GREATER MANCHESTER COMBINED AUTHORITY

Greater Manchester Combined Authority

Date: 7 February 2025

Subject: GMCA Transport Revenue Budget 2025/26

Report of: Cllr David Molyneux, Portfolio Lead for Resources and Steve Wilson, Group Chief Finance Officer, GMCA

Purpose of Report

The report sets out the transport related Greater Manchester Combined Authority budget for 2025/26. The proposed Transport Levy to be approved for 2025/26 is included within the report together with the consequential allocations to the District Councils of Greater Manchester.

Recommendations:

The GMCA is requested to:

1. Note the risks and issues which are affecting the 2025/26 transport budgets as detailed in the report.
2. Approve the budget relating to transport functions funded through the Levy, as set out in this report for 2025/26.
3. Approve a Transport Levy on the District Councils in 2025/26 of £125.657m, apportioned on the basis of mid-year population 2023.
4. Approve a Statutory Charge of £86.7m to District Councils in 2025/26 as set out in Part 4 of the Transport Order, apportioned on the basis of mid-year population 2023.
5. Endorse the proposal to increase fees and charges as noted in the report as set out in paragraph 4.6.14.
6. Approve the use of Transport reserves in 2024/25 and 2025/26 as detailed in section 5.

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Risk Management

The risks and issues which are affecting the 2025/26 transport budgets are detailed in the report.

Legal Considerations

There are no specific legal implications with regards to the 2025/26 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 2025/26.

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.

Number of attachments to the report:

None

Comments/recommendations from Overview & Scrutiny Committee

N/A

Background Papers

GMCA Transport Revenue Budget 2024/25 - GMCA Meeting, 9 February 2024

[GMCA Revenue Update Quarter 1 2024/25 - GMCA Meeting, 27 September 2024]

[GMCA Revenue Update Quarter 2 - GMCA Meeting, 29 November 2024]

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

Bee Network Committee

N/A

Overview and Scrutiny Committee

5 February 2025

1. Introduction

1.1. The report provides details of the proposed budget, including Mayoral funded functions as they relate to Transport for 2025/26.

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 Chief Finance Officer (CFO) to the Authority are also set out in more detail later in the report.

2. Proposed GMCA Transport Levy and Mayoral Statutory Charge 2025/26

2.1 The table below details both the Transport Levy (£125.7m) and the Statutory Charge (£86.7m) for each GM local authority (district). The total district transport funding for 2025/26 is therefore £212.4m.

2.2 This value reflects a £8.2m (4%) increase on the recurrent baseline levy for 2024/25 (the amount paid by districts in 2024/25 also included a 1% non-recurrent element).

2.3 As in 2024/25 the 4% increase for 2025/26 is made up of a 3% recurrent increase and a 1% non-recurrent increase.

2.4 The apportionment of the overall Statutory Charge and Levy has also been adjusted to reflect the 2023 mid-year population statistics.

GM Local Authority	Transport Levy £000	Statutory Charge £000	Total Charge £000	Change against 2024/25 baseline £000	Change against 2024/25 baseline %	Change against 2024/25 total charge £000	Change against 2024/25 total charge %
Bolton	12,886	8,891	21,777	816	3.89%	613	2.90%
Bury	8,330	5,748	14,078	430	3.15%	298	2.16%
Manchester	24,714	17,051	41,765	1,864	4.67%	1,476	3.67%
Oldham	10,489	7,237	17,726	621	3.63%	455	2.63%
Rochdale	9,791	6,755	16,546	628	3.95%	473	2.95%
Salford	12,107	8,354	20,461	961	4.93%	772	3.92%
Stockport	12,765	8,808	21,57	737	3.54%	535	2.54%
Tameside	10,001	6,900	16,901	579	3.55%	421	2.55%
Trafford	10,120	6,983	17,103	532	3.21%	371	2.22%
Wigan	14,454	9,973	24,427	997	4.26%	770	3.25%
Total	**125,657**	**86,700**	**212,359**	**8,165**	**4.00%**	**6,184**	**3.00%**

3. Transport Revenue Budget 2025/26

3.1. The proposed Transport budget for 2025/26 is £410.3m, this is an increase of £17.5m compared to the 2023/24 revised budget. From the transport budget £66.4m is to be retained by GMCA, predominantly to meet capital financing costs.

3.2. The proposed funding to Transport for Greater Manchester (TfGM) for 2025/26 is £344.0m, an increase of £25.2m compared to 2023/24 revised budget. The major variances are as follows:

a) Mayoral Transport Budget of £133.3m, which is a decrease of £2.4m compared to 2024/25 revised budget. This funding is made up of the Statutory Charge, Bus Service Operator Grant and Mayoral Precept.

b) District levy of £125.7m, which is an increase of £6.2m compared to 2024/25 revised funding. This is used to part fund capital financing costs and provide funding to TfGM expenditure.

c) Use of Earnback grant for revenue expenditure of £20.1m, which is a decrease of £1m compared to 2024/25 revised budget. This provides funding towards the Metrolink Trafford Park line capital financing charge and TfGM expenditure.

d) Use of Bus Service Improvement Plan Grant of £43.8m, a decrease of £5.8m compared to 2024/25 revised budget. This provides funding towards bus franchising.

e) Use of Local Transport Block Funding of £35.7m which is an element within the City Region Sustainable Transport Schemes funding, unchanged from previous year.

f) Use of Reserves of £30.9m, an increase of £13.1m compared to a revised 2024/25 budget of £17.8m. This provides funding towards TfGM expenditure.

g) Other grants of £21.0m, an increase of £6.4m compared to revised 2024/25 expenditure. This comprises various grants such as Additional Bus Service Operator grants, Rail grants, and Active Travel grants.

3.3 The table below shows the proposed Transport budget for 2025/26 compared to the original and 2024/25 revised budget at quarter 3:

Transport Revenue Budget	Revised Budget 2024/25 (Q3)	Proposed Budget 2025/26	Change from revised budget
	£000	**£000**	**£000**
Resources:			
Mayoral Transport Budget	135,674	133,279	(2,395)
District Levy	119,473	125,657	6,184
Earnback Revenue Grant	21,734	20,820	(914)
Bus Services Improvement Grant	49,589	43,789	(5,800)
Local Transport Block Funding	35,707	35,707	-
Use of Reserves	17,836	30,916	13,080
Other Grants	14,599	20,990	6,391
Total Resources	**392,878**	**410,339**	**17,461**
Expenditure:			
Funding to TfGM	318,729	343,964	25,235
<u>Funding retained by GMCA</u>			
GMCA Corporate	975	975	-
Capital Financing Costs			
- Levy Funded	52,904	52,904	-
- GMCA Funded	20,270	12,495	(7,775)
Total Call on Resources	**392,878**	**410,339**	**17,461**

4. TfGM Budget Strategy 2025/26

4.1. The Bee Network

4.1.1 The Bee Network is Greater Manchester's vision for a joined up, touch in, touch out, London-style transport system. Eventually, it will be your one-stop-shop for all local journeys.

4.1.2 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 is transforming the travelling experience and making sustainable, low carbon transport an attractive option for all. The ability to better plan the network is driving passenger revenue by encouraging more people to switch from car journeys to public transport and active travel.

4.1.3 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.

4.1.4 The first phase of the Bee Network was completed in January 2025 when Greater Manchester became the first region in the UK to use the powers of the Bus Services Act and franchise the bus network and bring it under local control after 30 years of deregulation coincided with falling passenger numbers and service levels. The final tranche of bus franchising in South Manchester went live successfully on 5 January 2025.

4.1.5 The Bee Network also offers more affordable and simpler ways to pay for travel. A new £2/£1 Single 'hopper' ticket and low cost 7-day, 28-day and annual Bee Bus tickets are now in place (including the option to spread the cost of an annual Bee Bus ticket through the region's Credit Unions). These improved products build on our existing set of multi-modal tickets and from March 2025, passengers will be able to use contactless to 'touch-in-and-touch-out' across both Bus and Metrolink services with the system automatically calculating the cost and ensuring the customer gets the best value ticket. This change replicates the multi-modal integrated experience that has been in place in London for several years.

4.1.6 Planning and preparation is now also under way for the second phase of the Bee Network that would see local GM rail services integrated into the Bee Network alongside bus, tram and active travel. GM rail services will start to be integrated into the Bee Network from 2026 with all GM stations incorporated by the end of 2028.

4.2. Financial Context

4.2.1 The Bee Network continues to be delivered against an extremely challenging financial background. Patronage and revenues on Metrolink and Bus have continued their very strong recovery during the current financial year but are still below where they would have been if the pandemic had not occurred. This has combined with exceptional inflationary pressures in recent years which has led to a significant 'stepped' and recurrent increase in the cost base (e.g. electricity, fuel and labour costs) of the transport network. These challenges, and the ending of pandemic-era Government funding have, and will continue, to impact on the net costs of both the Metrolink and Bus networks, alongside other risks as described below.

4.3. Additional Pressures and Risks

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

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

b. Ongoing costs to operate, maintain and renew what is a growing asset base (e.g. depots, new interchanges etc);

c. No medium to long-term certainty on current government funding streams, particularly bus funding streams (e.g. Bus Service Improvement Plan (BSIP) and BSOG) – the 2025/26 settlement from Government was positive but against a backdrop of significant fiscal challenges, there remains uncertainty on the quantum of central government funding for future years;

d. Project preparation and scheme development costs to incorporate rail into the Bee Network;

e. Increasing costs of compliance with recent national changes in law (e.g. the Procurement Act 2023, Terrorism Bill 2024);

f. Contributing funding to GM's Vision Zero initiative to reduce road-related deaths in Greater Manchester;

g. Costs of operating and maintaining an expanding network of traffic signals, with no specific additional funding. The network continues to expand primarily due to the delivery of new highways / active travel schemes;

h. Continuing costs to support the ongoing development of integrated ticketing initiatives (including incorporating tap-in and top-off functionality between rail, tram and bus); and

i. Tranche 3 bus franchising only commenced on 5 January 2025 so finalisation of contractual costs for any contractual changes and compensation events for additional costs unknown at bid stage may crystalise.

4.4. 2025/26 Budget Strategy

4.4.1 During the current financial year, the Authority and the Government agreed the Integrated Settlement for 2025/26. This devolves funding to the Authority from the government for five different business areas of the Authority and includes local transport. This means for certain individual transport grant funding streams across government departments (capital and revenue grants) will be replaced by an individual grant.

4.4.2 This will give the Authority greater flexibility to plan and fund local priorities over the longer term. The level of flexibility across the settlement will be agreed between the government and the Authority before the next spending review and will give the Authority a greater ability to flex funding across the pillars of the Integrated Settlement for activity outside of that pillar in order to achieve the outcomes agreed with the government.

4.4.3 The Authority has therefore received funding certainty for key local government transport grants which include bus related grants such as the BSIP Grant and will have greater flexibility over the use of these grants.

4.4.4 In addition, TfGM continues to deliver on the FSP and this will continue through 2025/26 as part of working to 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:

a. **Growing farebox revenue**: A set of initiatives to increase patronage and revenues across all modes, including continued innovation around the marketing of transport services, initiatives to reduce fare evasion and to increase farebox and other income. This has delivered strong continuing recovery in Metrolink revenues in 2024/25, to pre covid volumes, as well as revenues from the T1 and T2 bus franchised operations that have, to date, outturned above initial forecasts;

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

c. **Internal efficiencies**: An ongoing programme to ensure the most effective and efficient delivery models; to reduce the core operating costs of TfGM, including by reductions in external expenditure; and an ongoing focus on increasing commercial income from the existing TfGM asset base.

d. **Additional local funding**: The proposed £6m increase in the Transport Levy in 2025/26 will be ringfenced in full to improving front-line service delivery.

4.4.5 Whilst the FSP will deliver financial benefits in 2025/26 and beyond, residual challenges still remain and so £30.9m of Reserves (see Section 3) are required to achieve the balanced budget in 2025/26. This limited use of Reserves is forecast to recur into 2026/27 but it is not anticipated that Reserve balances (see Section 5) will fall below an appropriate risk-assessed level. Beyond 2026/27, the Reserves position is forecast to recover as patronage and revenue continues to recover and Integrated Settlement provides the financial flexibility to more easily reach a balanced position with recurrent sources of funding. Nevertheless, discussions still need to continue with government, particularly in advance of the Comprehensive Spending Review, to make the case that ongoing and increasing government funding (e.g. BSIP) is required to keep improving public transport and driving economic growth in GM and in other regions.

4.5. TfGM Proposed Budget 2025/26

4.5.1 Based on the proposals above, the TfGM budget for 2025/26, compared to the latest 2024/25 outturn would be as follows:

	2024/25 Q3 forecast £000	**2025/26 Budget £000**
Resources		
Funding from GMCA	(318,729)	(322,464)
Bus and Metrolink funded financing costs	-	(21,500)
DfT Rail grant (part of Integrated Settlement in 2025/26)	(1,900)	-
	(320,629)	(343,964)
Net expenditure		
Concessionary Support non-Franchised Services	23,893	3,321
Capped Fares Scheme non-Franchised Services	16,861	1,389
Non-Franchised Tendered Services	13,803	2,078
Payment of Devolved BSOG	2,700	-
Bus Franchising implementation costs	18,700	-
Bus Franchising net cost	150,761	226,304
	226,718	233,092
Metrolink net cost	25,194	39,000
Operational Costs	41,862	39,875
Accessible Transport	3,700	3,700
Traffic signals costs	3,822	3,822

Scheme Pipeline development Costs	13,023	18,165
Financing	6,310	6,310
Total Expenditure	320,629	343,964
Surplus/(Deficit)	-	-

4.5.2 In the presentation above all local and national grant funding, the vast majority of which is paid to TfGM either by or through the Authority, is included in the Resources section. The costs shown in the Expenditure section represent the net cost (after farebox and other income) of providing the services, but before any Authority funding has been applied.

4.5.3 Due to budgetary pressures in 2024/25 the finance costs incurred by the Authority for TfGM capital schemes that were funded by borrowings were not passed onto TfGM. In line with previous years TfGM are required to fund these finance charges and the costs have been included within the 2025/26 budget.

4.6. Expenditure

4.6.1 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.

4.6.2 The 2025/26 Concessionary Reimbursement budget and the reduction in expenditure reflects the fact that, from the 5 January 2025, concessionary reimbursement to external commercial bus operators will only be payable for Service Permitted (i.e. non-franchised cross-boundary) operators within Greater Manchester. All other buses services in Greater Manchester form part of the franchised bus network from this date. Service Permitted services are generally those services run by operators that commence in other Local Authority areas but then enter the Greater Manchester area, with similar return journeys. Operators of these services are obliged to accept TfGM ticketing conditions and concessionary products, providing that the reimbursement meets the principle of “no better, no worse”.

4.6.3 The ‘lost revenue’ from carrying concessionary passengers on Metrolink services is also included as part of the net Metrolink cost. In previous budget reports the estimated lost revenue on Metrolink services was shown as a concessionary cost and in turn a reduced Metrolink loss.

4.6.4 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 Our Pass scheme is funded from a combination of Mayoral precept, reserves, and other income. As is the case for ENCTS, the 'lost revenue' from carrying these concessionary passengers in the franchised areas is included as part of the net contract costs for operating franchised services. A total funding budget of £17.2m is proposed for 2025/26 in line with the original funding for the scheme agreed by the Authority. It is estimated £0.5m will be paid to operators for Service Permitted services.

4.6.5 Capped bus fares were introduced in September 2022 (singles and daily fares) and January 2023 (weekly fares). The Capped Fare scheme is partly funded from BSIP grant income from the Department for Transport (DfT). Funding from the Authority includes the £43.8m of BSIP funding which now forms part of the Integrated Settlement agreement. This predominantly relates to franchised services and the 'reduced revenue' from the capped scheme in the franchised areas is included as part of the net contract costs for operating franchised services. A remaining £1.4m of capped fares expenditure is paid to Service Permitted operators.

4.6.6 Now the Greater Manchester Network has been fully franchised the costs of funding the services that were not commercially viable for operators to run (i.e. tendered services) are now included in the net contract costs for operating franchised services. The costs included in the 2025/26 budget predominantly relate to funding the local link service and a small amount for Service Permitted services.

4.6.7 In 2025/26 no payments to commercial operators will be due for the devolved BSOG grant now the network has been fully franchised. The costs are now incurred by TfGM and are included within the bus franchising net operating costs. Devolved BSOG grant funding of £3.0m has been included within the Authority grant funding line as this is now received as part of the Integrated Settlement agreement.

4.6.8 Bus franchising was fully implemented in 2024/25 and therefore no further bus franchising implementation costs are due to be incurred in 2025/26. Ongoing operational costs of running the franchised network are included within the bus franchising net operating cost line.

4.6.9 The net costs (ie net of farebox income) of operating franchised bus services, before any Authority funding has been applied are included in the Bus Franchising net cost line. A high-level forecasting of Tranche 3 (T3) farebox income revenue and costs has been undertaken as part of the 2025/26 budget process. It should be noted TfGM currently have limited information on current T3 farebox income and contract costs will be subject to contract change and any compensation events for changes in relevant bidder assumptions. Any variances in costs and income, will be updated through the quarterly outturn reports as the year progresses.

4.6.10 The Bus franchising net cost has increased in the year due to the network now being fully franchised. Approximately 50% of the network was franchised in January 2025 so 2025/26 is the first full year of a fully franchised network. Along with increased costs of taking on the additional tranche there is also an increased 'lost revenue' element of the budget. This is due to items stated above, such as concessionary reimbursement, capped fares and tendered services funding coming through as Authority grant funding and not being netted off operational costs.

4.6.11 Additionally the finance costs for Bus Franchising capital schemes funded via Authority borrowings are included in the 2025/26 net Bus Franchising cost line.

4.6.12 The net costs (ie net of farebox income) of operating Metrolink, before any Authority funding has been applied are included in the Metrolink net cost line. Additionally, the finance costs for Metrolink capital schemes funded via Authority borrowings are included in the 2025/26 net Metrolink cost, whereas in 2024/25, the finance costs incurred were not passed onto TfGM and were retained by the Authority due to TfGM budgetary pressures. The reinstatement of these finance costs in 2025/26 is predominately the reason for the increase in Metrolink net costs.

4.6.13 Operational costs include the costs of operating and maintaining the TfGM owned bus stations, travel shops and other infrastructure, the costs of support functions and other specific grant funded costs. The underlying costs are forecast to decrease by c£2m from the expected outturn costs in 2024/25. It has been assumed that efficiency savings will need to be delivered by an ongoing programme to ensure the most effective and efficient delivery models; and to reduce the core operating costs of TfGM, including by reductions in external expenditure; and an ongoing focus on increasing commercial income from the existing TfGM asset base. Also included in this cost heading are the revenue costs of Active Travel Schemes which are fully funded by specific revenue grants as noted above.

4.6.14 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 £335 to £350 for the first four stops and that the costs thereafter are increased from £115 to £120 per stop. The costs for 'revisiting' a stop are also proposed to increase from £150 to £160.

4.6.15 The budgeted grant payable to Greater Manchester Accessible Transport Limited, for the provision of Ring and Ride services, of up to £3.7m is in line with the 2024/25 budget and outturn.

4.6.16 The costs for operating and maintaining an expanding network of traffic signals (including the cost of energy and communications) of £3.8m is in line with the 2024/25 budget and outturn. Given that the network continues to expand primarily due to the delivery of new highways / active travel schemes, there will likely be a pressure on this budget that will need to be absorbed from efficiencies elsewhere.

4.6.17 Expenditure on scheme development costs is budgeted to increase slightly in 2025/26, reflecting the rephasing of activity on the development of Business Cases and schemes which are part of the programme of works funded through City Region Sustainable Transport Settlements (CRSTS). DfT have recently indicated that additional funding from CRSTS will be made available for increased scheme development activity which in turn will allow the Authority and TfGM to further strengthen the pipeline of future project. Once fully confirmed, an updated budget and forecast spend will be included in the quarterly outturn reports.

4.6.18 The development of the GM Clean Air Plan is funded by government and is overseen by Joint Air Quality Unit (JAQU), the joint Department for Environment, Food & Rural Affairs (DEFRA) and DfT unit established to deliver national plans to improve air quality and meet legal limits. The costs related to the business case, implementation and operation of the GM Clean Air Plan (CAP) are either directly funded or underwritten by government acting through JAQU and any net deficit over the life of the GM CAP will be covered by the New Burdens Doctrine, subject to a reasonableness test.

4.6.19 No costs or funding in relation to the GM CAP have yet been included in the Budget. Updates were required to the investment-led plan that was submitted to government in December 2023 and again in October 2024. In January 2025, Government accepted the assessment that an investment led, non-charging GM CAP will achieve compliance with nitrogen dioxide levels on the local road network in the shortest possible time and by 2026 at the latest. Once the Greater Manchester Authorities receive a formal direction under the Environment Act 1995, conversations can take place with suppliers, contingency costs can be reviewed and a final view on the deliverability of the scheme within the funding envelope can be taken. Once the direction has been received and this financial assessment has been undertaken, updates to costs and revenues will be included in the quarterly outturn reports. Funding remains available within the government grants previously awarded.

5. Reserves

5.1 An analysis of the forecast and budgeted movements in transport related reserves for 2024/25 and 2025/26 is set out below:

Transport Reserves and Balances	Closing Balance 31 March 2024	2024/25 Planned Use	Projected Closing Balance 31 March 2025	2025/26 Planned Use	Projected Closing Balance 31 March 2026
	£000	**£000**	**£000**	**£000**	**£000**
General Revenue Reserves					
TfGM General Reserve	(3,851)	-	(3,851)		(3,851)
GMCA Transport General Reserve	(1,085)	-	(1,085)		(1,085)
	(4,936)	-	(4,936)	-	(4,936)
Earmarked Reserves and Revenue Grants Unapplied					
GMCA					
Capital Programme Reserve	(86,559)	(834)	(87,393)	22,838	(64,555)
Business Rates Top-Up - Highways	(71,635)	2,316	(69,319)	5,458	(63,861)
Integrated Ticketing Reserve	(7,067)	1,800	(5,267)	1,800	(3,467)
Earnback Revenue Reserve	(36,795)	35,256	(1,539)	820	(719)
Revenue Grant Unapplied	(34,150)	10,898	(23,252)	-	(23,252)
	(236,206)	49,436	(186,770)	30,916	(155,854)
TfGM					
GMCRP - Drive Safe (Unusable)	(9,314)	-	(9,314)	-	(9,314)
Metrolink	(149)	-	(149)	-	(149)
Property Disp (Unusable)	(6,803)	-	(6,803)	-	(6,803)

Metrolink Future Developments	(315)	-	(315)	-	(315)
Metrolink Depreciation	(4,222)	-	(4,222)	-	(4,222)
Property Development (Unusable)	(2,144)	-	(2,144)	-	(2,144)
Other	(16,841)	-	(16,841)	-	(16,841)
Subsidised Bus	(1,750)	-	(1,750)	-	(1,750)
	(41,538)	-	(41,538)	-	(41,538)
Total	**(282,680)**	**49,436**	**(233,244)**	**30,916**	**(202,328)**

5.2. General Reserves

5.2.1 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 as at 31 March 2025 is £1.1m for the Authority and £3.9m for TfGM and there is no planned use of General Reserves in 2025/26.

5.2.2 2025/26 will be the first full year of a fully franchised bus network across Greater Manchester. Following full franchising the authority now takes the risk for both bus and tram farebox income. This changes the overall risk landscape for both TFGM and GMCA. Work has been undertaken to examine the scale of these risks and this work will continue to be developed during the 2025/26 financial year as we gain a deeper understanding of the trends and drivers of patronage levels across the full Bee Network.

5.2.3 In the meantime TFGM assesses a minimum level of reserves required to be circa one month of operating expenses or around £50m. The overall level of usable reserves is therefore in excess of this minimum level following the planned use of reserves in 2025/26.

5.3. Capital Programme Reserve

5.3.1 The Authority 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.

5.3.2 The current forecast balance on the Capital Programme Reserve at 31 March 2025 is £87.4m and the forecast at 31 March 2026 is £64.6m. The long-term balance on the Capital Programme Reserve is retained to manage fluctuations in net revenues from Metrolink, inflation pressures and interest rates for capital financing.

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

5.4.1 The Authority currently receives revenue funding that is used to support capital spend in GM Local Authorities for highways maintenance and the Local Transport Plan of £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 the Authority to approve delegated authority to the Group CFO to make adjustments between capital funding and this reserve to ensure the correct accounting treatment for planned revenue spend.

5.5. Integrated Ticketing Reserve

5.5.1 The Integrated Ticketing Reserve had a balance of £7.1m on 31 March 2024. 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 2024/25 with a proposed further drawdown of £1.8m in 2025/26, which would reduce the balance as at 31 March 2026 to £3.5m.

5.6. Revenue Grants Unapplied Reserve

5.6.1 This relates to grants received ahead of expenditure such as BSOG+ and Active Travel.

5.7. Joint Road Safety Group Reserve (GMCRP)

5.7.1 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.

5.8. Metrolink Reserve

5.8.1 The Metrolink Reserve was established held to fund development costs relating to the Metrolink network.

5.9. Property Depreciation Reserve

5.9.1 The Property Depreciation Reserve is being used to fund the depreciation costs of the TfGM Head Office. The remaining balance will be applied to match the depreciation charges.

5.10. Metrolink Depreciation Reserve

5.10.1 This reserve is held to fund future depreciation charges on specific Metrolink assets.

5.11. Property Development Reserve

5.11.1 This reserve is held to fund the cost of future expenditure on developing TfGM's property portfolio to support the development of additional property income in the future.

5.12. Concessionary Travel Reserve - Bus

5.12.1 A reserve is held to cover specific costs and manage various risks including 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.

5.13. Subsidised Bus Reserve

5.13.1 This reserve has been generated by historic underspend against the subsidised bus budget.

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.

6.3. Duties of the Group Chief Finance Officer (CFO)

6.3.1 The Local Government Finance Act 2003 requires the CFO 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.

6.3.2 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.

6.3.3 Under Section 114 of the Local Government Finance Act 1988, where it appears to the CFO that the expenditure of the Authority 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 CFO has a duty to make a report to the Authority.

6.3.4 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 CFO. Failure to take appropriate action in response to such a report may lead to the intervention of the Authority's Auditor.

6.4. Reasonableness

6.4.1 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.

6.5. Risks and Mitigation

6.5.1 The Group CFO 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 Authority will be responsible has been undertaken and the key risks identified are as follows;

a. 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.

b. 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.

c. 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 programme of this size.