

GREATER MANCHESTER INTEGRATED TRANSPORT AUTHORITY

REPORT FOR INFORMATION

COMMITTEE: Policy & Resources

DATE: 20th November 2009

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

REPORT OF: Finance and Corporate Services Director, GMPTE and the Treasurer to the Authority

PURPOSE OF REPORT

To inform Members of the latest position in respect of the 2009/10 revenue budget.

RECOMMENDATIONS

Members are recommended to:-

- Note that the latest revenue forecast for 2009/10 is currently projecting a surplus of £1.0 million, predominantly due to lower than budgeted levels of expenditure on subsidised bus policy priorities and some savings on operating costs.

BACKGROUND DOCUMENTS

Report to Policy Committee	Aggregated PTA/PTE Revenue Budget Monitoring 2009/10	24 July 2009
Report to Authority	Revenue Budget 2009/10	20 March 2009

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1. 2009/10 Forecast Outturn

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

	Period to Sept 2009			Latest Forecast £m	Approved Budget £m	Variance £m
	Actual £m	Budget £m	Variance £m			
Concessionary Support	35.20	35.20	-	70.41	70.41	-
Supported Bus Services	14.97	15.77	0.80	32.18	32.98	0.80
Rail	39.15	19.54	(19.61)	78.29	39.09	(39.21)
Metrolink	0.90	0.90	-	1.79	1.79	-
Accessible Transport	3.40	3.45	0.05	6.89	6.89	-
Passenger Services, Facilities & Support	13.97	15.31	1.34	30.33	30.53	0.20
Financing	18.72	18.71	(0.01)	37.78	37.78	-
Total Expenditure	126.31	108.88	(17.43)	257.68	219.47	(38.21)
Revenue						
Levy	82.37	82.37	-	164.73	164.73	-
National Concessionary Travel Scheme	5.38	5.38	-	10.77	10.77	-
Special Rail Grant	39.77	20.35	19.42	79.92	40.71	39.21
Metrolink Funding from Reserves	1.24	1.24	-	2.48	2.48	-
Net use of specific reserves				0.37	0.37	
Other Grants	0.23	0.24	(0.01)	0.41	0.41	-
Total revenue	128.99	109.58	19.41	258.68	219.47	39.21
Surplus/(Deficit)	2.68	0.70	1.98	1.00	-	1.00

1.2 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.

2. Concessionary Support

	Period to September 2009			Latest Forecast £m	Approved Budget £m	Variance £m
	Actual £m	Budget £m	Variance £m			
Bus	32.82	32.82	-	65.64	65.64	-
Metrolink	1.81	1.81	-	3.62	3.62	-
Rail	0.58	0.58	-	1.15	1.15	-
	35.20	35.20	-	70.41	70.41	-

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

2.2 Concessionary support costs are forecast to increase over the period 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).

2.3 In the period since the introduction of the National Concessionary Travel Scheme, the risks relating to central Government and Local Funding for the Concessionary Schemes have increased. DfT is currently carrying out a consultation in respect of the distribution of funding in 2010/11, although no changes appear to be proposed in

relation to Greater Manchester for that year. In addition, recent research for the LGA and PTEG suggests that the costs of operating the national scheme will increase substantially in future years as a result of increases in operators' costs, fares and demographic changes.

- 2.4 Because of the uncertainty over the future funding of concessionary support costs and the predicted increase in the costs of operating the scheme, a ring-fenced reserve has been created to be used when, as anticipated, the costs of operating the scheme exceed the available funding.

3. Subsidised Bus Services

	Period to September 2009			Latest Forecast £m	Approved	
	Actual £m	Budget £m	Variance £m		Budget £m	Variance £m
General Services	10.44	11.36	0.92	22.10	23.05	0.95
Schools Services	4.31	4.19	(0.12)	9.69	9.54	(0.15)
	<u>14.75</u>	<u>15.55</u>	<u>0.80</u>	<u>31.79</u>	<u>32.59</u>	<u>0.80</u>
Grant Funded Services	0.22	0.22	0.00	0.39	0.39	-
	<u>14.97</u>	<u>15.77</u>	<u>0.80</u>	<u>32.18</u>	<u>32.98</u>	<u>0.80</u>

- 3.1 Whilst overall costs in the year to date are within budget, the subsidised bus services budget remains under pressure, as explained further below.
- 3.2 General Network Services costs are currently £0.92 million below budget in the year to September 2009, although £0.64 million of the variance is attributable to the timing of the implementation of orbital and town centre shuttle services. Pilot orbital services commenced in October and a favourable variance for the year as a whole of £0.5 million is forecast. The costs of town centre shuttles budget are expected to outturn £0.35 million below budget by the year end, as no additional services have been commissioned and none are planned during the current year.
- 3.3 Although existing general network costs are currently below budget, there were £0.4 million of contract deregistrations in the month of October and the impact of these over the remainder of the year is forecast to eliminate any further favourable variance. In addition, 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 for the remainder of the year. Continued Director and Senior Officer focus will therefore be applied to managing costs within budget.
- 3.4 Schools contract costs are currently in line with budget but revenue shortfalls have resulted in a £0.12 million adverse variance in the year to date. A revised approach to schools revenue collection has been adopted for the school year commencing September 2009, and the forecast assumes that this will be successful in addressing the existing adverse variance.

4. Rail

	Period to September 2009			Latest Forecast £m	Approved	
	Actual	Budget	Variance		Budget	Variance
	£m	£m	£m		£m	£m
Rail Grant	39.15	19.54	19.61	78.29	39.09	39.21
Rail Administration Grant	0.62	0.81	(0.19)	1.62	1.62	-
	<u>39.77</u>	<u>20.35</u>	<u>19.42</u>	<u>79.92</u>	<u>40.71</u>	<u>39.21</u>
Payments to Franchisee	(39.15)	(19.54)	(19.61)	(78.29)	(39.09)	(39.21)
Grant available to offset support costs	<u>0.62</u>	<u>0.81</u>	<u>(0.19)</u>	<u>1.62</u>	<u>1.62</u>	<u>-</u>

4.1 The rail grant received from DfT and paid to Northern Rail in the year to 30 September 2009 is £19.61 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 ITA/PTE result for the year.

4.2 The adverse variance on the Rail Administration Grant in the year to date is due to the fact that the through ticketing grant for the year of £325,000 from DfT has not yet been agreed. Discussions are ongoing with DfT Officers in this regard, and the full year forecast assumes that the grant will be received.

5. Metrolink

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

6. Accessible Transport

	Period to September 2009			Latest Forecast £m	Approved	
	Actual	Budget	Variance		Budget	Variance
	£m	£m	£m		£m	£m
GMATL Grant Payment	3.17	3.17	-	6.34	6.34	-
Accessible Transport Voluntary Sector	0.01	0.06	0.05	0.11	0.11	-
Travel Vouchers	0.22	0.22	-	0.44	0.44	-
	<u>3.40</u>	<u>3.45</u>	<u>0.05</u>	<u>6.89</u>	<u>6.89</u>	<u>-</u>

6.1 The cost of Accessible Transport for the period to September and the forecast costs for the full year are in line with budget. GMATL are currently forecasting savings against budgeted cost of £0.1 million in the year. This will be reflected in the 2010/11 grant payment.

7. Passenger Services, Facilities and Corporate Support

	Period to September 2009			Latest	Approved	Variance £m
	Actual	Budget	Variance	Forecast	Budget	
	£m	£m	£m	£m	£m	
Passenger Services and Facilities	3.36	4.50	1.14	8.80	8.95	0.15
Corporate Support	10.60	10.81	0.20	21.53	21.58	0.05
	<u>13.97</u>	<u>15.31</u>	<u>1.34</u>	<u>30.33</u>	<u>30.53</u>	<u>0.20</u>

- 7.1 The favourable variance in the year to date is principally due to timing differences, in a number of areas, including advertising and research costs. While the majority of these variances are expected to reverse by the year end, savings of £0.2 million are currently forecast from tight control of staff and other costs.

8. Finance Costs

- 8.1 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 on deposits.

9. General Reserves

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

	Latest Forecast £m	Approved Budget £m	Variance £m
General Reserves at 1 April 2009	8.72	8.20	0.52
(Use of)/transfer to Reserves in 2009/10	1.00	-	1.00
Reserves at 31 March 2010	<u>9.72</u>	<u>8.20</u>	<u>1.52</u>

- 9.2 Opening reserves reflect the adjustments made in finalising the 2009 accounts.
- 9.3 Based on the detailed work undertaken to date, the impact of the introduction of International Financial Reporting Standards ("IFRS") for the accounting period commencing 1 April 2010, will be to reduce opening reserves at 1 April 2010 by approximately £3.0 million. These adjustments relate to the write off of loan premium costs currently held on the Balance Sheet (£2.4 million) which are being amortised over 30 years; and the re-statement of a loan balance to recognise the associated interest cost at the effective rate rather than the contracted rate (£0.6 million). Although these are ultimately 'timing differences' General Reserves at 1 April 2010 will reduce by approximately £3.0 million.
- 9.4 A risk analysis has been undertaken which demonstrates that the risks facing the organisation (which have increased during the year as a result of the agreement by AGMA to establish the Greater Manchester Transport Fund, and undertake a capital programme of approximately £1 billion) require a General Reserve balance of at least £8 million.

- 9.5 The forecast surplus for 2009/10 is currently £1.0 million. It is proposed to transfer this amount to General Reserves as at 31 March 2010.
- 9.6 In addition, and in order to reinstate the General reserve to £8.0 million, it is currently proposed to transfer £1.3 million of the residual Financing Cost Reserve to General Reserves as at 31 March 2010. This proposal will be reviewed and validated as part of the 2010/11 budget setting process.

10. Recommendations

- 10.1 The recommendations appear at the front of this report.

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