

Greater Manchester Combined Authority

Overview & Scrutiny Committee

Date: 11th February 2026

Subject: GMCA Transport Revenue Budget 2026/27

(Budget Paper D)

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

Purpose of Report

The report sets out the transport related Greater Manchester Combined Authority budget for 2026/27. The proposed Transport Levy to be approved for 2026/27 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 13 February 2026 as below.

The GMCA is requested to:

1. Note the budget strategy, risks and issues which are affecting the 2026/27 transport budgets as detailed in the report.
2. Approve the budget relating to transport functions funded through the Transport Levy, as set out in this report for 2026/27.
3. Approve a Transport Levy on the District Councils in 2026/27 of £129.926 m, apportioned on the basis of mid-year population 2024.
4. Approve a Statutory Charge of £86.7m to District Councils in 2026/27 as set out in

Part 4 of the Transport Order, apportioned on the basis of mid-year population 2024.

5. Approve the use of Transport reserves in 2025/26 and 2026/27 as detailed in section 5.
6. Approve the use of the flexibilities available to GMCA to use Integrated Settlement capital funding to manage use of Reserves in 2025/26 and 2026/27 and over the medium term.
7. Approve the proposed financial assistance programme for Private Hire Vehicle owners to switch from older, non-compliant vehicles to newer cleaner vehicles and the £1.25m provision made in the 2026/27 budget in relation to scheme administration costs and any bad debts/loan write-offs.

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Risk Management

The risks and issues which are affecting the 2026/27 transport budgets are detailed in the report.

Legal Considerations

There are no specific legal implications with regards to the 2026/27 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 2026/27.

Financial Consequences – Capital

The report sets out the use of the flexibilities available to GMCA to use Integrated Settlement capital funding to manage use of Reserves in 2025/26 and 2026/27 and over the medium term]. The revenue budget also contains resources (i.e. scheme development costs) 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 28 November 2025 - GM Taxi Review: Trade Engagement and Licensing Model

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

11 February 2025

1. Introduction

- 1.1. The report provides details of the proposed budget, including Mayoral funded functions as they relate to Transport for 2026/27.
- 1.2. The allocation to District Councils in relation to the Transport Levy and Transport Statutory Charge is set out in Section 2 of the report. 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 2026/27

- 2.1 The table below details both the Transport Levy (£129.9m) and the Statutory Charge (£86.7m) for each GM local authority (District). The total District transport funding for 2026/27 is therefore £216.6m.
- 2.2 This value reflects a £6.3m (3%) increase on the recurrent baseline levy for 2025/26. The amount paid by Districts in 2025/26 also included a 1% non-recurrent element, therefore, the 2026/27 Transport Revenue Budget includes a net increase in the Transport Levy of 2% or £4.3m.
- 2.3 The apportionment of the overall Statutory Charge and Levy has also been adjusted to reflect the 2024 mid-year population statistics.

GM Local Authority	Transport Levy £000	Statutory Charge £000	Total Charge £000	Change against 2025/26 baseline £000	Change against 2025/26 baseline %	Change against 2025/26 total charge £000	Change against 2025/26 total charge %
Bolton	13,386	8,933	22,319	751	3.48%	542	2.49%
Bury	8,587	5,731	14,318	375	2.69%	240	1.70%
Manchester	25,456	16,987	42,443	1,080	2.61%	678	1.62%
Oldham	10,860	7,247	18,107	551	3.14%	381	2.15%
Rochdale	10,169	6,786	16,955	568	3.47%	409	2.47%
Salford	12,707	8,479	21,186	921	4.54%	725	3.54%
Stockport	13,121	8,755	21,876	510	2.39%	303	1.40%
Tameside	10,345	6,903	17,248	510	3.05%	347	2.05%
Trafford	10,405	6,943	17,348	409	2.41%	245	1.43%
Wigan	14,890	9,936	24,826	634	2.62%	399	1.63%
Total	129,926	86,700	216,626	6,309	3.00%	4,269	2.01%

3. Transport Revenue Budget 2026/27

- 3.1. The proposed Transport budget for 2026/27 is £481.7m. From the transport budget £66.9m is to be retained by GMCA, predominantly to meet capital financing costs.
- 3.2. The proposed funding to Transport for Greater Manchester (TfGM) for 2026/27 is £414.8m, an increase of £56.6m compared to the revised 2025/26 budget at Quarter 2¹ 2025/26 revised budget. The major variances are as follows:
- a) Mayoral Transport Budget of £148.3m, which is an increase of £15.0m compared to the 2025/26 revised budget. The increase in funding supports various initiatives outlined in Section 4 below and as outlined in the Mayoral Budget². This funding is made up of the Statutory Charge, Bus Service Operator Grant, and Mayoral Precept.
 - b) District levy of £129.9m, which is an increase of £4.3m compared to the 2025/26 budget. This is used to part fund capital financing costs and provide funding to TfGM expenditure.
 - c) Use of government grants of £143.6m, an increase of £13.1m compared to the 2025/26 budget. This funding comprises of various legacy funding streams now consolidated in Greater Manchester's Integrated Settlement, as well as grants currently not included in the Integrated Settlement (e.g. funding from the government's National Fare Cap Scheme).
 - d) Proposed use of the flexibilities available to GMCA to use up to £25m per annum of Integrated Settlement capital funding to support the revenue budget in for both 2025/26 and 2026/27. Using these flexibilities allows the reserves position to be managed over the medium term.
 - e) Use of reserves of c.£35.0m, an increase of £23.9m compared to a 2025/26 budget of c.£11.0m. This provides funding towards TfGM expenditure.
- 3.3 The table below shows the proposed Transport budget for 2026/27 compared to the revised 2025/26 budget at Quarter 2:

¹ https://democracy.greatermanchester-ca.gov.uk/documents/s41336/11A%2020251128_Q2_Revenue_Update_Report.pdf

² <https://democracy.greatermanchester-ca.gov.uk/documents/s42001/5A%20260128-Mayoral%20General%20Budget%20and%20Precept%20Proposals%2026-27%20-%20FINAL.pdf>

Transport Revenue Budget	Revised 2025/26 Budget	2026/27 Budget	Variance to 2025/26 Budget
	£000	£000	£000
Resources:			
Mayoral Transport Budget	133,279	148,280	15,001
District Levy	125,657	129,926	4,269
Grants	130,444	143,574	13,130
Reserves	11,041	34,953	23,912
Capital Funding (Integrated Settlement Flexibility)	25,000	25,000	-
Total Resources	425,342	481,733	56,391
Expenditure:			
Funding to TfGM	358,143	414,813	56,670
<u>Funding retained by GMCA</u> GMCA Capital Financing & Corporate Costs	67,199	66,920	(279)
Total Call on Resources	425,342	481,733	56,391

4. TfGM Budget Strategy 2026/27

4.1. The Bee Network

- 4.1.1 The Bee Network is Greater Manchester's joined up, touch-in, touch-out, London-style transport system. We continue to work towards the Bee Network being 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 levels and farebox 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 supports 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 entire local 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 went live successfully on 5 January 2025, meaning we have just passed the first anniversary of having the entire bus network under local control. The improvements that have been made since the launch of the first phase of franchising have led to strong patronage growth and significant improvements in reliability and punctuality across the network.

- 4.1.5 The Bee Network also offers more affordable and simpler ways to pay for travel. £2/£1 Single 'hopper' tickets 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 city region's Credit Unions). Launched in March 2025, passengers are now 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 but until now not replicated anywhere else in the UK.
- 4.1.6 Planning and preparation work continues for the second phase of the Bee Network that will see local GM rail services integrated into the Bee Network alongside bus, tram, and active travel. The first phase of the integration of certain GM rail services into the Bee Network will start in late 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 in the aftermath of an extremely challenging period for the entire transport sector when revenues were negatively impacted by the COVID pandemic and transport costs have increased rapidly due to the high levels of inflation experienced in recent years.
- 4.2.2 Despite its infancy, the Bee Network has been resilient and has navigated these headwinds successfully. Patronage and revenues on Metrolink and Bus have continued to grow during the current financial year. All three tranches of franchised bus services have now been operating for over a year, and annual patronage and revenue growth has consistently exceeded 10% across the network. This needs to be set against the context of decades of falling patronage under the deregulated model. The patronage growth seen on franchised bus services is also consistently outperforming national and comparable city region averages with Greater Manchester showing the highest level of patronage growth of all UK city regions.

Metrolink patronage has also increased despite the extensive Metrolink track replacement works in the city centre during summer 2025 and now comfortably exceeds pre-pandemic passenger numbers.

4.2.3 Despite this resilience, passenger revenues are still below where they would have been if the pandemic had not occurred. Combined with exceptional inflationary pressures in recent years this 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 'emergency' 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 remains persistently high (and above historical norms) and continues to impact 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).
 - c. Project preparation and scheme development costs to incorporate rail into the Bee Network.
 - d. Increasing costs of compliance with recent national changes in law (e.g. the Procurement Act 2023, Terrorism Bill 2024).
 - e. Contributing funding to GM's Vision Zero initiative to reduce road-related deaths in Greater Manchester.
 - f. 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.
 - g. Continuing costs to support the ongoing development of integrated ticketing initiatives (including incorporating touch-in and touch-out functionality between rail, tram, and bus).
 - h. Bus franchising and all the associated complexities of operating GM's bus network is still in its relative infancy. Finalisation of contractual costs for any contractual changes and compensation events for additional costs unknown at bid stage may crystallise.

- i. The creation of an 11th GM district (Travelsafe Phase 2) to improve security across the Bee Network. Safety continues to be a key consideration for passengers and can often be a barrier to people using public transport. The introduction of Live Chat via the TfGM mobile App, launched in October 2025, and the creation of the 11th district is GM's response to improve safety on the network and encourage more trips on public transport.

4.4. 2025/26 Budget Strategy

4.4.1 Having successfully navigated an unprecedented period of financial challenges, the Bee Network has emerged with solid foundations to support the next phase of its development. The year ahead (2026/27) will be a key step in ensuring Greater Manchester has a transport system for what is a genuinely global city region. Through this Budget (and the accompanying capital budget) and as outlined in the Greater Manchester Strategy, the Bee Network will make it even easier to get around, connecting every community like never before with the budget focused on the following:

- a) Ensuring the Bee Network remains affordable to all residents through keeping fares low and always offering the best value integrated fare through contactless touch-in and touch-out' capability.
- b) Growing the Bee Network by integrating rail services, adding new bus services, and continuing to improve existing bus and Metrolink services
- c) Improving perceptions of personal safety so that it does not act as a barrier to using public transport by making The Bee Network the safest transport system in the UK.
- d) Using transport as an enabler for the wider pledges within the Greater Manchester Strategy. For example, TfGM will continue to work with GMCA and our Local Authorities to integrate housing and employment planning with transport through the Integrated Pipeline.
- e) Working closely with our Local Authority partners to keep improving the city regions highways and traffic signals for all users, including bus and active travel users.
- f) Supporting the Greater Manchester Strategy's Live Well agenda by using improved access to public transport to improve quality of life and provide better access to improved services. For example, this budget includes a provision to provide free bus travel for schoolchildren currently in temporary

housing facing long journeys to their school with a view to implementing this later in 2026.

- g) Improving health outcomes by delivering on the final stages of the investment-led Clean Air Plan and [promoting financial assistance for private hire taxis to convert to cleaner vehicles, building on the support provided to Hackney vehicles]
- h) Growing awareness of the Bee Network through best-in-class marketing to encourage more people to get on board.
- i) Continuing to seek operational efficiencies to ensure financial sustainability whilst making the organisation future ready for a growing capital investment programme that will grow and transform the Bee Network over the next decade.
- j) Managing the financial risks that inevitably come with increased ownership and control over the public transport network.

4.4.2 Delivering this ambitious agenda requires an increasingly diverse mix of funding sources including:

- a) **Central government:** As in 2025/26, GMCA will be in receipt of an Integrated Settlement from central government³: This again means several legacy transport grant funding streams across government departments (capital and revenue grants) will be replaced by an individual grant under the 'transport pillar' of the Integrated Settlement. This gives GMCA and TfGM greater budgetary flexibility to plan and fund local priorities over the longer term. Within the Integrated Settlement is confirmation of £44.5m of a Consolidated Local Authority Bus Grant. This is a new 3-year funding stream confirmed through to the end of 2028/29 that succeeds the previous Bus Service Improvement Plan (BSIP) funding programme that has been in place since 2022/23. This multi-year funding settlement provides long-term funding certainty and flexibility to continue to improve Bee Network franchised bus services and to keep fares affordable. Outside of the Integrated Settlement, central government has also committed an £11.5m share of funding from the National Bus Fare Cap scheme which will help support GM's current £2

³ https://assets.publishing.service.gov.uk/media/6943adbb501cdd438f4cf587/Greater_Manchester_gov.uk.pdf

(hopper), £5 (daily), £20 (weekly), £80 (monthly) and £800 (weekly) bus fare structure.

- b) **Local funding:** As mentioned previously, the Transport Levy funding from the ten Local Authorities will increase by c.£4.3m in 2026/27 to provide support across all modes of the Bee Network. As outlined in the GMCA Mayoral Budget and Precept Proposals⁴, the proposed £19 increase in the Precept will also support the current bus fare structure, additional Bee Network services, the permanent roll out of free all-day travel for older and disabled people and the roll out of Phase 2 of the GM Travel Safe Programme
- c) **Capital funding:** GMCA can flexibly deploy up to 10% of the capital funding included in the transport pillar of the Integrated Settlement to support service delivery. This allows up to £25m of funding in 2026/27 to support the net costs of operating both the Metrolink and Bus network and to deliver the objectives stated above.
- d) **Passenger revenues:** The budget includes continued growth in passenger revenues – more people ‘getting on board’ is crucial to funding our ambitions.
- e) **Reserves:** due to the structural challenges faced by the sector referenced in the financial context section, there is a need for a draw on Reserves in 2026/27. The required draw on Reserves is forecast to fall significantly over the next two to three years with the forecast of no or very minimal use of Reserves by 2029/30 (i.e. there is now a path to full financial sustainability despite the challenges we have faced since the onset of COVID).

4.5. TfGM Proposed Budget 2026/27

4.5.1 Based on the proposals above, the TfGM budget for 2026/27 is presented below:

	Revised 2025/26 Budget £000	2026/27 Budget £000	Variance to 2025/26 Budget £000
Resources from GMCA	358,143	414,813	56,670
Net Expenditure			

⁴ <https://democracy.greatermanchester-ca.gov.uk/documents/s42001/5A%20260128-Mayoral%20General%20Budget%20and%20Precept%20Proposals%2026-27%20-%20FINAL.pdf>

	Revised 2025/26 Budget £000	2026/27 Budget £000	Variance to 2025/26 Budget £000
Primary Transport Modes:			
Bus franchising	(225,873)	(226,434)	(561)
Metrolink	(43,523)	(54,354)	(10,551)
Bee Network Improvement Fund	-	(15,000)	(15,000)
Sub total	(269,396)	(295,788)	(26,392)
Core Transport activities:			
Traffic Signals	(3,822)	(3,822)	-
Scheme Development	(23,588)	(24,986)	(1,398)
Active Travel	(5,412)	(7,740)	(2,328)
Accessible Transport	(3,700)	(4,700)	(1,000)
Clean Air	(2,028)	(3,278)	(1,250)
Non-Franchised Bus Payments	(7,877)	(6,434)	1,443
Financing	(6,310)	(4,065)	2,245
TravelSafe Phase 2/ 11 th District	-	(6,000)	(6,000)
Operational costs	(36,010)	(34,000)	2,010
Sub total	(88,747)	(95,025)	(6,278)
Contingency	-	(24,000)	(24,000)
Total Net Expenditure	(358,143)	(414,813)	(56,670)
Surplus / (Deficit)	-	-	-

4.5.2 In the table above all local and national grant funding is included in the Resources section. Most of the funding is paid to TfGM either by or through GMCA. 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.

4.6. Primary Transport Modes

- 4.6.1 The net costs (i.e. 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. Tranche 3 which constitutes around 50% of the bus network has now been operating for just over a year meaning we have more and better data to help us estimate farebox income for 2026/27. However, it should be noted that 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.
- 4.6.2 Now that the Greater Manchester Network has been fully franchised the costs of funding 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.
- 4.6.3 Additionally, the finance costs for Bus Franchising capital schemes funded via GMCA borrowings are included in the 2026/27 net Bus Franchising cost line.
- 4.6.4 The net costs (i.e. net of farebox income) of operating Metrolink, before any GMCA funding has been applied are included in the Metrolink net cost line. Additionally, the finance costs for Metrolink capital schemes funded via GMCA borrowings are included in the 2026/27 net Metrolink cost. The increase in Metrolink net operating costs is primarily because of inflationary increases to the cost base outstripping the year-on-year increase in farebox revenue, combined with additional contract costs arising from necessary safety and legislative changes. As mentioned above, there has been an extensive programme of infrastructure renewals work over recent years, particularly in the city centre. There are further significant closures scheduled to take place during the 2026/27 financial year, the impact of which has been reflected in the net cost estimate.
- 4.6.5 The 'lost revenue' from carrying concessionary passengers on Bus and Metrolink services is included as part of the net costs for each mode.
- 4.6.6 Also included in this year's budget is a dedicated £15m Bee Network Improvement Fund. One year since all Greater Manchester's buses became part of the Bee Network, we have delivered the backbone of our integrated transport system and a stabilised, growing bus network, but we recognise the need to go further. Delivering on our GMS priorities and local ambitions will require us to shape the

network in new ways and act to address long-standing challenges. This dedicated funding will allow us to move more quickly to improve the bus network and integrate with other modes to drive growth and improve connectivity across the city region. Service improvements already identified can be funded and where there is a strong case for more frequent services or additional routes, there will be funding available to support those decisions which will be underpinned by a robust appraisal process.

- 4.6.7 The Bee Network Improvement Fund will also cover relevant interventions to support the Live Well agenda to ensure public transport continues to improve quality of life and provide better access to improved services. The budget includes a provision for interventions such as providing free bus travel for schoolchildren currently in temporary housing facing long journeys to their school.

4.7. Core Transport Activities

- 4.7.1 All core transport budget items are subject to a thorough zero-based budgeting process to ensure all activity remains aligned to the ambitious agenda outlined above (including a strict alignment with the objectives of the Greater Manchester Strategy). The result of this is that all budget lines have to absorb all inflationary pressures and identify achievable and measurable efficiencies in how they are delivered and resourced. The same approach has also been applied to any internal TfGM operating costs included in the primary transport mode expenditure outlined above.
- 4.7.2 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 2025/26 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.
- 4.7.3 Expenditure on scheme development costs is budgeted to remain at a similar level to the 2025/26 budget, reflecting the activity on the development of schemes which are part of the programme of works funded through the capital programme. DfT have recently indicated that additional funding from the Integrated Settlement will be made available for increased scheme development activity which in turn will allow GMCA and TfGM to further strengthen the pipeline of future projects.

- 4.7.4 Active Travel activities include, monitoring & evaluation work, scheme development, marketing & engagement interventions to raise awareness of Active Travel options, cycle training & Maintenance courses, and third-party grants to increase access to bikes. All this activity is in support of continued capital investment in the Active Travel network as outlined in the Capital Budget paper. These costs are fully funded by specific revenue grants included in the resources section of the table and are expected to increase compared to the 2025/26 budget due to an increase in the available funding.
- 4.7.5 The budgeted grant payable to Greater Manchester Accessible Transport Limited (GMATL) for the provision of Ring and Ride services, of up to £4.7m is c.£1m higher than the 2025/26 budget. Ring and Ride is the service for older and disabled people in Greater Manchester, providing accessible door to door journeys through a bookable minibus. The additional costs are primarily due to rising inflationary costs and increases in employment costs, vehicle and depot lease costs and other general inflation. TfGM are carrying out a Neighbourhood Transport Review to consider the most optimal commercial and operating model going forward for Ring and Ride as well as Local Link and to ensure they integrate with the Bee Network to provide seamless journeys.
- 4.7.6 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 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 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. The Clear Air budget includes funding to support a financial assistance programme for Private Hire Vehicle owners to switch from older, non-compliant vehicles to newer cleaner vehicles. This will take the form of either a £1,000 grant or a £5,000 interest-free loan to support the purchase of a new vehicle. Research indicates that there are currently c.1,300 non-compliant private hire vehicles active in Greater Manchester. The Growth Company will administer these loans in line with regulatory requirements and best practice. A £1.25m provision has been included in the Revenue Budget to cover the grants or loans and administrative costs. TfGM is currently estimating whether the costs of those opting for the £1,000 grant

can be treated as capital expenditure and funded through any underspends on completed capital projects. If this is the case, this will be reflected in the relevant capital and revenue outturn reports. Annex A provides more detail on the proposed scheme and its criteria.

- 4.7.7 Payments to Non-Franchised Operators is the cost of supporting cross boundary bus services provided by Service Permitted operators. These payments include Concessionary Reimbursement (ENCTS and other concessions), the Our Pass scheme, Capped Fares payments and Bus Service Operators Grant (BSOG).
- 4.7.8 Building on the success of the TravelSafe Live Chat app implemented in 2025, part of the Mayoral Precept increase (referenced above) will fund the next phase in our plans to ensure the safety of those travelling and working on the Bee Network. The full introduction of a Greater Manchester Police (GMP) command structure for the Bee Network will create the equivalent of an 11th GMP district dedicated to safety and crime prevention and investigation across all modes of public transport in Greater Manchester. This will cost an additional £6m and fully funded from the mayoral precept protecting the existing frontline GMP capacity.
- 4.7.9 Operational Costs include all of TfGM's other operating costs including the costs of operating and maintaining the TfGM owned Interchanges and bus stations, travel shops and other infrastructure, the costs of support functions and other specific grant funded costs. It has been assumed that efficiency savings will need to be delivered via zero-based budgeting and 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 TfGM asset base.

4.8. Risk Management

- 4.8.1 In gross cost terms, TfGM's revenue budget now exceeds £700m – it is a large and complex budget but is also a budget that is exposed to both external and internal risks. Passenger-related revenues now account for over 40% of TfGM's funding and is of course subject to fluctuations in changes in macroeconomics (e.g. economic growth, cost of living) and demographic changes (e.g. population changes, car ownership) that can increase passenger revenues but likewise reduce them. Similarly, there is the risk of one-off events such as industrial action or catastrophic events (such as the pandemic) that can have a sudden acute impact on income. And with such a large cost base, fluctuations in inflation and

unforeseen changes can negatively affect expenditure. With Phase 1 of the Bee Network now complete, it is prudent to provide an in-year contingency to cover downside risk. This will help ensure there is no unplanned draw on Reserves. TfGM will ensure that the use of the contingency is managed centrally with significant control with the aim of monitoring and minimising its use and ensuring that any unused amount is returned to Reserves at year end.

5. Reserves

5.1 An analysis of the forecast and budgeted movements in transport related reserves for 2025/26 and 2026/27 is set out below:

Transport Reserves and Balances	Closing Balance 31 March 2025	2025/26 Planned Use	Projected Closing Balance 31 March 2026	2026/27 Planned Use	Projected Closing Balance 31 March 2027
	£000	£000	£000	£000	£000
<u>General Revenue Reserves</u>					
TfGM General Reserve	(7,246)	-	(7,246)	-	(7,246)
GMCA Transport General Reserve	(1,085)	-	(1,085)	-	(1,085)
	(8,331)	-	(8,331)	-	(8,331)
<u>Earmarked Reserves and Revenue Grants Unapplied</u>					
<i>GMCA</i>					
Capital Programme Reserve	(91,520)	9,241	(82,279)	33,153	(49,126)
Business Rates Top-Up - Highways	(83,541)	-	(83,541)	-	(83,541)
Integrated Ticketing Reserve	(5,267)	1,800	(3,467)	1,800	(1,667)
Earnback Revenue Reserve	(1,432)	-	(1,432)	-	(1,432)
Revenue Grant Unapplied	(32,705)	-	(32,705)	-	(32,705)
	(214,465)	11,041	(203,424)	34,953	(168,471)
<i>TfGM</i>					
GMCRP - Drive Safe (Unusable)	(10,029)	-	(10,029)	-	(10,029)
Metrolink	(149)	-	(149)	-	(149)
Property Disp (Unusable)	(6,445)	-	(6,445)	-	(6,445)
Metrolink Future Developments	(315)	-	(315)	-	(315)
Metrolink Depreciation	(3,962)	-	(3,962)	-	(3,962)
Property Development (Unusable)	(3,135)	-	(3,135)	-	(3,135)
Concessionary Travel	(16,079)	-	(16,079)	-	(16,079)
Subsidised Bus	(1,750)	-	(1,750)	-	(1,750)
	(41,864)	-	(41,864)	-	(41,864)
Total	(264,660)	11,041	(253,619)	34,953	(218,666)

5.2. General Reserves

5.2.2 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 of 31 March 2026 is £1.1m for the Authority and £7.2m for TfGM and there is no planned use of General 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 on 31 March 2026 is £82.3m and the forecast on 31 March 2027 is £49.1m. 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 £5.3m 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 2026/27, which would reduce the balance as at 31 March 2027 to £1.7m.

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.

Annex A: Private Hire Vehicle Funding

1. Background

- 1.1 The GM Taxi Review: Trade Engagement and Licensing Model report presented to the GMCA on Friday 28 November 2025 recommended that Leaders endorse the exploration of a fund to assist GM-licensed Private Hire Vehicle (PHV) owners in upgrading their vehicles to meet revised emission standards; and to subsequently feed this into the 2026/27 GMCA budget setting process.
- 1.2 The budget set out for approval today includes proposals for funding such a scheme, which it is recommended should be operate as set out in this appendix.

Engagement Findings

- 1.3. As of June 2025, 1,304 PHVs (10%) licensed by GM Authorities were non-compliant with current emission standards. The Review sought input from PHV owners regarding financial assistance options, with two primary proposals: a £1,000 grant per non-compliant vehicle (non-repayable); and a £5,000 interest-free loan, repayable over five years.
- 1.4. Of 249 responses, 47% favoured the £5,000 interest-free loan option, while 19% preferred the £1,000 grant (with the remaining respondents stating that they were unsure / did not know).
- 1.5. Trade interviews and focus groups indicated dissatisfaction with the proposed scale and the time it has taken to agree a proposal for PHV funding, although some questioned its necessity given the high compliance rates.
- 1.6. An equality impact analysis highlighted that older, male, ethnic minority, and low-income vehicle owners may face negative impacts and affordability challenges in meeting the new emission standards.

2. Private Hire Funding Support

- 2.1 The £5,000 interest-free, unsecured loan option would enable the authority to support more recipients, as the funds are repaid and can be recycled. It would also allow for a higher level of support per vehicle compared to grants, making a more significant positive impact for individual drivers. Additionally, the repayable nature means the budget impact is minimised, which is important given wider financial challenges.

- 2.2 The £1,000 grant per non-compliant vehicle offers the primary benefit of being non-repayable, which reduces financial pressure on recipients and allows for swift processing, meaning that PHV drivers could receive immediate support without the burden of future repayments or complex financial commitments. The simplicity and speed of grant distribution could encourage higher take-up and minimise administrative hurdles.
- 2.3 Having considered these options and the feedback received; it is recommended that the Fund should offer a choice of interest-free loan or grant as:
- a. It offers flexibility, allowing PHV owners to select the support that fits their financial situation.
 - b. Reflects trade preferences (nearly half favoured the loan).
 - c. It balances support, budget impact, and equity.
- 2.4 Assuming a 50/50 split between grants and loans, allocate £4.45m upfront, with costs included in the 2026/27 GMCA Transport Budget. After loan repayments, the net cost will be approximately £1.85m. Financial support is expected to be available by early Summer 2026. Revenue funding for the scheme administration costs (£0.55m) and any bad debts/loan write-offs (£0.65m) are included as expenditure items in the draft Transport Revenue Budget and will have to be met through operational efficiencies elsewhere in clean air budgets. £0.65m of Capital funding to support vehicle grants would also be required and would be sought from the Integrated Settlement. Important to note that the provision for the scheme administration costs and bad debt/loan write-offs will be spread over the assumed 5-year term with a working assumption that a third of the forecast cost will be included in the 2026/27 budget (c.£0.4m).
- 2.5 TfGM would work with the Growth Company (who hold the relevant authorisation from Financial Conduct Authority (FCA)) to undertake the administrative work to establish the fund so that it could become operational in early Summer 2026.

3. Eligibility Criteria

- 3.1 It is recommended that applicants for the PHV Support Fund be expected to meet the following eligibility criteria, with each applicant limited to receiving either one loan or one grant.
- 3.2 £1,000 grant
- a. Applicants are the owner or registered keeper of the non-compliant vehicle.

- b. The non-compliant vehicle is licensed as a Private Hire with one of the 10 GM Authorities and was licensed with one of them on 1 October 2024.
- c. The non-compliant vehicle is replaced by a compliant vehicle to meet GM Clean Air Plan (CAP) emissions standards.
- d. The replacement compliant vehicle is taxed, insured, and licensed with one of the 10 GM Authorities.
- e. Applicants declare that they will remain licensed with one of the 10 GM Authorities for the purposes of performing Private Hire Services duties within GM for two years following the receipt of funding.
- f. Applicants have not received and do not expect to receive more than £315,000 (or equivalent) of domestic or international funding/subsidy from any government/public sources over a period of three fiscal years. This figure is inclusive of any financial benefit from discounts, exemptions, grants, or vehicle finance secured through the GM CAP or any other applicable public funding source.
- g. A lump sum grant will be payable to the applicant in arrears following the submission of compliant vehicle licenced with GM Authority.
- h. Grants to be issued directly to the applicant, subject to passing checks. Lump sum grants to be paid by BACs after the replacement vehicle is licensed.
- i. Trade-in of the existing vehicle: Vehicle owner would source replacement compliant vehicle, delicense their existing vehicle and license replacement vehicle. Value of the sale of the existing vehicle may be used to purchase the compliant vehicle.

3.3 Loan

- a. Applicants are the owner or registered keeper of the non-compliant vehicle.
- b. The non-compliant vehicle is licensed as a Private Hire with one of the 10 GM Authorities and was licensed with one of them on 1st October 2024.
- c. The non-compliant vehicle is replaced by a compliant vehicle to meet GM CAP emissions standards.
- d. The replacement compliant vehicle is taxed, insured, and licensed with one of the 10 GM Authorities.
- e. Applicants declare that they will remain licensed with one of the 10 GM Authorities for the purposes of performing Private Hire Services within GM for two years following the receipt of funding.

- f. Applicants have not received and do not expect to receive more than £315,000 (or equivalent) of domestic or international funding/subsidy from any government/public sources over a period of three fiscal years. This figure is inclusive of any financial benefit from discounts, exemptions, grants, or vehicle finance secured through the GM CAP or any other applicable public funding source.
- g. Applicants will need to satisfy the requirements of the Finance Provider – GM Growth Company (e.g. holding a UK bank account in the name of the Applicant/business, consenting to the Finance Provider carrying out credit reference searches).
- h. Trade-in of the existing vehicle: Vehicle owner would source replacement compliant vehicle, delicense their existing vehicle and license replacement vehicle. Value of the sale of the existing vehicle may be used to purchase the compliant vehicle.
- i. The applicant will receive the loan once they show proof of a purchase agreement for a compliant replacement vehicle.
- j. Vehicle Finance lending decisions rest with the GM Growth Company and are subject to affordability / individual circumstances.
- k. Where an Applicant is unsuccessful in securing a loan agreement, the grant option will remain available to the Applicant.