GREATER MANCHESTER COMBINED AUTHORITY

OVERVIEW & SCRUTINY COMMITTEE

Date: 7 February 2024

Subject: Paper B - GMCA Transport Revenue Budget 2024/25

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

PURPOSE OF REPORT

The report sets out the transport related Greater Manchester Combined Authority (GMCA) budget for 2024/25. The proposed Transport Levy to be approved for 2024/25 is included within the report together with the consequential allocations to the District Councils of Greater Manchester.

RECOMMENDATIONS:

The GMCA Overview and Scrutiny Committee is requested to:

Consider and comment on the report and note the recommendations which will be considered by the GMCA at its meeting on the 9 February 2024 as below.

The GMCA is requested to consider the recommendations below:

1. Note the risks and issues which are affecting the 2024/25 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 2024/25.

3. Approve a Transport Levy on the District Councils in 2024/25 of £119.473m, apportioned on the basis of mid-year population 2022.

4. Approve a Statutory Charge of £86.7m to District Councils in 2024/25 as set out in Part 4 of the Transport Order, apportioned on the basis of mid-year population 2022.

5. Endorse the proposal to increase fees and charges as noted in the report, including the increases proposed to Departure Charges and Bus stop closure charges. as set out in paragraphs 4.24 and 4.25.

6. Approve the use of Transport reserves in 2023/24 and 2024/25 as detailed in section 5.

CONTACT OFFICERS:

Name: Steve Wilson, Treasurer to GMCA

E-Mail: steve.wilson@greatermanchester-ca.gov.uk

Name: Steve Warrener, Managing Director / Finance and Corporate Services Director, Transport for Greater Manchester

E-Mail: steve.warrener@tfgm.com

Equalities Implications: N/A

Climate Change Impact Assessment and Mitigation Measures: N/A

Risk Management – The risks and issues which are affecting the 2024/25 transport budgets are detailed in the report.

Legal Considerations – There are no specific legal implications with regards to the 2024/25 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 2024/25.

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 2023/24 – 10 February 2023.

Report to Greater Manchester Combined Authority: Revenue Update 2023/24 – 27th October 2023

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 - 7th February 2024

1. INTRODUCTION

1.1 The report provides details of the proposed budget, including Mayoral funded functions as they relate to Transport for 2024/25.

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 2024/25

2.1 The proposed Transport budget for 2024/25 is £408.953m, this is an increase of £11.038m compared to the 2023/24 revised budget. From the transport budget £78.353m is to be retained by GMCA, predominantly to meet capital financing costs.

2.2 The proposed funding to TfGM for 2024/25 is £330.600m, an increase of £11.906m compared to 2023/24 revised budget at quarter 3. The major variances are as follows:

- Transport Revenue Grant to TfGM of £152m funded from the Levy and Statutory Charge, which is an increase of £11.038m compared to 2023/24 revised budget funded by:

    - Local Authority (District) Transport Levy increase of £6m. This funding is ringfenced for the net costs of Metrolink and Bus Franchising, with the amount of Levy allocated for TfGM ‘core’ budgets to be maintained at a ‘cash flat’ level again.
    - Capital financing cost of £5.036m to be met from the GMCA Capital Programme Reserve.
- Previously announced Government bus recovery funding (BSOG+) of £6.5m for 2024/25, which is a reduction of £23.7m compared to 2023/24.
- Bus Franchising funding of £42m for 2024/25 funded from a combination of Mayoral precept, Earnback reserve and Local Transport reserve. This an increase of £18.6m compared to the 2023/24 revised budget.
- City Region Sustainable Transport Scheme funding / ‘capital to revenue switch’ of £25m applied to the revenue budget, funded from the Business Rates Top-Up reserve.
- Scheme development funding of £17.135m, also funded from the Business Rates Top-Up reserve. This is a reduction of £3.078m compared to the 2023/24 revised budget.
- 16-18 ‘Our Pass’ and Care Leavers concessionary pass funding of £17.729m (an increase of £338k from 2023/24) funded from the Mayoral budget from a combination of Mayoral precept, grant funding, reserves and income.
- Other grants of £17.741m including Bus Service Operators grant and Active Travel revenue grants which reflects a £17.092m decrease compared to 2023/24 revised budget.

2.3 The table below shows the proposed Transport budget for 2024/25 compared to the original and 2023/24 revised budget at quarter 3:

Transport Revenue Budget 2024/25	**Revised Budget 2023/24 (Qu3)**	**Proposed Budget 2024/25**	**Change from revised budget**
	£000	**£000**	**£000**
Resources:			

Mayoral Transport Budget	135,336	135,674	338
District Levy	113,472	119,474	6,002
Earnback Revenue Grant	12,592	28,714	16,122
Bus Services Improvement Grant	47,800	48,600	800
Government Recovery Funding	30,200	6,500	(23,700)
Use of Reserves	35,567	64,135	28,568
Other Grants	22,948	5,856	(17,092)
Total Resources	**397,915**	**408,953**	**11,038**
Expenditure:			
Funding to TfGM			
Gross Grant to TfGM	146,021	152,023	6,002
TfGM Funded Finance Costs	(5,036)	-	5,036
Revenue grant to TfGM	140,985	152,023	11,038
Bus Services Improvement Grant	47,800	48,600	800
Government Recovery Funding	30,200	6,500	(23,700)
Bus Franchising	23,400	42,000	18,600
City Region Sustainable Transport Fund	-	25,000	25,000
Scheme Development Costs	20,213	17,135	(3,078)
Our Pass Concession	16,891	17,229	338
Care Leavers Concession	550	550	-
Other Grants	34,833	17,741	(17,092)
GMCA Traffic Signals	3,822	3,822	-
Funding to TfGM	318,694	330,600	11,906
Funding retained by GMCA			
GMCA Corporate	1,024	975	(49)
Capital Financing Costs			
- Levy Funded	52,904	52,904	-
- GMCA Funded	20,257	24,474	4,217
- TfGM Funded from Reserves	5,036	-	(5,036)
GMCA Capital Financing Costs	79,221	78,353	(868)
Total Call on Resources	**397,915**	**408,953**	**11,038**

3. PROPOSED GMCA TRANSPORT LEVY AND MAYORAL STATUTORY CHARGE 2024/25

3.1 The table below details both the Transport Levy (£119.473m) and the Statutory Charge (£86.700m) for each GM local authority (district). The total district transport funding for 2024/25 is therefore £206.173m.

3.2 This value reflects a £7.9m (4%) increase on the recurrent baseline levy for 2023/24 (the amount paid by districts in 2022/23 also included a 1% non-recurrent element).

3.3 As in 2023/24 the 4% increase for 2024/25 is made up of a 3% recurrent increase and a 1% non-recurrent increase.

3.4 The apportionment of the overall Statutory Charge and Levy has also been adjusted to reflect the 2022 mid-year population statistics.

GM Local Authority	**2024/25**						
	Transport Levy £000	**Statutory Charge £000**	**Total Charge £000**	**Change against 2023/24 baseline £000**	**%**	**Change against 2023/24 total charge £000**	**%**
Bolton	12,264	8,900	21,164	1,101	5.49%	906	4.47%
Bury	7,985	5,795	13,780	506	3.82%	377	2.82%
Manchester	23,347	16,942	40,289	1,609	4.16%	1,233	3.16%
Oldham	10,008	7,263	17,271	732	4.43%	571	3.42%
Rochdale	9,314	6,759	16,073	506	3.25%	355	2.26%
Salford	11,409	8,280	19,689	1,405	7.69%	1,227	6.65%
Stockport	12,191	8,847	21,038	561	2.74%	362	1.75%
Tameside	9,550	6,930	16,480	673	4.26%	519	3.25%
Trafford	9,696	7,036	16,732	196	1.19%	35	0.21%
Wigan	13,709	9,948	23,657	639	2.78%	415	1.79%
Total	**119,473**	**86,700**	**206,173**	**7,929**	**4.00%**	**6,001**	**3.00%**

4. TfGM BUDGET STRATEGY 2024/25

The Bee Network

4.1 GM's move to bus franchising is a key enabler for delivering transformational change in its transport system. 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.

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 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.

4.5 As previously reported to GMCA, implementation of Bus Franchising is now well under way. Tranche 1, covering Wigan and Bolton, became operational on 24th September 2023 and Tranche 2, covering Oldham, Bolton and Bury is due to commence operation in March 2024. Tranche 3 is scheduled to commence in early 2025.

Financial Context

4.6 The Bee Network continues to be delivered against an extremely challenging financial background. Patronage and revenues on Metrolink and Bus have continued to recover 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 which have 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 progressively reducing 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.

Additional Risks

4.7 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. salary and other support costs and energy costs)

- Long term revenue and capital funding will be required to support the work to consider the options and potential for future Rail Reform;

- 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;

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

- As part of its ongoing work to be as efficient and effective as possible, TfGM continues to consider how to best serve its customers and ensure it has the most effective and efficient delivery models. This work will deliver savings over the medium to longer term but may require some additional costs in 2024/25, which will need to be accommodated within the core 'cash flat' budget.

<u>2024/25 Budget Strategy</u>

4.8 During the current financial year, TfGM managed to secure additional funding from Department of Transport (DfT) to support both the Metrolink and bus networks as part of a Financial Sustainability Plan (FSP) which has been developed and implemented by TfGM. Through this FSP, TfGM has supplemented the additional funding provided by DfT with a targeted programme of internal efficiencies; network planning savings; and generation of challenging growth in farebox revenues.

4.9 TfGM continues to deliver on the FSP and this will continue through 2024/25 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:

- **Market renewal:** 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 2023/24, to 95% of pre covid volumes, as well as revenues from the T1 bus franchised operations thatg have, to date, outturned above initial forecasts;

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

- **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.

- **Additional local funding:** The proposed £6m increase in the Transport Levy in 2024/25 will be ringfenced in full to contribute towards funding the budgeted Metrolink net deficit and the budgeted costs of stabilising the Bus network and the operation of the newly franchised elements.

4.10 All of the outcome targets included in the FSP for the generation of cost savings or additional income in 2023/24 are forecast to be delivered; and the financial benefits will recur into 2024/25 and beyond. However, significant challenges still remain. This report shows how these challenges can be met in order to deliver a balanced budget for 2024/25. However this includes the use of a number of ‘non-recurring’ sources of funding, including reserves; and therefore, discussions need to continue with government in order that a more sustainable funding model can be developed to support the transport network in GM and in other regions.

TfGM Proposed Budget 2024/25

4.11 Based on the proposals above, the TfGM budget for 2024/25, compared to the latest 2023/24 outturn would be as follows:

	2023/24 Outturn £'000	2024/25 Budget £'000
Resources		
Funding from GMCA	318,694	330,600
Metrolink funded financing costs	5,036	-
DfT Rail grant	1,900	1,900
	325,630	332,500
Net expenditure		
Concessionary Support non Franchised Services	76,254	31,784
Capped Fares Scheme non Franchised Services	34,000	14,513
Non Franchised Tendered Services	44,573	13,400
Payment of Devolved BSOG	11,750	3,056
Bus Franchising implementation costs	23,400	24,500
Bus Franchising net cost	22,500	151,877
	212,477	239,130
Metrolink net cost	26,763	19,715
Operational Costs	45,445	42,688
Accessible Transport	3,700	3,700
Traffic signals costs	3,822	3,822
Net Clean Air Plan Costs	9,200	-
Scheme Pipeline development Costs	17,913	17,135
Financing	6,310	6,310
Total Expenditure	325,630	332,500
Surplus/(Deficit) on core budget	-	-

4.12 In the presentation above all local and national grant funding, the vast majority of which is paid to TfGM either by or through GMCA, 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 GMCA funding has been applied.

Expenditure

4.13 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.

4.14 Since the first lockdown TfGM has, as encouraged by DfT, continued to reimburse operators for concessionary reimbursement based on pre-pandemic levels of patronage. However DfT has recently issued updated guidance for reimbursement beyond March 2024 under which reimbursement must revert to being based on actual patronage, albeit using a new reimbursement calculator.

4.15 The 2024/25 Concessionary Reimbursement budget reflects the fact that, from the end of March 2024, concessionary reimbursement to external operators will only be payable for services which are currently operating in Tranche 3, as Tranches 1 and 2 will be fully franchised by 31 March 2024. The 'lost revenue' from carrying concessionary passengers in the franchised areas is included as part of the net contract costs for operating franchised services.

4.16 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 Combined Authority agreed, at its meeting on 27 January 2023, to fund Our Pass on a continuing basis. 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 £17.4m is proposed for 2024/25 with a risk reserve held by TfGM if costs exceed this level, in line with the original funding for the scheme agreed by GMCA.

4.17 Capped bus fares were introduced in September 2022 (singles and daily fares) and January 2023 (weekly fares). The budgeted costs for 2024/25 are an estimate of the costs for the year payable in the non franchised area. The Capped Fare scheme is funded from BSIP grant income from DfT. The 'reduced revenue' in the franchised areas is included as part of the net contract costs for operating franchised services.

4.18 The costs of funding tendered bus services in the non franchised area are shown on the Non Franchised Tendered Services cost line. This cost is budgeted to reduce in 2024/25 as more of the network is franchised, however the budget has come under further significant pressure in the current financial year as operators have withdrawn services in non franchised areas. TfGM has reinstated the majority of these services and the budget reflects the continuation of this support until the commencement of Tranche 3.

4.19 The budget for BSOG represents payments to operators of commercial services in the non franchised areas. This amount is due to reduce in 2024/25 in line with the roll out of franchising.

4.20 Expenditure on Bus Franchising implementation costs is budged to be £24.5m in 2024/25 The key activities in the year are set out below:

- Work to mobilise and implement franchised services;
- Work to 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.

4.21 The net costs (ie net of farebox income) of operating franchised bus services, before any GMCA funding has been applied are included in the Bus Franchising net cost line. An estimate of the costs for Tranche 3 is currently included based on the costs for the first two tranches. Tranche 3 costs, and any other variances in costs and income, will be updated through the quarterly outturn reports as the year progresses.

4.22 The net costs (ie net of farebox income) of operating franchised Metrolink, before any GMCA funding has been applied are included in the Metrolink net cost line.

4.23 Net 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 increase by c£6 million from the budgeted costs in 2023/24, largely due to inflationary pressures. It has been assumed that this will be offset by savings 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.

4.24 In line with recent years, it is proposed that Departure Charges, will be subject an increase in line with inflation in April 2024. The additional income will be used to partly offset cost increases.

4.25 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 £320 to £335 for the first four stops and that the costs thereafter are increased from £110 to £115 per stop. The costs for 'revisiting' a stop are also proposed to increase from £140 to £150.

4.26 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 2023/24 budget and outturn.

4.27 The costs for operating traffic signals include the costs for energy, communications to determine what measures GM is to implement – only the Investment-led Plan complies with the requirement placed on the 10 GM local authorities to deliver compliance in the shortest possible time and by 2026 at the latest. No costs have been included in the current budget for the Clean Air Plan pending the outcome of the government response to GM's proposal for the future of the scheme. and any other operational costs, including any repairs and maintenance. The network continues to expand primarily due to the delivery of new highways / active travel schemes.

4.28 The development of the GM CAP is funded by government and is overseen by Joint Air Quality Unit (JAQU), the joint Department for Environment, Food & Rural Affairs (DEFRA) and Department for Transport (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 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.

4.29 The 'Case for a new Greater Manchester Clean Air Plan' was submitted to the Secretary of State in July 2022. In January 2023, government asked GM for additional evidence including modelling how its investment-led approach performs (in terms of delivering compliance with legal nitrogen dioxide levels) against the 'benchmark' of a charging clean air zone to address the nitrogen dioxide exceedances identified in central Manchester and Salford. In April 2023, the government advised of a review of its bus retrofit programme as it had evidence that retrofitted buses have poor and highly variable performance in real-world conditions. Due to the bus retrofit review the requested evidence needed further work. In December 2023, GM submitted an update to the Secretary of State on the Case for a new Greater Manchester Clean Air Plan and confirmed that an appraisal of GM's proposed investment-led plan has been undertaken against a benchmark charging Clean Air Zone (CAZ) in the centre of Manchester and Salford. GM's evidence shows that the investment-led, non-charging plan can achieve compliance in 2025. However, it is for government to determine what measures GM is to implement – only the Investment-led Plan complies with the requirement placed on the 10 GM local authorities to deliver compliance in the shortest possible time and by 2026 at the latest.

4.30 Expenditure on scheme development costs is budgeted to reduce slightly in 2024/25, reflecting the phasing of activity on the development of Business Cases and schemes which are part of the programme of works funded through CRSTS.

RESERVES

5.1 An analysis of the forecast and budgeted movements in transport related reserves for 2023/24 and 2024/25 is set out below:

Transport Reserves and Balances	**Closing Balance 31 March 2023**	**2023/24 Planned Use**	**Projected Closing Balance 31 March 2024**	**2024/25 Planned Use**	**Projected Closing Balance 31 March 2025**
	£000	**£000**	**£000**	**£000**	**£000**
General Revenue Reserves					
TfGM General Reserve	(3,902)	-	(3,902)	-	(3,902)
GMCA Transport General Reserve	(1,085)	-	(1,085)	-	(1,085)
	(4,987)	-	(4,987)	-	(4,987)
Earmarked Reserves and Revenue Grants Unapplied					
GMCA					
Capital Programme Reserve	(101,189)	6,623	(94,566)	12,000	(82,566)
Business Rates Top-Up - Highways	(55,560)	3,222	(52,338)	42,135	(10,203)
Integrated Ticketing Reserve	(8,829)	1,800	(7,029)	1,800	(5,229)
Earnback Revenue Reserve	(32,491)	3,637	(28,854)	28,714	(140)
Revenue Grant Unapplied	(30,623)	(6,057)	(36,680)	15,856	(20,824)
	(228,692)	9,225	(219,467)	100,505	(118,962)
TfGM					
Joint Road Safety	(8,270)	(1,384)	(9,654)	-	(9,654)
Metrolink	(464)	-	(464)	-	(464)
Property Depreciation	(7,162)	358	(6,804)	358	(6,446)
Metrolink Depreciation	(4,481)	260	(4,221)	260	(3,961)
Property Development	(2,165)	500	(1,665)	500	(1,165)
Concessionary Travel - Bus	(19,367)	9,800	(9,567)	(1,550)	(11,117)
Subsidised Bus	(1,750)	-	(1,750)	1,750	-
	(43,659)	9,534	(34,125)	1,318	(32,807)
Total	**(277,338)**	**18,759**	**(258,579)**	**101,823**	**(156,756)**

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 2024 is £1.085 million for GMCA and £3.902 million for TfGM and there is no planned use of General Reserves in 2024/25.

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 £94.966m and the forecast at 31 March 2025 is £82.566m. 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.

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 £8.829m on 31 March 2023. 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 2023/24 with a proposed further drawdown of £1.8m in 2024/25, which would reduce the balance at 31st March 2025 to £5.229m.

Revenue Grants Unapplied Reserve

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

Joint Road Safety Group Reserve (GMCRP)

5.9 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.

Metrolink Reserve

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

Property Depreciation Reserve

5.11 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.

Metrolink Depreciation Reserve

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

Property Development Reserve

5.12 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.

Concessionary Travel Reserve - Bus

5.12 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.

Subsidised Bus Reserve

5.13 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.

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.

<u>Reasonableness</u>

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.

<u>Risks and Mitigation</u>

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 unprecedented levels of general – and specifically energy – inflation has had a significant impact on the finances of TfGM.

- 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 programme of this size.