

Date: 27th September 2024
Subject: GMCA Revenue Update Quarter 1 2024/25
Report of: Councillor David Molyneux, Portfolio Leader for Resources and 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 June 2024 (Quarter 1) and forecast revenue outturn position for the 2024/25 financial year.

RECOMMENDATIONS:

The GMCA is requested to:

1. Note the forecast position at 30th June 2024.
2. Approve an increase to the Mayoral budget of £357k funded from Mayoral reserves towards spend on mayoral priorities (para 3.2).
3. Approve an increase to the revenue grant to Transport for Greater Manchester of £3m funded from DfT devolved BSOG grant for tendered services (para. 6.5).

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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 2024/25 budget update.

Financial Consequences – Revenue – The report sets out the provisional outturn position for 2024/25.

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 – 9th February 2024

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

Bee Network Committee

N/A

Overview and Scrutiny Committee

N/A

1. INTRODUCTION

- 1.1 The purpose of this report is to provide the 2024/25 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 table below shows the summary of the financial position at Quarter 1. Further details on the variances are provided in each section of the report.

Summary 2024/25 Quarter 1	Approved Budget			Forecast Outturn Q1			Variance from Budget		
	Exp	Income	Total	Exp	Income	Total	Exp	Income	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
GMCA General	275,185	-275,185	0	328,884	-328,884	0	51,698	-51,698	0
Mayoral	140,105	-140,105	0	140,462	-140,462	0	357	-357	0
GMFRS	139,264	-139,264	0	145,054	-145,054	0	5,790	-5,790	0
Waste	178,274	-178,274	0	173,752	-173,752	0	-4,522	-4,522	0
Transport inc:	408,952	-408,952	0	404,165	-404,165	0	-4,787	4,787	0
TfGM	330,599	-330,599	0	325,812	-325,812	0	-4,787	-4,787	0

2. GMCA GENERAL BUDGET

- 2.2 The original budget for 2024/25 for the GMCA Revenue General budget approved in February 2024 was £275,185m and the forecast outturn expenditure at the end of June 2024 (Quarter 1) is £328.884m, an increase of £51.698m. 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.
- 2.1 The table below shows the original expenditure and income budgets approved in February 2024, the forecast outturn at Quarter 1 and the variance compared to the original budget.

GMCA Revenue General Budget 2024/25 Quarter 1	Original Budget	Forecast Outturn Quarter 1	Variance
	£000	£000	£000
Expenditure:			
GMCA Corporate	31,226	32,675	1,448
Election	4,055	4,055	0
Core Investment Team	2,553	5,491	2,938
Digital	2,873	6,667	3,794
Economy	4,960	25,847	20,887
Environment	3,681	10,327	6,646
Place	54,901	57,751	2,849
Public Service Reform	39,691	50,815	11,124
Work and Skills	131,245	133,257	2,012
Total Expenditure	275,185	326,884	51,698
Funded by:			
Government Grants	-204,848	-217,362	-12,514
District Contributions	-8,503	-8,503	0
Internal Recharges	-30,841	-32,107	-1,266
Retained Business Rates	-10,531	-38,773	-28,242
Earmarked Reserves	-7,221	-12,997	-5,776
Other Income	-13,241	-17,142	-3,901
Funding	-275,185	-326,884	-51,698
Net Expenditure	0	0	0

Corporate Services

2.2 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.

2.3 The original approved budget for 2024/25 was £32.2m and the forecast is showing an increase in expenditure to £31.7m. The forecast expenditure increase of £1.4m is due to:

- Strategy expenditure increase of £0.4m is in relation to the expansion of the staff resources required, funded by earmarked reserves.
- Resilience of £0.3m supported partly external partners and reserve.
- Communication, Media & PR forecasts an increase of £0.4m for resources requested by other Directorates as well as creation of new role, for which, costs will be via recharges and reserves.

- The remainder of the overall variance is due to forecasts on staffing resources across a number of teams to meet demand, which will be funded from earmarked reserves.

Digital

2.4 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.

2.5 The 2024/25 original budget for Digital was £2.9m, which included the key programmes of GM Connect and Smart Residents Data Exchange Platform. The forecast position is expenditure of £6.7m, the additional expenditure and funding is in relation to the following schemes:

- GM Digital Strategy increase of £1.7m is to be funded via retained business rates against the allocation for GM Digital Inclusion, Growth and Places as well as GM Digital Prosperous and Connected Places.
- Smart Residents Data Exchange Platform increase of £1.1m also funded via retained business rates against the GM Digital Transformation allocation.
- Digital Social Care is a joint initiative with Manchester City Council. Expected expenditure is £0.9m which is fully funded from programme funding from NHS Integrated Care Board.

Economy

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

2.7 The 2024/25 approved budget for Economy was £4.9m. At quarter 1, the forecast outturn of £25.8m reflects the additional or confirmation of funding for the following schemes:

- Department for Levelling Up, Housing and Communities (DLUHC) Investment zone programme offers GM funding of £4.2m for 2024/25 to support growth and innovation in Advanced Materials and Manufacturing in the city region to increase national competitiveness in a national priority sector, and help to correct the economic imbalance between Greater Manchester and the South East.
- MIDAS and Marketing Manchester costs are forecast to increase by £2.8m and for 2024/25 funded via business rates retention reserve for GM Frontier sector attraction and promotion activities which was approved in March 2024 following budget setting.
- GM Productivity Programme expenditure of £9.5m and GM Local Industrial Strategy (LIS) expenditure of £2.0m both funded from retained business rates.

Environment

- 2.8 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.
- 2.9 The 2024/25 original approved budget for Environment was £3.7m with forecast expenditure at quarter 1 of £10.3m. The increase relates to new funding available for the following:
- Net zero accelerator pilot programme has an overall allocation of 6.2m over 2 years to 2025/26 of which £1.5m has been forecasted against expenditure in 2024/24 develop an aggregated bundle of projects across multiple net zero sectors, including projects that provide strong financial returns.
 - Five Year Environment Plan - expenditure of £2.4m to provide capacity to bid for capital and revenue funds, undertake research, communication, training, convene and co-ordinate delivery of the 5YEP utilizing GM's unique Mission Based Approach funded via retained business rates.
 - Environment and Low Carbon programme £1.0m.

- Green Spaces £0.8m to supports community-led projects that increase the amount and quality of accessible, nature-rich green space in the city region, particularly in the areas where people need it most.

Place

- 2.10 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.
- 2.11 The 2024/25 original approved budget for Place was £54.9m with forecast expenditure at Quarter 1 of £57.8m. The mainly relates to Growth Locations which represent opportunities for the whole city-region to bring forward development at a scale which can drive the transformational change ambition across the conurbation has an expenditure forecast of £2.4m in the current year, funded by retained business rates.

Public Service Reform

- 2.12 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.
- 2.13 The 2024/25 original approved budget for PSR was £39.7m with forecast expenditure of £50.8m. The majority of the increase relates to:

- GM Fostering Programme funded by Department for Education (DFE) has increased by £3.0m. 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
- Changing Futures Programme, aimed at supporting individuals experiencing multiple disadvantage has an increase of £1.4m funded by retained business rates.
- The remainder of the increase across PSR is to be funded from a range of earmarked reserves, new grant funding and external income.

Education, Work and Skills

2.14 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.

2.15 The original 2024/25 budget was £131.2m with forecast expenditure of £133.3m, an increase of £2.0m. The increases are to be funded from earmarked reserves, business rates reserve or existing grant arrangements which are paid in arrears based on activity:

- The Adult Education Budget in respect of delivery costs are forecast to increase by £1.3m, fully funded from DFE grant.
- Work & Health Pioneers shows a reduction of £0.5m due to profiling. This grant 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.
- Youth Employment & Opportunities, a programme to support youth employment & opportunities and other linked mayoral initiatives has forecasted an increase in expenditure of £0.9m funded through Business rates and earmarked reserves.
- The remainder of the increase will be funded via existing grants, whereby, claims are made in arrears within specified allocations or via earmarked reserves.

3. MAYORAL GENERAL BUDGET

- 3.1 The Mayoral General budget (excluding Fire & Rescue) funds the Mayor's Office and Mayoral functions, the majority of which relates to Transport functions. The budget approved in February 2024 was £140.1m funded from Precept income, Transport Statutory Charge, reserves, grants and external income.
- 3.2 Additional costs have been incurred through the provision of food vouchers during school holidays and the opportunity element of Our Pass which have been funded through mayoral reserves.
- 3.3 The table below shows the original budget and breakeven forecast outturn at Quarter 1:

Mayoral Budget 2024/25 Quarter 1	Original Budget	Forecast Outturn	Forecast Variance
	£000	£000	£000
Expenditure:			
Mayors Office	530	563	33
Corporate Recharge	851	851	-
Mayoral Priorities	3,050	3,374	324
Mayoral Transport	135,674	135,674	-
Gross Expenditure	140,105	140,462	357
Funded by:			
Mayoral Precept	(25,558)	(25,558)	-
Collection Fund Surplus /- Deficit	(463)	(463)	-
BSOG grant	(13,150)	(13,150)	-
Mayoral Capacity grant	(1,000)	(1,000)	-
Statutory charge	(86,700)	(86,700)	-
Earnback grant	(11,045)	(11,045)	-
Other grants and reserves	(1,339)	(1,696)	(357)
External Income	(850)	(850)	-
Total Funding	(140,105)	(140,462)	(357)
Net expenditure	-	-	-

4. GM FIRE AND RESCUE

4.1. The 2024/25 budget for GM Fire and Rescue Service (GMFRS) set in February 2024 was approved at £139.264m and, at Quarter 1, it is expected that the position will be breakeven. The table below summarises the position:

GMFRS Budget 2024/25 Quarter 1	Approved Budget	Forecast Outturn	Forecast Variance
	£000	£000	£000
Employees	105,326	109,943	4,616
Indirect Employees	2,011	2,339	327
Premises	6,887	7,082	195
Transport	2,461	2,563	102
Supplies & Services	12,697	14,548	1,850
Support Services	9,888	11,255	1,368
Government Grants	-1,187	-1,119	68
Other Grants & Contributions	-418	-1,839	-1,420
Customer & Client Receipts	-2,202	-2,466	-264
Capital Financing Costs	3,800	1,378	-2,422
Revenue Contribution to Capital Outlay	0	1,370	1,370
Tfr to Earmarked Reserve	0	0	0
Total Expenditure	139,264	145,054	5,790
Localised Business Rates	-11,347	-11,347	0
Baseline Funding	-51,281	-51,281	0
Funding Guarantee	0	-1,185	-1,185
SFA - Services Grant	-204	-224	-20
Section 31 - Business Rates	-10,017	-8,711	1,306
Section 31 - Pension Related	0	-4,769	-4,769
Precept Income	-65,555	-65,555	0
Collection Fund surplus/deficit	-444	-444	0
Tfr from Earmarked Reserve	-416	-1,538	-1,122
Total Funding	-139,264	-145,054	-5,790
Net Expenditure	0	0	0

4.2. The estimated firefighter pay award for 2024/25 was based on 5%. Negotiations have concluded with a 4% pay award which releases budget to the value of £0.609m which will be reflected in the revised budget. The pay award for non-uniformed staff is still under negotiation.

4.3. The forecasted expenditure against employees includes an increase in pension contribution. A budget amendment is required to reflect this and the expected grant allocation. A change in firefighter employer pension rate has been announced which

is an increase from 28.8% to 37.6%. This is estimated at £5.612m increase in budget requirement within 2024/25, forecast indicates an overspend of £4.616m Notification of pension grant has been received from the Home Office which shows an allocation of £4.769m which would result in a budget pressure of £0.843m. Home Office have been informed of the GMFRS budget pressure which will be reviewed alongside all organisations following submission of the pension forecast data. We will be looking to revise the budget to assume that the full increase will be met by the Home Office.

- 4.4. The assumed S31 business rates grant budget was set at £10.017m based on £4.277m in relation to the 10 local authorities forecasts for the 2024/25 financial year and a further £5.740 in respect of compensation grant.
- 4.5. The compensation element of the grant was calculated on the basis of a multiplier for under indexation linked to CPI, for which the guidance stated would be based on 124/499. However, due to changes with the decoupling of multiplier rates for small and standard business rates, each organisation has its own unique indexation factors which were not published.
- 4.6. The S31 allocations were provided to each organisation 14th May 2024 which shows a lower allocation than expected by £1.306m. The allocation in total is £8.711m. This can be managed in year by offsetting against other growth areas and interest.
- 4.7. Due to capital expenditure incurred within 2023/24 compared to Q3 reporting, it is expected that the capital financing costs will be reduced.
- 4.8. The medium-term financial plan included a 3% increase as an estimate of the uplift for corporate recharges in line with the assumed pay award for CA staff, to the value of £0.247m. Since the original budget was set, the corporate recharge uplift was calculated at £2.007m.
- 4.9. Corporate recharges budget has been revised to include an additional £1.333m which we will be funding this mostly from prior year deposit interest in reserve and in year deposit interest.
- 4.10. The forecast position is break even after a proposed transfer of £1.370m revenue funding to be used towards the cost of capital projects.

5. WASTE AND RESOURCES

5.1 The levy for the Waste and Resources service was set in February 2024 for a total of £174.3m after a use of reserves of £4m. At the end of Quarter 1, the forecast underspend is £4.5m as detailed in the table below:

Waste and Resources Forecast Outturn 2024/25	Approved Budget	Forecast Outturn Quarter 1	Forecast Variance
	£000	£000	£000
Operational Costs	116,326	111,840	(4,486)
Operational Financing	55,104	55,070	(34)
Office Costs	6,245	6,243	(2)
Non-Operational Financing	599	599	-
Total Expenditure	178,274	173,752	(4,522)
Levy	(174,274)	(174,274)	-
Levy Adjustment	0	61	61
Return to GM LA's	0	20,000	20,000
Transfer (from)/to reserves	(4,000)	(19,539)	(15,539)
Total Resources	(178,274)	(173,752)	4,522

5.2 Operational costs element of the budget is forecast to underspend by £4.5m due to tonnages for the first two months being lower than budget and income from pulpables and commingled recyclates being higher than budget during the first quarter of the year. The position will be updated based on actual income as the year progresses. Tonnages, recyclate and gas/ electricity prices will be monitored monthly through the remainder of the year.

5.3 At the Authority meeting of 9 February 2024 approval was given to make a one-off payment of £20m funded from reserves which has now been paid.

6. TRANSPORT

6.1 The Transport original revenue budget was approved by GMCA in February 2024, which includes funding from the Transport Levy and Statutory Charge, Mayoral precept, grants and reserves. Since the budget was set additional grant funding has been received and further changes to TfGM's budget as described in paragraphs 6.3 onwards have lowered the forecast budget expenditure to £404.2m,

of which £325.8m is forecast to be paid to Transport for Greater Manchester (TfGM) for transport delivery as shown in the table below. The remaining £78.4m of the Transport revenue budget is retained by the Authority for capital financing costs for Metrolink and other programmes.

Transport Revenue Budget Quarter 1	Budget	Forecast Outturn	Forecast Variance
	£000	£000	£000
Resources:			
Mayoral Transport Budget	(135,674)	(135,674)	-
District Levy	(119,473)	(119,473)	-
Earnback Revenue Grant	(28,714)	(26,801)	1,913
Bus Services Improvement Grant	(48,600)	(44,309)	4,291
Government Recovery Funding	(6,500)	(6,500)	-
Use of Reserves	(64,135)	(62,779)	1,356
Other Grants	(5,856)	(8,629)	(2,773)
Total Resources	(408,952)	(404,165)	4,787
Expenditure:			
Funding to TfGM	330,599	325,812	(4,787)
GMCA Capital Financing Costs	78,353	78,353	-
Total Expenditure	408,952	404,165	(4,787)

Transport for Greater Manchester (TfGM)

- 6.2 As previously reported the budget includes the continuation of cost savings and additional income generation, both of which are being delivered as part of TfGM's Financial Sustainability Plan. As part of this Plan the funding includes the use of several 'non-recurring' sources of funding, including reserves. Further work is required on the continuing development of the long-term plan. In common with the other UK public transport bodies, this will include discussions with government about further funding as part of developing a long-term sustainable funding model.
- 6.3 The table below summarises the original approved budget for TfGM for 2024/25 and the forecast outturn as at the end of Quarter 1. A summary of the key variances is provided in the table and commentary below.

TfGM Revenue Budget 2024/25 Quarter 1	Budget	Forecast Outturn	Forecast Variance
	£000	£000	£000
Resources			
Funding from GMCA	(330,600)	(325,813)	4,787
Department for Transport (DfT) Rail grant	(1,900)	(1,900)	-
Total Resources	(332,500)	(327,713)	4,787
Expenditure			
Concessionary Support non-Franchised Services	31,784	33,780	1,996
Capped Fares Scheme non-Franchised Services	14,513	17,180	2,667
Non-Franchised Tendered Services	13,400	13,850	450
Payment of Devolved Bus Service Operators Grant (BSOG)	3,056	3,230	174
Bus Franchising implementation costs	24,500	24,300	(200)
Bus Franchising net cost	151,877	149,011	(2,866)
	239,130	241,351	2,221
Metrolink net cost	19,715	14,243	(5,472)
Operational Costs	42,688	42,508	(180)
Accessible Transport	3,700	3,700	-
Traffic signal Costs	3,822	3,822	-
Scheme pipeline development Costs	17,135	15,779	(1,356)
Financing	6,310	6,310	-
Total Expenditure	332,500	327,713	(4,787)
Net Expenditure	0	0	0

6.4 As included in the table above, funding from the Authority has been updated to reflect actual government grant funding secured alongside the required drawdown of funding from reserves. The forecast Metrolink forecast net loss has reduced and therefore there has been an equivalent reduction in the required use of reserves funding. There has also been a reduction in the forecast spend on scheme development pipeline projects and a reduction in the funding of these schemes.

6.5 In addition, there has been an increase in funding of £3.0m in relation to the DfT devolved BSOG grant for tendered services. Previously this was paid to TfGM and shown within net expenditure, however this has been paid directly to the Authority in 2024/25 and is therefore included in the grant funding claimed by TfGM from the Authority.

- 6.6 The costs of concessionary reimbursement are currently forecast to outturn above budget. In previous years TfGM has, in line with 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. This year the guidance is no longer in place and TfGM are reimbursing based on actual patronage and using the new reimbursement calculator. The increase in costs is partly due to a higher-than-expected rate from the new calculator and partly due to phasing of the scheme between franchised and non-franchised services.
- 6.7 Expenditure on non-Franchising Capped Fares is higher than budget due to the impact of further increases in the shadow fares and higher patronage, this is more than offset by lower net cost on bus franchising, again mainly due to higher than budgeted patronage.
- 6.8 The net operating loss on Metrolink is reduced from the initial budget due to a forecast increase in farebox revenues and further savings from operational efficiencies. The increase in farebox revenues is due to successful growth initiatives which have driven higher patronage increases; delivery of higher commercial revenues; and the impact of ongoing measures to tackle fare evasion.
- 6.9 The budget for 2024/25 included £17.1m of costs for the further development of GM's pipeline of future transport schemes. The current forecast outturn for these costs in 2024/25 is £15.8m, with the difference being due to timing differences.
- 6.10 All other costs are currently forecast to outturn in line with budget.

7. RECOMMENDATIONS

- 7.1 The recommendations appear at the front of this report