GREATER MANCHESTER COMBINED AUTHORITY

OVERVIEW & SCRUTINY COMMITTEE

Date: 8 February 2023

Subject: GMCA Transport Revenue Budget 2023/24

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

PURPOSE OF REPORT

The report sets out the transport related Greater Manchester Combined Authority (GMCA) budget for 2023/24. The proposed Transport Levy to be approved for 2023/24 is included within the report together with the consequential allocations to the District Councils of Greater Manchester.

RECOMMENDATIONS:

The GMCA Overview & Scrutiny Committee is requested to consider the recommendations to be put forward to the GMCA (as below):

1. Note the risks and issues which are affecting the 2023/24 transport budgets as detailed in the report.

2. Approve the GMCA budget relating to transport functions funded through the Levy, as set out in this report for 2023/24.

3. Approve a Transport Levy on the District Councils in 2023/24 of £113.472m, apportioned on the basis of mid-year population 2020.

4. Approve a Statutory Charge of £86.7m to District Councils in 2023/24 as set out in Part 4 of the Transport Order, apportioned on the basis of mid-year population 2020.

5. Approve the proposal to increase fees and charges where applicable, in line with inflation and to approve the increases proposed to Bus stop closure charges. as set out in paragraphs 4.32 and 4.33.

6. Approve the use of Transport reserves in 2022/23 and 2023/24 as detailed in section 5.

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Equalities Implications: N/A

Climate Change Impact Assessment and Mitigation Measures: N/A

Risk Management – The risks and issues which are affecting the 2023/24 transport budgets are detailed in the report.

Legal Considerations – There are no specific legal implications with regards to the 2023/24 budget update, however, please refer to section 6 of the report for budget setting considerations.

Financial Consequences – Revenue – The report sets out the proposed budget for 2023/24.

Financial Consequences – Capital – There are no specific capital considerations contained within the report, however the revenue budget contains resources to meet the capital costs of the authority. Changes in the capital programme can affect the budget to meet these costs.

BACKGROUND PAPERS:

Report to Greater Manchester Combined Authority: GMCA Transport Revenue Budget 2022/23 – 11 February 2022

Report to Greater Manchester Combined Authority: Revenue Update 2022/23 – 28th October 2022

TRACKING/PROCESS

Does this report relate to a major strategic decision, as set out in the GMCA Constitution? Yes

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

Overview & Scrutiny Committee - 8th February 2023

1. INTRODUCTION

1.1 The report provides details of the proposed budget, including Mayoral funded functions as they relate to Transport for 2023/24.

1.2 The allocation to District Councils in relation to the Transport Levy and Transport Statutory Charge is set out in Section 3 of the report. Part 4 of the Transport Order laid before Parliament in April 2019 provides that some £86.7m of funding will be provided to the Mayor by way of a Statutory Charge, in respect of costs that were previously met from the levy.

1.3 The Authority's legal obligations and the responsibility of the Treasurer to the Combined Authority are also set out in more detail later in the report.

2. TRANSPORT REVENUE BUDGET 2023/24

2.1 The proposed Transport budget for 2023/24 is £304.649m, this is an increase of £35.296m compared to 2022/23. The proposed funding to TfGM is £225.428m, an increase of £36.373m compared to 2022/23, with £79.221m to be retained by GMCA predominantly to meet capital financing costs.

2.2 The major changes to the proposed 2023/24 Transport Revenue Budget are as follows:

- Bus Service Improvement Programme (BSIP) grant of £13m to fund the cap on bus fares introduced in September 2022 (singles and dailies) and January 2023 (weeklies) for the period to August 2023. These proposals were introduced on an initial one year basis, from September 2022 to August 2023, with a commitment to review the delivery by summer 2023;
- Bus support grants of £6m to support the continuation of bus services which have been deregistered by bus operators;

- District Transport Levy increase of £7.7m which, together with the Statutory Charge is an overall increase of 4% (3% of which will be recurrent with a 1% one off increase in 2023/24);
- Scheme Development cost increase of £6.2m funded from the Business Rates Top-Up reserve which provides flexibility on use of revenue funding to support capital schemes.

2.3 The table below summarises the proposed 2023/24 Transport Revenue Budget compared to original budget for 2022/23. Section 4 below provides detail on the TfGM budget strategy for 2023/24 and the proposed TfGM revenue budget.

Transport Revenue Budget	**Approved Budget 2022/23**	**Proposed Budget 2023/24**	**Change**
	£000	**£000**	**£000**
Mayoral Transport Budget	134,095	134,786	691
Mayoral Priorities - Care Leavers	550	550	0
District Levy	105,773	113,472	7,699
Earnback Revenue Grant	12,475	12,592	117
Bus Services Improvement Grant	0	13,000	13,000
Use of Reserves	16,460	22,149	5,689
Other Grants	0	8,100	8,100
Total Resources	**269,353**	**304,649**	**35,296**
Resources Available:			
Calls on Resources:			
Funding to TfGM			
Gross Grant to TfGM	138,322	146,021	7,699
TfGM Funded Finance Costs	(13,419)	(12,836)	583
Revenue grant to TfGM	124,903	133,185	8,282
Other Grants	11,785	19,985	8,200
Bus Services Improvement Grant for capped fares	0	13,000	13,000
Scheme Development Costs	15,900	22,100	6,200
Our Pass Concession	16,200	16,891	691
Care Leavers Concession	550	550	0
Bus Reform	15,895	15,895	0
GMCA Traffic Signals	3,822	3,822	0
Total TfGM	189,055	225,428	36,373
Funding retained by GMCA			
GMCA Corporate	1,024	1,024	0
Capital Financing Costs			

- Levy Funded	52,904	52,904	0
- GMCA Funded	12,951	12,457	(494)
- Metrolink related financing costs	13,419	12,836	(583)
	80,298	79,221	(1,077)
Total Call on Resources	**269,353**	**304,649**	**35,296**

3. PROPOSED GMCA TRANSPORT LEVY AND MAYORAL STATUTORY CHARGE 2023/24

Proposed GMCA Transport Levy and Statutory Charge 2023/24 per District

3.1 The table below details both the Transport Levy and the Statutory Charge per district.

District	Population Mid 2020		2022/23 Total Charge £000	2023/24 Transport Levy £000	2023/24 Statutory Charge £000	2023/24 Total Charge £000	Change £000	%
Bolton	288,248	10.12%	19,478	11,483	8,774	20,258	779	4.00%
Bury	190,708	6.70%	12,887	7,598	5,805	13,403	515	4.00%
Manchester	555,741	19.51%	37,554	22,140	16,916	39,056	1,502	4.00%
Oldham	237,628	8.34%	16,058	9,467	7,233	16,700	642	4.00%
Rochdale	223,659	7.85%	15,114	8,910	6,808	15,718	605	4.00%
Salford	262,697	9.22%	17,752	10,466	7,996	18,462	710	4.00%
Stockport	294,197	10.33%	19,880	11,720	8,955	20,676	795	4.00%
Tameside	227,117	7.97%	15,347	9,048	6,913	15,961	614	4.00%
Trafford	237,579	8.34%	16,054	9,465	7,232	16,697	642	4.00%
Wigan	330,712	11.61%	22,348	13,175	10,067	23,242	894	4.00%
Total	**2,848,286**	**100.00%**	**192,473**	**113,472**	**86,700**	**200,172**	**7,699**	4.00%

4. TfGM BUDGET STRATEGY 2023/24

The Bee Network

4.1 Over the next four years, significant investment in Greater Manchester will dramatically improve the public transport offer. GM’s move to bus franchising is a key enabler for delivering this transformational change. This all builds towards delivering the Bee

Network, an integrated ‘London-style’ transport system, which will transform the way people travel across the city region.

4.2 By designing and delivering public transport, active travel and shared mobility services as one system with local accountability and aligned to national and local priorities, the Bee Network will transform the travelling experience and make sustainable, low carbon transport an attractive option for all. The ability to better plan the network will drive revenue by encouraging more people to switch from car journeys to public transport (and active travel) and is therefore key to getting to the ‘right mix’ of 50% (car):50% (sustainable travel) from the current 60:40 mix.

4.3 Accessible, affordable, integrated, inclusive and easy to use, with a daily fare cap and Greater Manchester-wide multi-modal fares, the Bee Network will support seamless end-to-end journeys within Greater Manchester.

4.4 On 30 March 2021, the Mayor made the Greater Manchester Franchising Scheme for Buses 2021 (“the Franchising Scheme”) and the GMCA published its response to the consultation together with the Mayor’s decision, as required by section 123G of the Transport Act 2000 and (on behalf of the Mayor) the Franchising Scheme itself.

4.5 Greater Manchester is the first place in the UK outside of London to introduce bus franchising, bringing bus services under local control in the biggest change to public transport in the city region in over 30 years.

4.6 As previously reported to GMCA, implementation of the Bus Franchising Programme is now well under way, with Tranche 1, covering Wigan and Bolton, due to become operational on 24th September 2023. Contract awards for Tranche 1 took place on 23 December 2023 with Go Ahead and Diamond Bus North West notified as being the successful bidders.

4.7 The Expression of Interest for Tranche 2 was issued in September and the second tranche will be operational at the end of March 2024. The third tranche will be contracted by the end of March 2024 and be operational by January 2025.

Financial Context

4.8 The Bee Network is being delivered against an exceptional set of financial challenges driven by patronage and revenue remaining below pre-pandemic levels combined with exceptional inflationary pressures on the cost base of the transport network (e.g. increasing electricity, fuel and labour costs). These challenges have impacted both the Metrolink and Bus networks, alongside other risks as described below.

Metrolink

4.9 Metrolink has suffered a significant reduction in patronage and farebox revenues since the start of the COVID-19 pandemic in March 2020. After falling to as low as 5% of pre-COVID-19 levels during the first lockdown, patronage has gradually recovered, but farebox revenues remain at c.85% of pre-pandemic levels. The operating costs of the system have also increased significantly due to the unprecedented increases in energy prices and the impact of increase in general inflation. To help address these financial challenges, a package of light rail recovery funding support was provided by central Government throughout the pandemic. That light rail recovery funding subsequently expired in October 2022.

Bus

4.10 Bus patronage and revenue also fell significantly at the start of the pandemic but has recovered to approximately 90% of pre-pandemic levels. Notwithstanding this strong recovery, bus operators are still facing a challenging trading environment, with lower farebox revenues combining with the negative impact of high levels of cost inflation (e.g., higher fuel, labour costs etc). This has resulted in some operators making commercial service changes across Greater Manchester, including service withdrawals and reductions in frequency. To ensure the stability of the network, TfGM has replaced most of these withdrawn services at current frequencies to ensure there has been no material impact on network coverage. These interventions will also protect revenue and enable the network to be optimised through better planning, post franchising. The cost of restoring these services has, to-date, been mitigated by Government bus recovery funding and by maintaining local funding of concession payments to bus operators at pre Covid-19 levels. These same funding sources have also, to date, helped to prevent wider-reaching service withdrawals. That bus recovery funding is currently due to expire at the end of March 2023.

4.11 Whilst patronage is now recovering strongly, reflecting the region’s population growth and our marketing campaigns to offer affordable alternatives to car travel, the lasting impacts of the pandemic and the subsequent exceptional inflationary pressures means that the public transport network will continue to face financial challenges in 2023/24 and beyond.

4.12 As previously reported, TfGM have been in discussions with DfT officials with a view to securing a continuation of financial support for the Metrolink and Bus networks for the next two financial years (2023/24 and 2024/25).

4.13 TfGM has put forward a clear rationale for the level of requested financial support setting out the unique circumstances faced by Greater Manchester and a constructive initial meeting has taken place with the Secretary of State for Transport (SoS). Following that meeting, the SoS was content for TfGM to continue to work through the detail with DfT officials with a view to bringing the discussions to a successful conclusion as soon as possible.

4.14 In addition, TfGM will continue to consider options, for subsequent consideration by GMCA, for longer term financial sustainability beyond the next two financial years

Additional Risks

4.15 In addition to the risks relating to public transport patronage and revenues; and cost inflation, several other budget pressures and risks exist, including:

- Inflation is also impacting TfGM's core operating costs (e.g. energy costs, salary costs and other support costs)

- Long term revenue and capital funding will be required to support the work to consider the options and potential for future Rail Reform, including service delivery and the development of major infrastructure schemes, including High Speed 2.

- Costs of operating and maintaining an expanding network of traffic signals, largely with no additional funding for operational costs. The increasing cost of energy has impacted the cost of operation; and the network which needs to be supported continues to expand due to the delivery of new highways schemes, in particular with respect to Active Travel interventions.;

- Continuing costs to support the ongoing development of modal and integrated ticketing initiatives.

2023/24 Budget Strategy

4.16 As set out above TfGM have been in discussions with DfT officials with a view to securing a continuation of financial support for the Metrolink and Bus networks for the next two financial years (2023/24 and 2024/25).

4.17 In parallel to, and as part of the discussions with DfT, TfGM has committed to a Financial Sustainability Plan (FSP) which sets out a set of initiatives that, alongside continuing central government financial support, will ensure the long-term financial sustainability of the transport network and provide the foundation for the continued delivery of the Bee Network. The various initiatives underpinning the FSP are summarised below:

- **Market renewal:** A set of initiatives to increase patronage and revenues across all modes, including continued innovation around the marketing of transport services, proposals to reduce fare evasion and to increase commercial and other income.

- **Network review:** Continuous network review to scope potential efficiencies on the transport network, including initiatives to reduce energy costs and to further optimise service delivery.

- **Internal efficiencies:** A programme to reduce the core operating costs of TfGM, including by reducing staff costs (TfGM has already initiated a voluntary severance process), reductions in external expenditure, optimising the use of TfGM's office space and increasing commercial income from the existing TfGM asset base.

- **Additional local funding:** The proposed 4% (£7.7m) increase in the Transport Levy in 2023/24 will be ringfenced in full to contribute towards funding the budgeted Metrolink net deficit and the budgeted costs of stabilising the Bus network as it transitions to franchising.

- TfGM will continue to consider options, for subsequent consideration by GMCA, for longer term financial sustainability beyond the next two financial years, as part of the longer-term shared funding model envisaged in the Greater Manchester 'trailblazer' proposition.

4.18 The 2023/24 budget proposal is therefore that:

- The Transport levy is increased from £105.773m in 2022/23 to £113.472m in 2023/24, an increase of 7.7m, together with a flat Statutory Charge of £86.7m. This is an overall increase of 4% (3% of which will be recurrent with a 1% one off increase in 2023/24).

- A further drawdown of £1.8 million is made from the Integrated Ticketing Reserve to continue the development of modal and integrated ticketing initiatives as part of the work to transition to Greater Manchester-wide multi-modal fares and ticketing.

- TfGM fares and departure charges increase in line with rates up to inflation at varying points in 2023/24 as set out in sections 4.31 of the report.

- Bus Stop Closure Charges increase as set out in section 4.32 of the report.

TfGM Proposed Budget 2023/24

4.19 Based on the proposals above the TfGM budget for 2023/24 would be as follows:

	2022/23 Budget £000	2023/24 Budget £000	Change £000
Resources			
Funding from GMCA (incl Levy increase of £7.7m)	189,055	225,428	36,373
Metrolink related financing costs	13,419	12,836	(583)
DfT Rail grant	1,900	1,900	-
Other grants	2,700	-	(2,700)
	207,074	240,164	33,090
Expenditure			
Concessionary Reimbursement	75,600	76,254	(654)
Bus Network Support Costs	36,000	63,000	(27,000)
Capped Fares Scheme	-	13,000	(13,000)
Payment of Devolved BSOG	11,750	11,750	-
Accessible Transport	3,700	3,700	-
Operational Costs	37,697	45,697	(8,000)
Traffic Signals Costs	3,822	3,822	-
Clean Air Plan Costs	400	2,100	(1,700)
Scheme Pipeline development Costs	15,900	19,800	(3,900)
Bus Franchising costs	15,895	15,895	-
Metrolink net loss	-	38,836	(38,836)
Financing costs	6,310	6,310	-
Total Expenditure	207,074	300,164	(93,090)
Surplus/(Deficit) before financial mitigations	**-**	**(60,000)**	**(60,000)**

4.21 The net deficit before financial mitigations (but including the 4% / £7.7 million Levy increase) of £60 million in the table above is proposed to be offset by the various initiatives underpinning the FSP, including securing a continuation of financial support for the Metrolink and Bus networks for the next two financial years (2023/24 and 2024/25) which, as described above, is subject to ongoing work and discussions.

		£'000
Net deficit requiring funding ***after*** additional Levy funding of £7.7m		(60,000)
Additional Local Financial Mitigations		
Internal Efficiencies	8,000	
Network Efficiencies	7,500	
Market Renewal	5,500	
		21,000
Continuing financial support from central Government (*subject to ongoing work and discussions)*		39,000
Surplus/(Deficit) after financial mitigations		**0**

Expenditure

4.22 The Concessionary Reimbursement budget includes the cost of the English National Concessionary Travel Scheme (ENCTS) and the local Concessionary scheme, including the 16-18 (Our Pass) concessionary travel scheme.

4.23 Since the first lockdown TfGM has, as encouraged by DfT, continued to reimburse operators for concessionary reimbursement based on pre-pandemic levels of patronage. DfT has issued guidance for reimbursement beyond March 2023 which allows for this basis of reimbursement to continue, in particular in the context of continuing to support the recovery of the bus network.

4.24 The 2023/24 Concessionary Reimbursement budget has been prepared based on the continuation of the current basis of reimbursement, which is at pre COVID-19 levels of patronage, with an adjustment where mileage operated has been reduced.

4.25 The Our Pass scheme provides free bus travel within Greater Manchester for 16-18 year olds and direct access to other opportunities in the region. The scheme was proposed to run for a pilot period of two years from August 2019, which subsequently became impacted by the Covid pandemic. The scheme was extended in September 2021 and again for the period to August 2023 in order for it to be evaluated. The Combined Authority agreed, at its meeting on 27 January 2023, to fund Our Pass on a continuing basis and that the scheme should be subject to an annual review of its performance, to be completed at the end of each academic year. The Our Pass scheme is funded from a combination of Mayoral precept, reserves and other income. A budget of £16.9m is proposed for 2023/24 with a risk reserve held by TfGM if costs exceed this level, in line with the original funding for the scheme agreed by GMCA.

4.26 The supported bus network budget has come under further pressure in the current financial year as operators have withdrawn services. TfGM has replaced the majority of these services from autumn 2022, with funding from a combination of in year government funding and reserves. The budgeted cost of the additional pressures on the supported services budget in 2023/24 is £27 million which is partly mitigated by government bus support funding of £6 million.

4.27 Capped bus fares were introduced in September 2022 (singles and daily fares) and January 2023 (weekly fares). The budgeted costs are an estimate of the costs to the end of ‘year one’ of the scheme which runs to 31 August 2023. In the report to GMCA in June 2022 on the implementation of the singles and daily fares scheme, it was proposed that these proposals were introduced on an initial one year basis, from September 2022 to August 2023, with a commitment to review the delivery by summer 2023. The costs will be refined and updated during the quarterly reforecasts as more data becomes available. The single and daily fares caps are being funded from BSIP grant income (of £68m in total, in the period to March 2025) from DfT. To the extent the

£68 million of BSIP funding cannot also accommodate the costs of the capped weekly fares, in the period to March 2025, the extension could, subject to the agreed annual review, and the agreement of GMCA, be funded from a combination of Reserves that are specifically allocated for Bus, including the Concessionary Fares Reserve.

4.28 The budgeted grant payable to GMATL, for the provision of Ring and Ride services, of up to £3.7 million is in line with the 2022/23 outturn.

4.29 Net operational costs include the costs of operating and maintaining the TfGM owned bus stations, travel shops and other infrastructure, and the costs of support functions. These costs are forecast to increase by c£8 million from the budgeted costs in 2022/23, largely due to inflationary pressures. That will, as described above, require a saving of c. £8 million in core costs to be delivered. The savings of £8 million will be delivered in a number of areas including by reducing staff costs (TfGM has already initiated a voluntary severance process), reductions in external expenditure, optimising the use of TfGM's office space and increasing commercial income from the existing TfGM asset base.

4.30 Expenditure on scheme development costs is budgeted to increase in 2023/24, due to higher levels of activity on the development of Business Cases and schemes which are part of the programme of works funded through City Region Sustainable Transport Scheme (CRSTS). As reported in the GMCA Capital Programme 2022/23 – 2025/26 report on the agenda for this meeting, the progression of a number of schemes and their associated expenditure profiles has been impacted by global pressures on construction materials availability, associated pricing and inflationary pressures. TfGM and Local Authority Delivery Partners are continuing to work with their respective supply chains to mitigate the impacts of the above matters; albeit due to more recent ongoing global events and trends this continues to be an increasing challenge across the capital programme. It is anticipated that these impacts will continue in respect of expenditure within 2022/23, 2023/24 and beyond. Officers are progressing work to formulate a strategy to address these and related issues. A report detailing the outcome of this work and associated recommendations will be submitted to the GMCA in May 2023.

4.31 Expenditure on Bus Franchising is budged to be at a similar level to 2022/23 of c.£15.9m. The key activities in the year are set out below. The outputs of this planned expenditure for 2023/24 include, in particular:

- Continuation of the procurement of local service contracts required for the implementation and operation of the franchising scheme;
- Procurement of on-bus equipment, other equipment, and systems and associated services which are necessary for the implementation and operation of the franchising scheme;
- Depot and land acquisition financing costs aligned to the depot strategy, as set out in the Assessment;
- Work to establish, operate and manage the Residual Value mechanism, as set out in the Assessment; and
- A quantified risk allowance, in line with the allowance in the Assessment, and as considered appropriate for this stage of development and implementation.

4.32 In line with recent years, it is proposed that the fares and charges on certain products or services that TfGM provide, including certain bus fares (on schools, DRT and Ring Ride services) and Departure Charges, will be subject to increases in line with inflation, at various dates between April 2023 and September 2023. The additional income will be used to partly offset the increasing bus network support costs.

4.33 The budget includes an assumption that Bus Station Departure Charges will also increase in line with inflation, from April 2023. The additional income will be used to partly offset the increasing costs of operating bus stations.

4.34 The budget also assumes that the fees applied to utility companies, commercial contractors and developers when temporarily opening and closing bus stops / shelters are increased from £290 to £320 for the first four stops and that the costs thereafter are increased from £100 to £110 per stop. The costs for ‘revisiting’ a stop are also proposed to increase from £130 to £140.

4.35 TfGM is forecasting an unmitigated, net revenue loss from Metrolink operations for 2023/24 of c£26m, which, in addition to the budgeted financing costs that were previously assumed to be funded from Metrolink net revenues, of £12.836m, results in an overall net deficit of c£39m. The mitigation strategy to fund this net deficit is summarised earlier in this report.

Income

4.36 An analysis of the funding from GMCA is set out in section 2 above in this report.

4.37 The main elements of the GMCA funding are the Transport Levy, the Statutory Charge and funding from the Mayoral General Budget including from the precept as it relates to Transport.

4.38 Following Transport Orders being laid in April 2019, the Mayor was given further powers for transport functions, which in relation to TfGM's activities supports activities associated with delivery of Bus related activities. An amount of £86.7 million was agreed as the cost of delivering these functions and this funding is raised via a statutory charge to District Councils. This was offset by a corresponding reduction in the Transport Levy, so overall funding was unchanged.

4.39 The Transport levy is proposed to increase from £105.773m in 2022/23 to £113.472m in 2023/24, an increase of £7.7m, which together with a flat Statutory Charge of £86.7m is an overall increase of 4% (3% of which will be recurrent with a 1% one off increase in 2023/24). The Levy allocated to TfGM is budgeted to increase in 2023/24 to partly fund the net operating loss from Metrolink as set out above.

4.40 The Mayoral General budget continues to fund other costs in 2023/24 which relate to Mayoral functions and priorities, including the costs associated with updating and delivering the Local Transport Plan (LTP) and the costs of Our Pass (the 16-18 Concessionary Travel Scheme). The LTP costs are budgeted to be £3.55 million, which is unchanged from 2022/23, and the contribution from the Mayoral budget to the costs of Our Pass are budgeted to be £16.9m.

4.41 The funding from the DfT Rail grant in 2023/24 is budgeted to remain at the same level, although this has not yet been formally confirmed by DfT so is a risk in the budget.

5 RESERVES

5.1 An analysis of the forecast and budgeted movements in transport related reserves for 2022/23 and 2023/24 is set out below:

Transport Reserves and Balances	**Final Closing Balances 31st March 2022**	**2022/23 Planned Use**	**Projected Closing Balance 31st March 2023**	**2023/24 Planned Use**	**Projected Closing Balance 31st March 2024**
	£000	**£000**	**£000**	**£000**	**£000**
Capital Programme Reserve	-100,800	4,850	-95,950	0	-95,950
Business Rates Top-Up - Highways	-31,260	-1,137	-32,397	-5,457	-37,854
Integrated Ticketing Reserve	-10,629	1,800	-8,829	1,800	-7,029
Earnback Reserve	-29,430	3,620	-25,810	8,585	-17,225
Revenue Grants Unapplied Reserve	-18,310	400	-17,910	2,300	-15,610
Concessionary Fares Reserve -TfGM	-16,303	0	-16,303	0	-16,303
Property Reserve TfGM	-10,900	400	-10,500	400	-10,100
Metrolink Reserve TfGM	-2,100	0	-2,100	0	-2,100
Joint Road Safety Group Reserve TfGM	-6,607	0	-6,607	0	-6,607
General Revenue Reserves					
General Reserve - TfGM	-5,829	0	-5,829	0	-5,829
General Reserve - General	-1,085	0	-1,085	0	-1,085
Total	**-233,252**	**9,933**	**-223,319**	**7,628**	**-215,691**

General Reserves

5.1 Current good practice states that reserves should be maintained at an appropriate level as determined by a detailed business risk review. The forecast balance on the

General Reserve at 31 March 2023 is £1.085 million for GMCA and £5.829 million for TfGM and there is no planned use of General Reserves in 2023/24.

Capital Programme Reserve

5.2 GMCA and TfGM hold certain reserves which are primarily ring-fenced to pay for and manage the risks of delivering their ongoing capital programme. These reserves are revenue reserves and can be used for capital and revenue purposes, including repaying capital and interest on borrowings and to fund Metrolink renewals to ensure system integrity.

~~5.3~~ The current forecast balance on the Capital Programme Reserve at 31 March 2024 is approximately £95.950m. The long-term balance on the Capital Programme Reserve is very sensitive to the ongoing delivery of the planned net revenues from Metrolink, inflation pressures and interest rates for capital financing which would be under very significant short term pressure if ongoing financial support from central Government is not provided beyond financial year 2022/23.

Business Rates Pilot Top-Up – Highways/Local Transport Plan

5.6 GMCA currently receives revenue funding that is used to support capital spend in GM Local Authorities for highways maintenance and the Local Transport Plan of c£35.7m annually. As this is revenue funding it enables flexibility to support the revenue element of capital schemes. When necessary, approval is sought through GMCA to approve delegated authority to the GMCA Treasurer to make adjustments between capital funding and this reserve to ensure the correct accounting treatment for planned revenue spend.

Integrated Ticketing Reserve

5.7 The Integrated Ticketing Reserve had a balance of £10.6m on 31 March 2022. The reserve will be used over a period of time to contribute towards the development and delivery of integrated, including smart, ticketing schemes. Planned use of the reserve is £1.8m in 2022/23 with a proposed further drawdown of £1.8m in 2023/24, which would reduce the balance at 31st March 2024 to £7.0m

Revenue Grants Unapplied Reserve

5.8 This relates to grants received ahead of expenditure, with the largest grants being in relation to Clean Air plan funding and the Active Travel Fund.

Concessionary Fares Reserve

5.9 A reserve is held to cover specific costs and manage various risks including:

- Costs of fixed deal arrangements with the larger bus operators;
- forecast costs of reimbursing other operators;
- other costs including concessionary travel data collection and 'smart' related costs, which would otherwise be funded from the Levy;
- the costs of concessions, to the extent that they cannot be managed within the 'core' budget, including the 16-18 travel concession and weekly capped fares.

Property Reserve

5.10 The Property Reserve has been generated from the disposal of a number of historic surplus assets and is being used to fund the depreciation costs of the TfGM Head Office. The remaining balance will be applied to match the depreciation charges.

Metrolink Reserves

5.11 TfGM Metrolink reserves of £2.1m relates largely to historic reserves which have been retained for specific purposes.

Joint Road Safety Group Reserve

5.12 The Greater Manchester Joint Road Safety Group operates as part of TfGM. The forecast and budgeted movements represent the net income generated from the delivery of driver improvement training offset by the cost of investments in road safety schemes.

6. LEGAL ISSUES

6.1 In coming to decisions in relation to the revenue budget the Authority has various legal and fiduciary duties. The amount of the transport levy and statutory charge must be sufficient to meet the Authority's legal and financial commitments, ensure the proper discharge of its statutory duties and lead to a balanced budget.

6.2 In exercising its fiduciary duty, the Authority should be satisfied that the proposals put forward are a prudent use of the Authority's resources in both the short and long term and that they are acting in good faith for the benefit of the community whilst complying with all statutory duties.

Duties of the Treasurer (Chief Finance Officer)

6.3 The Local Government Finance Act 2003 requires the Chief Finance Officer to report to the Authority on the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. The Authority has a statutory duty to have regard to the CFOs report when making decisions about the calculations.

6.4 Section 28 of the Local Government Act 2003 imposes a statutory duty on the Authority to monitor during the financial year its expenditure and income against the budget calculations. If the monitoring establishes that the budgetary situation has deteriorated, the Authority must take such action as it considers necessary to deal with the situation. This might include, for instance, action to reduce spending in the rest of the year, or to increase income, or to finance the shortfall from reserves.

6.5 Under Section 114 of the Local Government Finance Act 1988, where it appears to the Chief Finance Officer that the expenditure of the GMCA incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure, the Chief Finance Officer has a duty to make a report to the Authority.

6.6 The report must be sent to the Authority's External Auditor and every member of the Authority and the Authority must consider the report within 21 days at a meeting where it must decide whether it agrees or disagrees with the views contained in the report and what action (if any) it proposes to take in consequence of it. In the intervening period between the sending of the report and the meeting which considers it, the authority is prohibited from entering into any new agreement which may involve the incurring of expenditure (at any time) by the authority, except in certain limited circumstances where expenditure can be authorised by the Chief Finance Officer. Failure to take appropriate action in response to such a report may lead to the intervention of the Authority's Auditor.

Reasonableness

6.7 The Authority has a duty to act reasonably taking into account all relevant considerations and not considering anything which is irrelevant. This Report sets out the proposals from which members can consider the risks and the arrangements for mitigation set out below.

Risks and Mitigation

6.8 The Treasurer has examined the major assumptions used within the budget calculations and considers that they are prudent, based on the best information currently available. A risk assessment of the main budget headings for which the GMCA will be responsible has been undertaken and the key risks identified are as follows;

- The pandemic and the subsequent, unprecedented levels of general – and specifically energy – inflation has had a significant impact on the finances of TfGM. In particular, this includes passenger revenue from Metrolink, which has been significantly adversely impacted; and the requirement to fund additional bus services to stabilise the network, as well as in other areas of activity, including loss of bus service related incomes and loss of commercial revenues.

The mitigation strategy to manage these risks is summarised earlier in this report.

- The risk that net revenues from Bus Franchising are not sustainable from operating income streams. The Assessment for Bus Franchising included a number of mitigating sources for this risk;

- For anticipated borrowings current market interest rate forecasts have been used. While these costs have been budgeted, there remains a risk that until the costs are fixed actual costs may exceed budget. This risk is mitigated by the specific Capital Programme Reserve.

- The complex nature of the significant capital developments being undertaken to enhance and extend the transport network is another key risk area. Whilst these projects and programmes are subject to rigorous management and governance arrangements and each contains an appropriate level of risk allowance and contingency, there remains an inherent financial risk with any project or programme of this size.

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