

GMCA Revenue Monitoring 2021/22 Quarter 3	Approved Budget	Revised Budget at Quarter 2	Current Forecast Outturn	Forecast Variance
	£000	£000	£000	£000
Digital	1,674	3,784	2,345	-1,439

Economy	18,954	26,573	16,105	-10,468
Environment	2,697	3,235	2,741	-494
Place	7,941	8,437	7,563	-874
Public Service Reform	21,993	34,443	35,098	654
Work and Skills	140,406	151,417	143,029	-8,387
GMCA Corporate	26,580	28,475	29,834	1,358
GM Election	3,800	3,400	3,400	0
Total Expenditure	224,044	259,765	240,115	-19,650
Funding	-224,044	-259,765	-240,115	19,650
Net Expenditure	0	0	0	0

- 3.3 Digital Directorate - There is an overall decrease in planned spend of in relation to Smart Residents Data Exchange Platform due to a review of service provision and associated spend on consultants and software.
- 3.4 Economy Directorate - Spend against the GM Productivity Programme and GM Local Industrial Strategy has been rephased into 2022/23.
- 3.5 Environment Directorate – A reduction in planned spend relating to the Ignition project which has been extended in 2022/23 due to the timescales for European Union auditors completing their work.
- 3.6 Place Directorate – The most significant variance is a reduction in forecast spend in 2021/22 against the Places for Everyone Programme, which has been delayed in 2022/23.
- 3.7 Public Service Reform Directorate – An increase in planned expenditure due to additional external funding received for Rough Sleeper and Children’s Social Care programmes.
- 3.8 Work and Skills Directorate – A reduction in planned expenditure in 2021/22 relating to a reprofiling of expenditure into 2022/23 relating to the ESF Skills for Growth and Working Well Job Entry Targeted Support (JETS) Programmes.

3.9 GMCA Corporate Directorate – A increase forecast expenditure relating to Covid related expenditure which will be funded from a contribution from NHS and GMCA earmarked reserves.

4. MAYORAL GENERAL – GM FIRE AND RESCUE SERVICE

4.1 The 2021/22 budget for GM Fire and Rescue Service (GMFRS) in November 2021 was approved at £111.636m. The forecast revenue outturn position at quarter 3 is an underspend of £2.076m. The table below provides a summary of the position:

<u>GMFRS Budget 2021/22</u>	<u>Approved</u>	<u>Actual</u>	<u>Forecast</u>	<u>Forecast</u>
<u>Quarter 3</u>	<u>Budget</u>	<u>Quarter 2</u>	<u>Outturn</u>	<u>Variance</u>
	£000	£000	£000	£000
Employees	86,098	62,905	83,817	-2,281
Indirect Employees	1,852	680	1,476	-376
Premises	5,070	2,706	4,494	-576
Transport	2,260	1,380	2,059	-201
Supplies & Services	8,699	6,175	8,224	-475
Support Services	7,469	5,599	7,783	314
Government Grants	-768	-644	-707	61
Other Grants & Contributions	-214	-76	378	592
Customer & Client Receipts	-2,586	-1,347	-2,042	544
Capital Financing Costs	2,406	340	3,206	800
Tfr to Earmarked Reserve	1,349	0	1,349	0
Total Expenditure	111,636	77,718	110,037	-1,598
Localised Business Rates	-10,297	-7,723	-10,297	0
Baseline Funding	-40,353	-30,668	-40,353	0
Section 31 - Business Rates	-2,594	-1,903	-2,535	58
Section 31 - Pension Related	-5,605	-5,605	-5,605	0
Precept Income	-50,041	-37,113	-50,041	0
Collection Fund Surplus/Deficit	5,236	397	5,236	0
Local Council Tax Support	-1,349	-1,347	-1,347	2
Trf from Earmarked Reserve	-6,632	0	-7,171	-539
Total Funding	-111,636	-83,961	-112,114	-479

Net Expenditure	0	-6,243	-2,076	-2,076
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Employee Related

- 4.2 Employees pay and pensions is a forecast underspend of £2.281m. This forecast is based on the current strength figures across GMFRS with the addition of 1.5% increase from July for pay award for uniformed pay and an assumption on increased costs for non-uniformed salaries. The pay award budget was set at 0%, however, the increase is being absorbed through vacancies.
- 4.3 The forecast also includes expected costs of future new recruit cohorts throughout the financial year. The figures do not include any assumptions of leavers in the last quarter of the financial year, it does include a number of vacancies which are expected to remain vacant to the end of the year.
- 4.4 The pay underspend is mainly attributable to the number of uniformed posts being lower than the budgeted establishment. The recruitment strategy seeks to increase headcount up to budgeted establishment numbers within 2022/23. Pre-arranged overtime has been included in the forecast based on average cost to date for the hours required to maintain ridership.

Non-pay related

- 4.5 Indirect Employee Allowances position is an underspend of £376k. The underspend is mainly in relation to insurance and reduced cost of other training expenses in year.
- 4.6 Premises Related expenditure is forecast to underspend by £576k attributable to a reduction in business rates expenditure. This includes one off rebates following valuations of the Estate and recurring savings which are being factored into the budget planning for 2022/23 onwards.

- 4.7 Transport Related forecast is an underspend of £201k based on costs incurred to date, however, travel costs may increase in line with the easing of national restrictions and internal hybrid working arrangements.
- 4.8 Supplies, Services and Other Expenditure is forecast at an underspend of £475k including savings identified in year which will be reinvested if pressures arise during the financial year.
- 4.9 Support Services budget incorporates the central recharges received from the wider Combined Authority. Further charges for specific additional support from HROD for the whole-time firefighter recruitment and selection process and Communications for various projects and strategies outside of central recharges have been forecast which result in an overspend of £314k.
- 4.10 Included in the forecasts is a revenue contribution to in-year capital outlay to reduce borrowing requirements, therefore, reducing the budget requirement in relation to capital financing in future years.

Income

- 4.11 Income is expected to underachieve by £1,197k in total, however, work is on-going to identify apprenticeship levy income and the requirements of offsetting the costs of end point assessments to be incurred by HROD within the wider CA. This and other elements of income will be closely monitored to identify any further variances. Loss of income for activities has been impacted by the pandemic, therefore, the Service request a drawdown from the Covid-19 grant reserve to cover the loss.
- 4.12 The Service requests further approval for use of reserves for the costs incurred or losses directly attributable to the pandemic, use of the Covid-19 revenue grant reserve of £539k.

5. GM WASTE AND RESOURCES

- 5.1 The 2021/22 budget for Waste in February 2021 was £162.402m based on November 2020 tonnage information supplied by GM Local Authorities and inflation for the Waste and Resource Management Services (WRMS) and Household Waste Recycling Centre Management Services Contracts (HWRCMS).
- 5.2 The position at quarter 3 is an underspend of £11.429m. The table below provides a breakdown of the position.

GM Waste Budget 2021/22 Quarter 3	Approved Budget	Previous Forecast Outturn	Current Forecast Outturn	Forecast Variance
	£000	£000	£000	£000
Operational costs	105,023	104,379	94,726	-10,297
Operational financing	48,830	47,640	47,446	-1,384
Office costs	6,190	6,105	6,105	-85
Non operational financing	2,629	2,640	2,640	11
Total Budget	162,672	160,764	150,917	-11,755
Levy adjustment	0	-757	56	56
Use of reserves	-270	0	0	270
Levy	162,402	160,007	150,973	-11,429

- 5.3 The forecast underspend in operational costs is largely driven by changes in the value of recyclate prices leading to increased income. Forecast income from paper and card being £5.3m higher and from commingled being £3m higher.

- 5.4 The forecast underspend on operational financing arises from a slight reduction in the Minimum Revenue Provision charge for the year, but mostly is due to reduced interest rates to be paid on the temporary borrowing that is still in place from the termination of the PFI contract. The Waste and Resources service is currently utilising the cash flow of the wider GMCA.
- 5.5 The current Levy Allocation Methodology Agreement (LAMA) provides for in year adjustments to be made when actual waste arisings vary from expected levels. Based upon updated profiled 2021/22 tonnages, an indicative outturn position has been calculated which predicts a Levy adjustment at District level.
- 5.6 Further information on the Waste position for 2021/22 is provided as part of the Waste Budget and Levy 2021/22 and Medium Term Financial Plan 2022/23 – 2024/25 elsewhere on agenda for this meeting.

6. TRANSPORT REVENUE BUDGET

- 6.1 The Transport revenue budget approved by GMCA in February 2021 is £246.426m, which includes funding from the Transport Levy and Statutory Charge, Mayoral precept, grants and reserves. The majority of the Transport revenue budget is paid to Transport for Greater Manchester (TfGM) for transport delivery and the budget approved for 2021/22 was £173.680m. The remainder of the Transport revenue budget is retained by GMCA for capital financing costs for Metrolink and other programmes.
- 6.2 The table below summarises the original approved budget for TfGM for 2021/22 and the proposed revised budget at quarter 3 of £177.730 million, an increase of £4.1 million compared to the original budget. A commentary on the key changes is provided below the table.

TfGM Revenue Budget 2021/22 Quarter 3	Approved Budget	Previous Forecast Outturn	Current Forecast Outturn	Forecast Variance
	£000	£000	£000	£000
Expenditure				
Concessionary Support	77,900	74,700	77,900	0
Supported Services	32,000	32,000	32,000	0
Accessible Transport	3,900	3,900	3,700	-200
Operational Costs	35,820	41,120	38,620	2,800
Clean Air Plan Costs	6,500	4,200	4,200	-2,300
Scheme/Pipeline Development Costs	7,000	9,000	10,000	3,000
Bus Franchising costs	4,250	10,000	5,000	750
Financing	6,310	6,310	6,310	0
Total Expenditure	173,680	181,230	177,730	4,050
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 revenue/reserves	-10,800	-10,800	-10,800	0
Clean Air Plan JAQU grants	-6,500	-4,200	-4,200	2,300
TCF2 funding for Scheme/Pipeline Development Costs	-7,000	-400	-1,400	5,600
ICTF funding for Scheme/Pipeline Development Costs	0	-8,600	-8,600	-8,600
Bus Franchising funding	-4,250	-10,000	-5,000	-750
Utilisation of reserves/other grants	-1,500	-3,600	-4,100	-2,600
Total Funding	-173,680	-181,230	-177,730	-4,050

6.3 The costs of concessionary reimbursement are currently forecast to outturn in line with budget after transfers to reserves. Whilst TfGM has, in line with previous Department for Transport (DfT) guidance, continued to reimburse bus operators for concessionary reimbursement in line with pre COVID-19 volumes, adjustments have been made, in line with further DfT guidance, where operated mileage has been less than 100% of pre COVID-19 levels. It is proposed to transfer this surplus, which is

estimated at c. £3.3 million to reserves, in order to manage future costs, including the risk that Our Pass costs are in excess of the funding available in the Mayoral budget.

- 6.4 Payments for the 16-18 free travel concession, where volumes have recovered strongly in recent months, are currently forecast to be in line with budget.
- 6.5 The costs of Supported Service are currently forecast to outturn in line with budget in this year although there are significant cost pressures going forward, in particular into 2022/23, given the ongoing uncertainty as to the quantum and longevity of ongoing government funding beyond the end of March 2022.
- 6.6 The costs of Accessible Transport are currently forecast to outturn slightly below budget due to lower grants paid to GMATL to operate the Ring and Ride Service. This is due to less services being operated due to lower patronage during the pandemic.
- 6.7 Operational costs are currently forecast to outturn c.£2.8 million higher than the original budget due to the costs of activities which are funded by additional grants (£2.6 million); and other additional costs incurred, including those as a result of COVID-19 (£0.2 million).
- 6.8 The costs relating to the Clean Air Plan are currently forecast to outturn £2.3 million lower than budget. As in previous years, all of these costs are funded by grants from the Government's Joint Air Quality Unit.
- 6.9 Scheme/Pipeline Development costs relate to a pipeline of Greater Manchester Infrastructure Programme (GMIP) schemes being developed by TfGM and the ten local authorities. Expenditure is forecast to outturn £3 million higher than the original budget due to the phasing of work. As a result of receiving the £8.6 million of Intra City Transport Fund (ICTF) funding in the current year, the unutilised Transforming Cities Fund 2 (TCF2) funding will be carried forward to enable the further development of the pipeline in future years.

6.10 The total forecast expenditure on revenue funded implementation costs for Bus Franchising is £5 million, which is £0.75 million higher than the original budget. This is due to the phasing of a number of workstreams.

6.11 The spend against reserves/other grants is £2.6 million higher than budget due to expenditure on costs funded by additional grants, including previous approvals for use of reserves to fund revenue spend against capital schemes and spending against additional revenue grants received during the year.

7. Recommendations

7.1 Recommendations are included at the front of the report.