

GREATER MANCHESTER COMBINED AUTHORITY

Date: 10th February 2023

Subject: GMCA Revenue Update Quarter 3 - 2022/23

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

PURPOSE OF REPORT

To inform GMCA of the 2022/23 financial position at the end of December 2022 (quarter 3) and the 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 December 2022 (quarter 3).
2. Approve the changes to the GMCA General and Transport budgets following the confirmation of additional funding and planned expenditure during quarter 3 shown in sections 2 and 6 of the report.

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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

GMCA Revenue Update Quarter 2 – 2022/23 – 28th October 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 full GMCA position to 31st December 2022 and forecast revenue outturn position for 2022/23, covering Mayoral General Budget, Mayoral GM Fire and Rescue Budget (GMFRS), GMCA General Budget and 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 each section of the report.

Summary 2022/23 Quarter 3	Forecast Outturn Q3			Variance from Budget		
	Exp	Income	Total	Exp	Income	Total
	£000	£000	£000	£000	£000	£000
GMCA General	269,894	-270,742	-848	27,274	-28,122	-848
Mayoral	139,020	-139,020	0	0	0	0
GMFRS	121,825	-119,722	2,103	2,282	-179	2,103
Waste	137,320	-164,672	-27,352	-27,520	168	-27,352
Transport inc:	296,653	-296,653	0	27,300	-27,300	0
TfGM	239,374	-234,374	5,000	32,300	-27,300	5,000

2. GMCA GENERAL BUDGET

- 2.1 The GMCA General budget approved by the GMCA in February 2022 was £242.620m and the forecast outturn expenditure reported to GMCA on 28th October 2022 (quarter 2) was £259.914m with a net underspend of £0.871m. At quarter 3 forecast income is £270.742m an increase of £9.957m over the last quarter and a net underspend of £0.848m.
- 2.2 The quarter 3 underspend of £0.848m compared to £0.871m at quarter 2 is a decrease in the underspend of £23k due to:
- Additional deposit interest from short term investment forecast to increase by £1.120m less;
 - Expenditure provision of £1m to support Districts with the GM Children's Services Sufficiency programme;
 - Other changes which add up to a £143k increase in net expenditure.

2.3 The table below provides a breakdown of the position including the original budget, revised budget at quarter 2 and forecast outturn and variance for quarter 3:

GMCA Revenue Monitoring 2022/23 Quarter 3	Original Budget	Revised Budget Qtr 2	Forecast Outturn Quarter 3	Change from Quarter 2
	£000	£000	£000	£000
GMCA Corporate	27,320	26,058	26,101	43
Digital	2,597	3,429	2,983	-446
Economy	18,499	16,758	18,524	1,766
Environment	758	3,713	5,527	1,814
Place	6,707	11,015	21,823	10,808
Public Service Reform	30,960	40,947	41,086	139
Work and Skills	155,779	157,994	153,849	-4,145
Total Expenditure	242,620	259,914	269,894	9,980
Government Grants	-180,133	-199,198	-204,676	-5,478
District Contributions	-8,603	-8,603	-8,603	0
Internal Recharges	-18,995	-18,995	-17,946	1,049
Earmarked Reserves	-20,010	-18,805	-23,349	-4,544
Other Income	-14,879	-15,184	-16,168	-984
Funding	-242,620	-260,785	-270,742	-9,957
Net Expenditure	0	-871	-848	23

2.4 The GMCA General expenditure at quarter 3 is forecast to increase in relation to programme funding for Place, Economy and Environment. The Work and Skills and Digital forecast expenditure is projected to reduce. Further details as follows:

2.5 The Place Directorate programmes have increased by a net **£10.808m** in relation to:

- The UK Shared Prosperity Fund (UKSPF) is the Government's domestic replacement for the European Structural and Investment Programme (ESIF). The primary goal of UKSPF is to build pride in place and increase life chances across the UK, while recognising the acute challenges town centres and communities have faced during the Covid pandemic. GMCA has been assigned lead authority for GM and have overall accountability for the funding and how it operates, working closely with Districts and key stakeholders including local MPs in the design and delivery of UKSPF. Following agreement of the GM investment plan, GMCA has been allocated a total of £83.9m over the three year period 2022/23 – 2024/25 from which the allocation for 2022/23 is **£9.198m**.

- The GM Housing Strategy - It was agreed by GMCA on 25th March 2022 to allocate £4m from the GM Housing Investment Loan Fund surpluses to fund activity in support of the GM Housing Strategy. From this **£875k** is projected to be spent in 2022/23.
- Create Growth Programme – Following a successful bid, GMCA has been awarded grant funding from Department for Digital, Culture, Media and Sport of £1.275m over three years 2022/23 – 2024/25 with **£425k** allocated for 2022/23. The grant is to provide high growth potential creative businesses with a bespoke business support programme and data collection to enable an evidence base to determine impact.
- Other GMCA Place based programmes including **£182k** from GM Health and Social Care partnership / Integrated Care Board and **£128k** additional spend on Business Rates funded for Places for Everyone.

2.6 Economy and Environment Directorates have increased projected expenditure of **£1.766m** and **£1.814m** respectively in relation to retained Business Rates growth funding approved by GMCA on 29th July 2022.

2.7 Work and Skills Directorate has a reduction in forecast spend of **£4.145m** due to lower than expected delivery fees for Adult Education Budget National Skills Fund Level 3, European Social Fund Skills for Growth and Work and Health Programme.

2.8 Digital programmes have a forecast reduction in expenditure by **£446k** largely in relation to rephasing of implementation costs for the GM One Network into 2023/24.

3. MAYORAL BUDGET

3.1 The Mayoral budget for 2022/23 approved by GMCA in February 2022 was £139.020m. For quarter 3 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 held by TfGM. The table below provides a breakdown of the position including the original budget and forecast outturn and variance:

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

4. MAYORAL GENERAL – GM FIRE AND RESCUE SERVICE

4.1 The 2022/23 budget for GM Fire and Rescue Service (GMFRS) in February 2022 was approved at £119.543m. The forecast revenue outturn position at quarter 3 is an overspend of £2.103m to be met from reserves.

4.2 The table below provides a summary of the position:

GM Fire & Rescue Service Budget 2022/23 Quarter 3	Approved Budget	Actual Quarter 3	Forecast Outturn	Forecast Variance
	£000	£000	£000	£000
Expenditure:				
Employees	91,215	67,707	93,082	1,867
Indirect Employees	1,940	933	1,963	22
Premises	4,875	3,548	6,343	1,467
Transport	2,196	1,569	2,435	240
Supplies & Services	8,481	7,074	8,861	379
Support Services	7,343	7,353	7,646	303
Government Grants	-769	-731	-958	-190
Tfr to/from Provision	0	0	-1,577	-1,577

Other Grants & Contributions	-215	-109	-210	5
Customer & Client Receipts	-2,460	-1,003	-2,101	360
Capital Financing Costs	1,692	414	1,025	-667
Tfr to Earmarked Reserve	5,245	0	5,316	72
Total Expenditure	119,543	86,755	121,825	2,281
Funded by:				
Localised Business Rates	-9,521	-9,290	-9,521	0
Baseline Funding	-43,131	-32,757	-43,131	0
Section 31 - Business Rates	-5,300	-3,975	-5,258	42
Section 31 - Pension Related	-5,605	-5,605	-5,605	0
Precept Income	-55,429	-41,572	-55,429	0
Collection Fund Deficit	2,637	4,185	2,637	0
Trf from Earmarked Reserve	-3,194	2,952	-3,415	-220
Total Funding	-119,543	-86,062	-119,722	-178
Net Expenditure	0	693	2,103	2,103

Employee Related

- 4.3 Employees pay and pensions is a forecast overspend of £1.867m. This forecast is based on the headcount plus the expected future costs associated to new firefighter recruit cohorts throughout the financial year. The figures do not include any assumptions of leavers in future quarters and does include an assumption of some current vacancies being recruited to. The overspend also includes payments made to date in respect of Bear Scotland v Fulton for which a drawdown from the provision has been forecast. Changes to National Insurance thresholds and employer rates have also been included in the calculations on assumed headcount. Pay award assumptions for non-uniformed staff have been included at the current employer's offer of £1,925 per whole time equivalent.
- 4.4 The forecast for uniformed staff includes the employer's pay award offer of 5% which was rejected. Any pay award settlement above the current offer would further deteriorate the forecast outturn. Discussions have been held with Government on 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.
- 4.5 Costs arising to provide enhanced resilience capability are included at known levels, any future increase in FTE numbers will be calculated and included in future reports. In the event of industrial action, net mobilisation costs will also form part of future

reports. 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

- 4.6 Indirect Employee Allowances position is broadly within budget with a minor training cost overspend of £22k.
- 4.7 Premises Related expenditure is forecast to overspend by £1.467m 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.
- 4.8 Transport related expenditure forecast has a minor amendment since last period reflecting the estimated increase in fuel costs resulting in an overspend of £240k.
- 4.9 Supplies and services related expenditure has a forecast overspend of £379k, a change in forecast overspend from the previous period by £206k mainly as a result of contract price increases, primarily within the areas of ICT and operational equipment. Potential future price increases will place additional financial burden on the service.
- 4.10 Support services budget incorporates the central recharges received from the GMCA. Further charges for specific additional support from Human Resources and Organisational Development (HROD) for whole-time firefighter recruitment and selection process and Communications and Engagement support for various projects and strategies have been forecast, which result in an overspend of £303k.

Income

- 4.11 Income is expected to underachieve and has a forecast loss of income of £175k against 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 successful recruitment process will start to alleviate 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

4.12 The capital financing costs has been re-calculated on an annuity basis using final capital spend within 2021/22, resulting in an underspend of £667k. This reflects a new policy for Minimum Revenue Provision approved by GMCA earlier in 2022 which provides a consistent approach to capital financing across all GMCA programmes.

Reserves

4.13 The current forecast is showing an additional use of reserves requirement of £220k in relation to both revenue grants unapplied (£187k) mainly in relation to Protection grants plus earmarked reserves (£33k).

4.14 To fund the anticipated overspend reported plus any cost of additional resilience crews not within the current forecast, it is proposed that the transfer to reserves budget to fund future capital will need to be reduced.

4.15 A small additional transfer to revenue grants unapplied in relation to Protection grant of £71k is forecast. This grant can be used in the next financial year if not fully utilised in year.

5. GM WASTE AND RESOURCES

5.1 The Waste & Resources budget approved in February 2022 was £164.840m and at the end of quarter 3 there is a forecast underspend of £27.352m as detailed in the table below.

Waste and Resources 2022/23 Quarter 3	Approved Budget	Forecast Outturn Quarter 2	Forecast Outturn Quarter 3	Forecast Variance
	£000	£000	£000	£000
Operational costs	107,872	88,860	81,849	-26,023
Operational financing	50,614	50,374	49,865	-749
Office costs	6,318	6,046	5,114	-1,204
Non-operational financing	510	491	492	-18
Total	165,314	145,771	137,320	-27,994
Levy adjustment	0	660	642	642

Transfer (from)/to reserves	-474	-474	-474	0
Levy	164,840	145,957	137,488	-27,352

- 5.2 The forecast underspend in operational costs is largely driven by estimates of third-party income due to be received from TPSCo which represents £13.082m of the underspend. Forecast income from paper/card and commingled waste is currently above budget and makes up £6.446m of the underspend. The remaining forecast underspend is largely made up of savings on residual waste treatment due to lower than forecast tonnages.
- 5.3 The forecast underspend on operational financing arises from a slight reduction in the Minimum Revenue Provision charge for the year and the interest paid on the short term borrowed debt.
- 5.4 The forecast underspend on office costs is a result of lower than anticipated support service recharge and largely a reduction in consultancy fees spend on ongoing responses to the National Waste Strategy. This work is reprofiled into 2023/24.
- 5.5 Forecast tonnages and the indicative outturn position for each District in 2022/23 is provided in the 'Waste and Resources Budget and Levy 2023/24 and Medium-Term Financial Plan to 2025/26' report on the agenda for this meeting.

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 totalled £189.055m. 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 3 of £234.374m, an increase of £27.3m, largely due to additional expenditure of activities which are fully funded from additional grants. A commentary on the key changes is provided below the table.

Transport for Greater Manchester Budget 2022/23 Quarter 3	Approved Budget	Forecast Outturn Quarter 3	Variance
	£000	£000	£000
Expenditure:			
Concessionary Support	75,600	77,600	2,000
Supported Services	36,000	39,500	3,500
Capped Fares Scheme	0	17,000	17,000
Payment of Devolved BSOG	11,750	11,750	0
Accessible Transport	3,700	3,700	0
Operational Costs	37,697	37,597	-100
Traffic signals costs	3,822	3,822	0
Clean Air Plan Costs	400	1,400	1,000
Scheme Pipeline development Costs	15,900	19,800	3,900
Bus Franchising costs	15,895	15,895	0
Metrolink net revenue loss	0	5,000	5,000
Financing	6,310	6,310	0
Total Expenditure	207,074	239,374	32,300
Funded by:			
Funding from GMCA	-189,055	-216,355	-27,300
DfT Rail grant	-1,900	-1,900	0
Other grants	-2,700	-2,700	0
TfGM funding from Reserves	-13,419	-13,419	0
Total Funding	-207,074	-234,374	-27,300
Net Expenditure	0	5,000	5,000

6.3 The costs of the statutory 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 the approved budget will be transferred into the concessionary reserve and ring fenced for funding bus costs. The overall increase of £2m represents a higher forecast outturn in relation to the costs of the Our Pass scheme, where volumes continue to recover strongly post Covid-19. In line with the funding strategy agreed by GMCA on the introduction of the scheme, this spend will be funded from concessionary budgets held by TfGM including concessionary reserves.

- 6.4 The recently announced Mayoral initiative for 'capped' bus fares for single and daily fares, which came into effect in September, and for weekly fares which came into effect in January, will be met from GM's Bus Service Improvement Plan (BSIP) funding. The costs and grant income for 2022/23 are currently estimated to be c. £17m but will be updated as the year continues when further data is obtained.
- 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. From October 2022 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.
- 6.6 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.
- 6.7 The financial impact of the additional services being supported is approximately £15m 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.
- 6.8 Costs of Accessible services and Operational costs are currently forecast to outturn in line with budget.
- 6.9 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.

- 6.10 The budget approved for 2022/23 to progress the further development of GM's pipeline of future transport schemes was £15.9m. The outturn for the year is forecast to be £19.8m which includes both scheme development costs and the costs of developing strategic outline business cases for schemes which are being delivered through funding from GMCA's City Region Sustainable Transport Settlement (CRSTS) award. This will be part funded from the DfT through £8.4m from the Intra-City Transport Settlement funding for financial year 2022/23, with the remaining funding from the previously approved funding from GM's previous award of Transforming Cities funding (TCF2), which has now been amalgamated within GM's CRSTS award, as well as other CRSTS funding. This funding will be funded from the Business Rates Top-Up reserve which provides flexibility on use of revenue funding to support capital schemes.
- 6.11 The 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.

7. Recommendations

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