

Date: 27th October 2023

Subject: GMCA Revenue Update Quarter 2 2023/24

Report of: Councillor David Molyneux, Portfolio Lead for Resources
Steve Wilson, GMCA Treasurer

PURPOSE OF REPORT

This report is to inform members of the Greater Manchester Combined Authority financial position at the end of September 2023 (quarter 2) and forecast revenue outturn position for the 2023/24 financial year.

The report also includes an update on the proposed areas for the enhanced business rates sites in Greater Manchester as part the Trailblazer Devolution Deal between Government and GMCA.

RECOMMENDATIONS:

The GMCA is requested to:

1. Note the forecast position at 30th September 2023;
2. Note the proposed areas for the enhanced business rates sites in Greater Manchester and that confirmation and approval of final sites will be reported to a later meeting of the GMCA following formal feedback from Government and that the final details for the operation of enhanced business rates sites will be included in the Investment Plan (Section 2);
3. Approve updates to the GMCA General budget as set out in the report (Section 3);

- Note the intention, subject to formal approval by the Department for Transport (DfT), to re-allocate £15m of Bus Service Improvement Programme (BSIP) grant funding previously awarded by DfT to support bus services, with £7.5m of this re-allocation to be utilised in 2023/24 and £7.5m in 2024/25 (Section 7).

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

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 – the risks are identified within the report.

Legal Considerations – There are no specific legal implications with regards to the 2023/24 budget update.

Financial Consequences – Revenue – The report sets out the provisional outturn position for 2023/24.

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

Number of attachments included in the report: 0

BACKGROUND PAPERS:

GMCA Budget Reports – 10th February 2023

GMCA Revenue Update Quarter 1 2023/24 – 28th July 2023

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

GM Transport Committee N/A

Overview and Scrutiny Committee N/A

1. INTRODUCTION

- 1.1 The purpose of this report is to provide the 2023/24 forecast revenue outturn position in relation to the GMCA General, Mayoral, GM Fire and Rescue, Waste and Resources and Transport, including Transport for Greater Manchester (TfGM).
- 1.2 The report also includes an update on the proposed areas for the enhanced business rates sites in Greater Manchester as part the Trailblazer Devolution Deal between Government and GMCA.
- 1.3 The table below shows the summary of the financial position at quarter 2. Further details on the variances are provided in each section of the report.

Summary 2023/24 Quarter 2	Revised Budget			Forecast Outturn Q2			Variance from Budget		
	Exp	Income	Total	Exp	Income	Total	Exp	Income	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
GMCA General	259,862	-259,862	0	270,110	-270,110	0	10,248	-10,248	0
Mayoral	140,238	-140,238	0	140,238	-140,238	0	0	0	0
GMFRS	130,308	-130,308	0	129,081	-129,948	-867	-1,227	360	-867
Waste	169,023	-169,023	0	162,511	-169,023	-6,512	-6,512	0	-6,512
Transport (exc TfGM)	79,221	-79,221	0	79,221	-79,221	0	0	0	0
TfGM	339,913	-339,913	0	318,569	-311,069	7,500	-21,344	28,844	7,500

2. RETAINED BUSINESS RATES

- 2.1 As part of both the GM Trailblazer proposals and the Investment Zone policy, Greater Manchester is in discussions with Government on the operation of the Retained Business rates system from 2024/25 onwards. Within the current proposals there is an opportunity to identify up to five sites where all business rates growth above the baseline, likely to be 2023/24, will be retained for a 25-year period and which will not be subject to a business rates reset during that period. Two of the sites relate to the Investment Zone policy published by Government and can cover an aggregate area of up to 600 hectares, a further three sites are available through the GM Devolution Trailblazer proposals and can also total 600 hectares in aggregate.

- 2.2 Further details will be brought to future GMCA meetings but at this stage the GMCA is asked to note the proposals for five geographically specific “Enhanced Business Rates” sites which are currently being discussed with Government.
- 2.3 The proposed sites for the two Investment Zone Enhanced Business rates areas are as follows:
- The Manchester/Salford Smile - A site to the South of Manchester City Centre stretching from Mayfield in the East to Salford Crescent in the West.
 - Norther Gateway (Part of Atom Valley) – A site spanning Bury and Rochdale Local Authority boundaries.
- 2.4 The sites for the three proposed Growth Zones Enhanced Business Rates areas are as follows:
- Manchester City Centre Northeast – An area from the North West of the City Centre to the North of the Etihad Stadium
 - Salford Quays and Trafford Wharfside
 - Trafford Park – An area to the North of the Trafford Centre running along the boundary of the Ship Canal
- 2.5 Detailed proposals for the operation of the sites in GM will be included in the final investment plan, however, the high principle for all five sites will be that the income received by the individual local authority through the standard business rates regime operating elsewhere in Greater Manchester will not be affected by the enhanced status. The individual districts with an enhanced site within their boundaries will therefore be no worse off and no better off as a result of the enhanced business rates designation.

3. GMCA GENERAL BUDGET

- 3.1 The original budget for 2023/24 for the GMCA Revenue General budget approved in February 2023 was £245.584m. This was revised at quarter 1 to £259.862m due to new funding which was reported to GMCA for approval on 28th July 2023.
- 3.2 At quarter 2, there is a further increase in external funding of £10.248m to £270.110m. The increase in expenditure relates to additional funding for various projects as noted within the report. There is a forecast breakeven position for the

GMCA General budget by year end.

- 3.3 The table below shows the expenditure and income for the original budget approved in February 2023, the revised budget at quarter 1 and the forecast outturn and variance against revised budget at quarter 2.

GMCA General Revenue Outturn 2023/24 - Quarter 2	Original Budget	Revised Budget at Qu1	Forecast Outturn at Qu2	Forecast Variance at Qu2
Expenditure	£000	£000	£000	£000
GMCA Corporate	27,526	28,386	30,403	2,017
Digital	353	4,781	5,529	748
Economy	9,746	11,556	13,264	1,708
Environment	1,509	5,731	6,916	1,185
Place	23,446	27,906	29,304	1,398
Public Service Reform	41,884	42,813	44,429	1,616
Education, Work and Skills	141,120	138,689	140,265	1,576
Total Expenditure	245,584	259,862	270,110	10,248
Government Grants	-188,865	-190,787	-194,636	-3,849
District Contributions	-8,603	-8,603	-8,603	0
Internal Recharges	-22,905	-23,068	-23,910	-842
Retained Business Rates	-8,014	-14,940	-17,956	-3,016
Earmarked Reserves - Other	-5,543	-3,895	-4,418	-523
Other Income	-11,654	-18,569	-20,587	-2,018
Total Resources	-245,584	-259,862	-270,110	-10,248
Net Expenditure	0	0	0	0

Corporate Services

- 3.4 GMCA Corporate Services provide support for the whole of GMCA including Fire and Rescue Service, Police and Crime Commissioner, Waste and Resources and Transport. The Corporate functions include services such as Strategy, Research, ICT, Human Resources, Organisational Development, Finance, Internal Audit and Risk, Commercial Services, Legal and Governance. Funding of GMCA corporate functions is predominantly from recharges within the GMCA and to grants, external funding and District contributions.

3.5 The original approved budget for 2023/24 was £27.5m and the forecast at quarter 1 was revised to £28.4m. The forecast at quarter 2 is £30.4m, the increase in forecast expenditure of £2m is due to:

- AGMA Resilience Unit budget was previously held within a partner authority which has transferred to GMCA within the quarter. The forecast expenditure is £0.8m which is funded via district contributions and other external recharges.
- Finance spend is forecast to increase by £400k due to the on-going work particularly around the implementation of IFRS16, for which income from has been identified with costs to be shared with TfGM and GMP, offset by savings from current vacancies.
- Strategy expenditure increase of £200k is in relation to the expansion of the staff resources required for the devolution work, funded by earmarked reserves.
- Communication, Media & PR forecasts an increase of £100k for resources requested by other Directorates, for which, costs will be recharged.
- The remainder of the overall variance of £300k is due to forecasts on staffing resources across a number of teams to meet demand, which will be funded from earmarked reserves.
- Preparations for the 2024 Mayoral election are underway, with staffing costs being incurred. The forecast for 2023/24 is £200k which is to be funded via agreed business rates retention reserve.

Digital

3.6 The GM Digital team is committed to delivering on the GM Digital Strategy through a three year approach set out in the GM Digital Blueprint. GM Digital collaborates across the GM digital system which includes industry, universities, health, Voluntary, Community and Social Enterprise (VCSE) sector to create opportunities, maximise outcomes and generate inward investment.

3.7 The 2023/24 original budget for Digital was £0.3m, which included the key programmes of GM Connect and Smart Residents Data Exchange Platform. At quarter 1, £4.8m forecast was reported. The current forecast position is

expenditure of £5.5m, the additional expenditure of £0.7m since the last period and corresponding funding is in relation to the following schemes:

- Smart Residents Data Exchange Platform increase of £0.6m funded via £100k government grant expected for improvements of data and evidence regarding children in care, £300k recharges for a number of specific projects across Directorates and £200k for specific projects provided in partnership with external organisations.
- Digital Social Care is a joint initiative with Manchester City Council. Expected additional expenditure since the last period is £100k which is fully funded from programme funding from NHS England.

Economy

3.8 The Economy portfolio leads key groups including the Growth Board, Local Industrial Strategy Programme Delivery Executive, GM Economic Resilience Group and GM Local Enterprise Partnership (LEP).

3.9 The 2023/24 approved budget for Economy was £9.7m and at quarter 1, the forecast outturn was £11.6m. The current forecast is £13.3m which reflects the additional or confirmation of and additional £1.7m of funding for the following schemes:

- MIDAS and Marketing Manchester costs are forecast to increase by £1m and £0.7m respectively for 2023/24 in relation to the contract costs. This is to be funded via business rates retention reserve for GM Frontier sector attraction and promotion activities which was approved in March 2023 following budget setting.
- Made Smarter Adoption (Phase 2) has increased in cost due to the marketing work conducted by GMCA on behalf of the national programme. The increase of £200k will be fully funded via a grant uplift from Department for Business and Trade.
- The Business Angels project expected expenditure is now included in the forecasts at £300k, to be funded via business rates reserves as approved.

- The forecast against the GM Local Industrial Strategy has been reviewed and revised which has seen a decrease in funding requirement of £0.5m from the business rates retention reserve.

Environment

- 3.10 Environment is the lead for the implementation of the GM Five Year Environment Plan and delivering housing and public retrofit programmes as part of green economic recovery and progressing the environment plan to continue to reduce carbon emissions and create an improved, more resilient natural environment for socially distanced recreation.
- 3.11 The 2023/24 original approved budget for Environment was £1.5m with forecast expenditure at Quarter 1 of £5.7m. The forecast at quarter 2 is £6.9m, the increase of £1.2m relates to new funding available offset by reduction in funding requirements for the following:
- Environment and Low Carbon programme £0.7m, £300k funded government grant in relation to Social Housing Decarbonisation Fund Wave 2 and Public Sector Decarbonisation plus £400k funded via existing business rates retention allocations.
 - Ignition Project costs are forecast at an increase of £400k with the residual from additional funds to be transferred to reserves at the end of the financial year. An additional £0.6m has been received in relation to the programme via EU funding.
 - Local Nature Recovery Strategy allocation of £100k has been received from government to build on the city region's successful pilot, which concluded in September 2021, to provide fairer access to green space for all.

Place

- 3.12 Place Directorate focuses on the development of individual places and all the elements that support prosperous and vibrant places in which GM residents can grow up, live and grow old. This has brought together Housing and Planning, Land and Property, Culture, Delivery and Infrastructure teams, each of which has a vital role to play in place development.

- 3.13 The 2023/24 original approved budget for Place was £23.4m with forecast expenditure at quarter 1 of £27.9m. The forecast at quarter 2 is £29.3m, an increase of £1.4m since the last period which includes:
- Places for Everyone of £0.7m, funded from allocated retained business rates, reflecting the latest estimate of spend within the current year.
 - Cultural and Social Impact Fund forecast spend has increased by £300k which is expected to be funded via external income, however, due to the nature of the spend if the external income is not granted, a further ask from retained business rates may be proposed.
 - Planning and Housing costs are expected to exceed the original budget allocation by £200k which is due to staffing costs previously funded via grant.
 - Other changes forecast such as Night Time Economy forecast has been identified at £70k, for which, retained business rates reserve has been allocated and approved.

Public Service Reform

- 3.14 Public Service Reform (PSR) supports reform, innovation and social policy development across GM with the overarching objective of addressing inequality and improving outcomes for all residents across the city-region. It is made up of a number of thematic strands with lead responsibilities that include Early Years, Children and Young People, Troubled Families, Homelessness and Rough Sleeping, Asylum and Refugees, Armed Forces and Veterans, Gambling Harm Reduction and the GM Ageing Hub. The service performs a cross-cutting role across GM in collaboration with localities, other public service organisations and the voluntary, community and social enterprise (VCSE) sector to drive the implementation of unified public services for the people of Greater Manchester.
- 3.15 The 2023/24 original approved budget for PSR was £41.9m with forecast expenditure of £42.8m at quarter 1. At quarter 2, forecast expenditure is £44.4m, the majority of the £1.6m increase relates to the GM Fostering Programme, for which £1.4m has been awarded by Department for Education. This is a campaign with an ambition to inspire more people within the city region to become foster carers and turns the spotlight on the real life experiences of the community.

3.16 The remainder of the increase across PSR is to be funded from a range of earmarked reserves, existing grant funding and external income.

Education, Work and Skills

3.17 Education, Skills & Work works in partnership with local authorities, partners and businesses to deliver and performance manage programmes that support people to enter, progress and remain in work.

3.18 The original 2023/24 budget was £141.1m with forecast expenditure of £138.7m at quarter 1. The current forecast of £140.3m is an increase in expected expenditure of £1.5m, of which £0.8m is to be funded from new grants awarded for the following:

- Careers and Enterprise funding for “Experiences with Employers” initiative of £0.2m
- Work & Health Pioneers of £0.6m, which is an extension to the Work and Health programme providing a universal support offer with a wider scope of referrals through to the Pioneers programme.
- The remainder of the increase will be funded via existing grants, whereby, claims are made in arrears within specified allocations or via earmarked reserves.

4. MAYORAL GENERAL BUDGET

4.1 The Mayoral General budget (excluding Fire and Rescue) funds the Mayor’s Office and Mayoral functions, the majority of which relates to Transport functions. The budget approved by in February 2023 was £139.738m funded from Precept income, Transport Statutory Charge, reserves, grants and external income.

4.2 It was reported to GMCA on 28th July 2023 that the Mayor has agreed to make a contribution of £500k towards the cost of additional extended rough sleeper provision provided through Manchester City Council to be funded from Mayoral reserves. This increased the revised budget to £140.238m

4.3 The table below shows the original budget and breakeven forecast outturn at quarter 2:

Mayoral Budget Outturn 2023/24 - Quarter 2	Original Budget	Revised Budget at Qu1	Forecast Outturn at Qu2	Forecast Variance at Qu2
	£000	£000	£000	£000
Expenditure:				
Mayors Office	526	526	526	0
Corporate Recharge	826	826	826	0
Mayoral Priorities	3,050	3,550	3,550	0
Mayoral Transport	135,336	135,336	135,336	0
Gross Expenditure	139,738	140,238	140,238	0
Funded by:				
Mayoral Precept	-25,193	-25,193	-25,193	0
Collection Fund Surplus /-Deficit	-1,059	-1,059	-1,059	0
BSOG grant	-13,150	-13,150	-13,150	0
Mayoral Capacity grant	-1,000	-1,000	-1,000	0
Statutory charge	-86,700	-86,700	-86,700	0
Use of Reserves	-11,786	-12,286	-12,286	0
External Income	-850	-850	-850	0
Total Funding	-139,738	-140,238	-140,238	0
Net expenditure	0	0	0	0

5. GM FIRE AND RESCUE SERVICE

5.1 The 2023/24 budget for GM Fire and Rescue Service (GMFRS) set in February 2023 was approved at £130.156m and, at quarter 1, was revised to £130.308m to reflect the changes in collection fund figures provided by Districts following the budget setting period. At quarter 2, it is expected that the position will be an underspend of £867k. The table below provides a summary of the position:

GM Fire & Rescue Service Budget 2023/24 Quarter 2	Original Budget	Revised Budget at Qu1	Forecast Outturn at Qu2	Forecast Variance at Qu2
	£000	£000	£000	£000
Expenditure:				
Employees	99,972	99,653	98,439	-1,214
Indirect Employees	2,149	1,910	1,981	71
Premises	6,719	6,645	6,980	335

Transport	2,467	2,470	2,487	17
Supplies & Services	9,986	10,654	10,269	-385
Support Services	8,272	8,272	8,272	0
Government Grants	-1,169	-1,169	-1,404	-235
Other Grants & Contributions	-365	-365	-365	0
Customer & Client Receipts	-2,595	-2,685	-1,960	725
Capital Financing Costs	2,082	2,082	1,356	-726
Tfr to Earmarked Reserve	2,637	2,841	3,026	185
Total Expenditure	130,156	130,308	129,081	-1,227
Funded by:				
Localised Business Rates	-10,650	-10,743	-10,743	0
Baseline Funding	-43,275	-43,275	-43,275	0
SFA - Services Grant	-1,244	-1,296	-1,296	0
Section 31 - Business Rates	-7,567	-7,707	-7,707	0
Section 31 - Pension Related	-5,605	-5,605	-5,605	0
Precept Income	-60,463	-60,433	-60,433	0
Collection Fund Deficit	-531	-479	-479	0
Trf from Earmarked Reserve	-822	-770	-410	360
Total Funding	-130,156	-130,308	-129,948	360
Net Expenditure	0	0	-867	-867

- 5.2 Employees pay and pensions is an underspend of £1.214m based on assumed costs including expected appointments to current vacancies. This includes an estimated value of pay award for non-uniformed employees at an assumption of 4% as per the budget. The forecast includes assumptions in respect of on-going Bear Scotland v Fulton costs.
- 5.3 The forecast also includes assumptions in respect of pre-arranged overtime and detachments which is utilised to provide flexibility for training and maintaining ridership plus estimates of new starters based on the firefighter recruitment strategy.
- 5.4 Indirect employee costs is broadly in line with budget with a minor variance mainly in relation to forecast detached duty mileage payments. These costs are closely monitored and links to ensuring training can be accessed whilst maintaining fire cover.
- 5.5 Premises related expenditure is an overspend of £335k predominantly in the area of repairs and maintenance based on spend to date as an indication. The information supporting this area of spend is being utilised to understand the needs against the estates strategy capital programme.

- 5.6 Supplies, services and other expenditure is forecast at an underspend of £385k. Included in the budget is an expected increase in costs for contract renewals that occur throughout the year. Updates will be provided in future reports.
- 5.7 Following the 2022/23 capital outturn position, the attributable capital financing costs have been re-calculated resulting in an underspend of £726k.
- 5.8 Income is forecast to be underachieved by £725k mainly due to a forecast underspend in expenditure in relation to training delivery and the apprenticeship levy income due to the Service. Work is on-going to provide further detail in this area which will support estimates in future reports.

6. WASTE AND RESOURCES

- 6.1 The levy for the Waste and Resources service was set in February 2023 for a total of £170.023m with use of reserves of £1m. At the end of Quarter 2, the forecast underspend is £6.512m as detailed in the table below:

Waste and Resources 2023/24 Quarter 2	Original Budget	Forecast Outturn Qu1	Forecast Outturn Qu2	Forecast Variance at Qu2
	£000	£000	£000	£000
Operational Costs	108,555	107,714	103,326	-5,229
Operational Financing	53,731	52,553	52,553	-1,178
Office Costs	7,212	7,212	6,561	-651
Non-Operational Financing	525	599	599	74
Total Budget	170,023	168,078	163,039	-6,984
Levy Adjustment	0	366	472	472
Return to constituent authorities	0	27,000	27,000	27,000
Transfer (from)/to reserves	-1,000	-28,000	-28,000	-27,000
Levy	169,023	167,444	162,511	-6,512

- 6.2 Operational costs element of the budget is forecast to underspend by £5.229m due to tonnages for the first five months being lower than budget, particularly in the Household Waste Recycling Centres (HWRC), and income from pulpables and commingled recyclates being higher than budget during the first five months of the year. Recyclate markets remain volatile and can change suddenly which could change the income position negatively against the budget. The position will be updated based on actual income as the year progresses.

- 6.3 Tonnages and recycle prices will be monitored monthly through the remainder of the year. It should be noted that tonnage trends at the HWRCs are unpredictable as they can be affected by many factors such as the weather, economic conditions, timing of Bank Holidays etc so a downward trend in quarters 1 and 2 may not necessarily carry forward into the remainder of the year.
- 6.4 An underspend on capital financing of £1.2m is forecast relating to lower than budgeted Minimum Revenue Provision and slightly lower interest costs. The levy adjustment payment of £400k is a reflection of lower than budgeted tonnages delivered by local authorities and is a cost to the GMCA.
- 6.5 At the GMCA meeting of 10 February 2023 approval was given to make a one-off payment of £27m funded from reserves which has been paid.

7. TRANSPORT REVENUE BUDGET

- 7.1 The Transport revenue budget was approved by GMCA in February 2023 and includes funding from the Transport Levy and Statutory Charge, Mayoral precept, grants and reserves. Since the budget was set additional grant funding and use of reserves has increased the budgeted expenditure to £375.5m. Of this £296.3m is budgeted to be paid to Transport for Greater Manchester (TfGM) and the remaining £79.2m retained by GMCA for capital financing costs for Metrolink and other programmes.
- 7.2 The TfGM original budget for 2023/24 was for a £60m deficit, for which a Financial Sustainability Plan (FSP) was reported for approval on 28th July 2023 as part of the Quarter 1 Revenue Update report (para. 7.15). This reduced the budget deficit to £7.5m. As previously reported, it is therefore proposed, subject to formal approval by the Department for Transport (DfT), to repurpose £7.5m of Bus Service Improvement Programme (BSIP) grant to offset the residual budget deficit.
- 7.3 The forecast outturn at quarter 2 has been updated to include the savings and additional income which are being delivered in 2023/24 as part of TfGM's FSP. As a result of this funding from GMCA has been updated to reflect additional grant income

being received from DfT as part of the FSP (£30.2m) and additional funding from GMCA reserves for Metrolink financing costs (£7.8m). The remaining changes in funding are due to GMCA funded schemes which is largely in line with the quarter 1 outturn and described in each section below.

7.4 The table below summarises the original approved budget for TfGM for 2023/24 and the forecast at quarter 2 reflecting the FSP. A commentary on the key changes is provided below the table.

TfGM Revenue Budget 2023/24	Original Budget	Revised Budget at Qu1	Forecast Outturn at Qu2	Change Qu1 v Qu2
	£000	£000	£000	£000
Resources				
Funding from GMCA	-232,677	-258,677	-296,333	-37,656
Metrolink financing costs	-12,836	-12,836	-12,836	0
DfT Rail grant	-1,900	-1,900	-1,900	0
Total Resources	-247,413	-273,413	-311,069	-37,656
Expenditure				
Concessionary Support	76,254	76,254	76,254	0
Bus Supported Services	63,000	69,500	67,000	-2,500
Capped Fares Scheme	13,000	32,000	32,000	0
Payment of Devolved BSOG	11,750	11,750	11,750	0
Accessible Transport	3,700	3,700	3,700	0
Operational Costs	45,697	45,997	37,997	-8,000
Traffic signal Costs	3,822	3,822	3,822	0
Clean Air Plan Costs	9,349	9,349	9,200	-149
Scheme pipeline development Costs	19,800	19,800	18,800	-1,000
Bus Franchising costs	15,895	22,595	23,400	805
Metrolink net revenue loss	38,836	38,836	28,336	-10,500
Financing	6,310	6,310	6,310	0
Total Expenditure	307,413	339,913	318,569	-21,344
Net deficit / -surplus on Core budget pre FSP	60,000	66,500	7,500	-59,000
FSP interventions				
Local mitigations:				
Internal operating efficiencies	-8,000	-8,000		8,000
Network efficiencies	-7,500	-7,500		7,500
Market renewal	-5,500	-5,500		5,500
	-21,000	-21,000		21,000
Continuing support from central Government	-39,000	-30,200		30,200
	-60,000	-51,200		51,200
Remaining deficit/ -surplus after FSP	0	15,300	7,500	-7,800

- 7.5 The costs of concessionary reimbursement are currently forecast to outturn in line with budget and the quarter 1 outturn, after transfers to reserves. TfGM has, in line with previous DfT guidance, continued to reimburse bus operators for concessionary reimbursement in line with pre COVID-19 volumes, adjusted, in line with further DfT guidance, where operated mileage has been less than 100% of pre COVID-19 levels.
- 7.6 The costs of Bus Supported Service are currently forecast to outturn £2.5m below the quarter 1 outturn. This is due to the savings which are being implemented as part of the FSP (£2.5m). There are ongoing pressures on this budget and there is a risk that further costs will arise in the remainder of the year however, at this point, it is forecast that these can be managed within the quarter 2 reforecast.
- 7.7 In June 2023 GMCA approved the continuation of the Capped Fares scheme until Summer 2024 at a cost of £32m in 2023/24. The costs of the scheme are fully funded from Bus Service Improvement Plan (BSIP) funding. There is no change in the cost compared to the quarter 1 outturn.
- 7.8 Bus Service Operator Grant (BSOG) and Accessible Transport costs are currently forecast to outturn in line with budget and the quarter 1 outturn.
- 7.9 £8m of targeted savings in Operating Costs was included in the FSP. This included savings in resource costs, including from a voluntary severance programme implemented in 2022/23; other cost efficiencies; and additional commercial income. These savings are now reported on the Operational costs line and represent the difference to the quarter 1 outturn.
- 7.10 Traffic signal operating costs are currently forecast to outturn in line with budget and the quarter 1 outturn.
- 7.11 The Clean Air Plan costs in the outturn above include all revenue expenditure in the year including on further work to develop the business case; revenue support grants paid as part of the Financial Support Scheme; and the operational costs for the Clean Air scheme. Together these costs are forecast to outturn at £9.2m, which is £0.1m below the quarter 1 outturn. All of these costs are funded by grants from the Government's Joint Air Quality Unit. The nature of the expenditure being incurred

was reported to the GMCA via the GM Air Quality Administration Committee report dated 26 October 2022.

- 7.12 The budget for 2023/24 included £19.8m of costs for the further development of GM's pipeline of future transport schemes. These costs are funded from the DfT through £4.25m from the Intra-City Transport Settlement funding for financial year 2023/24; and a further £15.55m of previously approved funding from GM's previous award of Transforming Cities funding (TCF2) and CRSTS. TCF2 has now been amalgamated within GM's CRSTS award and this funding will be drawn down through a permitted switch of resources between revenue and capital. The current forecast outturn for these costs in 2023/24 is £18.8m, which is £1m below the quarter 1 outturn, with the difference being due to timing differences.
- 7.13 The Mayoral General Budget included an estimated sum of £15.9m for the revenue costs for the implementation plans for the introduction of Bus Franchising. Due to a rephasing of expenditure from 2022/23, the forecast outturn for these costs in 2023/24 is now £23.4m, which is £0.8m higher than the quarter 1 outturn. This variance is due to timing differences with the overall outturn costs during the franchising transition period remaining within the previously approved overall budget.
- 7.14 The net operating loss on Metrolink is reduced by £10.5m compared to the budget and the quarter 1 outturn. This reflects the inclusion of the FSP initiatives. This includes measures to deliver increases in farebox revenues, reduce fare evasion and to deliver savings from operational efficiencies. Together these are planned to deliver £10.5m of additional net income in 2023/24, which is reflected in the quarter 1 outturn.
- 7.15 In summary the quarter 2 forecast reflects the delivery of the FSP which includes:
- Targeted savings of £8m in operating costs;
 - Additional income from market renewal and savings from network efficiencies of £13m in total from Metrolink (£10.5m) and Bus (£2.5m);
 - A £7.8m 'debt repayment holiday' which means that some capital financing charges will be funded from the GMCA Capital Programme Reserve for 2023/24; and
 - £30.2m of additional funding from DfT.

7.16 Based on the current outturn and the forecast delivery of the planned FSP elements identified above, there remains a net shortfall, prior to further interventions, of £7.5m. The GM BSIP included funding of £21m to cover the operating / revenue costs of ticketing and other customer related interventions in the period to March 2025. Due to the phasing of the delivery of those interventions, £15m of that funding will now not be required to cover those operating / revenue costs during that period. It is therefore proposed, subject to final agreement with DfT, to re- allocate the £15m to fund ongoing bus network support costs. £7.5m of the £15m will be applied to the current shortfall in 2023/24, with the remaining £7.5m to be allocated to ongoing bus network support costs in 2024/25.

8. RECOMMENDATIONS

8.1 The recommendations appear at the front of this report.