

Greater Manchester Combined Authority

Date: 28th October 2022

Subject: GMCA Revenue Update Quarter 2 - 2022/23

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

PURPOSE OF REPORT

To inform GMCA of the 2022/23 financial position at the end of September 2022 (quarter 2) and forecast revenue outturn position for the 2022/23 financial year.

RECOMMENDATIONS:

The GMCA is recommended to:

1. Note the 2022/23 forecast outturn position for the GMCA budgets at the end of September 2022 (quarter 2);
2. Approve the changes to the GMCA General budget following the confirmation of additional funding during quarter 2 shown in paragraph 2.2;

CONTACT OFFICERS:

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

Name: Rachel Rosewell, GMCA Deputy Treasurer
E-Mail: rachel.rosewell@greatermanchester-ca.gov.uk

Name: Steve Warrener, Finance and Corporate Services Director, Transport for Greater Manchester

E-mail: steve.warrener@tfgm.com

Equalities Impact, Carbon and Sustainability Assessment:

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 2022/23 budget update.

Financial Consequences – Revenue

Revenue – The report sets out the forecast outturn position for 2022/23.

Financial Consequences – Capital

There are no specific capital considerations contained within the report.

Number of attachments to the report: n/a

Comments/recommendations from Overview & Scrutiny Committee

N/A

Background Papers

Reports to Greater Manchester Combined Authority:

GMCA Budget Reports – 11th February 2022

GMCA Revenue Update Quarter 1 - 2022/23 – 29th July 2022

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 report details the GMCA actual position to 30th September 2022 (quarter 2) and forecast revenue outturn position for 2022/23, covering Mayoral General Budget, Mayoral GM Fire and Rescue Budget (GMFRS), GMCA General Budgets, GM Waste and Transport including Transport for Greater Manchester (TfGM).
- 1.2 The position at quarter 2 is summarised in the table below with further detail on the variances provided in the report.

Summary 2022/23 Quarter 2	Approved 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	255,749	-255,749	0	259,915	-260,786	-871	4,166	-5,037	-871
Mayoral	139,020	-139,020	0	139,020	-139,020	0	0	0	0
GMFRS	119,542	-119,542	0	121,558	-119,752	1,806	2,016	-210	1,806
Waste	164,840	-164,840	0	145,771	-164,654	-18,883	-19,069	186	-18,883
Transport inc:	269,353	-269,353	0	269,353	-269,353	0	0	0	0
Transport (TfGM)	190,725	-190,725	0	193,725	-193,725	0	3,000	-3,000	0

2. GMCA GENERAL BUDGET

- 2.1 The forecast outturn for the GMCA General revenue budget is an underspend of £0.871m which is a result of an increase in deposit interest from the short-term investment of cash.
- 2.2 The budget approved by the GMCA in February 2022 was £242.621m and the forecast outturn expenditure at the end of June 2022 (quarter 1) was £255.749m. At quarter 2 forecast expenditure is £259.915m an increase of £4.166m over the last quarter. The change in forecast expenditure will be funded from additional grant income confirmed up to the end of September 2022. The main changes relate to Work and Skills, Public Service Reform and Digital programmes as follows:

- Work and Skills programmes are forecast to reduce in expenditure terms by an overall £2.596m compared to quarter 1. This is relation to latest profiling on delivery of business rates schemes of £1.369m and underspend on grant funded programmes including ESF Skills for Growth of £3.194m and Skills Boot Camps of £2m. New funding of £4.349m has been confirmed for the UK Shared Prosperity Fund (UKSPF) Multiply programme in 2022/23.
- Public Service Reform programmes are forecast to increase expenditure by £6.374m overall compared to quarter 1. This is in relation to an increase in Supporting Families funding of £4.3m, Asylum and Refugee funding of £0.9m and funding for Ageing Better programme of £0.5m.
- Digital programmes are forecast to increase expenditure by £0.954m in relation to GM Digital programme funded from business rates and external income of which £500k relates to cost of implementation for the GM One Network.

2.3 The table below provides a breakdown of the position including the original budget, revised budget at quarter 1 and forecast outturn and variance for quarter 2:

GMCA Revenue Monitoring 2022/23 Quarter 2	Original Budget	Revised Budget Quarter 1	Forecast Outturn Quarter 2	Forecast Variance
	£000	£000	£000	£000
GMCA Corporate	27,320	27,322	26,060	-1,262
Digital	2,597	2,475	3,429	954
Economy	18,499	16,636	16,758	122
Environment	758	3,530	3,713	183
Place	6,707	10,623	11,015	392
Public Service Reform	30,960	34,573	40,947	6,374
Work and Skills	155,779	160,590	152,479	-8,111
Total Expenditure	242,620	255,749	254,400	-1,349
Government Grants	-180,133	-195,125	-193,684	1,441
District Contributions	-8,603	-8,603	-8,603	0
Internal Recharges	-18,995	-18,995	-18,995	0
Earmarked Reserves	-20,010	-18,147	-18,805	-658
Other Income	-14,879	-14,879	-15,184	-305
Funding	-242,620	-255,749	-255,271	478
Net Expenditure	0	0	-871	-871

3. MAYORAL BUDGET

3.1 The Mayoral budget for 2022/23 approved by GMCA in February 2022 was

£139.020m. For quarter 2 the forecast position for the Mayoral budget is breakeven. This position includes a forecast shortfall in income towards the cost of Our Pass which will be met from earmarked reserves. The table below provides a breakdown on the position including the original budget, actual expenditure to the end of quarter 2, forecast outturn and variance:

Mayoral Budget 2022/23 Quarter 2	Original Budget	Forecast Outturn Quarter 1	Forecast Outturn Quarter 2	Forecast Variance
	£000	£000	£000	£000
Expenditure:				
Mayors Office	531	531	531	0
Corporate Recharge	794	794	794	0
Mayoral Priorities	3,600	3,600	3,600	0
Mayoral Transport	134,095	134,095	134,095	0
Gross Expenditure	139,020	139,020	139,020	0
Funded by:				
Mayoral Precept	-24,717	-24,717	-24,717	0
Collection Fund Sur/-Def	-1,445	-1,445	-1,445	0
BSOG grant	-13,150	-13,150	-13,150	0
Mayoral Capacity grant	-1,000	-1,000	-1,000	0
Earnback revenue grant	-9,750	-9,750	-9,750	0
Statutory charge	-86,700	-86,700	-86,700	0
Use of Reserves	-1,408	-1,408	-2,258	-850
External Income	-850	-850	0	850
Total Funding	-139,020	-139,020	-139,020	0
Net expenditure	0	0	0	0

4. GM FIRE AND RESCUE SERVICE

4.1 The 2022/23 budget for GM Fire and Rescue Service (GMFRS) in February 2022 was approved at £119.542m. The forecast revenue outturn position at quarter 2 is an overspend of £1.806m. The table below provides a summary of the position:

GMFRS Budget 2022/23 Quarter 2	Original Budget	Forecast Outturn Quarter 1	Forecast Outturn Quarter 2	Forecast Variance
	£000	£000	£000	£000
Employees	91,112	90,347	91,766	654

Indirect Employees	1,940	2,222	2,003	63
Premises	4,875	4,927	5,915	1,040
Transport	2,203	2,196	2,448	245
Supplies & Services	8,458	8,595	8,641	183
Support Services	7,387	7,662	7,713	326
Government Grants	-769	-1,000	-1,000	-231
Other Grants & Contributions	-215	-244	-225	-10
Customer & Client Receipts	-2,386	-2,442	-2,042	344
Capital Financing Costs	1,692	1,692	1,025	-667
Tfr to Earmarked Reserve	5,245	5,245	5,314	69
Total Expenditure	119,542	119,200	121,558	2,016
Localised Business Rates	-9,368	-9,521	-9,521	-153
Baseline Funding	-43,131	-43,131	-43,131	0
Section 31 - Business Rates	-5,452	-5,300	-5,300	152
Section 31 - Pension Related	-5,605	-5,605	-5,605	0
Precept Income	-55,429	-55,429	-55,429	0
Collection Fund Sur-/Def	2,637	2,637	2,637	0
Trf from Earmarked Reserve	-3,194	-3,444	-3,403	-209
Total Funding	-119,542	-119,793	-119,752	-210
Net Expenditure	0	-593	1,806	1,806

Employee Related

- 4.2 Employees pay and pensions is a forecast overspend of £654k. This forecast is based on the headcount plus the expected future costs associated to new firefighter recruit cohorts throughout the financial year. The figure does not include any assumptions of leavers in future quarters and does include an assumption of some current vacancies being recruited to.
- 4.3 Changes to National Insurance thresholds and employer rates have also been included in the calculations on assumed headcount.
- 4.4 Pay award assumptions for non-uniformed staff have been included at the current employer's offer of £1,925 per whole time equivalent.
- 4.5 The forecast for uniformed staff includes the employer's previous pay award offer of 2%, which was the understanding when the lower level forecast was calculated, plus a high level calculation to increase the forecast to reflect the recent increased offer to 5% which equates to a minimum of £1.513m. This calculation is based on front line

crews only, a further cost will need to be calculated for uniformed staff in specialist roles which will increase the forecast beyond the costs contained within this report. Any pay award settlement above the current offer would further deteriorate the forecast outturn. Discussions have been held with Government at a national level to determine how Fire and Rescue Services will fund the increased costs. To date, Government have indicated that the costs of the pay award will need to be funded locally.

- 4.6 Future costs are also likely to increase to provide enhanced resilience capability, a recruitment drive is underway and once FTE numbers are known, the forecasts will be calculated and included in future reports.
- 4.7 Pre-arranged overtime has been included in the forecast based on average cost to date for the hours required to maintain ridership and also to ensure that crews can be released to attend planned training.

Non-pay related

- 4.8 Indirect Employee Allowances position is broadly within budget with a minor training cost overspend of £63k.
- 4.9 Premises Related expenditure is forecast to overspend by £1,039k based on current spend, mainly in the areas of Utilities and Fuel. A budget increase was provided for this area of spend, however, using costs incurred to date and based on expert led inflation rate estimates, a significant overspend is predicted in-year and a continued trend in future years.
- 4.10 Transport Related forecast has increased since last period due to an increase in fuel costs resulting in an overspend of £254k.
- 4.11 Supplies and Services is forecasting an overspend of £173k which is mainly as a result of contract price increases, primarily within the areas of ICT and Operational Equipment. Future price increases may place a further financial burden on the Service.

4.12 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 £326k.

Income

4.13 Income is expected to underachieve and is forecasting a loss of income of £103k against the budget. This is mainly in the area of Princes Trust which is budgeted as self-funding, however, income is predicted to be lower due to vacancies within the team which, due to strict ratios, has meant smaller cohort numbers. A recruitment drive is underway to resolve this. The forecast also includes estimated apprenticeship levy income against the cost of training. This and other elements of income will be closely monitored to identify any future variances.

Capital Financing Costs

4.14 Capital Financing costs have been re-calculated on an annuity basis using final capital spend within 2021/22, resulting in an underspend of £667k.

Reserves

4.15 The current forecast is showing an additional use of reserves requirement of £208k in relation to both revenue grants unapplied (£175k) mainly in relation to Protection grants plus earmarked reserves (£33k).

4.16 To fund the anticipated overspend reported plus the addition of the cost of the uniformed pay award for staff in specialist roles and the cost of additional resilience crews, it is proposed that the transfer to reserves budget to fund future capital will need to be reduced.

4.17 A small additional transfer to revenue grants unapplied in relation to Protection grant of £69k is forecast. This grant can be used in the next financial year if not fully utilised in year.

5 WASTE AND RESOURCES

5.1 The Waste & Resources budget approved in February 2022 was £164.840m and at the end of quarter 2 there is a forecast underspend of £18.883m as detailed in the table below.

Waste and Resources 2022/23 Quarter 2	Approved Budget	Forecast Outturn	Forecast Variance
	£000	£000	£000
Operational Costs	107,872	88,860	-19,011
Operational Financing	50,614	50,374	-241
Office Costs	6,318	6,046	-273
Non-Operational Financing	510	491	-19
Total Budget	165,314	145,771	-19,544
Levy Adjustment	0	660	660
Transfer (from)/to reserves	-474	-474	0
Levy	164,840	145,957	-18,883

5.2 Operational costs element of the budget is forecast to underspend by £19.011m. This is based on an estimate of third-party income due to be received from TPSCo which represents over half the forecast underspend above (£11.734m). Given the volatility in the market the current high recycle prices have not been factored into the forecast for the remainder of the year. Further underspend relates mainly household recycling tonnages for the first five months being lower than budget (£3.879m) and income from pulpables and recyclates being higher than budget (£3.398m).

5.3 An underspend on capital financing of £241k is forecast relating to lower than budgeted Minimum Revenue Provision and slightly higher interest costs. An underspend of £273k has been forecast for Office Costs but this is expected to increase during the year with timings of certain pieces of work reprofiled into 2023/24.

5.4 The levy adjustment of £660k is a reflection of lower than budgeted tonnages delivered by local authorities and is a reduction in income to GMCA received from

districts. Tonnages will be monitored monthly through the remainder of the year as there are many factors which can affect the tonnage of waste collected and delivered to GMCA such as economic activity, seasonal effects, weather and timing of Bank Holidays, all of which could result in increased volumes of waste being presented which in turn will affect the forecast underspend position.

6 TRANSPORT REVENUE BUDGET

- 6.1 The Transport revenue budget approved by GMCA in February 2022 was £269.353m, 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 2022/23 was £190.725m. The remainder of the Transport revenue budget is retained by GMCA for capital financing costs for Metrolink and other programmes. The position against the capital financing budget is breakeven.
- 6.2 The table below summarises the original approved budget for TfGM for 2022/23 and the proposed revised budget at quarter 2 of £193.725m, an increase of £3m. A commentary on the key changes is provided below the table.

TfGM Revenue Budget 2022/23 Quarter 2	Approved Budget	Forecast Outturn Quarter 1	Forecast Outturn Quarter 2	Variance from Budget
	£000	£000	£000	£000
Expenditure				
Concessionary Support	75,600	75,600	75,600	0
Supported Services	36,000	36,000	38,000	2,000
Accessible Transport	3,700	3,700	3,700	0
Operational Costs	36,920	36,920	36,920	0
Clean Air Plan Costs	400	1,400	1,400	1,000
Scheme development Costs	15,900	15,900	15,900	0
Bus Franchising costs	15,895	15,895	15,895	0
Financing	6,310	6,310	6,310	0
Total Expenditure	190,725	191,725	193,725	3,000
Funded by				
Levy Allocated to TfGM	-28,380	-34,653	-34,653	-6,273
Statutory Charge	-86,700	-86,700	-86,700	0

Mayoral Budget	-19,750	-19,750	-19,750	0
Rail Grant	-1,900	-1,900	-1,900	0
Metrolink funding from revenue/ reserves	-18,800	-12,527	-12,527	6,273
Clean Air Plan grants	-400	-1,400	-1,400	-1,000
TCF2 funding for Scheme Development	-15,900	-11,650	-11,650	4,250
ICTS funding for Scheme Development	0	-4,250	-4,250	-4,250
Bus Franchising funding	-15,895	-15,895	-15,895	0
Utilisation of Reserves/Grants	-3,000	-3,000	-5,000	-2,000
Total Funding	-190,725	-191,725	-193,725	-3,000
Net Expenditure	0	0	0	0

- 6.3 The costs of concessionary reimbursement are currently forecast to outturn in line with budget. In line with previous Department for Transport (DfT) guidance, TfGM has continued to reimburse bus operators for concessionary reimbursement consistent with pre-pandemic volumes. This has been adjusted for further DfT guidance, where operated mileage has been less than 100% of pre-pandemic levels. Any underspend on approved budget will be transferred into the concessionary reserve and ring fenced for funding bus costs.
- 6.4 The recently announced Mayoral initiative for 'capped' bus fares, which came into effect in September will be met from GM's Bus Service Improvement Plan (BSIP) funding. The costs and grant income will be included in the quarter 3 forecast.
- 6.5 Since April 2020, the UK Government has been providing financial support to bus operators and Local Transport Authorities in England in response to the impact of the COVID-19 pandemic. This phase of funding which was due to end in October 2022 was conditional on Local Transport Authorities and operators working together to undertake Network Reviews and defining local bus networks which would be financially sustainable following the end of the funding period.
- 6.6 Operators gave notice of their intention to make commercial service changes across all areas of Greater Manchester in October including service withdrawals and reductions in frequency. Without intervention by TfGM the consequences of the service changes would be significantly detrimental in terms of accessibility to the network and accessibility for residents through the network to reach employment, education and key services such as health facilities.

- 6.7 In response and following consultation with members of the GM Transport Committee, TfGM has replaced withdrawn services at current frequencies with the exception of minor variants where there is no negative impact on network coverage. Where commercial changes involve frequency reductions, these are being restored to current levels up to a maximum of four buses per hour.
- 6.8 The financial impact of the additional services being supported is approximately £15 million per annum, with, in 2022/23 funding to come from a combination of existing budgets and current and future government funding. This will include funding from the Bus Recovery Grant which has since been extended to the end of the current financial year. The impact of the above on the outturn is shown above with the costs of Supported Service are currently forecasting to outturn at c.£2 million higher than the original budget, which already included allowances for additional costs in 2022/23, assumed to be funded from government grants. There is, however, the possibility that further costs will be incurred through the year and this will continue to be reviewed and assessed over the next few months and an updated expenditure and funding position will be included in the quarter 3 forecast.
- 6.9 Costs of Accessible services and Operational costs are currently forecast to outturn in line with budget.
- 6.10 Clean Air Plan costs are currently forecast to outturn £1m higher than budget due to the additional work required to review and republish the proposed Clean Air Plan scheme from 1 July 2022. As in previous years, all of these costs are funded by grants from the Government's Joint Air Quality Unit.
- 6.11 The budget approved for 2022/23 to progress the further development of GM's pipeline of future transport schemes was £15.9m. This will be part funded from the DfT through £4.25m from the Intra-City Transport Settlement funding for financial year 2022/23, in addition to a further £11.65m of previously approved funding from GM's previous award of Transforming Cities funding (TCF2). TCF2 has now been amalgamated within GM's CRSTS award and this funding will be drawn down through a 'capital revenue switch'.

- 6.12 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. The current forecast outturn for these costs is in line with the budget.
- 6.13 Metrolink has suffered a significant reduction in farebox revenues since the start of the COVID pandemic in March 2020. After falling to as low as 5% of pre-COVID levels during the first lockdown, patronage has gradually recovered but is still some way below pre pandemic levels. A package of funding support from central government has been agreed up to the beginning of October 2022. DfT / HMT have indicated that no further recovery funding will be provided beyond this point. TfGM is engaged in ongoing dialogue with DfT. As a last resort, GMCA has sufficient reserves available to temporarily fund Metrolink's forecast net deficit for the remainder of 2022/23 and it is recommended that provision is made for this to continue in 2023/24, noting that these Reserves would subsequently need to be replenished. In parallel, a Financial Sustainability Plan is being prepared, which will include a strategy for Metrolink to cover its operating, renewals and financing costs in the medium to long term, including replenishing the reserves.
- 6.14 The original budget for 2022/23 was agreed prior to the DfT funding for 2022/23 being agreed. The outturn has been updated to reflect the expected funding from DfT for the period to 4th October 2022 which has impacted the amount of Levy forecast to be allocated to TfGM (with the amount of Levy overall remaining unaltered) and the associated required reserves transfers.

7. Recommendations

- 7.1 Recommendations are included at the front of the report.