Date: 30 June 2016

Subject: GMCA Capital Outturn 2015/16 and update to 2016/17 programme

Report of: Councillor Kieran Quinn, Portfolio LeadHolder - Investment Strategy and Finance and Richard Paver, GMCA Treasurer

PURPOSE OF REPORT

This report is to inform members of the Greater Manchester Combined Authority capital outturn for 2015/16.

RECOMMENDATIONS:

Members are recommended to:-

1. Note the 2015/16 outturn capital expenditure compared to the forecast position presented to GMCA in January 2016; and
2. Approve the addition of £0.2 million to the capital programme budget for 2016/17.

CONTACT OFFICERS:

Name: Richard Paver, Treasurer to GMCA
Telephone: 0161 234 3564
E-Mail: r.paver@manchester.gov.uk

Name: Janice Gotts, Head of Finance (Corporate and AGMA/GMCA)
Telephone: 0161 234 1017
E-mail: j.gotts@manchester.gov.uk

Name: Amanda Fox, Group Finance Lead (AGMA/GMCA)
Telephone: 0161 234 3495
E-Mail: a.fox@manchester.gov.uk

Name: Steve Warrener, Finance and Corporate Services Director, Transport for Greater Manchester
Telephone: 0161 244 1025
E-mail: steve.warrener@tfgm.com
BACKGROUND PAPERS:


<table>
<thead>
<tr>
<th>TRACKING/PROCESS</th>
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<tr>
<td><strong>Does this report relate to a Key Decision, as set out in the GMCA Constitution or in the process agreed by the AGMA Executive Board</strong></td>
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<td><strong>EXEMPTION FROM CALL IN</strong></td>
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<td><strong>Are there any aspects in this report which means it should be considered to be exempt from call in by the AGMA Scrutiny Pool on the grounds of urgency?</strong></td>
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<td><strong>AGMA Commission</strong></td>
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<td><strong>TfGMC</strong></td>
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**Risk Management** – An assessment of major budget risks faced by the authority are carried out quarterly as part of the reporting process – at the present time a significant proportion of the capital budget is funded through grant. In order to mitigate the risk of monetary claw back the full programme is carefully monitored against the grant conditions and further action would be taken as necessary.

**Legal Considerations** – There are no specific legal implications contained within the report.

**Financial Consequences – Revenue** – There are no specific revenue 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.

**Financial Consequences – Capital** – The report sets out the actual expenditure for 2015/16.
1  INTRODUCTION AND BACKGROUND

1.1 The Greater Manchester Combined Authority (GMCA) approved the 2015/16 Capital Programme at its meeting on 31 January 2015. Monitoring reports are provided on a quarterly basis during the year.

1.2 GMCA’s capital programme includes economic development and regeneration programmes and the continuation of the programme of activity currently being delivered by Transport for Greater Manchester (“TfGM”) and Districts including the following elements:

- The Greater Manchester Transport Fund (‘GMTF’);
- Metrolink Phase 3 extensions;
- Other Metrolink Schemes;
- Other committed schemes including Smart Ticketing, Local Sustainable Transport Fund (LSTF) and Cycle City Ambition Grant (CCAG);
- Growth Deal Major Schemes; and
- Minor Works (including schemes funded by Integrated Transport Capital Block and Growth Deal).

1.3 The January 2016 revised forecast for the 2015/16 year compared to the outturn position for 2015/16 is summarised in Appendix 1 and the major variances are described in this report.

2  GREATER MANCHESTER TRANSPORT FUND (GMTF)

2.1 At its meeting on 12 May 2009, the AGMA Executive agreed to establish a Greater Manchester Transport Fund (GMTF), incorporating prioritised schemes based on delivering the maximum economic benefit (Gross Value Added) to Greater Manchester, consistent with positive package level social and environmental outcomes.

2.2 The GMTF programme is funded from a number of sources including grants from the Department for Transport; a ‘top slice’ from the Greater Manchester Integrated Transport Block (ITB) Local Transport Plan (LTP) funding over a period of nine years from 2010/11, borrowings, to be undertaken by GMCA, and from local/third party contributions and local resources (including LTP and prudential borrowings).

2.3 The GMCA will repay the borrowings in full by 2045, in part through the application of Metrolink net revenues (being Metrolink revenues, net of operating, maintenance and other related costs); in part by the application of the annual ring-fenced levy contributions, which will be raised by GMCA, under its levying powers; and in part from local, third party, revenue contributions.
2.4 The GMCA and TfGM hold certain reserves which are ring-fenced to pay for and manage the risks of, delivering the ongoing capital programme. This includes the capital programme reserve which will be utilised as the financing costs increase in future years. The financing costs include both the interest costs and minimum revenue provision with respect to the borrowings, which have been or will be taken out to fund the delivery of the schemes in the GMTF.

**Metrolink Programme**

2.5 The Metrolink Projects include:

- Oldham Rochdale Line to Rochdale Town Centre;
- South Manchester Line - Chorlton To East Didsbury;
- Oldham Rochdale Line diversion via Oldham Town Centre;
- East Manchester Line - Droylsden To Ashton;
- Airport Line;
- Metrolink Second City Crossing ('2CC');
- SEMMMS Interface Works;
- Renewals; and
- Trams Replacement Programme.

2.6 The total expenditure in 2015/16 was £54.4 million, compared to the January 2016 forecast of £52.0 million. The variance is due primarily to the phasing of project and programme risk allowances.

2.7 The total forecast outturn cost is within the total approved budget.

2.8 Approval is sought in this report for the inclusion of £0.2 million in the 2016/17 Capital Programme for the Metrolink simulator package that will be funded from allowances within Metrolink budgets for future depreciation costs, which will be offset by additional net revenues and / or cost efficiencies. This scheme will enable further growth and training capability on the future expanded network.

**Cross City Bus Package**

2.9 The total expenditure in 2015/16 was £12.0 million, compared to the January 2016 forecast of £15.6 million. The variance is due primarily to the re-sequencing of works to minimise the level of disruption to road users across the Regional Centre and to review the cycling provision along Oxford Road.

2.10 The total forecast outturn cost is within the total approved budget.

**Leigh Salford Manchester Guided Busway (LSM)**

2.11 The total expenditure in 2015/16 was £25.2 million, compared to the January 2016 forecast of £23.3 million. The variance is due primarily to the phasing of risk allowances.

2.12 The total forecast outturn cost is within the total approved budget.
Park and Ride

2.13 The total expenditure in 2015/16 was £3.4 million, compared to the January 2016 forecast of £3.3 million.

2.14 The total forecast outturn cost is within the total approved budget.

Altrincham Interchange

2.15 The total expenditure in 2015/16 was £0.2 million, compared to the January 2016 forecast of £0.5 million.

2.16 The total forecast outturn cost is within the total approved budget.

Bolton Town Centre Transport Strategy (BTCTS)

2.17 The total expenditure in 2015/16 was £13.6 million, compared to the January 2016 forecast of £14.1 million. The variance is due primarily to the re-sequencing of design and construction activities and of the associated interface works with developments next to the Interchange.

2.18 The total forecast outturn cost is within the total approved budget.

A6 to Manchester Airport Relief Road

2.19 The SEMMMS A6 to Manchester Airport Relief Road is part of a package of measures, originally proposed as part of the South East Manchester Multi-model Study, which offers significant congestion relief benefits to the south of the conurbation and around the Airport and the Airport City Local Enterprise Zone (LEZ).

2.20 Approval was granted by the Combined Authority in July 2013 for the funding package of £290 million for the SEMMMS A6 to Ringway Road works through a combination of the £165 million of specific DfT capital grant, £105 million of additional capital grant funding being made available by Government in the context of the Earnback deal and £20 million of existing LTP top slice allocation.

2.21 Stockport MBC is responsible for the delivery of SEMMMS, which will result in the expenditure largely comprising grant payments to Stockport MBC.

2.22 The total expenditure in 2015/16 was £38.4 million, compared to the January 2016 forecast of £42.2 million. The variance is due primarily to the phasing of land acquisition and construction activities due to archaeological discoveries in certain areas of the site.

2.23 The total forecast outturn cost is within the total approved budget.
3. METROLINK TRAFFORD EXTENSION

3.1 The Trafford Line Metrolink extension has been a long-standing Greater Manchester investment priority. The scheme will extend Metrolink as far as the Trafford Centre. The current forecast cost and funding requirements is approximately £350 million and will be funded primarily from the Earnback deal, along with a local capital contribution.

3.2 To date £65.9 million of expenditure has been approved by the GMCA (October 2013 and April 2015) to purchase 10 Light Rail Vehicles (LRVs); to prepare and submit the Transport and Works Act Order (TWAO); for detailed design; and for the acquisition of land.

3.3 The total expenditure in 2015/16 was £19.6 million, compared to the January 2016 forecast of £20.3 million.

4. OTHER CAPITAL SCHEMES AND PROGRAMMES

4.1 The Other Capital Projects include:

- Wythenshawe and Rochdale Interchanges;
- Installation of LED technology in traffic light wait indicators;
- Electric Vehicles;
- Smart Ticketing;
- Better Bus Area Fund (BBAF);
- Local Sustainable Transport Fund (LSTF); and
- Cycle City Ambition Grant 1 and 2 (CCAG).

4.2 The total expenditure in 2015/16 was £26.3 million, compared to the January 2016 forecast of £27.3 million. The variance is due primarily to the timing of the settlement of final accounts on projects within the LSTF and CCAG 1 programmes.

5. GROWTH DEAL MAJORS SCHEMES

5.1 The total expenditure in 2015/16 was £55.2 million, compared to the January 2016 forecast of £66.1 million. The variance is due primarily to due to the timing of the business case development with regard to the design, contractual and procurement arrangement options, across the programme.

6. MINOR WORKS

6.1 The total expenditure in 2015/16 was £12.0 million, compared to the January 2016 forecast of £12.2 million. The variance is due primarily to design changes incorporated into larger town centre schemes and the settlement of final accounts.
7. **TRAFFIC SIGNALS**

7.1 In 2015/16, total expenditure amounted to £2.6 million compared to £2.2 million forecast as at January 2016. The variance is due to an increase in works throughout quarter 4. All traffic signals are externally funded and the annual amount will fluctuate year on year dependant on the level of new installations and developments.

8. **ECONOMIC DEVELOPMENT AND REGENERATION FUNCTIONS**

**Regional Growth Fund (RGF) – Rounds 2 and 3**

8.1 The Combined Authority originally received £65 million in relation to Rounds 2 and 3 of the Regional Growth Fund (RGF). The funding is being used to meet the objectives of RGF including supporting the creation of new, sustainable, private sector jobs in areas vulnerable to public sector job losses. The repayments from loan funding provided to projects will be recycled into future schemes.

8.2 The Projects are forecast to create / safeguard over 6,783 jobs with 5,979 achieved to date. RGF3 funds of £6.110 million were expended by May 2015 and the remaining RGF2 funds of £15.902 million were spent by March 2016, ensuring compliance with the conditions of the grant regarding defrayment deadlines.

**Growing Places Fund (GPF)**

8.3 The Growing Places Fund (GPF) originally secured by the Combined Authority in 2012/13 totalled £34.5 million of capital funding which is being used to provide up front capital investment in schemes.

8.4 There are currently twelve projects totalling £36.3 million approved from the Growing Places fund. Up to 31 March 2016, £23.1 million has been defrayed. It is currently anticipated that the remaining fund will be utilised within 2016/17.

**Recycled RGF / GPF**

8.5 As a number of loans, provided either through the Regional Growth Fund or Growing Places Fund’s have now started to be repaid, with the strategy being that a perpetual fund is created to support businesses and enable growth. Between 2015/16 and 2017/18 it is currently forecast that £34.2 million will be recycled back out to businesses. It should be noted that the forecast will be subject to change once specific loans are approved following due diligence, and the timing of payments confirmed. As of 31 March 2016 £5.9 million has been recycled.
Empty Homes Programme 2015-18

8.6 Following a new bid to the Homes and Communities Agency earlier in the year, confirmation has been received that a further £3.542 million is available for 2015 – 2018 to deliver 232 units. It was anticipated that £1.5 million would be drawn down by 31 March 2016, however due to delays in the programme, the actual spend within 2015/16 was £0.14 million. The delays are due to the announcements in the chancellor’s Summer Budget which have compromised the financial model behind the AHP Empty Homes programme, since reduced rental income to our housing provider partners undermines the viability of their investment in acquiring/leasing and improving the empty property. A case is being made to DCLG about the scope for flexibility in the rent regime to allow this important work to continue.

Growth Deal – Economic Development and Regeneration Projects

8.7 Skills Capital – Following the decision to carry out an Area Based Review on Further Education provisions, the majority of grants will now be awarded in 2016/17 once the review has concluded and business cases reassessed. The capital spend for 2015/16 was £0.308 million, compared to a January forecast of £0.583 million.

8.8 Life Sciences – The fund is now operational with a fund manager procured and in place. £0.973 million was invested within the fund in 2015/16 and it is anticipated that the remaining £9.027 million will be invested within 2016/17.

8.9 Graphene Engineering Innovation Centre (GEIC) – following approval at both the LEP Board and GMCA in May, £5 million has been set aside from the Growth Deal grant to provide match funding for the GEIC project, however due to a delay in finalising the ERDF contracts, the grant will now be defrayed in 2016/17.

9. RECOMMENDATIONS

9.1 The recommendations appear at the front of this report.
## Capital Programme 2015/16

### Appendix 1

<table>
<thead>
<tr>
<th>Category</th>
<th>Approved Budget 2015/16 £000</th>
<th>January Forecast 2015/16 £000</th>
<th>Actual 2015/16 £000</th>
<th>Variance 2015/16 £000</th>
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<tbody>
<tr>
<td><strong>Transport</strong></td>
<td></td>
<td></td>
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<tr>
<td>Greater Manchester Transport Fund</td>
<td>163,855</td>
<td>150,881</td>
<td>147,079</td>
<td>(3,802)</td>
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<td><strong>Other Metrolink Schemes</strong></td>
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<tr>
<td>Trafford Line</td>
<td>10,106</td>
<td>20,296</td>
<td>19,595</td>
<td>(701)</td>
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<tr>
<td><strong>Other Committed Capital Schemes</strong></td>
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<td></td>
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<tr>
<td>Wythenshawe Interchange</td>
<td>1,998</td>
<td>1,999</td>
<td>2,043</td>
<td>44</td>
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<tr>
<td>Better Bus Area Fund</td>
<td>3,000</td>
<td>9,266</td>
<td>7,968</td>
<td>(1,298)</td>
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<tr>
<td>Local Sustainable Transport Fund (LSTF)</td>
<td>8,614</td>
<td>15,236</td>
<td>14,802</td>
<td>(434)</td>
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<tr>
<td>Cycle City Ambition Grant (CCAG)</td>
<td>8,614</td>
<td>2,043</td>
<td>44</td>
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<tr>
<td>Cycle City Ambition Grant 2 (CCAG)</td>
<td>2,513</td>
<td>(887)</td>
<td>248</td>
<td>1,135</td>
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<td><strong>Other</strong></td>
<td>16,125</td>
<td>27,293</td>
<td>26,303</td>
<td>(990)</td>
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<td><strong>Growth Deal Majors</strong></td>
<td>76,826</td>
<td>66,096</td>
<td>55,164</td>
<td>(10,932)</td>
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<td><strong>Minor Works Funding</strong></td>
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<tr>
<td>Minor Works - ITB</td>
<td>5,387</td>
<td>6,305</td>
<td>6,025</td>
<td>(280)</td>
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<tr>
<td>Growth Deal Minors</td>
<td>8,600</td>
<td>3,528</td>
<td>3,119</td>
<td>(409)</td>
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<tr>
<td>Growth Deal 2 Minors</td>
<td>-</td>
<td>2,386</td>
<td>2,887</td>
<td>501</td>
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<tr>
<td><strong>Total</strong></td>
<td>13,987</td>
<td>12,219</td>
<td>12,031</td>
<td>(188)</td>
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<tr>
<td><strong>Total Capital (TiGM)</strong></td>
<td>280,899</td>
<td>276,785</td>
<td>260,171</td>
<td>(16,614)</td>
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<td><strong>Traffic Signals (Externally Funded)</strong></td>
<td>3,000</td>
<td>2,200</td>
<td>2,586</td>
<td>386</td>
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<td><strong>Economic Development and Regeneration</strong></td>
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<tr>
<td>GPF / RGF</td>
<td>29,477</td>
<td>36,085</td>
<td>33,031</td>
<td>(3,054)</td>
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<tr>
<td>Recycled GPF / RGF Capital Receipts</td>
<td>6,528</td>
<td>3,250</td>
<td>4,910</td>
<td>1,660</td>
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<td>Empty Homes Programme</td>
<td>1,500</td>
<td>300</td>
<td>141</td>
<td>(159)</td>
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<tr>
<td>Growth Deal - Skills Capital</td>
<td>4,597</td>
<td>583</td>
<td>308</td>
<td>(275)</td>
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<tr>
<td>Growth Deal - Life Sciences Fund</td>
<td>3,000</td>
<td>1,025</td>
<td>973</td>
<td>(52)</td>
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<tr>
<td>Growth Deal - GEIC</td>
<td>5,000</td>
<td>5,000</td>
<td>-</td>
<td>(5,000)</td>
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<tr>
<td><strong>Total Capital (TiGM and GMCA)</strong></td>
<td>334,001</td>
<td>325,228</td>
<td>302,120</td>
<td>(23,108)</td>
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<tr>
<td>Borrowing</td>
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<tr>
<td>Capital Grants payable to GMCA</td>
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<tr>
<td>District Contributions to GMCA</td>
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<tr>
<td>External Contributions to GMCA</td>
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<td>Capital Grants payable to TiGM</td>
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<td>Third Party Contributions to TiGM</td>
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<td>District Contributions to TiGM</td>
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<td><strong>Total Transport Related Funding</strong></td>
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<td>Capital Grants payable to GMCA</td>
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<td>Useable Capital Receipts</td>
<td>5,910</td>
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<tr>
<td><strong>Total Economic Dev and Regen Funding</strong></td>
<td>39,363</td>
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<tr>
<td><strong>Total Funding (TiGM and GMCA)</strong></td>
<td>302,120</td>
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