

GREATER MANCHESTER INTEGRATED TRANSPORT AUTHORITY

REPORT FOR INFORMATION

COMMITTEE: Policy & Resources

DATE: 24th July 2009

SUBJECT: Aggregated ITA/PTE Revenue Budget Monitoring 2009/10.

REPORT OF: Finance and Corporate Services Director, GMPTe and Finance Officer to the Authority

PURPOSE OF REPORT

To inform Members of the latest position in respect of the 2009/10 revenue budget and the Revenue Budget outturn for 2008/09.

RECOMMENDATIONS

Members are recommended to:-

1. Note that the 2008/09 revenue budget outturn resulted in a surplus of £3.27 million, subject to audit, compared to a budgeted breakeven position, and a forecast surplus, at 3 April of £3.00 million. Of this, £3.19 million has been transferred to a Finance reserve, as previously forecast and advised to Members.
2. Note that the latest revenue forecast for 2009/10 is currently projecting a break even position, in line with budget.

BACKGROUND DOCUMENTS

Report to Authority	Revenue Budget 2008/09	20 March 2008
Report to Policy Committee	Aggregated PTA/PTE Revenue Budget Monitoring 2008/09	3 April 2009
Report to Authority	Revenue Budget 2009/10	20 March 2009

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1. Outturn 2008/09

- 1.1 Total expenditure for 2008/09 of £245.59 million resulted in a surplus of £3.28 million, subject to audit, being £3.28 million higher than budget due to the higher than forecast interest earnings for the year as previously forecast and reported to Members. As previously reported, due to the significant treasury risks in 2009/10 and beyond around long term and short term interest rates, and particularly the difference between them, £3.19 million of this surplus was transferred to a separate Finance Reserve. These results are summarised in the table below:-

	2008/09 Approved Budget £m	Previous Forecast £m	2008/09 Outturn £m	Variance to Budget £m
Expenditure				
Concessionary Support	60.62	60.62	60.62	-
National Concessionary Travel Scheme	10.52	10.52	10.52	-
Supported Bus Services	30.31	30.41	30.07	0.24
Rail	77.55	79.26	79.14	(1.59)
Metrolink	1.73	1.73	1.73	-
Accessible Transport	6.94	6.94	6.88	0.06
Passenger Services, Facilities & Support	25.82	25.72	25.95	(0.13)
Financing	33.81	30.81	30.62	3.19
Total Expenditure	<u>247.30</u>	<u>246.01</u>	<u>245.53</u>	<u>1.77</u>
Financed by:				
Lewy	157.95	157.95	157.95	-
National Concessionary Travel Scheme	10.52	10.52	10.52	-
Special Rail Grant	78.03	79.74	79.62	(1.59)
Planned Use of /(Increase in) Reserves	-	(3.00)	(3.27)	3.27
Urban/Rural Bus Grants	0.80	0.80	0.71	0.09
	<u>247.30</u>	<u>246.01</u>	<u>245.53</u>	<u>1.77</u>

- 1.2 Total expenditure of £245.53 million was £1.77 million lower than budget. Total expenditure includes costs of £4.1m in relation to the creation of a reserve to meet certain future contractual obligations. The outturn principally reflects higher than budgeted interest income, due to lower than budgeted levels of borrowing in the latter months of the year and an increase in deposit rates in the early part of the year offset by higher than budgeted rail costs, which were offset in full by higher than budgeted rail grant.
- 1.3 Income was £1.50 million higher than budget before the transfer to the Finance Reserve, largely due to the higher than budget level of rail grant.

2. 2009/10 Forecast Outturn

2.1 The latest position on the 2009/10 budget is summarised below:-

	Period to May 2009			Latest Forecast £m	Approved Budget £m	Variance £m
	Actual £m	Budget £m	Variance £m			
Concessionary Support	11.73	11.73	0.00	70.41	70.41	-
Supported Bus Services	5.23	5.61	0.38	32.98	32.98	-
Rail	13.16	6.51	(6.65)	78.94	39.09	(39.85)
Metrolink	0.30	0.30	-	1.79	1.79	-
Accessible Transport	1.14	1.15	0.01	6.89	6.89	-
Passenger Services, Facilities & Support	4.49	5.06	0.57	30.53	30.53	-
Financing	6.23	6.24	0.01	37.41	37.41	-
Less : Efficiency Savings						
Total Expenditure	42.28	36.60	(5.68)	258.95	219.10	(39.85)
Revenue						
Levy	27.46	27.46	-	164.73	164.73	-
National Concessionary Travel Scheme	1.79	1.79	-	10.77	10.77	-
Special Rail Grant	13.37	6.78	6.59	80.56	40.71	(39.85)
Metrolink Funding from Reserves	0.41	0.41	-	2.48	2.48	-
Other Grants	0.09	0.10	(0.01)	0.41	0.41	-
Total revenue	43.13	36.55	6.58	258.95	219.10	(39.85)
Surplus/(Deficit)	0.85	(0.05)	0.90	-	-	-

2.2 The remaining sections of this report give Members details of the latest forecast position compared to the 2009/10 budget, as approved on 20 March 2009.

3. Concessionary Support

	Period to May 2009			Latest Forecast £m	Approved Budget £m	Variance £m
	Actual £m	Budget £m	Variance £m			
Bus	10.94	10.94	-	65.64	65.64	-
Metrolink	0.60	0.60	-	3.62	3.62	-
Rail	0.19	0.19	-	1.15	1.15	-
	11.73	11.73	-	70.41	70.41	-

3.1 Concessionary costs to date and the latest forecast for the full year are currently in line with budget.

3.2 Concessionary Support costs are forecast to increase over the three years to 2010/11 due to the introduction of the National Concessionary Travel Scheme and as a result of increases in operator fares. GMPTE has mitigated the risks by agreeing semi-fixed (capped) payments with operators for the three year period of the special grant funding (2008/09 to 2010/11).

3.3 Costs of the National Concessionary Travel Scheme are expected to increase by 6.9% per annum. A positive cash balance is expected in the early periods of the scheme as future projected costs exceed future special concessionary travel grant

payments from Government and the levy contribution. To the extent that the phasing of the special grant funding and levy receipts is not equal to the cash payments to operators in any individual year any timing differences are being accounted for through a specific concessionary fares reserve. It is currently projected that there will be a cash deficit at March 2012 of approximately £0.5 million. Savings are being targeted over the three year period to manage this forecast deficit.

4. Subsidised Bus Services

	Period to May 2009			Latest Forecast	Approved Budget	
	Actual	Budget	Variance		Budget	Variance
	£m	£m	£m	£m	£m	£m
General Services	3.38	3.78	0.40	22.94	22.94	-
Schools Services	1.76	1.73	(0.03)	9.63	9.63	-
	<u>5.14</u>	<u>5.51</u>	<u>0.37</u>	<u>32.57</u>	<u>32.57</u>	-
Grant Funded Services	0.09	0.10	0.01	0.41	0.41	-
	<u>5.23</u>	<u>5.61</u>	<u>0.38</u>	<u>32.98</u>	<u>32.98</u>	-

- 4.1 Whilst overall costs in the year to date are within budget, the subsidised bus services budget remains under pressure, as explained further below.
- 4.2 General Services costs are currently showing a favourable variance of £0.4 million, although £0.23 million of the variance is attributable to the timing of the implementation of orbital and town centre shuttle services. Although other costs are currently £0.17 million below budget, there were £0.5 million of contract deregistrations in April and the impact of these over the remainder of the year will reverse the favourable variance. The average increase on contract renewals is still higher than the rate of inflation and this, combined with the risk of further commercial deregistrations will continue to exert pressure on this budget during the year. Continued Director and senior Officer focus will continue to be applied to managing costs within budget.
- 4.3 Schools contract costs and revenues are currently in line with budget. The 2009/10 contract renewals are currently being finalised and it is expected that they will be contained within the amounts budgeted. Revenues are in line with budget, and collection initiatives agreed with operators continue to be enforced.

5. Rail

	Period to May 2009			Latest Forecast £m	Approved	
	Actual	Budget	Variance		Budget	Variance
	£m	£m	£m		£m	£m
Rail Grant	13.16	6.51	6.65	78.94	39.09	39.85
Rail Administration Grant	0.21	0.27	(0.06)	1.62	1.62	-
	<u>13.37</u>	<u>6.78</u>	<u>6.59</u>	<u>80.56</u>	<u>40.71</u>	<u>39.85</u>
Payments to Franchisee	(13.16)	(6.51)	(6.65)	(78.94)	(39.09)	(39.85)
Grant available to offset support costs	<u>0.21</u>	<u>0.27</u>	<u>(0.06)</u>	<u>1.62</u>	<u>1.62</u>	<u>-</u>

- 5.1 The rail grant received from DfT and paid to Northern Rail in the year to 31 May 2009 is £6.6 million higher than budget. The budget reflected the expected outcome of the regulatory review of track access charges. DfT are however still in discussions with Northern Rail to agree the final amounts payable for 2009/10 and subsequent years. The forecast currently assumes that grant receipts and payments will continue at the current level for the full year, with no impact on the net result for the year.

6. Metrolink

- 6.1 The Metrolink charge represents the element of the levy that is allocated to Metrolink operations. No change is required to the forecast.

7. Accessible Transport

	Period to May 2009			Latest Forecast £m	Approved	
	Actual	Budget	Variance		Budget	Variance
	£m	£m	£m		£m	£m
GMATL (Ring & Ride Services)	1.06	1.06	-	6.34	6.34	-
Accessible Transport Voluntary Sector	0.01	0.02	0.01	0.11	0.11	-
Travel Vouchers	0.07	0.07	-	0.44	0.44	-
	<u>1.14</u>	<u>1.15</u>	<u>0.01</u>	<u>6.89</u>	<u>6.89</u>	<u>-</u>

- 7.1 The cost of Accessible Transport for the first two months and the forecast for the full year are in line with budget.

8. Passenger Services, Facilities and Corporate Support

	Period to May 2009			Latest Forecast £m	Approved	
	Actual	Budget	Variance		Budget	Variance
	£m	£m	£m		£m	£m
Passenger Services and Facilities	1.08	1.51	0.43	9.03	9.03	-
Corporate Support	3.41	3.55	0.14	21.50	21.50	-
	<u>4.49</u>	<u>5.06</u>	<u>0.57</u>	<u>30.53</u>	<u>30.53</u>	<u>-</u>

8.1 The favourable variance in the year to date is principally due to timing differences and forecast costs are in line with budget.

9. Finance Costs

9.1 Finance costs are currently forecast to be in line with budget although the impact of interest rate changes is being kept under regular review. The budget assumes that £0.7 million of the Finance Reserve will be utilised in the current year to mitigate some of the impact of the very low interest rates currently available and forecast to be available on deposits.

10. General Reserves

10.1 The general reserves position can be summarised as follows:-

	Latest Forecast £m	Approved Budget £m	Variance £m
General Reserves at 1 April 2009	8.40	8.20	0.20
(Use of)/transfer to Reserves in 2009/10	-	-	-
Reserves at 31 March 2010	<u>8.40</u>	<u>8.20</u>	<u>0.20</u>

11. Recommendations

11.1 The recommendations appear at the front of this report.

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