DATE: Friday, 30 January 2015
TIME: At the rise of the Joint GMCA AGMA Executive Meeting
VENUE: Thomas de Trafford Conference Room
Trafford Town Hall
Talbot Road
Stretford
Manchester
M32 0TH

AGENDA

PART A

1. APOLOGIES - attached

2. CHAIR’S ANNOUNCEMENTS AND URGENT BUSINESS

3. DECLARATIONS OF INTERESTS - attached
   To receive declarations of interests in any item for discussion at the meeting. A blank
   form for declaring interests has been circulated with the agenda; please ensure that
   this is returned to the GMIST officer at the start of the meeting.

4. MINUTES OF THE GMCA MEETING – 19 DECEMBER 2014 - attached
   To consider the approval, of the minutes of the GMCA meeting held on 19 December
   2014, as a correct record.

5. FORWARD PLAN OF STRATEGIC DECISIONS - attached

6. GM DEVOLUTION AGREEMENT GOVERNANCE IMPLEMENTATION
   Report of Sir Howard Bernstein, Head of Paid Service, GMCA and Liz Treacy,
   Monitoring Officer, GMCA
   A) GMCA RESPONSE TO DEPARTMENT FOR COMMUNITIES AND LOCAL
      GOVERNMENT – To Follow
   B) APPOINTMENT OF AN INTERIM MAYOR – SELECTION PROCESS -
      attached

7. BUDGETS
   Reports of Richard Paver, Treasurer, GMCA
   A) GMCA TRANSPORT REVENUE BUDGET 2015/16 AND TRANSPORT
      REVENUE BUDGET MONITORING UPDATE 2014/15 - attached
   B) GMCA CAPITAL PROGRAMME 2014/15 – 2017/18 - attached
   C) TREASURY MANAGEMENT STRATEGY, BORROWING LIMITS &
      ANNUAL STATEMENT 2015/16
8. DFT MAINTENANCE LOCAL HIGHWAYS MAINTENANCE CHALLENGE FUND
Report of Jon Lamonte, Chief Executive, TfGM.

9. TRANSPORT FOR THE NORTH
Report of Jon Lamonte, Chief Executive, TfGM.

10. MINUTES

a. GMLEP – 12 January 2015
Minutes of the inquorate meeting held on 12 January 2015, for GMCA Members' information.

b. Scrutiny Pool – 16 January 2015 - attached
Minutes of the meeting held on 16 January 2015, for GMCA Members' information.

c. GMCA Audit Committee – 16 January 2015 - attached
Minutes of the meeting held on 16 January 2015, for GMCA Members' information.

d. Transport for Greater Manchester – 16 January 2015 - attached
Minutes of the meeting held on 16 January 2015, for GMCA Members' information.

11. REGIONAL GROWTH FUND PROJECTS - attached
Report of Eamonn Boylan, Chief Executive, Stockport MBC

12. GREATER MANCHESTER INVESTMENT FUND PERFORMANCE REPORT - attached
Report of Eamonn Boylan, Chief Executive, Stockport MBC

13. EXCLUSION OF PRESS AND PUBLIC - attached

The Combined Authority is recommended to agree the attached resolution excluding the public from the meeting during consideration of this item.

That, under section 100 (A) (4) of the Local Government Act 1972 the press and public should be excluded from the meeting for the following item of business on the grounds that this involves the likely disclosure of exempt information, as set out in paragraph 3, Part 1, Schedule 12A of the Local Government Act 1972 and that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

PART B

14. GREATER MANCHESTER INVESTMENT FUND PERFORMANCE REPORT - attached
Report of Eamonn Boylan, Chief Executive, Stockport MBC

15. GREATER MANCHESTER INVESTMENT FRAMEWORK AND PROJECT APPROVALS - attached
Report of Eamonn Boylan, Chief Executive, Stockport MBC
D. Hall, Secretary

Agenda Contact:
Sylvia Welsh/Kerry Bond
GMIST Democratic Services Team
Tel: 0161 234 3383/3302
Email: sylvia.welsh@agma.gov.uk / k.bond@agma.gov.uk

Further Information - For copies of papers and further information on this meeting please refer to the website www.agma.gov.uk
Part 5A, sections 3.1 and 3.2 of the constitution of the GMCA states that:-

3.1 Each Constituent Council shall appoint one of its elected members to be a Member of the GMCA.
3.2 Each Constituent Council shall appoint another of its elected members to act as a Member of the GMCA in the absence of the Member appointed under sub-paragraph 3.1 above ("the Substitute Member")

The following members and substitutes were confirmed at the Annual General meeting of the Authority on 27 June 2014.

Any substitute attending today is requested to confirm his/her attendance under this item.

<table>
<thead>
<tr>
<th>Location</th>
<th>GMCA Member</th>
<th>GMCA Substitute</th>
</tr>
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<tbody>
<tr>
<td>Bolton</td>
<td>Cllr C Morris</td>
<td>Cllr L Thomas</td>
</tr>
<tr>
<td>Bury</td>
<td>Cllr M Connolly</td>
<td>Cllr R Shori</td>
</tr>
<tr>
<td>Manchester</td>
<td>Cllr R Leese</td>
<td>Cllr S Murphy</td>
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<tr>
<td>Oldham</td>
<td>Cllr J McMahon</td>
<td>Cllr J Stretton</td>
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<td>Rochdale</td>
<td>Cllr R Farnell</td>
<td>Cllr P Williams</td>
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<tr>
<td>Salford</td>
<td>Mr I Stewart</td>
<td>Cllr D Lancaster</td>
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<tr>
<td>Stockport</td>
<td>Cllr S Derbyshire</td>
<td>Cllr I Roberts</td>
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<tr>
<td>Tameside</td>
<td>Cllr K Quinn</td>
<td>Cllr J Taylor</td>
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<td>Trafford</td>
<td>Cllr S Anstee</td>
<td>Cllr M Young</td>
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<tr>
<td>Wigan</td>
<td>Cllr P Smith</td>
<td>Cllr D Molyneux</td>
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</table>
GMCA Meeting on 30 January 2015

Declaration Of Councillors’ Interests in Items Appearing on the Agenda

NAME: ______________________________

<table>
<thead>
<tr>
<th>Minute Item No. / Agenda Item No.</th>
<th>Nature of Interest</th>
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GREATER MANCHESTER COMBINED AUTHORITY

MINUTES OF THE GREATER MANCHESTER COMBINED AUTHORITY MEETING HELD ON FRIDAY 19 DECEMBER 2015 AT BOLTON COUNCIL

BOLTON COUNCIL  Councillor Cliff Morris
BURY COUNCIL  Councillor Mike Connolly
MANCHESTER CC  Councillor Richard Leese
OLDHAM COUNCIL  Councillor Jim McMahon
ROCHDALE MBC  Councillor Richard Farnell
SALFORD CC  Ian Stewart
STOCKPORT MBC  Councillor Sue Derbyshire
TAMESIDE MBC  Councillor Kieran Quinn
TRAFFORD COUNCIL  Councillor Sean Anstee
WIGAN COUNCIL  Councillor Peter Smith (in the Chair)

JOINT BOARDS AND OTHER MEMBERS IN ATTENDANCE

TfGMC  Councillor Andrew Fender
GMFRSA  Councillor David Acton
GMWDA  Councillor John Bland

Police and Crime Commissioner  Tony Lloyd

OFFICERS IN ATTENDANCE

Howard Bernstein  GMCA Head of Paid Service
Liz Treacy  GMCA Monitoring Officer
Richard Paver  GMCA Treasurer
Sean Harriss  Bolton Council
Mike Kelly  Bury Council
Carolyn Wilkins  Oldham Council
Steve Rumbelow  Rochdale MBC
Jim Taylor  Salford CC
Eamonn Boylan  Stockport MBC
Steven Pleasant  Tameside MBC
Theresa Grant  Trafford Council
Paul McKevitt  Wigan Council
Office of the Police and Crime Commissioner  Adam Allen
176/14 APOLOGIES

Donna Hall and Jon Lamonte.

177/14 DECLARATIONS OF INTEREST

None received.

178/14 MINUTES OF GMCA MEETINGS ON 28 NOVEMBER 2014

RESOLVED/-

To approve the minutes of the GMCA meetings on 28 November 2014 as correct records.

179/14 FORWARD PLAN OF STRATEGIC DECISIONS

RESOLVED/-

To note the Forward Plan.

180/14 GM DEVOLUTION AGREEMENT: REVIEW AND PROPOSED SCHEME

The Combined Authority considered a report from Sir Howard Bernstein, GMCA Head of Paid Service and Liz Treacy, GMCA Monitoring Officer reviewing the current GMCA Governance arrangements and proposed changes that will improve the achievement of the objectives of the GMCA.

The report also provides a Scheme that, subject to the agreement of the GMCA, will enable the Secretary of State to produce and consult on a draft Order to implement revised governance arrangements for Greater Manchester. This will allow for an 11th member of the CA who will be the Appointed (or Interim) Mayor for Greater Manchester, as a transition to a Directly Elected Mayor once primary legislation is in place which is expected to be operational in 2017.

The Chair reported verbally in relation to proposals to be developed for the selection and appointment process for the Interim Mayor, and asked that there should be an opportunity for all GM councillors to meet shortlisted candidates informally, ask questions and comment back to the GMCA.
RESOLVED/-

1. To confirm support for the Devolution Agreement following consultation with the 10 Greater Manchester districts, the LEP and BLC. This transfers significant powers and responsibilities to Greater Manchester alongside steps to strengthen governance and introduce an Appointed (or Interim) Mayor as an 11th member of the GMCA as a transition to a Directly Elected Mayor.

2. To agree that, in the light of the Devolution Agreement and conclusions of the governance review, the GMCA Order should be amended to allow for an Appointed (or Interim) Mayor and that this would:
   - build on and strengthen the existing governance arrangements for Greater Manchester;
   - reflect the single economic geography for Greater Manchester;
   - strengthen significantly our ability to deliver priorities related to growth and reform; and
   - at the same time align with the roles and responsibilities of individual local authorities, whose existing functions will remain unchanged.

3. To agree that a Scheme to revise the existing GMCA Order should set out the arrangements for introducing an 11th member of the GMCA who would be an appointed by the GMCA, bringing additional leadership capacity and providing a transition to an Elected Mayor.
   Such a scheme will be based upon the following principles which have been determined following consultation with the Chair and Vice Chairs of the GMCA and Councillor Quinn as follows:
   - The Appointment of the appointed (or Interim) Mayor will be made by a majority vote of members of the GMCA.
   - To be eligible to be appointed as the appointed (or Interim) Mayor a person must at the time of application and appointment a) have been on a GM electoral register for the previous 12 months and b) be currently holding a position that has been subject to a public election in Greater Manchester, which they have held for at least 12 months.
   - The term of office for the appointed (or Interim) Mayor shall expire at the end of May 2017 or the election of the Mayor if this is earlier.
   - The GMCA may at any time terminate the appointment of the appointed (or Interim) Mayor within the context of the standards regime or a vote of no confidence provided that at least two thirds of the members of the GMCA vote in favour of a resolution to terminate.
   - GMCA voting requirements shall be increased to at least 8 votes in favour on strategic issues and 11 votes in favour on congestion charging noting that the CA does not have powers in relation to congestion charging in any event; and the CA has previously agreed that approval of the GM Spatial Strategy will require approval by all GM local authorities.

4. To authorise the Head of the Paid Service to submit the approved Scheme to the Secretary of State to commence the formal process for changing the
statutory Order as soon as possible and thereby enact the first step of governance changes in the Devolution Agreement.

5. To agree that the proposals to be developed for the appointment and selection process for the Interim Mayor and be referred to all local authorities in Greater Manchester and the GM LEP, BLC, for comments in time for the GMCA meeting in January 2015. The process should include an opportunity for all GM Councillors to meet shortlisted candidates informally, to ask questions and make comments back to the GMCA.

181/14 MANUFACTURING STRATEGY

The Combined Authority considered a report from Simon Nokes, Deputy Chief Executive, New Economy detailing feedback from the Manufacturing Strategy consultation and to update on progress with the delivery of its recommendations.

RESOLVED/-

1. That the Combined Authority approves the GM Manufacturing Strategy Document for publication.

2. That progress on the delivery of the Strategy recommendations is noted, and that a strong communications plan is required as part of the implementation of the strategy in order to raise the profile of the manufacturing industry.

182/14 ARMED FORCES COMMUNITY COVENANT

The Combined Authority received a report from Linda Fisher, Acting Chief Executive, Rochdale MBC, provide an update to the Combined Authority on the Armed Forces workstreams across Greater Manchester. The report also recommends that the Combined Authority agrees to sign the Armed Forces Community Covenant to ensure that Armed Forces personnel, veterans and their families benefit from the work undertaken by the Combined Authority across Greater Manchester.

RESOLVED/-

1. To agree that the Greater Manchester Combined Authority together with its partner organisations signs the Armed Forces Community Covenant.

2. To note and support the progress and actions detailed in the report in relation to the Armed Forces work.

183/14 ONE NORTH / TRANSPORT FOR THE NORTH

The Combined Authority received a report from Jon Lamonte, Chief Executive, TfGM, providing an update on the work that has been progressing to further develop One North: a Proposition for an Interconnected North, that was publicly launched in August 2014 in the presence of the Chancellor of the Exchequer. The report also provides an update on discussions that have been taking place with Government relating to establishing Transport for the North, the body that is intended to oversee the further development of a transport strategy for the North of England building on the transformational vision for transport connectivity in the North set out in the One North proposition.
1. To note the further work that has been undertaken to further develop One North: A Proposition for an Interconnected North, since its public launch in August. This has culminated in the development of One North: The Programme, a working document, the Executive Summary of which is attached at appendix 1 of the report.

2. To note the discussions that have been taking place with Government relating to the establishment of Transport for the North, further to the recommendations of the report by Sir David Higgins, Rebalancing Britain: From HS2 Towards a National Transport Strategy.

3. To request that a further report be submitted once the negotiations with Government on the governance arrangements and final remit for Transport for the North has been agreed.

184/14 TRANSPORT FOR GREATER MANCHESTER – APPOINTMENT OF NON-EXECUTIVE DIRECTORS

The Combined Authority received a report from Jon Lamonte seeking approval from GMCA to reappoint TfGM’s current Non-Executive Directors for a further period, ending 28 February 2018.

RESOLVED/-

1. To agree the appointment of Ken Giles and Edward Pysden to serve as Non-Executive Directors on TfGM’s Executive for a further period of three years ending 28 February 2018.

2. To agree to extend the appointment of Richard Paver, GMCA Treasurer, as a Non-Executive Director of TfGM for a further period ending 28 February 2018.

185/14 MINUTES OF GREATER MANCHESTER LOCAL ENTERPRISE PARTNERSHIP BOARD – 11 NOVEMBER 2014

RESOLVED/-

To note the minutes of the Greater Manchester Local Enterprise Partnership Board held on 11 November 2014.

186/14 MINUTES OF SCRUTINY POOL – 12 DECEMBER 2014 RESOLVED/-

To note the minutes of Scrutiny Pool meeting held on 12 December 2014.

187/14 EXCLUSION OF PRESS AND PUBLIC

RESOLVED/-

That under section 100 (A)(4) of the Local Government Act 1972 the press and Public should be excluded from the meeting for the following item of business on the grounds
that this involves the likely disclosure of exempt information, as set out in paragraph 3, Part 1, Schedule 12A, Local Government Act 1972 and that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

188/14 GReater Manchester Investment Framework

The Combined Authority received a report from Eamonn Boylan, Chief Executive, Stockport MBC seeking approval for five projects.

RESOLVED/-

1. To agree that the project funding applications detailed in the report be given conditional approval and progress to due diligence.

2. To delegate authority to the Combined Authority Treasurer and Combined Authority Monitoring Officer to review the due diligence information and, subject to their satisfactory review and agreement of the due diligence information and the overall detailed commercial terms of the transactions, to sign off any outstanding conditions, issue final approvals and complete any necessary related documentation in respect of the loans at 1) above.

189/14 Growing Places – Evergreen Top-up

The Combined Authority received a report from Eamonn Boylan, Chief Executive, Stockport MBC, seeking approval for the use of the Growing Places Funding to invest in the North West Evergreen Fund projects.

RESOLVED/-

1. To endorse the provision of Growing Places Funding to the Evergreen Fund and to progress to the completion of all necessary legal documentation.

2. To delegate authority to the Richard Paver and Liz Treacy, Combined Authority Treasurer and Combined Authority Monitoring Officer to review the due diligence information and, subject to their satisfactory review and agreement of the due diligence information and the overall detailed commercial terms of the transactions, to sign off any outstanding conditions, issue final approvals and complete any necessary related documentation in respect of the loans/grant at 1) above.
1. INTRODUCTION

1.1 At their meeting on 24 June 2011, the GMCA agreed procedures for developing a Forward Plan of Strategic Decisions for the Authority, in line with the requirements of the GMCA’s constitution. The latest such plan is attached as the Appendix to this report.

2. RECOMMENDATIONS

2.1 GMCA members are invited to note, comment and suggest any changes they would wish to make on the latest Forward Plan of Strategic Decisions for the GMCA; attached to this report.

3. FORWARD PLAN: CONSTITUTIONAL REQUIREMENTS

3.1 In summary the Secretary of the GMCA is required to:-

• prepare a plan covering 4 months, starting on the first day of the month

• to refresh this plan monthly

• to publish the plan fourteen days before it would come in to effect

• state in the plan

   (i) the issue on which a major strategic decision is to be made;

   (ii) the date on which, or the period within which, the major strategic decision will be taken;

   (iii) how anyone can make representations on the matter and the date by which any such representations must be made; and

   (iv) a list of the documents to be submitted when the matter is considered

3.2. The constitution is also quite specific about the matters which would need to be included within the Forward Plan:-

• any matter likely to result in the GMCA incurring significant expenditure (over £1 million), or the making of significant savings; or

• any matter likely to be significant in terms of its effects on communities living or working in the area of the Combined Authority.

plus the following more specific requirements:-

1. a sustainable community strategy;
2. a local transport plan;

3. approval of the capital programme of the GMCA and TfGM and approving new transport schemes to be funded by the Greater Manchester Transport Fund;

4. other plans and strategies that the GMCA may wish to develop;

5. the preparation of a local economic assessment

6. the development or revision of a multi-area agreement,

7. the approval of the budget of the GMCA;

8. the approval of borrowing limits, the treasury management strategy and the investment strategy;

9. the setting of a transport levy;

10. arrangements to delegate the functions or budgets of any person to the GMCA;

11. the amendment of the Rules of Procedure of the GMCA;

12. any proposals in relation to road user charging

3.3 All the matters at 1-12 above require 7 members of the GMCA to vote in favour, except those on road user charging, which require a unanimous vote in favour

3.4 The attached plan therefore includes all those items currently proposed to be submitted to the GMCA over the next 4 months which fit in with these criteria. GMCA members should be aware that:-

- Only those items considered to fit in with the above criteria are included. It is not a complete list of all items which will be included on GMCA agendas

- Items listed may move dependent on the amount of preparatory work recorded and external factors such as where matters are dependent on Government decisions; and

- In some cases matters are joint decisions of the GMCA & AGMA Executive Board.

CONTACT OFFICER:

Julie Connor 0161 234 3124 j.connor@agma.gov.uk
The Plan contains details of Key Decisions currently planned to be taken by the Greater Manchester Combined Authority; or Chief Officers (as defined in the constitution of the GMCA) in the period between 1 February 2015 and 30 May 2015.

Please note: Dates shown are the earliest anticipated and decisions may be later if circumstances change.

If you wish to make representations in connection with any decisions please contact the contact officer shown; or the offices of the Greater Manchester Integrated Support Team (at Manchester City Council, P.O. Box 532, Town Hall, Manchester, M60 2LA, 0161-234 3124; info@AGMA.gov.uk) before the date of the decision.

<table>
<thead>
<tr>
<th>KEY DECISION /CONTACT OFFICER/CONSULTATION DETAILS</th>
<th>ANTICIPATED DATE OF DECISION &amp; DOCUMENTS TO BE CONSIDERED</th>
<th>DECISION TAKER</th>
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<tr>
<td>Greater Manchester Skills Capital</td>
<td>27 February 2015</td>
<td>GMCA</td>
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<tr>
<td>Wider Leadership Team Chief Executive- Simon Nokes</td>
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<tr>
<td>Contact Officer: Simon Nokes</td>
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<tr>
<td>Highways Reform - Management of the Key Route Network</td>
<td>27 February 2015</td>
<td>GMCA</td>
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<td>Wider Leadership Team Chief Executive- Jon Lamonte</td>
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<td>Contact Officer: Dave Newton</td>
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<tr>
<td>Metrolink Port Salford – Progress Report</td>
<td>27 March 2015</td>
<td>GMCA</td>
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<td>KEY DECISION /CONTACT OFFICER/CONSULTATION DETAILS</td>
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<td>Governance of the European Programme 2014-2020 - GM Local Management Committee Terms of Reference</td>
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<td>Wider Leadership Team Lead Officer: Simon Nokes</td>
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<td>Contact Officer: Susan Ford</td>
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4
Date: 30 January 2015

Subject: GMCA Transport Revenue Budget 2015/16 and Transport Revenue Budget Monitoring Update 2014/15

Report of: Richard Paver, Treasurer to Greater Manchester Combined Authority

PURPOSE OF REPORT

The report sets out the transport related Greater Manchester Combined Authority (GMCA) budget for 2015/16. It also includes the transport related forecast outturn position for 2014/15.

The proposed Transport Levy to be approved for 2015/16 is included within the report together with the consequent allocations to the District Councils of Greater Manchester.

RECOMMENDATIONS:

Members are requested to:

(i) note the report and the current transport related GMCA revenue outturn forecast for 2014/15 which is projecting an underspend of £50,000 after transfers to specific earmarked reserves;

(ii) note the report and the current TfGM revenue outturn forecast for 2014/15 which is projecting an underspend of £430,000;

(iii) approve the GMCA budget relating to transport functions, as set out in this report, for 2015/16;

(iv) note the issues which are affecting the 2015/16 transport budgets as detailed in the report;

(v) note the consultation process which has been undertaken by officers with the Transport Levy Scrutiny Panel; and that the outcome of the consultation is a proposal that will result in a total levy for 2015/16 of £195.123 million, which represents a 1.5% decrease from 2014/15;

(vi) approve that there will be a 1.5% decrease in the Transport Levy for 2015/16, with an increase of 1.5% with respect to the Greater Manchester Transport Fund being more than fully offset by a reduction of 3% for funding for the rest of the budgeted costs;

(vii) approve a Transport Levy on the district councils in 2015/16 of £195.123 million apportioned on the basis of mid year population as at June 2013 as in paragraph 5.4 and Appendix 1 to this report;

(viii) approve the use of reserves in 2015/16 as detailed in paragraph 7;

(ix) note and approve the position on reserves as identified in the report; and
(x) note the recommendations of the report on the Treasury Management Strategy Statement Borrowing Limits and Annual Investment Strategy 2015/16 elsewhere on this agenda.

CONTACT OFFICERS:

Name: Richard Paver  
Position: Treasurer, Greater Manchester Combined Authority  
Telephone: 0161 234 3564  
E-mail: r.paver@manchester.gov.uk

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

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

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

BACKGROUND PAPERS:


<table>
<thead>
<tr>
<th>TRACKING/PROCESS</th>
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<tr>
<td>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</td>
<td>No</td>
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<table>
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<tr>
<th>EXEMPTION FROM CALL IN</th>
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<tr>
<td>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?</td>
<td>No</td>
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AGMA Commission | TfGMC | Scrutiny Pool |
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<tr>
<td>16 January 2015</td>
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1 INTRODUCTION

1.1 The report provides the forecast outturn position for the transport related GMCA budget in 2014/15 based on the position as at the end of December 2014 and details the proposed budget for 2015/16.

1.2 The report sets out the Transport Levy proposals for 2015/16 following review by the GMCA Transport Levy Scrutiny Panel.

1.3 The allocation to Districts in relation to the Transport Levy is set out in paragraph 5.4 and Appendix 1 of the report.

1.4 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 GMCA TRANSPORT RELATED FORECAST OUTTURN 2014/15

2.1 The forecast outturn for the year ending 31 March 2015 is an underspend of £50,000 compared to a budgeted breakeven position. The table below details the position.

<table>
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<tr>
<th>GMCA Revenue Outturn 2014/15</th>
<th>Approved Budget 2014/15 £000's</th>
<th>Forecast Outturn 2014/15 £000's</th>
<th>Forecast Variance 2014/15 £000's</th>
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<tr>
<td>Transport Functions</td>
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<td>Transport Levy</td>
<td>(198,094)</td>
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<td>Government Grants - Transferred from Reserves</td>
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<td>(7,083)</td>
<td>(1,000)</td>
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<td>Government Grants - Received In-Year</td>
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<td>(410)</td>
<td>-</td>
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<tr>
<td>Other Income</td>
<td>-</td>
<td>(200)</td>
<td>(200)</td>
</tr>
<tr>
<td><strong>Total Resources</strong></td>
<td>(204,587)</td>
<td>(205,787)</td>
<td>(1,200)</td>
</tr>
</tbody>
</table>

| **Calls on Resources:**       |                               |                                 |                               |
| Transport Functions           |                               |                                 |                               |
| Gross Grant to TfGM           | 141,242                       | 141,242                         | -                             |
| TfGM Funded Finance Costs     | (35,092)                      | (35,092)                        | -                             |
| Grant paid to TfGM            | 106,150                       | 106,150                         | -                             |
| Other Grants                  | 6,493                         | 7,493                           | 1,000                         |
| GMCA Traffic Signals          | 3,838                         | 3,838                           | -                             |
| Section 278 Commuted Sum      | -                             | 200                             | 200                           |
| **Capital Financing**         |                               |                                 |                               |
| Levy Funded                   | 52,269                        | 50,202                          | (2,067)                       |
| TfGM Funded from Reserves/Revenues | 32,720 | 32,720 | - |
| TfGM Funded from Efficiencies | 2,372                         | 2,372                           | -                             |
| Transport Related costs – Marketing Manchester | 27 | 27 | - |
| Transport Related costs - GMCA Running Costs | 718 | 668 | (50) |
| **Total Call on Resources**   | 204,587                       | 203,670                         | (917)                         |

| Contribution to Earmarked Reserve | 2,067 |
| Net Underspend                   | 50    |
2.2 It is currently anticipated that a further £1 million of Local Sustainable Transport funding will be drawn from reserves in 2014/15 than was originally budgeted for. Both Income and Expenditure forecasts have been amended to reflect the updated position.

2.3 Other transport income of £200,000 is forecast due to inspection fees collected as a result of traffic light installations and repairs as a result of road traffic accidents. The corresponding expenditure of £200,000 is then defrayed against new installations and traffic signal repairs.

2.4 Capital financing costs have been assessed in light of the latest forecast borrowing position for the remainder of 2014/15. The forecast reduction in borrowing costs of £2,067,000 is as a result of the phasing of expenditure and borrowings for certain elements of the capital programme, as set out in the Capital Expenditure monitoring report, which is included on the agenda for this meeting. Any underspend will be transferred to the earmarked Capital Programme Reserve.

2.5 A review of general running costs has been undertaken and it is anticipated that there will be an underspend of £50,000 as at 31 March 2015, which will be transferred to general reserves.

3 TRANSPORT FOR GREATER MANCHESTER (TfGM) FORECAST OUTTURN 2014/15

3.1 The following paragraphs 3.2 - 3.11 provide information on the overall TfGM budget which may include resources received directly by TfGM which are outside the GMCA allocation.

3.2 The table below summarises TfGM actual expenditure to December 2014 and the full year budget and forecasts of income and expenditure of TfGM.

<table>
<thead>
<tr>
<th>Resources Available:</th>
<th>Period to December 2014</th>
<th>Annual Budget 2014/15</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Budget (£m)</td>
<td>Actual (£m)</td>
</tr>
<tr>
<td>Levy</td>
<td>105.93</td>
<td>105.93</td>
</tr>
<tr>
<td>Rail Grant</td>
<td>35.90</td>
<td>35.90</td>
</tr>
<tr>
<td>Funding from Metrolink Revenue / Reserves</td>
<td>13.43</td>
<td>13.43</td>
</tr>
<tr>
<td>Third Party Funding</td>
<td>11.11</td>
<td>11.19</td>
</tr>
<tr>
<td>Transfer from specific Reserves</td>
<td>2.63</td>
<td>2.63</td>
</tr>
<tr>
<td>Other Government Grants</td>
<td>3.31</td>
<td>3.40</td>
</tr>
<tr>
<td>Total Resources</td>
<td>172.31</td>
<td>172.48</td>
</tr>
</tbody>
</table>

3.3 Calls on Resources:

<table>
<thead>
<tr>
<th>Calls on Resources:</th>
<th>Period to December 2014</th>
<th>Annual Budget 2014/15</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Budget (£m)</td>
<td>Actual (£m)</td>
</tr>
<tr>
<td>Concessionary Support</td>
<td>51.94</td>
<td>51.94</td>
</tr>
<tr>
<td>Supported Services</td>
<td>23.68</td>
<td>22.31</td>
</tr>
<tr>
<td>Rail</td>
<td>34.79</td>
<td>34.77</td>
</tr>
<tr>
<td>Accessible Transport</td>
<td>4.08</td>
<td>4.07</td>
</tr>
<tr>
<td>Passenger Services, Facilities &amp; Support</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Levy Funded Costs</td>
<td>23.39</td>
<td>21.48</td>
</tr>
<tr>
<td>- Grant Funded Costs</td>
<td>3.31</td>
<td>3.40</td>
</tr>
<tr>
<td>Financing</td>
<td>30.78</td>
<td>30.79</td>
</tr>
<tr>
<td>Total Call on Resources</td>
<td>171.97</td>
<td>168.76</td>
</tr>
</tbody>
</table>

(Surplus) / Deficit

| (Surplus) / Deficit | (0.34) | (3.72) | (3.38) | - | (0.43) | (0.43) |
3.3 The Concessionary Support budget for 2014/15 included £1.5 million of targeted savings in the current year and a further £1 million targeted savings in 2015/16.

3.4 Agreements have now been reached with the three largest operators, which in addition to other savings measures implemented, has meant the targeted savings over the two year are on track to be delivered. As a result, the costs are in line with budget in the year to date and are currently forecast to be in line with budget for the year. This assumes utilisation of £3.5 million of the reserve earmarked for concessionary travel. The reserve is currently forecast to be fully utilised by the end of 2016/17.

3.5 The Supported Services budget includes targeted savings of £7.1 million over the two year period to 2015/16 with savings being delivered from the following areas:

- Commercialising existing subsidized services;
- Reducing service frequencies, whilst maintaining the network;
- Additional efficiencies in service delivery and service reduction, including night services; and
- Schools services (from 2015/16 onwards).

3.6 The Supported Services’ costs are £1.4 million lower than budget in the period to the end of December 2014. Both general network and schools costs are currently below budget in the year to date, partly due to timing differences on survey and maintenance costs and partly due to the targeted 2014/15 savings being achieved earlier in the year than was assumed in the budget. This is partially off-set by Supported Services income in the year to date being below budget. This position is currently forecast to remain for the remainder of the financial year.

3.7 A risk still remains in relation to the costs of supported services due primarily to the risk of de-registration of commercial services; operator failure; and the level of income, including, in particular, for Scholar’s Passes.

3.8 The favourable variance on passenger services, facilities and support costs in the year to date is due primarily to timing differences in a number of areas. These variances are currently forecast to reverse by the year end, in particular due to forecast expenditure on non capitalisable costs on a number of programmes which are forecast to ramp up in activity in the final quarter of the year.

3.9 The budgeted Other Government Grants income and the related expenditure, which is included within Passenger Services, Facilities and Support Costs is circa £3 million higher than budget due to a DfT Grant for work on Smarter Cities being awarded to GMCA and a re-phasing of the LSTF grant award from the previous financial year, these are fully offset by an increase in cost.

3.10 In overall terms, the forecast outturn is for a surplus of circa £0.4 million after the utilisation of £3.5 million of the Concessionary Reimbursement reserve.

3.11 Net revenues from Metrolink are in line with budget year to date and are also currently forecast to be in line with budget for the year. The net revenues generated from Metrolink are transferred to a separate ring-fenced reserve as part of the financing strategy for funding the expansion of the Metrolink system.
4 GMCA TRANSPORT BUDGET STRATEGY 2015/16

4.1 The overall position for 2015/16 can be summarised as follows in the table below:

<table>
<thead>
<tr>
<th></th>
<th>2015/16</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Resources Available:</strong></td>
<td>£'000</td>
</tr>
<tr>
<td>Transport Levy</td>
<td>195,123</td>
</tr>
<tr>
<td>Contributions from Reserves - Earmarked</td>
<td>31,043</td>
</tr>
<tr>
<td><strong>Total Resources</strong></td>
<td>226,166</td>
</tr>
</tbody>
</table>

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Calls on Resources:</strong></td>
<td></td>
</tr>
<tr>
<td>Transport Levy</td>
<td></td>
</tr>
<tr>
<td>Gross Grant to TfGM</td>
<td>134,953</td>
</tr>
<tr>
<td>TfGM Funded Finance Costs</td>
<td>(3,736)</td>
</tr>
<tr>
<td>Grant Paid to TfGM</td>
<td>131,217</td>
</tr>
<tr>
<td>Other Grants</td>
<td>3,861</td>
</tr>
<tr>
<td>GMCA Traffic Signals</td>
<td>3,822</td>
</tr>
<tr>
<td>Capital Financing Costs</td>
<td></td>
</tr>
<tr>
<td>Levy Funded</td>
<td>55,604</td>
</tr>
<tr>
<td>GMCA Funded from Reserves</td>
<td>27,182</td>
</tr>
<tr>
<td>TfGM Funded from Reserves/Revenues</td>
<td>500</td>
</tr>
<tr>
<td>TfGM Funded from Efficiencies</td>
<td>3,236</td>
</tr>
<tr>
<td>Transport Related Costs - Marketing Manchester</td>
<td>27</td>
</tr>
<tr>
<td>Transport Related GMCA Running costs</td>
<td>717</td>
</tr>
<tr>
<td><strong>Total Call on Resources</strong></td>
<td>226,166</td>
</tr>
</tbody>
</table>

5 PROPOSED GMCA TRANSPORT LEVY 2015/16

5.1 In setting the Transport Levy budget for 2014/15, GMCA also agreed an indicative Levy settlement for 2015/16, which was for a 3% reduction in the ‘Core’ Levy and a 3% increase in the ring fenced funding the Greater Manchester Transport Fund (GMTF). However it was agreed that this would be reviewed as part of the 2015/16 scrutiny process.

5.2 Following Transport Scrutiny Panel discussions it is proposed that the previously agreed reduction of 3% for the core levy will remain unchanged and there will be a deferral of 1.5% of the previously agreed GMTF 3% increase until 2016/17. The latter is based on work undertaken which demonstrates that this should not adversely affect the overall GMTF funding position.

5.3 As a result of the above, the overall proposal for the Transport Levy for 2015/16 will be for a 1.5% (approximately £3 million), reduction, which compares to the previous proposal for an overall net cash standstill.

5.4 The Transport Levy is distributed across the Districts based on mid year population as at June 2013. An analysis of amounts payable by each District in 2015/16 is shown at Appendix 1 and in the following table.
5.5 In addition to the Transport Levy, it is anticipated that earmarked reserves will be utilised to fund the remaining Local Sustainable Transport Grant and capital financing costs for 2015/16.

5.6 The GMCA Transport Levy Scrutiny Panel also requested that a protocol be developed so that forthcoming changes in the Bus Subsidised Services network, including those required in order to deliver the savings targets previously agreed, are communicated to the GMCA Leaders, prior to their introduction. This Protocol will align with the current process where all proposed changes are presented to the Bus Networks and TfGM Services Committee (BNTS) of TfGMC for approval.

6 TfGM BUDGET STRATEGY 2015/16

6.1 The budget presented relates to the TfGM element of the Transport Levy budget. It includes all the costs of TfGM including finance costs for previously agreed schemes.

Budgets 2015/16 – Efficiency savings

6.2 The budgets agreed last year for 2014/15 and 2015/16 included efficiency savings of around £18 million in the two years to 31 March 2016. These savings were required to accommodate the reduction in the Transport Levy for operational costs of 6% over the two years (i.e. 3% reduction in 2014/15 and a further 3% reduction in 2015/16). An analysis of the savings required by area over two years, agreed as part of last year’s Levy Scrutiny process is set out below:

<table>
<thead>
<tr>
<th></th>
<th>2014/15</th>
<th>2015/16</th>
<th>Levy Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Bolton</td>
<td>20,452</td>
<td>20,128</td>
<td>(324)</td>
</tr>
<tr>
<td>Bury</td>
<td>13,650</td>
<td>13,406</td>
<td>(244)</td>
</tr>
<tr>
<td>Manchester</td>
<td>37,445</td>
<td>36,971</td>
<td>(474)</td>
</tr>
<tr>
<td>Oldham</td>
<td>16,558</td>
<td>16,337</td>
<td>(221)</td>
</tr>
<tr>
<td>Rochdale</td>
<td>15,543</td>
<td>15,245</td>
<td>(298)</td>
</tr>
<tr>
<td>Salford</td>
<td>17,380</td>
<td>17,178</td>
<td>(202)</td>
</tr>
<tr>
<td>Stockport</td>
<td>20,812</td>
<td>20,485</td>
<td>(327)</td>
</tr>
<tr>
<td>Tameside</td>
<td>16,145</td>
<td>15,854</td>
<td>(291)</td>
</tr>
<tr>
<td>Trafford</td>
<td>16,748</td>
<td>16,543</td>
<td>(205)</td>
</tr>
<tr>
<td>Wigan</td>
<td>23,361</td>
<td>22,976</td>
<td>(385)</td>
</tr>
</tbody>
</table>

Total: 198,094 195,123 (2,971) (1.50%)
6.3 TfGM has made good progress in the delivery of these savings targets. This was discussed in the Scrutiny process and the conclusion was that TfGM was on track to deliver the savings as planned for 2015/16 although challenges remain. This is covered in more detail in paragraphs 6.4 – 6.23 below.

**TfGM Proposed Budget 2015/16**

6.4 The proposed budget for 2015/16, including the savings detailed in paragraph 6.2, is shown below. The budget presented below relates to the Transport Levy budget. It includes all the costs of TfGM and financing costs for previously agreed schemes.

<table>
<thead>
<tr>
<th>Resources</th>
<th>TfGM 2014/15 Budget £m</th>
<th>TfGM 2015/16 Budget £m</th>
<th>Variance £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Levy</td>
<td>141.24</td>
<td>134.95</td>
<td>(6.29)</td>
</tr>
<tr>
<td>Special Rail Grant</td>
<td>47.87</td>
<td>49.11</td>
<td>1.22</td>
</tr>
<tr>
<td>Utilisation of surplus/other reserves</td>
<td>3.50</td>
<td>4.50</td>
<td>1.00</td>
</tr>
<tr>
<td>Metrolink Funding from Revenues/Reserves</td>
<td>17.91</td>
<td>-</td>
<td>(17.91)</td>
</tr>
<tr>
<td>GMTF third party contributions/net revenues</td>
<td>14.81</td>
<td>0.50</td>
<td>(14.31)</td>
</tr>
<tr>
<td>Funding from reserves - Total</td>
<td>32.72</td>
<td>0.50</td>
<td>(32.22)</td>
</tr>
<tr>
<td>Other Grants</td>
<td>5.22</td>
<td>3.86</td>
<td>(1.36)</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td><strong>230.55</strong></td>
<td><strong>192.93</strong></td>
<td><strong>(37.15)</strong></td>
</tr>
</tbody>
</table>

| Call on Resources                                  |                        |                        |             |
| Concessionary Support                              | 69.33                  | 69.33                  | (0.00)      |
| Supported Services                                 | 31.79                  | 27.83                  | (3.96)      |
| Rail                                               | 46.57                  | 47.76                  | 1.66        |
| Accessible Transport                               | 5.42                   | 4.94                   | (0.49)      |
| Passenger Service, Facilities and Support - Levy Funded | 31.18                  | 29.05                  | (2.13)      |
| Passenger Service, Facilities and Support - Grant Funded | 5.22                   | 3.86                   | (1.36)      |
| Passenger Services, Facilities & Support - Total   | 36.40                  | 32.91                  | (3.49)      |
| Financing                                          | 41.04                  | 10.17                  | (30.87)     |
| **Total Expenditure**                              | **230.55**             | **192.93**             | **(37.15)** |

| Surplus/(Deficit)                                  | -                      | -                      |

6.5 There are a number of risks to the proposed budget, including increases in subsidised bus services costs resulting from price increases and bus service deregistrations; and the ability to deliver the very challenging targets included for operational cost efficiencies; savings in subsidised services; and in the generation of additional commercial income.

6.6 The main elements of the proposed budget are considered further below.
Concessionary support costs

6.7 Concessionary support costs are budgeted to remain at the same level in 2015/16.

6.8 The concessionary reimbursement budget includes the cost of the English National Concessionary Travel Scheme (ENCTS) and the local Concessionary scheme. The ENCTS is a statutory scheme and TfGM cannot mitigate these costs other than seeking to manage its risk by agreeing multi year fixed price deals. There are no proposals to amend the Local Scheme.

6.9 During the year TfGM has agreed new three year fixed price agreements with the three largest operators covering the costs of both ENCTS and Local Scheme. This gives budget certainty over the costs for the remainder of 2014/15 and until March 2017.

Subsidised Services costs

6.10 As noted in paragraph 6.2 above the budget proposals agreed in 2014/15 included savings of £7.1 million from procurement and other efficiencies in the delivery of Subsidised Services. As reported to GMCA last year these are being delivered from the following areas:

- Efficiency savings including in the procurement of contracts;
- Commercialising existing subsidised services;
- Reducing service frequencies, whilst maintaining the network; and
- Additional efficiencies in service delivery and service reduction, including night services.

6.11 TfGM is on track to deliver the targeted savings. It is forecast that the remaining required savings will be delivered from the tender renewals process in April 2015. A report was presented to BNTS in November 2014 which set out the proposed changes to the network in 2015/16 which are part of delivering these targeted savings.

6.12 As noted above a Protocol was requested by the Scrutiny Panel so that all upcoming planned changes to the network can be communicated to Leaders and Chief Executives in the Districts. This will be aligned with the process whereby all planned changed are presented to BNTS for approval prior to their implementation.

6.13 In summary, an additional step will be added into the current process such that when the tenders are issued to the market and before the proposed changes are presented to BNTS for approval, a summary showing proposed changes in each District will also be sent to the Leader and Chief Executive in each District impacted.

Rail Costs

6.14 TfGM receives a rail administration grant which is used to fund various rail related activities, including the funding that TfGM is providing to strengthen certain rail services. The Budget assumes that this funding continues on the same basis. The proposed budget does not include for any additional rail services to be funded.
Accessible Transport Costs

6.15 The grant payable to GMATL in the proposed budget will be up to £4.6 million in 2015/16. This reflects a further reduction in the grant of £0.5 million as agreed in the Levy Scrutiny process for 2014/15.

6.16 Discussions to date with GMATL indicate that it will be very difficult to deliver this level of savings from further efficiency savings alone. A wider review of the delivery of accessible transport services is ongoing to identify the possible sources of these savings. In the meantime it is proposed that GMATL utilise existing surplus reserves in order to deliver the saving required for 2015/16.

6.17 The future savings will be considered as part of the ongoing wider review of accessible transport and its delivery model, being carried out by TfGM, working in conjunction with GMATL.

Passenger services, facilities and support and efficiency savings

6.18 Passenger services, facilities and support costs include the costs of operating and maintaining the TfGM owned bus stations, travel shops and other infrastructure, and the costs of the support functions. The departure charges made to bus operators for using the bus facilities are budgeted to increase by RPI (2.3%) with effect from April 2015. This is reflected in the budget. This increase is forecast to generate sufficient additional income to offset the increase in the costs of operating the bus stations.

6.19 The budget proposals for 2014/15 and 2015/16 agreed with GMCA last year included very challenging targets for savings in operational costs, including significant headcount savings, and the generation of additional commercial income.

6.20 The budget proposals included additional savings in operational costs of £8.2 million including staff savings of £5.2 million; other efficiency savings of £1 million; and additional commercial income of £2 million.

6.21 TfGM is on track to deliver the remainder of these savings during the rest of 2014/15 and 2015/16. The opportunities for generating additional commercial income of up to £2 million (cumulatively) by the end of 2015/16 are currently being reviewed, involving a review of all potential opportunities across TfGM’s estate and asset base. Any shortfall against this target will need to be met from the delivery of additional savings in operational costs.

6.22 Further to the agreement of the budget last year, there have been a number of developments in 2014/15 which will mean that TfGM will need to incur additional costs in 2015/16 in order to deliver additional priorities. These include work in respect of strategic initiatives including work on One North and the impact of the recently announced proposals on Devolution. These costs will need to be accommodated within existing resources.

Financing Costs

6.23 Finance costs, which are mainly incurred by GMCA, reflect both the increased financing costs of Metrolink 3A and the financing costs for the Greater Manchester Transport Fund. These costs are funded from the GMTF Levy contribution; from Metrolink reserves and net revenues; and other third party contributions.
7 RESERVES

7.1 An analysis of the forecast and budgeted movements in transport related reserves for 2014/15 and 2015/16 is set out below:

Transport Related Reserves

<table>
<thead>
<tr>
<th></th>
<th>Balance as at 31 March 2014 £000’s</th>
<th>Transfers in/(out) 2014/15 £000’s</th>
<th>Projected Balance 31 March 2015 £000’s</th>
<th>Transfers in/(out) 2015/16 £000’s</th>
<th>Budgeted Balance 31 March 2016 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Reserve</td>
<td>10,663</td>
<td>483</td>
<td>11,146</td>
<td>-</td>
<td>11,146</td>
</tr>
<tr>
<td>Property Reserve</td>
<td>9,064</td>
<td>(217)</td>
<td>8,847</td>
<td>(214)</td>
<td>8,633</td>
</tr>
<tr>
<td>Concessionary Fares Reserve</td>
<td>14,084</td>
<td>(3,500)</td>
<td>10,584</td>
<td>(4,500)</td>
<td>6,084</td>
</tr>
<tr>
<td>Capital Programme Reserve</td>
<td>61,965</td>
<td>25,820</td>
<td>87,785</td>
<td>19,386</td>
<td>107,171</td>
</tr>
<tr>
<td>Metrolink Reserves</td>
<td>48,124</td>
<td>(14,320)</td>
<td>33,804</td>
<td>(27,182)</td>
<td>6,622</td>
</tr>
<tr>
<td>Joint Road Safety Group Reserve</td>
<td>6,306</td>
<td>(2,321)</td>
<td>3,985</td>
<td>(1,643)</td>
<td>2,342</td>
</tr>
<tr>
<td>Capital Grants Unapplied Reserve - TfGM</td>
<td>4,326</td>
<td>(4,326)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Capital Grants Unapplied Reserve - GMCA</td>
<td>9,072</td>
<td>-</td>
<td>9,072</td>
<td>-</td>
<td>9,072</td>
</tr>
<tr>
<td>Revenue Grants Unapplied Reserve - GMCA</td>
<td>10,944</td>
<td>(7,083)</td>
<td>3,861</td>
<td>(3,861)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>174,548</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(5,464)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>169,084</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(18,014)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>151,070</td>
</tr>
</tbody>
</table>

General Reserve

7.2 Current good practice and Audit Commission guidance states that reserves should be maintained at an appropriate level as determined by a detailed business risk review. The current level of reserves is £11.1 million.

7.3 A risk analysis has been undertaken which demonstrates that based on the risks facing the organisation (which have increased as a result of the establishment of the GMTF, and the related capital programme of over £2 billion), the current level of reserves have been assessed as appropriate.

7.4 The key risks and issues impacting on the revenue budget are summarised below:

- capital programme costs and delivery;
- increases in interest rates and inflation;
- additional inflationary pressures on the subsidised network and operating costs; and
- the ability to deliver the incremental efficiency savings.

7.5 TfGM and GMCA hold other reserves as set out in the following paragraphs.

Property Reserve

7.6 The Property Reserve is held for financing the historic costs for the TfGM building at 2 Piccadilly Place. The budgeted movement in 2014/15 and 2015/16 relates to forecast proceeds from property ring fenced for the financing of 2 Piccadilly Place offset by amortisation costs.
Concessionary Fares Reserve

7.7 A reserve is held to cover specific costs including:

- costs of fixed deal arrangements with the larger bus operators;
- forecast costs of reimbursing other operators;
- costs of renewing existing National Concessionary Travel Passes (cards only valid for five years); these costs were funded by central government when introduced in April 2008; and
- other costs including concessionary travel data collection and ‘smart’ related costs, which would otherwise be funded from the Levy.

7.8 The forecast balance of the reserve at 31 March 2015 is £10.6 million. The reserve is currently forecast to be fully utilised by the end of 2016/17.

Capital Programme Reserve

7.9 GMCA and TfGM hold certain reserves which are 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. TfGM is responsible for delivering a capital programme of public transport investment and infrastructure, during the period to 2017 totalling over £2 billion. This is the largest programme of transport investment outside of London. The programme includes trebling the size of the Metrolink network; the construction of four new transport interchanges; the construction of the LSM guided busway and other bus priority schemes; rail schemes and the introduction of a smart card to operate across all transport modes. The forecast annual capital expenditure in 2015/16 is budgeted to be over £280 million.

7.10 Primarily as a result of the timing of capital spend and consequently lower than budgeted finance costs; and the requirement to hold reserves to fund financing costs in advance of the Metrolink lines reaching maturity, the balance on the Capital Programme Reserve at 31 March 2015 is forecast to be approximately £87.8 million. The forecast balance on the Capital Programme Reserve is consistent with the work undertaken in relation to financing costs which have been provided to Treasurers during the Scrutiny process.

7.11 The Capital Programme reserve will be utilised as the financing costs, which 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 Greater Manchester Transport Fund (GMTF), increase in future years.

7.12 The optimum mix of reserves utilisation and borrowings will be determined by the GMCA Treasurer, prior to the closure of the relevant years’ accounts.

Metrolink Reserves

7.13 This represents cumulative Metrolink net revenues of approximately £33.8 million at 31 March 2015 which are used, in line with the approved financial strategy, to fund the capital financing costs for the capital programme.
7.14 Future Metrolink revenues have been projected using demand and yield forecasts, and have been subject to a risk adjustment before being included in the financial strategy. The financing strategy is very sensitive to fluctuations in the amount of income generated.

7.15 Any shortfall in revenues in any one year has a significant ‘whole of life’ impact. For example, a £1 million shortfall from the projected revenue in one year would cost up to £50 million over the life of the Transport Fund.

7.16 The available funding in the reserve is forecast to be fully utilised during 2016/17 after which the funding for financing costs will be drawn down from the Capital Programme Reserve until the new lines reach maturity in terms of generation of net incomes.

**Joint Road Safety Group Reserve**

7.17 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.

**Capital Grants Unapplied Reserve**

7.18 This relates to grants received ahead of expenditure.

**Revenue Grants Unapplied Reserve**

7.19 This relates to grants received ahead of expenditure, mainly in relation to the Local Sustainable Transport Fund and Better Bus Area Fund. Both reserves will be fully utilised by the end of 2015.

8 **Legal Issues**

8.1 In coming to decisions in relation to the revenue budget the Authority has various legal and fiduciary duties. The amount of the transport levy 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.

8.2 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)**

8.3 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.
8.4 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.

8.5 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.

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

Reasonableness

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

Risks and Mitigation

8.8 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 risk identified are as follows.

8.9 The budgeted interest payable on new EIB borrowings for the GMTF and other projects are already contractually committed at 4.34%. For anticipated non EIB borrowings current market interest rate forecasts have been used. While these costs have been budgeted, there remains a risk that until the non EIB borrowing costs are fixed actual costs may exceed budget. This risk is mitigated by the specific Capital Programme Reserve.

8.10 The budgets for 2015/16 include efficiency savings, particularly within the TfGM controlled budgets. These are considered achievable and will be monitored against budget on a regular basis.
8.11 The complex nature of the significant capital developments being undertaken to enhance and extend the Metrolink network is another key risk area. Whilst these projects and programmes are subject to rigorous management and governance arrangements and each contains an appropriate level of risk allowance and contingency, there remains an inherent financial risk with any project or programme of this size.

9 Recommendations

9.1 Detailed recommendations appear at the front of this report.
### GMCA BUDGETED CHARGES 2015/16

<table>
<thead>
<tr>
<th>GMCA UNITS / FUNCTIONS</th>
<th>Basis of Charge</th>
<th>Bolton</th>
<th>Bury</th>
<th>Manchester</th>
<th>Oldham</th>
<th>Rochdale</th>
<th>Salford</th>
<th>Stockport</th>
<th>Tameside</th>
<th>Trafford</th>
<th>Wigan</th>
<th>TOTAL DISTRICT CHARGES</th>
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<td>514,417 £</td>
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<td>285,032 £</td>
<td>230,179 £</td>
<td>319,690 £</td>
<td>195,123,000 £</td>
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<td>13,406,000 £</td>
<td>36,971,000 £</td>
<td>16,337,000 £</td>
<td>15,245,000 £</td>
<td>17,178,000 £</td>
<td>20,485,000 £</td>
<td>15,854,000 £</td>
<td>16,543,000 £</td>
<td>22,976,000 £</td>
<td>195,123,000 £</td>
</tr>
<tr>
<td>TO BE BILLED BY GMCA</td>
<td></td>
<td>20,128,000 £</td>
<td>13,406,000 £</td>
<td>36,971,000 £</td>
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<td>20,485,000 £</td>
<td>15,854,000 £</td>
<td>16,543,000 £</td>
<td>22,976,000 £</td>
<td>195,123,000 £</td>
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</tbody>
</table>
Date: 30 January 2015

Subject: Capital Programme 2014/15 – 2017/18

Report of: Richard Paver, Treasurer, Greater Manchester Combined Authority

Summary

The purpose of this report is to update members on the forecast capital outturn position for 2014/15 and to present the 2015/16 capital programme and forward commitments for approval by the Greater Manchester Combined Authority (GMCA or the Authority).

Recommendations

Members are requested to:

(i) note that the current forecast capital expenditure for 2014/15 is as detailed in the report and in Appendix A;

(ii) approve the capital programme budget for 2015/16 and the forward commitments as detailed in the report and in Appendix A;

(iii) note that the capital programme is financed from a mixture of grants (including DfT), external contributions and long term borrowings;

(iv) note that provision has been made in the revenue budget for the associated financing costs of borrowing;

(v) note that the capital programme will continue to be reviewed, with any new schemes which have not yet received specific approval added into the programme at a later date once approval has been sought, including schemes included in the Growth Deal 2 bid;

(vi) note that revised Treasury Management indicators will be reported in a separate report elsewhere on the agenda to reflect the approved capital programme and updated cash flows.
Financial Consequences – Revenue

The capital programme report over the three year period (2015-2018) will require a borrowing requirement of £466 million and provision has been made in the revenue budget for the associated financing costs.

Financial Consequences – Capital

The proposals contained in this report would result in a one year capital programme of £281 million in 2015/16, and forward spend of up to £479 million in 2016/17, £271 million in 2017/18 and planned spend in future years of £283 million.

BACKGROUND DOCUMENTS


CONTACT OFFICERS

Richard Paver 0161 234 3564 r.paver@manchester.gov.uk
Steve Warrener 0161 244 1025 steve.warrener@tfgm.com
Janice Gotts 0161 234 1017 j.gotts@manchester.gov.uk

Attachments

Appendix A: Three Year Capital Programme 2015/16 to 2017/18, including 2014/15 forecast outturn position.
1  GMCA Capital Programme Update

1.1  The Greater Manchester Combined Authority (GMCA) approved the 2014/15 Capital Programme at its meeting on 31 January 2014.

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”) with the latter comprising the following elements:

- The Greater Manchester Transport Fund (‘GMTF’);
- Metrolink Phase 3a extensions;
- Other Metrolink Capital Programmes;
- Transport Infrastructure Fund (Bolton & Wigan);
- Traffic Signals Upgrade;
- Green Bus Fund;
- Better Bus Area Fund;
- Local Sustainable Transport Fund;
- Cycle City Ambition Grant (CCAG);
- Smart Ticketing;
- Other committed schemes including Rochdale Interchange, Wythenshawe Interchange, contractual contributions to Victoria Station and Electric Vehicle charging points;
- Integrated Transport Capital Block Funding (2014/15 Minor Works);
- Growth Deal (Major Schemes; and
- 2015/16 Growth Deal 1 Minor Works Programme.

1.3  The three year Capital Programme and the latest estimates of forecast spend for 2014/15 is summarised at Appendix A.

1.4  The capital programme over the three year period (2015-2018) as presented will require a long term borrowing requirement of £466 million. Provision has been made in the revenue budget for the associated financing costs. The spending profiles in 2015/16 and future years will remain subject to scrutiny and possible change as part of the continuous review of the capital programme.

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 (GVA) to Greater Manchester, consistent with positive package level social and environmental outcomes.

2.2  The GMTF programme is funded from a combination of grants from the Department for Transport; a ‘top slice’ from the Greater Manchester Integrated Transport Block (ITB) LTP funding over a period of 9 years from 2010/11; and from a combination of borrowings, to be undertaken by GMCA, and partly 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 As described in the Revenue budget report which is included on the agenda for this meeting, GMCA and TfGM hold certain reserves which are ring-fenced to pay for and manage the risks of delivering their ongoing capital programme. This includes the capital programme reserve which will be utilised as the financing costs (which 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) increase in future years.

2.5 The projected balance on the Capital Programme Reserve at the end of 2014/15 is currently forecast to be circa £87.8 million.

**Metrolink Phase 3a, 3b and second City Crossing**

2.6 The expenditure to 31 December 2014 was £69.3 million. The current forecast expenditure for 2014/15 is £100.2 million, compared to the previous forecast of £118.8 million. The variance is due primarily to the timing of contractual milestones, the timing of settling final accounts on Phase 3a and 3b and the phasing of the programme risk allowances.

2.7 The total Metrolink programme costs are currently forecast to be within the total approved programme budgets.

2.8 The 2015/16 forecast expenditure is £61.1 million.

**Trafford Line**

2.9 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. Any future potential to extend onward to Port Salford, and potentially to Eccles, will be the subject of a separate costing and business case development exercise. 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.

2.10 The revised "Earnback" deal enables GM to retain a greater proportion of the additional tax revenue that will be generated as a result of local investment in infrastructure. The complex formula will be removed in order to give GM more control and certainty over the future funding stream. This deal is worth £900m over 30 years and will allow GM to deliver the Trafford Park Metrolink Extension through a combination of revenue resources and capital funding. A report will be presented to GMCA in early 2015 setting out the latest delivery programme for the Trafford Line and the associated updated expenditure profile.

2.11 The previously approved expenditure for the project is £36.9 million which was approved by the GMCA in July 2013 and October 2013. This relates to the procurement of 10 Light Rail Vehicles and costs associated with concluding the business case and associated approvals for the scheme.
2.12 Total expenditure to 31 December 2014 in relation to the previously approved amount was £16.8 million. The current forecast expenditure is £22.8 million which is consistent with the previous forecast. The 2015/16 forecast expenditure is £10.1 million. The current forecast expenditure profile for the complete scheme has been included in Appendix A. As referred to in Section 2.10 above, this is subject to further review and update, including formal approval for inclusion within the programme.

**Cross City Bus Package**

2.13 The Cross City bus Package is a programme of works which is being delivered by TfGM and a number of Districts and involves the development of bus priority measures along four separate corridors:

- The A580 East Lancashire Road in Salford;
- The A664 Rochdale Road in Manchester and Rochdale;
- The Oxford Road Corridor in Manchester; and
- The Regional Centre.

2.14 Cross City Bus Package will link areas of social deprivation to the North and West of Manchester with key areas of employment, education and healthcare opportunities within the City Centre, along the Oxford Road Corridor and also in the Chapel Street area of Salford.

2.15 The expenditure to 31 December 2014 for the Cross City Bus package was £11.1 million. The current forecast expenditure for 2014/15 is £13.7 million, compared to the previous forecast of £20.7 million. The variance is due primarily to the re-phasing of the Regional Centre and Oxford Road projects, as a result of revisiting the designs following public consultation.

2.16 The forecast outturn cost for this programme is in line with the budget of £54.5 million.

2.17 The 2015/16 forecast expenditure is £13.4 million.

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

2.18 The LSM Busway scheme provides four core sections of bus priority infrastructure and associated park and ride facilities that will improve bus reliability and journey times. These core sections will complement the Cross City Bus package and will facilitate the enhancement of Leigh/Atherton - Salford – Manchester bus service by including; an off highway guided section which will run from the outskirts of Leigh town centre to Ellenbrook; on highway bus priority measures linking Leigh Bus Station to the guided section of the busway; improvements to Leigh Bus Station; and on highway bus priority measures linking Wigan and Atherton to the guided section of the busway at Tyldesley.

2.19 The expenditure to 31 December 2014 for the Busway was £12.1 million and the forecast for 2014/15 is £15.5 million, compared to the previous forecast of £21.5 million. The variance is due primarily to the timing of contractual milestones and the phasing of the programme risk allowances.
2.20 The total forecast outturn for this programme is in line with the budget of £68 million.

2.21 The 2015/16 forecast expenditure is £12.9 million.

**Park and Ride**

2.22 The expenditure to the 31 December 2014 for the Park and Ride was £3.0 million; the forecast expenditure for 2014/15 is £5.3 million, which is in line with the previous forecast of £5.6 million.

2.23 The 2015/16 forecast expenditure is £2.7 million.

**Altrincham Interchange**

2.24 The expenditure to the 31 December 2014 for the Altrincham Interchange was £6.6 million. The current forecast expenditure for 2014/15 is £8.0 million, which is consistent with the previous forecast. Altrincham Interchange opened to the public in December 2014.

2.25 The 2015/16 forecast expenditure is £0.9 million, which relates primarily to the settlement of the final accounts.

**Bolton Interchange**

2.26 The expenditure to 31 December 2014 was £3.4 million. The forecast expenditure for 2014/15 is £5.1 million, which is consistent with the previous forecast.

2.27 To mitigate the impact of the complementary North West Electrification and Northern Hub schemes, a number of advanced enabling works contracts have been undertaken which include closure of the car parks, spoil re-location, utility diversions, new sub-station construction, probe drilling and the re-location of Network Rail signalling infrastructure. Main contract construction work has now commenced with site clearance, and earthworks progressing well. In addition, planning approval has been obtained for the bus operators accommodation building and the revised Skylink Bridge design has been submitted for Planning Consent.

2.28 The 2015/16 forecast expenditure is £15.0 million.

**SEMMMS A6 to Manchester Airport relief road scheme**

2.29 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).

2.30 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.

2.31 Stockport MBC is responsible for the delivery of SEMMMS, which will result in the expenditure largely comprising grant payments to Stockport MBC.
2.32 The expenditure to 31 December 2014 was £9.7 million. The forecast expenditure for 2014/15 is £31.1 million, which is consistent with the previous forecast.

2.33 The 2015/16 forecast expenditure is £55.7 million.

3. **Other Metrolink Schemes**

3.1 Other Metrolink Capital Programmes include a number of projects to enhance the overall quality of service for passengers, including improvements to stops and other infrastructure.

3.2 The expenditure to 31 December 2014 for the Other Metrolink projects was £0.6 million. The forecast expenditure for 2014/15 is £2.0 million, compared to the previous forecast of £4.3 million. This is due to the phasing of certain minor renewal works.

3.3 The 2015/16 forecast expenditure is £2.1 million.

4. **Other Committed Capital Schemes**

4.1 The expenditure to 31 December 2014 for the other committed capital schemes was £14.3 million; and the forecast expenditure for 2014/15 is £38 million, which is consistent with the previous forecast.

4.2 The Other Committed Capital Schemes include:

- Bolton / Wigan Transport Infrastructure Fund (completed in 2014/15);
- Victoria Roof (will complete in 2014/15);
- Wythenshawe Interchange;
- Rochdale Interchange (completed in 2014/15);
- Traffic Signals (completed in 2014/15);
- Green Bus (completed in 2014/15);
- Better Bus Area Fund (will complete in 2014/15);
- Local Sustainable Transport Fund;
- Electric Vehicles (completed in 2014/15);
- Smart Ticketing;

4.3 The 2015/16 forecast expenditure is £16.1 million.

5. **Traffic Signals (GMCA capital spend only)**

5.1 The expenditure to 31 December 2014 was £0.4 million and relates to capital works on the LED Asset Replacement Programme.

5.2 There are additional works that are performed by TfGM relating to capital works on existing signals and new installations. These elements of the works are funded by contributions from the 10 District Councils within Greater Manchester and other external contractors. The expenditure to date is £1.4 million.
6. **Growth Deal Major Schemes**

6.1 The Government announced the Growth Deal for Greater Manchester on the 7 July 2014. As part of this deal, Local Growth funding was provided for the remainder of the 12 major schemes were identified through the Greater Manchester Local Transport Body process. The major scheme investment programme will be delivered through a combination of previously secured Local Growth Fund monies, which provides funding for the first seven schemes, Local Growth Fund award and local funding contributions. GM delivery programme includes the following:

- South Heywood, Junction 19 (M62) Link Road;
- Wigan A49 Link Road;
- Salford Central Station (additional platforms);
- Manchester / Salford IRR Improvements – Regent Rd/Water St;
- Wigan M58 Link Road;
- Manchester / Salford IRR Improvements – Great Ancoats St;
- Wigan Hub Phase 1;
- Stockport Town Centre Access Major Scheme;
- Ashton Town Centre Interchange;
- Stockport Interchange;
- Bolton Salford Quality Bus Network (Formerly Route 8 bus Rapid Priority Scheme); and
- Metrolink Service Improvement Package

6.2 Approval was obtained from GMCA in March and August 2014 for the individual scheme promoters to ‘cash flow’ the development costs, to an anticipated maximum cost of £9.26 million on the basis that these costs would subsequently be reimbursed once grant is received from DfT in April 2015.

6.3 In addition, the Combined Authority approved the full scheme budget of £44.4 million for the Metrolink Service Improvement Works in August 2014, subject to completion of the full business case.

6.4 Further development work will be taken forward in line with the provisions of the Growth Deal Major Schemes Capital Programme Guidance, which has been developed by the Transport and Growth Group and subsequently endorsed by the Chief Executives’ Investment Group. The current total forecast expenditure on the schemes for 2015/16 is £76.8 million. This is subject to further review by TIGM and the Districts who are delivering the schemes and any changes will be included in subsequent Monitoring reports.

6.5 An update on the Growth Deal Majors schemes will be provided to GMCA in early 2015.

7. **Minor Works Funding**

7.1 Funding for Minor Works is currently received as an allocation from DfT through the Integrated Transport Block (ITB). For 2015/16 onwards, the funding for the Minor Works schemes will be made available through the Local Growth Fund and further Local Sustainable Transport Fund (LSTF) funding.

7.2 The Minor works programme for 2014/15 was developed collaboratively with District officers as part of the process for developing the Local Growth Fund Minor
Works bid programme. The inclusion of schemes in the 2014/15 programme was based on advice from Districts as to their deliverability in that year and their strategic fit against the five agreed Growth and Reform Plan priorities.

7.3 The total funding from ITB for Minor Works in 2014/15 is £10.1 million. This will be defrayed over two years. The latest forecast spend for 2014/15 £4.7 million and the forecast for 2015/16 is £5.4 million.

7.4 In July 2014, Greater Manchester was awarded £8.9 million Minor Works/LSTF funding for 2015/16 and £6.3 million for 2016/17. The Minor Works programme was developed in collaboration with District officers, following a prioritisation exercise that included an assessment of the schemes based on their contribution to Growth and Reform Plan objectives and the availability of match funding. Based on the above prioritisation, £8.6 million of the £8.9 million has been allocated for delivery of schemes in 2015/16, as detailed in the table below. The £0.3 million balance is currently unallocated pending the outcome of the ‘Growth Deal 2’ submission (see 7.7 below).

<table>
<thead>
<tr>
<th>District</th>
<th>Project Lead</th>
<th>Scheme Name</th>
<th>Local Growth Fund 2015/16 (£’000)</th>
<th>Match Funding (£’000)</th>
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</thead>
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<tr>
<td>Bolton</td>
<td>District</td>
<td>Access to Bolton East Cycle Route</td>
<td>150</td>
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<tr>
<td>Bury</td>
<td>District</td>
<td>Radcliffe East Cycleway</td>
<td>200</td>
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<td>Bury</td>
<td>District</td>
<td>Outwood Trail - Radcliffe upgrade</td>
<td>75</td>
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<td>Manchester</td>
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<td>300</td>
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<td>Ashton to Stalybridge</td>
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<td><strong>Total</strong></td>
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7.5 In addition to the LGF Minor Works programme set out above, and as previously reported, there may also be the opportunity to use any surplus funding from the LGF Major Schemes programme budget to the extent that the contingency element of these budgets became available. Since a number of minor schemes are closely linked to a major scheme, this could potentially provide an additional source of funding for some important initiatives, primarily those in town centres.

7.6 Any proposals relating to the funding of additional initiatives through the Growth Deal major schemes programme will be brought to the AGMA/GMCA Chief Executives’ Investment Group.

7.7 The Government had previously indicated that there would be the opportunity to submit a further Local Growth Fund bid before the end of 2014; and on 29 September 2014, they informed Greater Manchester that bids for a second round of Growth Deal funding (Growth Deal 2) should be submitted by 6th October.
A bid to Government was submitted in line with the required timescales. This included all the unfunded minor works schemes from the previous bid including those which could potentially be funded from the major schemes budget.

Further Growth Deal monies were identified in the Chancellor’s Autumn Statement, but no funding announcements had been made at the time of writing this report.

The outcome of Growth Deal 2 bid is expected to be announced ahead of the meeting. This will be the subject of a further report to the GMCA in due course. Any updates required to the Capital Programme as a result of this will be reported to future meetings in addition to any other changes which may be required as a result of other bids for funding, including from the second tranche of Cycle City Ambition Grant funding and the Maintenance Challenge Fund.

8. Economic Development and Regeneration Related Functions

Regional Growth Fund (RGF) – Rounds 2 and 3

The Combined Authority has a total confirmed award of £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 Regional Growth Fund has conditionally approved, under the GM Investment Framework, funding for 56 projects. The projects are projected to create / safeguard over 6,030 jobs with 2,264 achieved to date. The grant funds are paid to projects on a defrayed basis and therefore can be drawn down over a period of two years. Spend in previous years of £16.519 million has been paid to projects and a further £27.156 million is committed for 2014/15. As per the grant conditions, the RGF 3 funds will be spent by May 2015 and RGF 2 by March 2016.

Growing Places Fund (GPF)

The Growing Places Fund (GPF) which has been secured by the Combined Authority is £34.5 million of capital and will be used to provide up front capital investment.

The Growing Places Fund has three overriding objectives:

- to generate economic activity in the short term by addressing immediate constraints;
- to allow Local Enterprise Partnerships (LEPs) to prioritise infrastructure needs, empowering them to deliver their economic priorities; and
- to establish sustainable recycled funds so that funding can be reinvested.

Loan activity from the Fund is forecast as £8.422 million in 2014/15 resulting in a balance of £23.782 million as at 31 March 2015. A further £8.153 million has currently been approved for defrayment within 2015/16, leaving a balance of £15.629 million within the fund as at 31 March 2016, however it should be noted that the balance will be subject to change as and when new loans are approved.
Recycled RGF / GPF Receipts

8.6 As per the grant conditions set down for both Regional Growth Fund and Growing Places Fund, any repaid loans will be recycled to provide further rounds of investment. As such there is a ring-fenced capital receipts reserve held by the GMCA.

8.7 The forecast balance on the reserve as at 31 March 2015 is £5.876 million. It is currently anticipated that a further £6.867 million will be repaid within 2015/16, with £6.528 million being utilised to fund projects. On this basis the reserve will increase by a further £339,000 in 2015/16 to reach £6.215 million as at 31 March 2016. Estimates on futures years use of capital receipts have been based on known cash flows to date and it should be noted that these figures are subject to the timing of new projects coming through the approval and due diligence process and could therefore be subject to change.

Empty Homes Programme 2012-15

8.8 The Combined Authority on behalf of a consortium acting for all 10 Districts have successfully bid for funding to support an Empty Homes Programme for the period to March 2015. The consortium includes 22 housing provider partners who will be undertaking the development and management of properties brought back in to occupation.

8.9 The confirmed grant funding available for the Empty Homes Programme is shared between two rounds of Affordable Homes Programme (via Homes & Communities Agency), now being managed in effect as a single programme, and a separate CLG Clusters of Empty Homes Programme. In 2014/15, amounts totalling £3.683 million have been claimed from the Affordable Homes Programme, with 624 properties having now been returned to use since the programmes began and work on site on a further 209 properties at end of December.

8.10 Trends in the wider housing market have seen significant and continuing reductions in the numbers of empty properties in GM, particularly so in those longer-term empty properties which are the target for these programmes. Clearly this is welcome in strategic terms, but as a result we have continued to adjust the allocation of funds within the GM consortium to maximise impact, in agreement with partners and Homes & Communities Agency (HCA). The final shape of the programme is therefore determined by where, and at what cost, best progress can be secured. On current trends, with the average amount claimed per unit by partners under Affordable Homes Programme running below original estimates, we should achieve revised output targets without spending the full original allocation. We will continue to work closely with Homes & Communities Agency and partners to optimise both spend and outputs as the end of the programme approaches.

<table>
<thead>
<tr>
<th>Empty Homes Programme 2012 - 2015</th>
<th>2012/13</th>
<th>2013/14</th>
<th>2014/15</th>
<th>Total Per Scheme</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Funding Description</strong></td>
<td>£0</td>
<td>£0</td>
<td>£0</td>
<td>£0</td>
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<tr>
<td>Clusters of Empty Homes</td>
<td>7</td>
<td>3,677</td>
<td>5,330</td>
<td>3,684</td>
</tr>
<tr>
<td>Affordable Homes Programme</td>
<td>2,330</td>
<td>5,330</td>
<td>7,660</td>
<td></td>
</tr>
<tr>
<td>Anticipated Total Expenditure per Year</td>
<td>7</td>
<td>6,007</td>
<td>5,330</td>
<td>11,344</td>
</tr>
</tbody>
</table>
8.11 GMCA approved in November a report proposing further bids to Homes & Communities Agency to continue an Affordable Homes funded programme in GM beyond the end of March. Discussions are now underway with districts and partners to put together a revised Consortium and initial bid for resources. Any further funding awards will be updated within the capital programme once confirmed and approved.

**Growth Deal**

8.12 The Greater Manchester Growth Deal sets out a multi-million pound investment programme that will support further economic growth. This growth Deal will focus on five key priority areas as identified in the Greater Manchester Growth and Reform Plan:

- Securing Greater Manchester and the North west’s place as a major centre for Life Sciences
- Enhancing further education facilities, creating more apprenticeships and maximising skills investment
- Major Investment in public transport and highways
- Reforming public services so that they reduce duplication and are designed around the needs of residents
- Providing effective business support services

8.13 According to estimates by the LEP, the Growth Deal will bring to Greater Manchester:

- 5000 Jobs;
- Over 75,000 learners supported by investment in further education colleges and providers in Greater Manchester;
- An additional £80m into the Greater Manchester economy from public and private partners

9 Funding Requirements

9.1 The capital programme over the next three years set out above, results in a borrowing requirement of £466 million. Provision has been made in the revenue budget for the associated financing costs.

9.2 The estimated funding profile for the forecast spend in financial year 2015/16 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowing</td>
<td>87</td>
</tr>
<tr>
<td>Local Transport Plan (DfT Grant)</td>
<td>17</td>
</tr>
<tr>
<td>Regional Funding Allocation (DfT Grant)</td>
<td>41</td>
</tr>
<tr>
<td>Devolved Majors Funding (DfT Grant)</td>
<td>71</td>
</tr>
<tr>
<td>Minor Works (DfT Grants and Growth Deal)</td>
<td>15</td>
</tr>
<tr>
<td>Earn-back Capital Grant</td>
<td>27</td>
</tr>
<tr>
<td>Cycle City Ambition Grant</td>
<td>9</td>
</tr>
<tr>
<td>LSTF Grant</td>
<td>3</td>
</tr>
<tr>
<td>European Regional Development Fund (ERDF)</td>
<td>2</td>
</tr>
<tr>
<td>RGF / GPF Grant</td>
<td>29</td>
</tr>
<tr>
<td>Growth Deal (ED&amp;R Related Grant)</td>
<td>19</td>
</tr>
<tr>
<td>Capital Receipts (RGF / GPF)</td>
<td>7</td>
</tr>
<tr>
<td>Other</td>
<td>12</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>339</strong></td>
</tr>
</tbody>
</table>

10 Conclusion

10.1 Approval of the recommendations contained at the front of this report will authorise the capital programme detailed in Appendix A.
## GMCA Expenditure Profile

<table>
<thead>
<tr>
<th></th>
<th>Forecast Outturn 2014/15</th>
<th>Budget Forecast 2015/16</th>
<th>Budget Forecast 2016/17</th>
<th>Budget Forecast 2017/18</th>
<th>Budget Forecast Future Years £000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Greater Manchester Transport Fund Capital Programme</strong></td>
<td>178,898</td>
<td>161,735</td>
<td>285,945</td>
<td>75,032</td>
<td>43,158</td>
</tr>
<tr>
<td><strong>Other Metrolink Schemes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trafford Line – Powers / LRV’s</td>
<td>22,760</td>
<td>8,458</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Trafford Line – Programme*</td>
<td>-</td>
<td>1,648</td>
<td>82,960</td>
<td>82,339</td>
<td>146,330</td>
</tr>
<tr>
<td>Other Metrolink Projects</td>
<td>2,031</td>
<td>2,122</td>
<td>8,327</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>24,791</td>
<td>12,228</td>
<td>91,287</td>
<td>82,339</td>
<td>146,330</td>
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<tr>
<td><strong>Other Committed Capital Schemes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bolton/Wigan TIF</td>
<td>532</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Victoria Roof</td>
<td>1,788</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Wythenshawe Interchange</td>
<td>4,688</td>
<td>1,998</td>
<td>541</td>
<td>-</td>
<td>2</td>
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<tr>
<td>Rochdale Interchange</td>
<td>303</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>38</td>
</tr>
<tr>
<td>Traffic Signals</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>Green Bus</td>
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<tr>
<td>Better Bus Area Fund</td>
<td>1,092</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Local Sustainable Transport Fund (LSTF)</td>
<td>12,696</td>
<td>3,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cycle City Ambition Grant (CCAG)</td>
<td>10,786</td>
<td>8,614</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Electric Vehicles</td>
<td>332</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Smart Ticketing-Stage 1</td>
<td>2,181</td>
<td>2,513</td>
<td>1,097</td>
<td>124</td>
<td>176</td>
</tr>
<tr>
<td></td>
<td>38,008</td>
<td>16,124</td>
<td>1,639</td>
<td>124</td>
<td>216</td>
</tr>
<tr>
<td><strong>Minor Works</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ITB</td>
<td>4,711</td>
<td>5,387</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Growth and Reform</td>
<td>8,600</td>
<td>6,300</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>4,711</td>
<td>13,987</td>
<td>6,300</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Majors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DfT Devolved Majors</td>
<td>76,826</td>
<td>93,582</td>
<td>113,951</td>
<td>93,606</td>
<td></td>
</tr>
<tr>
<td></td>
<td>76,826</td>
<td>93,582</td>
<td>113,951</td>
<td>93,606</td>
<td></td>
</tr>
<tr>
<td><strong>Total Capital (TfGM)</strong></td>
<td>246,408</td>
<td>280,900</td>
<td>478,753</td>
<td>271,446</td>
<td>283,310</td>
</tr>
<tr>
<td>Traffic Signals (GMCA)</td>
<td>2,000</td>
<td>3,000</td>
<td>3,000</td>
<td>3,000</td>
<td>3,000</td>
</tr>
<tr>
<td><strong>Economic Development &amp; Regeneration</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GPF / RGF</td>
<td>35,578</td>
<td>29,477</td>
<td>15,629</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Recycled GPF / RGF Capital Receipts</td>
<td>-</td>
<td>6,528</td>
<td>21,724</td>
<td>12,974</td>
<td>-</td>
</tr>
<tr>
<td>Empty Homes Programme</td>
<td>5,330</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Growth Deal - Skills Capital</td>
<td>-</td>
<td>12,600</td>
<td>3,700</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Growth Deal - Life Sciences Fund</td>
<td>-</td>
<td>3,000</td>
<td>7,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Growth Deal - Local Infrastructure Fund</td>
<td>-</td>
<td>3,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Capital (TfGM and GMCA)</strong></td>
<td>289,316</td>
<td>338,505</td>
<td>529,806</td>
<td>287,420</td>
<td>286,310</td>
</tr>
</tbody>
</table>

* Subject to further approvals
Date: 30th January 2015
Subject: Treasury Management Strategy Statement, Borrowing Limits and Annual Investment Strategy 2015/16
Report of: Richard Paver, Treasurer of the GMCA

PURPOSE OF REPORT
To set out the proposed Treasury Management Strategy Statement and Borrowing Limits for 2015/16 and Prudential Indicators for 2015/16 to 2017/18.

RECOMMENDATION
The Authority is asked to approve the proposed Treasury Management Strategy Statement, in particular:

- The Treasury Indicators listed in Appendix A of this report.
- The MRP Strategy outlined in Appendix B.
- The Treasury Management Policy Statement at Appendix C
- The Treasury Management Scheme of Delegation at Appendix D
- The Borrowing Requirements listed in Section 4.
- The Borrowing Strategy outlined in Section 7.
- The Annual Investment Strategy detailed in Section 8.

RISKS/IMPLICATIONS
Financial:
Treasury Management policy seeks to minimise the cost of long term borrowing to the Authority, consistent with ensuring the security of its deposits when undertaking short term investments. All borrowing presented relates to Transport functions.

Contact officer:
Richard Paver
r.paver@manchester.gov.uk
1. INTRODUCTION

1.1. Background

Treasury management is defined as:

“The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

1.2. Statutory requirements

The Local Government Act 2003 (the Act) and supporting regulations requires the Authority to ‘have regard to’ the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the Authority’s capital investment plans are affordable, prudent and sustainable.

The Act therefore requires the Authority to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance subsequent to the Act and included as paragraph 8.8 of this report); this sets out the Authority's policies for managing its investments and for giving priority to the security and liquidity of those investments.

The Department of Communities and Local Government issued revised investment guidance which came into effect from the 1 April 2010. There were no major changes required over and above the changes already required by the revised CIPFA Treasury Management Code of Practice 2009.

1.3. CIPFA requirements

The Chartered Institute of Public Finance and Accountancy’s (CIPFA) Code of Practice on Treasury Management (Revised November 2009) was adopted by this Authority on the 3rd March 2010, having been approved by Executive on the 10th February 2010. The Code was revised in November 2011, acknowledging the effect the Localism Bill could have on local authority treasury management. This strategy has been prepared in accordance with the revised November 2011 Code.

The primary requirements of the Code are as follows:

a) Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Authority’s treasury management activities;

b) Creation and maintenance of Treasury Management Practices which set out the manner in which the Authority will seek to achieve those policies and objectives;

c) Receipt by the full Authority of an annual Treasury Management Strategy Statement – including the Annual Investment Strategy and Minimum Revenue Provision Policy – for the year ahead, a Mid-year Review Report and an Annual Report covering activities during the previous year;
d) Delegation by the Authority of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions;

e) Delegation by the Authority of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Authority the delegated body is the Audit Committee.

1.4. Treasury Management Strategy for 2015/16

The suggested strategy for 2015/16 in respect of the following aspects of the treasury management function is based upon the treasury officers’ views on interest rates, supplemented with leading market forecasts provided by the Authority’s treasury advisor, Capita Asset Services.

The strategy covers:

Section 1: Introduction
Section 2: Treasury Limits for 2015/16 to 2017/18
Section 3: Current Portfolio Position
Section 4: Borrowing Requirement
Section 5: Prudential and Treasury Indicators for 2015/16 to 2017/18
Section 6: Prospects for Interest Rates
Section 7: Borrowing Strategy
Section 8: Annual Investment Strategy
Section 9: MRP Strategy
Section 10: Recommendations

Appendix A: List of Prudential and Treasury Indicators for approval
Appendix B: MRP Strategy
Appendix C: Treasury Management Policy Statement
Appendix D: Treasury Management Scheme of Delegation
Appendix E: The Treasury Management Role of the Section 151 Officer
Appendix F: Economic Background
Appendix G: Prospects for Interest Rates
Appendix H: Glossary of Terms

1.5. Balanced Budget Requirement

It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, revised under Section 31 of the Localism Bill 2011, for the Authority to produce a balanced budget. In particular, Section 31 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from:

- increases in interest charges caused by increased borrowing to finance additional capital expenditure; and
- any increases in running costs from new capital projects

are limited to a level which is affordable within the projected income of the Authority for the foreseeable future.
2. TREASURY LIMITS FOR 2015/16 TO 2017/18

2.1. It is a statutory duty under Section 3 of the Act and supporting regulations for the Authority to determine and keep under review how much it can afford to borrow. The amount so determined is termed the “Affordable Borrowing Limit”. In England the Authorised Limit represents the legislative limit specified in the Act.

2.2. The Authority must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future transport levy levels is acceptable.

2.3. Whilst termed an “Affordable Borrowing Limit”, the capital plans to be considered for inclusion incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years.

2.4. Details of the Authorised Limit can be found in Appendix A of this report.

3. CURRENT PORTFOLIO POSITION

3.1. It is forecast that the Authority’s treasury portfolio position at 31 March 2015 will comprise:

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Principal</th>
<th>Ave. rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£m</td>
<td>%</td>
</tr>
<tr>
<td>Fixed rate funding</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PWLB</td>
<td>400.7</td>
<td>5.25</td>
</tr>
<tr>
<td>Market</td>
<td>60.0</td>
<td>4.22</td>
</tr>
<tr>
<td>EIB</td>
<td>430.0</td>
<td>4.21</td>
</tr>
<tr>
<td></td>
<td>890.7</td>
<td>4.68</td>
</tr>
<tr>
<td>Variable rate funding</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PWLB</td>
<td>20.0</td>
<td>0.57</td>
</tr>
<tr>
<td>Market</td>
<td>45.0</td>
<td>4.23</td>
</tr>
<tr>
<td></td>
<td>65.0</td>
<td>3.11</td>
</tr>
<tr>
<td>Gross debt</td>
<td>955.7</td>
<td>4.57</td>
</tr>
<tr>
<td>Temporary Investments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market</td>
<td>(124.5)</td>
<td>0.40</td>
</tr>
<tr>
<td>Interbank</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td>(124.5)</td>
<td>0.40</td>
</tr>
<tr>
<td>Net debt</td>
<td>831.2</td>
<td>5.19</td>
</tr>
</tbody>
</table>

4. BORROWING REQUIREMENT

4.1. The potential long-term borrowing requirements over the next three years, including borrowing for Metrolink and the Transport Delivery Programme, are as follows:
4.2. The European Investment Bank funding has already been fixed, with interest rates agreed in 2011/12, for drawdown in the years shown above. Full details of the EIB loans can be found at paragraph 7.6.

4.3. The figures shown above are based on the forecast cash flow for the Authority which, based on information provided by central government, includes significant cash receipts for schemes such as SEMMS and the Growth Deal. Should these receipts be materially different from the levels and profiles forecast, the borrowing requirements shown above could alter, in both scale and profile. The estimates above reflect the capital programme discussed elsewhere on the agenda and therefore includes a borrowing forecast for the Trafford Line which will be subject to further approval.

5. PRUDENTIAL AND TREASURY INDICATORS FOR 2015/16 TO 2017/18

5.1. Prudential and Treasury Indicators (as set out in Appendix A to this report) are relevant for the purpose of setting an integrated treasury management strategy.

5.2. The Authority is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. The original 2001 Code was adopted on the 8 October 2003 by the full Authority, and the revised 2009 code was adopted on the 3 March 2010. This strategy has been prepared under the revised code of November 2011.

6. PROSPECTS FOR INTEREST RATES

6.1. The Authority has appointed Capita Asset Services, formerly Sector, as treasury advisor to the Authority and part of their service is to assist the Authority to formulate a view on interest rates. Appendix H draws together a number of current City forecasts for short term (Bank Rate) and longer fixed interest rates. The following gives the Capita Asset Services central view:

Capita Asset Services Bank Rate forecast for the first quarter of each financial year is:

- 2015: 0.50%
- 2016: 0.75%
- 2017: 1.25%
- 2018: 2.00%

6.2. There is a risk to these forecasts if the economic recovery from the recession proves to be weaker and slower than currently expected, in which case it is likely rates would remain low for longer. Conversely there is also a risk that the recovery could be much stronger than expected, which may cause the Bank Rate to increase sooner than forecast. A detailed view of the current economic background is contained within Appendix F to this report.
7. BORROWING STRATEGY

7.1. Whilst there is probably no need to borrow in the short term, any borrowing strategy needs to utilise the annual provision the authority makes to reduce debt, in the form of MRP. If the Authority continues to borrow loans that mature in the long term, as in the past, the MRP would accumulate as there would be no opportunity to use it to repay maturing debt other than at considerable cost. This means that the most prudent strategy now is to seek to borrow in the medium term with maturities that match the estimated MRP that is generated in that period, thus avoiding an accumulation of cash on the balance sheet that would need to be invested (at a net cost and investment risk to the Authority).

7.2. Borrowing rates

The Capita Asset Services forecast for the PWLB certainty rate is as follows:

<table>
<thead>
<tr>
<th>Table 3</th>
<th>Mar 15</th>
<th>Jun 15</th>
<th>Sep 15</th>
<th>Dec 15</th>
<th>Mar 16</th>
<th>Mar 17</th>
<th>Mar 18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank Rate</td>
<td>0.50%</td>
<td>0.50%</td>
<td>0.50%</td>
<td>0.75%</td>
<td>0.75%</td>
<td>1.25%</td>
<td>2.00%</td>
</tr>
<tr>
<td>5 yr PWLB rate</td>
<td>2.20%</td>
<td>2.20%</td>
<td>2.30%</td>
<td>2.50%</td>
<td>2.60%</td>
<td>3.20%</td>
<td>3.60%</td>
</tr>
<tr>
<td>10 yr PWLB rate</td>
<td>2.80%</td>
<td>2.80%</td>
<td>3.00%</td>
<td>3.20%</td>
<td>3.30%</td>
<td>3.80%</td>
<td>4.20%</td>
</tr>
<tr>
<td>25 yr PWLB rate</td>
<td>3.40%</td>
<td>3.50%</td>
<td>3.70%</td>
<td>3.80%</td>
<td>4.00%</td>
<td>4.50%</td>
<td>4.80%</td>
</tr>
<tr>
<td>50 yr PWLB rate</td>
<td>3.40%</td>
<td>3.50%</td>
<td>3.70%</td>
<td>3.80%</td>
<td>4.00%</td>
<td>4.50%</td>
<td>4.80%</td>
</tr>
</tbody>
</table>

A more detailed Capita Asset Services forecast is included in Appendix F to this report.

7.3. In the March 2012 Budget, the Chancellor announced the availability of a PWLB “certainty rate” for local authorities, which could be accessed upon the submission of data around borrowing plans for individual authorities. The Authority submitted their return in April 2014. The certainty rate allows a local authority to borrow from the PWLB at 0.20% below their published rates. This reduction, alongside the flexibility the PWLB provides in terms of loan structures and maturity dates and the lack of availability of market debt options, suggests that should long term borrowing be required, PWLB borrowing will provide the best value for money.

7.4. In the 2012 Autumn Statement the Chancellor announced a PWLB “project rate”, to be made available for one strategic priority project identified in each of the Local Enterprise Partnerships (LEPs). The project rate would be at 0.40% below the standard PWLB rate – i.e. twice the discount provided by the certainty rate. The Authority was allocated £88m of this funding, to be taken in 2015/16.

7.5. The Authority’s borrowing strategy will give consideration to new borrowing in the following forms:

a) The cheapest borrowing will be internal borrowing by utilising cash balances and foregoing interest earned at historically low rates. However, in view of the overall forecast for long term borrowing rates to increase over the next few years, consideration will also be given to weighing the short term advantage of internal borrowing against potential long term costs if the...
opportunity is missed for taking market loans at long term rates which will be higher in future years;

b) European Investment Bank loans (potentially there is a further £50m available in respect of the Second City Crossing, and there is a further finance contract agreed. Please see paragraph 7.6 for more details);

c) PWLB Project Rate funds, if available;

d) PWLB variable rate loans for up to 10 years;

e) Long term fixed rate market loans at rates significantly below PWLB rates for the equivalent maturity period (where available) and to maintaining an appropriate balance between PWLB and market debt in the debt portfolio;

f) PWLB borrowing for period under 10 years where rates are expected to be significantly lower than rates for longer periods. This offers a range of options for new borrowing which will spread debt maturities away from a concentration in longer dated debt, and will allow maturities to be aligned to MRP; and

g) Rates are expected to gradually increase during the year so it may be advantageous to time new borrowing for the start of the year, whilst weighing up the short term costs.

However, these types of borrowing will need to be evaluated alongside their availability, and with due consideration to the fact that there is potential funding available both through a further facility with the EIB (see below) and the Project Rate with the PWLB.

It is worth noting that there is a very limited availability of traditional market loans, with those available tending to be LOBOs which do not provide the required degree of certainty regarding the long-term interest rates payable on the loans, and are not currently available at competitive rates of interest.

7.6 European Investment Bank Borrowing Facility

During 2011/12, the Authority agreed £450m of future funding with the European Investment Bank (EIB), £20m of which will be drawdown in the 2015/16 financial year. The full schedule of loans agreed through the facility is shown below:

<table>
<thead>
<tr>
<th>Date Fixed</th>
<th>Contract No.</th>
<th>Amount (£m)</th>
<th>Drawdown Date</th>
<th>Interest Rate</th>
<th>Maturity Date</th>
<th>Equivalent PWLB rate¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>09/08/2011</td>
<td>1</td>
<td>65</td>
<td>02/04/2012</td>
<td>4.055%</td>
<td>31/03/2042</td>
<td>4.90%</td>
</tr>
<tr>
<td>03/11/2011</td>
<td>2</td>
<td>40</td>
<td>01/10/2012</td>
<td>3.993%</td>
<td>30/09/2042</td>
<td>4.06%</td>
</tr>
<tr>
<td>11/08/2011</td>
<td>1</td>
<td>45</td>
<td>02/04/2013</td>
<td>4.185%</td>
<td>31/03/2043</td>
<td>4.86%</td>
</tr>
</tbody>
</table>

¹ This is not a direct equivalent as the PWLB does not allow authorities to fix a forward rate – all PWLB rates are for monies taken “on the day”. The rate shown here is the equivalent 30 yr rate as at the fix date. The first loan with drawdown in March 2012 provides the best estimate to show the full scale of the benefit of this facility compared to PWLB.
<table>
<thead>
<tr>
<th>Date</th>
<th>Loan No.</th>
<th>Amount</th>
<th>Maturity Date</th>
<th>Interest Rate 1</th>
<th>Maturity Date</th>
<th>Interest Rate 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>04/11/2011</td>
<td>2</td>
<td>70</td>
<td>02/04/2013</td>
<td>4.095%</td>
<td>31/03/2043</td>
<td>4.05%</td>
</tr>
<tr>
<td>10/08/2011</td>
<td>1</td>
<td>70</td>
<td>30/09/2013</td>
<td>4.395%</td>
<td>30/09/2043</td>
<td>4.95%</td>
</tr>
<tr>
<td>10/11/2011</td>
<td>2</td>
<td>20</td>
<td>30/09/2013</td>
<td>4.041%</td>
<td>30/09/2043</td>
<td>3.90%</td>
</tr>
<tr>
<td>10/08/2011</td>
<td>1</td>
<td>55</td>
<td>31/03/2014</td>
<td>4.480%</td>
<td>31/03/2044</td>
<td>4.95%</td>
</tr>
<tr>
<td>10/11/2011</td>
<td>2</td>
<td>20</td>
<td>31/03/2014</td>
<td>4.123%</td>
<td>31/03/2044</td>
<td>3.90%</td>
</tr>
<tr>
<td>11/08/2011</td>
<td>1</td>
<td>15</td>
<td>30/09/2014</td>
<td>4.581%</td>
<td>30/09/2044</td>
<td>4.86%</td>
</tr>
<tr>
<td>09/11/2011</td>
<td>2</td>
<td>20</td>
<td>31/03/2015</td>
<td>4.340%</td>
<td>31/03/2045</td>
<td>3.92%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>450</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

These loans have been taken into consideration when calculating the borrowing requirement shown in Section 4, and have been incorporated in the prudential indicators shown at Appendix A.

A further finance facility of £150m was agreed with the EIB in December 2012. The facility is available until 19th December 2015, but there is no commitment to utilise it. It will only be used if it is deemed to offer the best value available to the Authority, in line with the considerations outlined in paragraph 7.5 above.

### 7.7 Sensitivity of the forecast

By fixing the EIB funding, the degree of sensitivity to the forecast was significantly reduced, as the interest rates on the £450m facility are agreed. In normal circumstances the main sensitivities of the forecast would be that in the case of a sharp fall in rates, long term borrowing would be postponed and instead short term funding would be used to fund the cash flow, as this would provide value for money. In contrast, if there was a sharp rise in rates, the Authority might seek to fix long term borrowing to take advantage of rates whilst they remained relatively cheap.

### 7.8 Municipal Bond Agency

It is likely that the Municipal Bond Agency, currently in the process of being set up, will be offering loans to local authorities in the near future. It is also hoped that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). This Authority may make use of this new source of borrowing as and when appropriate, particularly when the Agency starts to issue shorter dated bonds, and act as a facilitator of inter-authority medium term loans. The Authority has recently signed a letter of intent to provide funding of £50,000 towards the setting up of the bonds agency.

### 7.9 External v. internal borrowing

The next financial year is again expected to be one of low bank rates. This provides a continuation of the current window of opportunity for local authorities to fundamentally review their strategy of undertaking new external borrowing.
Over the next three years, investment rates are therefore expected to be significantly below long term borrowing rates and so value for money considerations would indicate that value could best be obtained by limiting new external borrowing and by using internal cash balances to finance new capital expenditure or to replace maturing external debt (this is referred to as internal borrowing). This would maximise short term savings.

Against this background and the risks within the economic forecast, caution will be adopted within the 2015/16 treasury operations. The Treasurer will monitor the interest rate market and adopt a pragmatic approach to changing circumstances, reporting any decisions to the appropriate decision making body at the next available opportunity.

7.10 Policy on borrowing in advance of need

Any decision to borrow in advance will be considered carefully to ensure value for money can be demonstrated and that the Authority can ensure the security of such funds.

In determining whether borrowing will be undertaken in advance of need the Authority will:

- ensure that there is a clear link between the capital programme and maturity profile of the existing debt profile which supports the need to take funding in advance of need;

- ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered;

- evaluate the economic and market factors that might influence the manner and timing of any decision to borrow;

- consider the merits and demerits of alternative forms of funding;

- consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use; and

- consider the impact of borrowing in advance temporarily (until required to finance capital expenditure) increasing investment cash balances and the consequent increase in exposure to counterparty risk, and other risks, and the level of such risks given the controls in place to minimise them.

Given that there is a substantial borrowing requirement in 2016/17 and both the EIB or PWLB ‘Project rate’ will have expired by then, if not extended, then some limited borrowing in advance may be sensible towards the end of the 2015/16 financial year.

7.11 Debt rescheduling

The introduction by the PWLB in 2007 of a spread between the rates applied to new borrowing and repayment of debt, which has been compounded since the Comprehensive Spending Review of October 2010 by a considerable further widening of the difference between new borrowing and repayment rates, has meant
that PWLB to PWLB debt restructuring is now much less attractive than it was before both of these events. In particular, consideration would have to be given to the large premiums which would be incurred by prematurely repaying existing PWLB loans and it is very unlikely that these could be justified on value for money grounds if using replacement PWLB refinancing.

As short term borrowing rates will be considerably cheaper than longer term rates, there may be potential for some residual opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the size of the premiums incurred, their short term nature, and the likely cost of refinancing those short term loans once they mature, compared to the current rates of longer term debt in the existing debt portfolio. Any such rescheduling and repayment of debt is likely to cause a flattening of the Authority’s maturity profile as in recent years there has been a skew towards longer dated PWLB.

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the strategy outlined in Section 7 of this report;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility)

The Authority will also consider running down investment balances to repay debt early as short term rates on investments are likely to be lower than rates paid on current debt.

All rescheduling will be reported to the Authority, as part of the normal revenue monitoring, although it is considered unlikely that there will be any opportunities to reschedule debt during the 2015/16 financial year.

8 ANNUAL INVESTMENT STRATEGY

8.1 Introduction

The Authority will have regard to the CLG’s Guidance on Local Government Investments (“the Guidance”) and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes (“the CIPFA TM Code”). The Authority’s investment priorities are:

- the security of capital; and
- the liquidity of its investments

The Authority will also aim to achieve the optimum return on its investments commensurate with desired levels of security and liquidity. The risk appetite of the Authority is low in order to give priority to security of its investments.

The borrowing of monies purely to invest or on-lend and make a return is unlawful and the Authority will not engage in such activity.

These principles would be important in normal circumstances, but the Icelandic banks crisis, and the financial difficulties faced by UK and international banks that
followed, have placed security of investments at the forefront of Treasury Management investment policy.

### 8.2 Changes to credit rating methodology

The main rating agencies (Fitch, Moody’s and Standard & Poor’s) have, through much of the financial crisis, provided some institutions with a ratings “uplift” due to implied levels of sovereign support (government backing should an institution fail). More recently, in response to the evolving regulatory regime, the rating agencies have indicated they may remove these “uplifts”. This process may commence during 2014/15 and / or 2015/16, as the actual timing of the changes is still subject to discussion.

The expected rating agency changes do not reflect any changes in the underlying status of the institution or credit environment, merely the removal of the implied level of sovereign support that has been built into ratings throughout the financial crisis. The removal of sovereign support will only take place when the regulatory and economic environments have ensured that financial institutions are much stronger and less prone to failure in a financial crisis.

Both Fitch and Moody’s provide “standalone” credit ratings for financial institutions. For Fitch, it is the Viability Rating, while Moody’s has the Financial Strength Rating. Due to the future removal of sovereign support from institution assessments, both agencies have suggested going forward that these will be in line with their respective Long Term ratings.

Furthermore, Fitch has already begun assessing its Support ratings, with a clear expectation that these will be lowered to 5, which is defined as “A bank for which there is a possibility of external support, but it cannot be relied upon.” With all institutions likely to drop to these levels, there is little differentiation to be had by assessing Support ratings.

As a result of these rating agency changes, the credit element of Capita’s future methodology will focus solely on the Short and Long Term ratings of an institution, and officers believe that the Authority should follow the same methodology.

### 8.3 Investment Policy

As previously, the Authority will not just utilise ratings as the sole determinant of the quality of an institution, it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Authority will engage with its advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.

In light of the proposed credit rating changes, the Authority needs to spread its counterparty risk by identifying more counterparties that can be utilised for investments; therefore the Treasurer is proposing to introduce a number of measures to broaden the basis of lending:

- Utilise UK banks/ building societies and local authorities
- Utilise non-UK banks/ building societies in countries with an AAA rating.
• Diversify the investment portfolio into more secure UK Government and Government-backed investment instruments such as Treasury Bills.

• Utilise Certificate of Deposits and Covered Bonds with high quality counterparties, i.e. those that are AAA

• Utilise Money Market Funds which are Constant Net Asset Value (CNAV) and AAA rated.

• Although the current investment strategy allows investments for up to 364 days, restrict deposits to less than 3 months unless the case can be made for investing for longer (i.e. to match a future commitment).

It should be noted that, whilst seeking to broaden the investment base, officers will seek to limit the level of risk taken by the Authority. It is not expected that the measures proposed will have a significant impact on the rates of return the Authority currently achieves.

8.4 Specified and Non-Specified Investments

Investment instruments identified for use in the financial year are listed below, and are all specified investments. Any proposals to use other non-specified investments will be reported to members for approval.

Specified Investments

All such investments are sterling denominated, with maturities up to a maximum of 1 year, meeting the minimum ‘high’ rating criteria where applicable.

Further details about some of the below specified investments can be found in later paragraphs within Section 8.

<table>
<thead>
<tr>
<th>Term deposits – banks and building societies*</th>
<th>Minimum ‘High’ Credit Criteria</th>
<th>Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Term deposits – other Local Authorities</td>
<td>High security. Only one or two local authorities credit-rated</td>
<td>In-house</td>
</tr>
<tr>
<td>Debt Management Agency Deposit Facility</td>
<td>UK Government backed</td>
<td>In-house</td>
</tr>
<tr>
<td>UK Nationalised Banks</td>
<td>UK Government backed</td>
<td>In-house</td>
</tr>
<tr>
<td>Certificates of deposits issued by banks and building societies covered by UK Government guarantees</td>
<td>UK Government explicit guarantee</td>
<td>In-house</td>
</tr>
<tr>
<td>Money Market Funds</td>
<td>AAA_M</td>
<td>In-house</td>
</tr>
<tr>
<td>Non-UK Banks/ Building Societies</td>
<td>Domiciled in a country which has a minimum sovereign Long Term rating of AAA</td>
<td>In-house</td>
</tr>
</tbody>
</table>
### Treasury Bills
- **UK Government backed**
- **In-house**

### Covered Bonds
- **AAA**
- **In-house**

* Banks & Building Societies

Have as a minimum the following Fitch (or equivalent) credit ratings (where rated):

- **Long Term** – Fitch A-
- **Short Term** – Fitch F1

The Authority’s will keep the investment balance to the maximum limit based on the institutions credit rating as detailed in paragraph 8.7. If the limit is breached, for example due to significant late receipts, the Treasurer will be notified as soon as possible after the breach, along with the reasons for it. Please note this relates to specific investments and not balances held within the Authority’s general bank accounts – including the general bank accounts, the balance will be kept to the maximum investment limit of the institution as detailed in paragraph 8.7, with any breaches reported to the Treasurer.

#### 8.5 Banking Arrangements

The Council’s banker is currently the Co-op Bank, however the Council’s contract with them is due to expire shortly. A tender exercise was undertaken alongside other GM authorities and a decision was made to award the contract to Barclays bank. The Council is due to transfer its banking business to Barclays, by 1st April 2015. There will be an initial period of dual running, with the two banks and associated accounts during the transitional period.

#### 8.6 Creditworthiness policy

The Authority applies the creditworthiness service provided by Capita Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies – Fitch, Moodys and Standard & Poors. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies
- Credit Default Swap\(^2\) spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Authority to suggest the duration for investments and are therefore referred to as durational bands.

The selection of counterparties with a high level of creditworthiness will be achieved by selection of institutions down to a minimum durational band within Capita Asset

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\(^2\) A credit default swap is a financial instrument that effectively provides the holder insurance against a loan defaulting. The CDS spread is the difference between the price at which providers are willing to sell the swap, and the price at which buyers are willing to buy. A relatively high spread may suggest that the loan is more likely to default.
Services weekly credit list of worldwide potential counterparties. The Authority will therefore use counterparties within the following durational bands:

- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days

This Authority will not use the approach of using the lowest rating from all three rating agencies to determine creditworthy counterparties. The Capita Asset Services creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system does not give undue preponderance to just one agency’s ratings.

All credit ratings will be monitored weekly. The Authority is alerted to changes to ratings of all three agencies through its use of the Capita Asset Services creditworthiness service.

- if a downgrade results in the counterparty/investment scheme no longer meeting the Authority’s minimum criteria, its further use as a new investment will be withdrawn immediately.

- in addition to the use of Credit Ratings, the Authority will be advised of information in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in the downgrade of an institution or removal from the Authority’s lending list.

Sole reliance will not be placed on the use of this external service. In addition this Authority will also use market data and market information, information on government support for banks and the credit ratings of that government support.

8.7 Investment Limits

As advised by Capita Asset Services, our treasury advisors, the financial investment limits of banks and building societies are linked to their long-term ratings (Fitch or equivalent) as follows:

**Banks & Building Societies**

<table>
<thead>
<tr>
<th>Rating</th>
<th>Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fitch AA+ and above</td>
<td>£15 million</td>
</tr>
<tr>
<td>Fitch AA/AA-</td>
<td>£10 million</td>
</tr>
<tr>
<td>Fitch A+/A</td>
<td>£8 million</td>
</tr>
<tr>
<td>Fitch A-</td>
<td>£4 million</td>
</tr>
<tr>
<td>Fitch BBB+</td>
<td>£0 million</td>
</tr>
</tbody>
</table>

**Debt Management Office**  £200 million

---

3 The Markit iTraxx Senior Financials Index is a composite of the 25 most liquid financial entities in Europe. The index is calculated through an averaging process by the Markit Group and is used as the benchmark level of CDS spreads on Capita Asset Services’ Credit List.
Local Authorities  £20 million, except Manchester City Council, where the limit is £50m.

It may be prudent, depending on circumstances, to temporarily increase the limits shown above, as in the current economic environment it is increasingly difficult for officers to place funds. If this is the case, officers will seek approval from the Treasurer for such an increase and approval may be granted at the Treasurer’s discretion. Any increase in the limits will be reported to members as part of the normal treasury management reporting process.

8.8 Country Limits

The Council has determined that it will only use approved counterparties from countries that meet the Authority’s criteria based on the creditworthiness policy described in paragraph 8.6. The list of countries that qualify using this credit criteria as at 19th December 2014 are shown below:

- Australia
- Canada
- Denmark
- Finland
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland
- USA

Every country on this list is rated AAA by two or more of the three main rating agencies. This list will be added to, or deducted from should ratings change.

8.9 Use of Money Market Funds

The proposed changes to credit ratings to remove implied sovereign support could have a significant impact on all bank and building society ratings across the world. If the changes do see large numbers of rating downgrades, the Authority could find the number of counterparties available to it severely limited.

To avoid a situation where the Authority cannot invest surplus funds, or is severely limited in its ability to do so, it is proposed that money market funds be included as an alternative specified investment.

Money market funds are investment instruments that invest in a variety of institutions, therefore diversifying the investment risk. The funds are managed by a fund manager. The objectives of money market funds are to preserve capital, provide daily liquidity and provide a competitive yield. The majority of money market funds invest both inside and outside the UK.

Money market funds are rated through a separate process to bank deposits, which looks at the average maturity of the underlying investments in the fund as well as the credit quality of those investments, and it is proposed that the Authority would only use AAA rated funds.
8.10 **Use of Treasury Bills**

These are marketable securities issued by the UK Government and as such counterparty and liquidity risk is very low, although there is potential risk to value arising from an adverse movement in interest rates unless they are held to maturity. Weekly tenders plus ad hoc tenders are held for treasury bills so the Authority could invest funds on a regular basis, based on projected cash flow information. This would provide a spread of maturity dates to match the cash flow profile and reduce the risk of investments maturing at the same time.

There is a large secondary market for treasury bills so it is possible to trade them in earlier than the maturity date if required, however, it is anticipated that in the majority of cases the Authority will hold to maturity to avoid capital loss of selling early. The Authority will only sell the treasury bills early if it can demonstrate value for money in doing so.

8.11 **Use of Certificate of Deposits**

These are short dated marketable securities issued by financial institutions, and as such counterparty risk is low. The instruments have flexible maturity dates, so it is possible to trade them in early if necessary, however, there is a potential risk to capital if they are traded ahead of maturity, and there is an adverse movement in interest rates. Certificate of deposits are given the same priority as fixed deposits if a bank was to default. The Authority would only deal with certificate of deposits that are issued by banks which meet the credit criteria.

8.12 **Use of Covered Bonds**

Covered bonds are debt instruments secured by assets such as mortgage loans. They are issued by banks and other non-financial institutions. The loans remain on the issuing institutions balance sheet and investors have a preferential claim in the event of the issuing institution defaulting. All issuing institutions are required to hold sufficient assets to cover the claims of all covered bondholders. The Authority would only deal with bonds that are issued by banks which meet the credit criteria, or AAA rated institutions.

8.13 **Use of Non-UK Banks/ Building societies**

If the viability rating was to be removed from UK banks/ building societies, then the ratings of the institutions may drop. This would have an impact on the institutions available to the Authority for investment purposes. It is therefore proposed that an element of the Authority’s investment portfolio be placed with non-UK banks.

The Authority will only invest outside the UK with institutions of the highest credit rating AAA, who are therefore higher rated and less risky to utilise than the UK. The countries that qualify at 19th December 2014 are listed at paragraph 8.8.

8.14 **Liquidity**

Based on cash flow forecasts, the level of cash balances in 2015/16 is estimated to range between £0m and £160m. The higher level can arise where, for instance, large government grants are received or long term borrowing has recently been undertaken.
Giving due consideration to the Authority’s level of balances over the next year, the need for liquidity, its spending commitments and provisioning for contingencies, it is considered very unlikely that the Authority will have cash balances to invest other than on a temporary basis. For this reason, no cash will be held on term deposit maturities in excess of 1 year.

8.15 Investment Strategy to be followed in-house

Bank rate has been unchanged at 0.50% since March 2009. Bank rate is forecast to commence rising in 2015/16. Capita Asset Services Bank Rate forecast for the first quarter of each financial year is:

- 2015: 0.50%
- 2016: 0.75%
- 2017: 1.25%
- 2018: 2.00%

Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth has rebounded during 2013 and especially during 2014, propelled by recovery in consumer spending and the housing market. Forward surveys are currently very positive, indicating that growth prospects are strong for 2015.

The current economic outlook and structure of market interest rates and government debt yields have several key treasury management implications:

- As for the Eurozone, concerns in respect of a major crisis subsided considerably in 2013. However, the downturn in growth and inflation during the second half of 2014, and worries over the Ukraine situation, Middle East and Ebola, have led to a resurgence of those concerns as risks increase that it could be heading into deflation and a triple dip recession. Sovereign debt difficulties have not gone away and major concerns could return in respect of individual countries that do not address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy (as Ireland has done). Counterparty risks therefore remain elevated. This continues to suggest the use of higher quality counterparties for shorter time periods;

- Investment returns are likely to remain relatively low during 2015/16 and beyond; Borrowing interest rates have been volatile during 2014 as alternating bouts of good and bad news have promoted optimism, and then pessimism, in financial markets. During July to October 2014, an accumulation of negative news has led to an overall trend of falling rates. The policy of avoiding new borrowing by running down spare cash balances needs to be carefully reviewed to avoid incurring higher borrowing costs in later times, when authorities will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt; and

- There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

The Authority will avoid locking into longer term deals while investment rates are at historically low levels unless attractive rates are available with counterparties of particularly high creditworthiness which make longer term deals worthwhile and within the risk parameters set by this Authority.
For 2015/16 it is suggested that the Authority should budget for an investment return of 0.35% on investments placed during the financial year.

For cash flow generated balances, the Authority will seek to utilise its business reserve accounts and short-dated deposits (overnight to three months) in order to benefit from the compounding of interest.

It should be noted that the Authority has seen a substantial reduction on the level of interest payable on its call accounts, as the level of liquidity the banks are obliged to commit to on these funds has a significant impact on what they can do with such deposits.

8.16 End of year Investment Report

At the end of the financial year, the Authority will receive a report on its investment activity as part of its Annual Treasury Report.

8.17 Policy on the use of external service providers

The Authority uses Capita Asset Services as its external treasury management advisors.

The Authority recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Authority will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

8.18 Scheme of delegation

Please see Appendix D for the responsibilities of member groups and officers in relation to treasury management.

8.19 Role of the Section 151 officer

Please see Appendix E for the definition of the role of the Treasurer in relation to treasury management.

9 MINIMUM REVENUE PROVISION (MRP) STRATEGY

9.1 Please see Appendix B for the Authority’s policy for spreading capital expenditure charge to revenue through the annual MRP charge.

10 RECOMMENDATIONS

10.1 Please see the front of the report for the list of recommendations.
## Appendix A

**List of Treasury Indicators for approval**

Please note last years approved figures are shown in brackets.

<table>
<thead>
<tr>
<th>Prudential Indicators</th>
<th>2015/16</th>
<th>2016/17</th>
<th>2017/18</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capital Expenditure</strong></td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>338.5</td>
<td>529.8</td>
<td>290.9</td>
<td></td>
</tr>
<tr>
<td><strong>Ratio of Gross Financing Costs to Net Revenue Stream</strong></td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>39%</td>
<td>43%</td>
<td>47%</td>
<td></td>
</tr>
<tr>
<td><strong>Capital Financing Requirements as at 31 March</strong></td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>1,339.0</td>
<td>1,509.2</td>
<td>1,594.6</td>
<td></td>
</tr>
<tr>
<td><strong>Incremental Impact of Capital Investments on Levy</strong></td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>3.2</td>
<td>3.1</td>
<td>3.5</td>
<td></td>
</tr>
<tr>
<td><strong>Gross debt to CFR</strong></td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>72%</td>
<td>82%</td>
<td>84%</td>
<td></td>
</tr>
</tbody>
</table>

### Treasury management indicators

<table>
<thead>
<tr>
<th>Treasury management indicators</th>
<th>2015/16</th>
<th>2016/17</th>
<th>2017/18</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Authorised Limit for external debt - borrowing</strong></td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>1,384.9</td>
<td>(1,225.5)</td>
<td>1,379.9</td>
<td>(1,190.5)</td>
</tr>
<tr>
<td>other long term liabilities</td>
<td>0</td>
<td>(0)</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>1,199.9</td>
<td>(1,225.5)</td>
<td>1,194.9</td>
</tr>
<tr>
<td><strong>Operational Boundary for external debt - borrowing</strong></td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>1,097.9</td>
<td>(1,223.5)</td>
<td>1,299.1</td>
<td>(1,188.5)</td>
</tr>
<tr>
<td>other long term liabilities</td>
<td>0</td>
<td>(0)</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>1,097.9</td>
<td>(1,223.5)</td>
<td>1,299.1</td>
</tr>
<tr>
<td><strong>Actual external debt</strong></td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>969.9</td>
<td>1,190.5</td>
<td>1,239.9</td>
<td>1,155.5</td>
</tr>
</tbody>
</table>

**Upper limit for fixed interest rate exposure**

Net borrowing at fixed rates as a % of total net borrowing

| 110% | (138%) | 107% | (138%) | 110% |

**Upper limit for variable rate exposure**

Net borrowing at Variable rates as a % of total net borrowing

| 15% | (41%) | 30% | (37%) | 25% |

**Upper limit for total principal sums invested for over 364 days**

<p>| 0 | (0) | 0 | (0) | 0 |</p>
<table>
<thead>
<tr>
<th>Maturity structure of new fixed rate borrowing during 2015/16</th>
<th>Upper Limit</th>
<th>Lower limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>under 12 months</td>
<td>30% (30%)</td>
<td>0% (0%)</td>
</tr>
<tr>
<td>12 months and within 24 months</td>
<td>40% (40%)</td>
<td>0% (0%)</td>
</tr>
<tr>
<td>24 months and within 5 years</td>
<td>35% (35%)</td>
<td>0% (0%)</td>
</tr>
<tr>
<td>5 years and within 10 years</td>
<td>40% (40%)</td>
<td>0% (0%)</td>
</tr>
<tr>
<td>10 years and above</td>
<td>90% (90%)</td>
<td>0% (55%)</td>
</tr>
</tbody>
</table>

Authority has adopted CIPFA’s Code of Practice for Treasury Management in the Public Services

Yes
Minimum Revenue Policy Strategy

The Authority is required to make provision for repayment of an element of the accumulate capital spend each year through a revenue charge (the Minimum Revenue Provision), although it is also allowed to undertake additional voluntary payments.

CLG regulations have been issued, which require the full Authority to approve an annual MRP statement. This will need to be approved in advance of each year. Whilst the regulations revoke current MRP requirements, authorities are allowed to replace the existing regulations, so long as there is a prudent provision.

Based on the regulations, the Authority is recommended to approve the following MRP statement for application in 2015-16:

• For capital expenditure incurred on non Metrolink and non Transport Delivery Programme schemes, MRP will continue to be calculated at 4% of the previous year end’s Capital Adjustment Account, using the former CLG regulations 28 and 29.

• For capital expenditure incurred on the Metrolink and Transport Delivery Programme schemes, MRP will be based on an annuity basis and deferred until the year after the asset has been commissioned into use.

The new regulation provides that the MRP Statement can be revised by the Authority at any stage. It is possible that such a revision will be necessary once the detailed funding of Metrolink 3a and the Transport Delivery Programme has been finalised.
Appendix C

Treasury Management Policy Statement

1. This organisation defines its treasury management activities as:
   The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

2. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

The Authority will invest its monies prudently, considering security first, liquidity second, and yield last, carefully considering its investment counterparties. It will similarly borrow monies prudently and consistent with the Authority’s service objectives.
Appendix D

Treasury management scheme of delegation

(i) Full Authority

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of annual strategy.

(ii) Responsible body – Audit Committee

- approval of/amendments to the organisation’s adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval
- approval of the division of responsibilities
- receiving and reviewing regular monitoring reports and acting on recommendations
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Body with responsibility for scrutiny – Audit Committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

(iv) Treasurer

- Delivery of the function
The treasury management role of the section 151 officer

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit
- recommending the appointment of external service providers.
Economic Background

UK. Strong UK GDP quarterly growth of 0.7%, 0.8% and 0.7% in quarters 2, 3 and 4 respectively in 2013, (2013 annual rate 2.7%), and 0.7% in Q1, 0.9% in Q2 and a first estimate of 0.7% in Q3 2014 (annual rate 3.1% in Q3), means that the UK will have the strongest rate of growth of any G7 country in 2014. It also appears very likely that strong growth will continue through the second half of 2014 and into 2015 as forward surveys for the services and construction sectors are very encouraging and business investment is also strongly recovering. The manufacturing sector has also been encouraging though recent figures indicate a weakening in the future trend rate of growth. However, for this recovery to become more balanced and sustainable in the longer term, the recovery needs to move away from dependence on consumer expenditure and the housing market to exporting, and particularly of manufactured goods, both of which need to substantially improve on their recent lacklustre performance.

This overall strong growth has resulted in unemployment falling much faster through the initial threshold of 7%, set by the Monetary Policy Committee (MPC) last August, before it said it would consider any increases in Bank Rate. The MPC has, therefore, subsequently broadened its forward guidance by adopting five qualitative principles and looking at a much wider range of about eighteen indicators in order to form a view on how much slack there is in the economy and how quickly slack is being used up. The MPC is particularly concerned that the current squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back above the level of inflation in order to ensure that the recovery will be sustainable. There also needs to be a major improvement in labour productivity, which has languished at dismal levels since 2008, to support increases in pay rates. Most economic forecasters are expecting growth to peak in 2014 and then to ease off a little, though still remaining strong, in 2015 and 2016. Unemployment is therefore expected to keep on its downward trend and this is likely to eventually feed through into a return to significant increases in pay rates at some point during the next three years. However, just how much those future increases in pay rates will counteract the depressive effect of increases in Bank Rate on consumer confidence, the rate of growth in consumer expenditure and the buoyancy of the housing market, are areas that will need to be kept under regular review.

Also encouraging has been the sharp fall in inflation (CPI) during 2014 after being consistently above the MPC’s 2% target between December 2009 and December 2013. Inflation fell to 1.2% in September, a five year low. Forward indications are that inflation is likely to fall further in 2014 to possibly near to 1% and then to remain near to, or under, the 2% target level over the MPC’s two year ahead time horizon. Overall, markets are expecting that the MPC will be cautious in raising Bank Rate as it will want to protect heavily indebted consumers from too early an increase in Bank Rate at a time when inflationary pressures are also weak. A first increase in Bank Rate is therefore expected in Q4 2015 and they expect increases after that to be at a slow pace to lower levels than prevailed before 2008 as increases in Bank Rate will have a much bigger effect on heavily indebted consumers than they did before 2008.

The return to strong growth has also helped lower forecasts for the increase in Government debt by £73bn over the next five years, as announced in the 2013 Autumn Statement, and by an additional £24bn, as announced in the March 2014 Budget - which also forecast a return to a significant budget surplus, (of £5bn), in 2018-19. However, monthly public sector deficit figures have disappointed so far in 2014/15.
The Eurozone (EZ). The Eurozone is facing an increasing threat from weak or negative growth and from deflation. In September, the inflation rate fell further, to reach a low of 0.3%. However, this is an average for all EZ countries and includes some countries with negative rates of inflation. Accordingly, the ECB took some rather limited action in June to loosen monetary policy in order to promote growth. In September it took further action to cut its benchmark rate to only 0.05%, its deposit rate to -0.2% and to start a programme of purchases of corporate debt. However, it has not embarked yet on full quantitative easing (purchase of sovereign debt).

Concern in financial markets for the Eurozone subsided considerably during 2013. However, sovereign debt difficulties have not gone away and major issues could return in respect of any countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy, (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise for some countries. This could mean that sovereign debt concerns have not disappeared but, rather, have only been postponed. The ECB’s pledge in 2012 to buy unlimited amounts of bonds of countries which ask for a bailout has provided heavily indebted countries with a strong defence against market forces. This has bought them time to make progress with their economies to return to growth or to reduce the degree of recession. However, debt to GDP ratios (2013 figures) of Greece 180%, Italy 133%, Portugal 129%, Ireland 124% and Cyprus 112%, remain a cause of concern, especially as some of these countries are experiencing continuing rates of increase in debt in excess of their rate of economic growth i.e. these debt ratios are likely to continue to deteriorate. Any sharp downturn in economic growth would make these countries particularly vulnerable to a new bout of sovereign debt crisis. It should also be noted that Italy has the third biggest debt mountain in the world behind Japan and the US. Greece remains particularly vulnerable but has made good progress in reducing its annual budget deficit and in returning, at last, to marginal economic growth. Whilst a Greek exit from the Euro is now improbable in the short term, some commentators still view the inevitable end game as either being another major right off of debt or an eventual exit.

There are also particular concerns as to whether democratically elected governments will lose the support of electorates suffering under EZ imposed austerity programmes, especially in countries like Greece and Spain which have unemployment rates of over 24% and unemployment among younger people of over 50 – 60%. There are also major concerns as to whether the governments of France and Italy will effectively implement austerity programmes and undertake overdue reforms to improve national competitiveness. Any loss of market confidence in the two largest Eurozone economies after Germany would present a huge challenge to the resources of the ECB to defend their debt.

USA. The Federal Reserve started to reduce its monthly asset purchases of $85bn in December 2013 by $10bn per month; these ended in October 2014, signalling confidence the US economic recovery would remain on track. First quarter GDP figures for the US were depressed by exceptionally bad winter weather, but growth rebounded very strongly in Q2 to 4.6% (annualised). The first estimate of Q3 showed growth of 3.5% (annualised). Annual growth during 2014 is likely to be just over 2%.

The U.S. faces similar debt problems to those of the UK, but thanks to reasonable growth, cuts in government expenditure and tax rises, the annual government deficit has been halved from its peak without appearing to do too much damage to growth, although the
weak labour force participation rate remains a matter of key concern for the Federal Reserve when considering the amount of slack in the economy and monetary policy decisions. It is currently expected that the Fed. will start increasing rates in mid 2015.

**China.** Government action in 2014 to stimulate the economy appeared to be putting the target of 7.5% growth within achievable reach but recent data has been mixed. There are also concerns that the Chinese leadership have only started to address an unbalanced economy which is heavily dependent on new investment expenditure, and for a potential bubble in the property sector to burst, as it did in Japan in the 1990s, with its consequent impact on the financial health of the banking sector. There are also concerns around the potential size, and dubious creditworthiness, of some bank lending to local government organisations and major corporates. This primarily occurred during the government promoted expansion of credit, which was aimed at protecting the overall rate of growth in the economy after the Lehmans crisis.

**Japan.** Japan is causing considerable concern as the increase in sales tax in April 2014 has suppressed consumer expenditure and growth. In Q2 growth was -1.8% q/q and -7.1% over the previous year. The Government is hoping that this is a temporary blip.

**CAPITA ASSET SERVICES FORWARD VIEW**

Economic forecasting remains difficult with so many external influences weighing on the UK. Major volatility in bond yields is likely to endure as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, or the safe haven of bonds.

The overall longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Over time, an increase in investor confidence in world economic recovery is also likely to compound this effect as recovery will further encourage investors to switch from bonds to equities.

The overall balance of risks to economic recovery in the UK is currently evenly weighted. However, only time will tell just how long this period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

The interest rate forecasts in this report are based on an initial assumption that there will not be a major resurgence of the EZ debt crisis, or a break-up of the EZ, but rather that there will be a managed, albeit painful and tortuous, resolution of the debt crisis where EZ institutions and governments eventually do what is necessary - but only when all else has been tried and failed. Under this assumed scenario, growth within the EZ will be tepid for the next couple of years and some EZ countries experiencing low or negative growth, will, over that time period, see an increase in total government debt to GDP ratios. There is a significant danger that these ratios could rise to the point where markets lose confidence in the financial viability of one, or more, countries, especially if growth disappoints and / or efforts to reduce government deficits fail to deliver the necessary reductions. However, it is impossible to forecast whether any individual country will lose such confidence, or when, and so precipitate a sharp resurgence of the EZ debt crisis. While the ECB has adequate resources to manage a debt crisis in a small EZ country, if one, or more, of the large countries were to experience a major crisis of market confidence, this would present a serious challenge to the ECB and to EZ politicians.
Downside risks currently include:

- The situation over Ukraine poses a major threat to EZ and world growth if it was to deteriorate into economic warfare between the West and Russia where Russia resorted to using its control over gas supplies to Europe.
- Fears generated by the potential impact of Ebola around the world
- UK strong economic growth is currently mainly dependent on consumer spending and the potentially unsustainable boom in the housing market. The boost from these sources is likely to fade after 2014.
- A weak rebalancing of UK growth to exporting and business investment causing a weakening of overall economic growth beyond 2014.
- Weak growth or recession in the UK’s main trading partner - the EU, inhibiting economic recovery in the UK.
- A return to weak economic growth in the US, UK and China causing major disappointment in investor and market expectations.
- A resurgence of the Eurozone sovereign debt crisis caused by ongoing deterioration in government debt to GDP ratios to the point where financial markets lose confidence in the financial viability of one or more countries and in the ability of the ECB and Eurozone governments to deal with the potential size of the crisis.
- Recapitalisation of European banks requiring considerable government financial support.
- Lack of support by populaces in Eurozone countries for austerity programmes, especially in countries with very high unemployment rates e.g. Greece and Spain, which face huge challenges in engineering economic growth to correct their budget deficits on a sustainable basis.
- Italy: the political situation has improved but it remains to be seen whether the new government is able to deliver the austerity programme required and a programme of overdue reforms. Italy has the third highest government debt mountain in the world.
- France: after being elected on an anti austerity platform, President Hollande has embraced a €50bn programme of public sector cuts over the next three years. However, there could be major obstacles in implementing this programme. Major overdue reforms of employment practices and an increase in competiveness are also urgently required to lift the economy out of stagnation.
- Monetary policy action failing to stimulate sustainable growth in western economies, especially the Eurozone and Japan.
- Heightened political risks in the Middle East and East Asia could trigger safe haven flows back into bonds.
- There are also increasing concerns at the reluctance of western central banks to raise interest rates significantly for some years, plus the huge QE measures which remain in place (and may be added to by the ECB in the near future). This has created potentially unstable flows of liquidity searching for yield and, therefore, heightened the potential for an increase in risks in order to get higher returns. This is a return to a similar environment to the one which led to the 2008 financial crisis.

The potential for upside risks to UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- A further surge in investor confidence that robust world economic growth is firmly expected, causing a flow of funds out of bonds into equities.
- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.
## Prospects for Interest Rates

The data below shows a variety of forecasts published by a number of institutions. They include those of UBS and Capital Economics (an independent forecasting consultancy). The forecast within this strategy statement has been drawn from these diverse sources and officers.

<table>
<thead>
<tr>
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<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Bank Rate View</strong></td>
<td>0.50%</td>
<td>0.50%</td>
<td>0.50%</td>
<td>0.75%</td>
<td>0.75%</td>
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<td>1.25%</td>
<td>1.50%</td>
<td>1.75%</td>
<td>1.75%</td>
<td>2.00%</td>
</tr>
<tr>
<td><strong>3 Month LIBID</strong></td>
<td>0.50%</td>
<td>0.50%</td>
<td>0.60%</td>
<td>0.80%</td>
<td>0.90%</td>
<td>1.10%</td>
<td>1.10%</td>
<td>1.30%</td>
<td>1.40%</td>
<td>1.50%</td>
<td>1.80%</td>
<td>1.90%</td>
<td>2.10%</td>
</tr>
<tr>
<td><strong>6 Month LIBID</strong></td>
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<td>0.70%</td>
<td>0.80%</td>
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<td>1.10%</td>
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<td>2.00%</td>
<td>2.10%</td>
<td>2.30%</td>
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<tr>
<td><strong>12 Month LIBID</strong></td>
<td>0.90%</td>
<td>1.00%</td>
<td>1.10%</td>
<td>1.30%</td>
<td>1.40%</td>
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<td>2.30%</td>
<td>2.40%</td>
<td>2.60%</td>
</tr>
<tr>
<td><strong>5yr PW LB Rate</strong></td>
<td>2.20%</td>
<td>2.20%</td>
<td>2.30%</td>
<td>2.50%</td>
<td>2.60%</td>
<td>2.80%</td>
<td>2.90%</td>
<td>3.00%</td>
<td>3.20%</td>
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<td>3.40%</td>
<td>3.50%</td>
<td>3.60%</td>
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<tr>
<td><strong>10yr PW IB Rate</strong></td>
<td>2.80%</td>
<td>2.80%</td>
<td>3.00%</td>
<td>3.20%</td>
<td>3.30%</td>
<td>3.50%</td>
<td>3.60%</td>
<td>3.70%</td>
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<td>3.90%</td>
<td>4.00%</td>
<td>4.10%</td>
<td>4.20%</td>
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<tr>
<td><strong>25yr PW IB Rate</strong></td>
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<td>3.70%</td>
<td>3.80%</td>
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<td>4.30%</td>
<td>4.40%</td>
<td>4.50%</td>
<td>4.60%</td>
<td>4.70%</td>
<td>4.70%</td>
<td>4.80%</td>
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<tr>
<td><strong>50yr PW LB Rate</strong></td>
<td>3.40%</td>
<td>3.50%</td>
<td>3.70%</td>
<td>3.80%</td>
<td>4.00%</td>
<td>4.20%</td>
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| **Bank Rate**                           | 0.50%  | 0.50%  | 0.50%  | 0.75%  | 0.75%  | 1.00%  | 1.00%  | 1.25%  | 1.25%  | 1.50%  | 1.75%  | 1.75%  | 2.00%  |
| **Capital Economics**                   | 0.50%  | 0.50%  | 0.75%  | 0.75%  | 1.00%  | 1.00%  | 1.25%  | 1.25%  | -      | -      | -      | -      | -      |

| **5yr PW IB Rate**                      | 2.20%  | 2.20%  | 2.30%  | 2.50%  | 2.60%  | 2.80%  | 2.90%  | 3.00%  | 3.20%  | 3.30%  | 3.40%  | 3.50%  | 3.60%  |
| **Capital Economics**                   | 2.20%  | 2.50%  | 2.70%  | 3.00%  | 3.10%  | 3.20%  | 3.30%  | 3.40%  | -      | -      | -      | -      | -      |

| **10yr PW IB Rate**                     | 2.80%  | 2.80%  | 3.00%  | 3.20%  | 3.30%  | 3.50%  | 3.60%  | 3.70%  | 3.80%  | 3.90%  | 4.00%  | 4.10%  | 4.20%  |
| **Capital Economics**                   | 2.80%  | 3.05%  | 3.30%  | 3.55%  | 3.60%  | 3.70%  | 3.80%  | -      | -      | -      | -      | -      | -      |

| **25yr PW IB Rate**                     | 3.40%  | 3.50%  | 3.70%  | 3.80%  | 4.00%  | 4.20%  | 4.30%  | 4.40%  | 4.50%  | 4.60%  | 4.70%  | 4.70%  | 4.80%  |
| **Capital Economics**                   | 3.25%  | 3.45%  | 3.65%  | 3.85%  | 3.95%  | 4.05%  | 4.15%  | 4.25%  | -      | -      | -      | -      | -      |

| **50yr PW LB Rate**                     | 3.40%  | 3.50%  | 3.70%  | 3.80%  | 4.00%  | 4.20%  | 4.30%  | 4.40%  | 4.50%  | 4.60%  | 4.70%  | 4.70%  | 4.80%  |
| **Capital Economics**                   | 3.30%  | 3.50%  | 3.70%  | 3.90%  | 4.00%  | 4.20%  | 4.20%  | 4.30%  | -      | -      | -      | -      | -      |

Please note – The current PWLB rates and forecast shown above have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.
Appendix H

Glossary of Terms

**Authorised Limit** - This Prudential Indicator represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable. It is the expected maximum borrowing need, with some headroom for unexpected movements.

**Bank Rate** – The rate at which the Bank of England offers loans to the wholesale banks, thereby controlling general interest rates in the economy.

**Certificate of Deposits** - Short dated marketable securities issued by financial institutions, and as such counterparty risk is low.

**Counterparty** – One of the opposing parties involved in a borrowing or investment transaction.

**Covered Bonds** - Debt instruments secured by assets such as mortgage loans. These loans remain on the issuer’s balance sheet and investors have a preferential claim in the event of the issuing institution defaulting.

**Credit Rating** – A qualified assessment and formal evaluation of an institution's (bank or building society) credit history and capability of repaying obligations. It measures the probability of the borrower defaulting on its financial obligations, and its ability to repay these fully and on time.

**Discount** – Where the prevailing interest rate is higher than the fixed rate of a long-term loan, which is being repaid early, the lender can refund the borrower a discount, the calculation being based on the difference between the two interest rates over the remaining years of the loan, discounted back to present value. The lender is able to offer the discount, as their investment will now earn more than when the original loan was taken out.

**Fixed Rate Funding** - A fixed rate of interest throughout the time of the loan. The rate is fixed at the start of the loan and therefore does not affect the volatility of the portfolio, until the debt matures and requires replacing at the interest rates relevant at that time.

**Gilts** - The loan instruments by which the Government borrows. Interest rates will reflect the level of demand shown by investors when the Government auctions Gilts.

**High/Low Coupon** – High/Low interest rate.

**LIBID (London Interbank Bid Rate)** – This is an average rate, calculated from the rates at which individual major banks in London are willing to borrow from other banks for a particular time period. For example, 6 month LIBID is the average rate at which banks are willing to pay to borrow for 6 months.

**LIBOR (London Interbank Offer Rate)** – This is an average rate, calculated from the rates which major banks in London estimate they would be charged if they borrowed from
other banks for a particular time period. For example, 6 month LIBOR is the average rate which banks believe they will be charged for borrowing for 6 months.

**Liquidity** – The ability of an asset to be converted into cash quickly and without any price discount. The more liquid a business is, the better able it is to meet short-term financial obligations.

**LOBO (Lender Option Borrower Option)** – This is a type of loan where, at various periods known as call dates, the lender has the option to alter the interest rate on the loan. Should the lender exercise this option, the borrower has a corresponding option to repay the loan in full without penalty.

**Market** - The private sector institutions - Banks, Building Societies etc.

**Maturity Profile/Structure** - An illustration of when debts are due to mature, and either have to be renewed or money found to pay off the debt. A high concentration in one year will make the Council vulnerable to current interest rates in that year.

**Monetary Policy Committee** – The independent body that determines Bank Rate.

**Money Market Funds** - Investment instruments that invest in a variety of institutions, therefore diversifying the investment risk.

**Operational Boundary** – This Prudential Indicator is based on the probable external debt during the course of the year. It is not a limit and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure the Authorised Limit is not breached.

**Premium** – Where the prevailing current interest rate is lower than the fixed rate of a long-term loan, which is being repaid early, the lender can charge the borrower a premium, the calculation being based on the difference between the two interest rates over the remaining years of the loan, discounted back to present value. The lender may charge the premium, as their investment will now earn less than when the original loan was taken out.

**Prudential Code** - The Local Government Act 2003 requires the Council to ‘have regard to’ the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council’s capital investment plans are affordable, prudent and sustainable.

**PWLB** - Public Works Loan Board. Part of the Government’s Debt Management Office, which provides loans to public bodies at rates reflecting those at which the Government is able to sell Gilts.

**Specified Investments** - Sterling investments of not more then one-year maturity. These are considered low risk assets, where the possibility of loss of principal or investment income is very low.

**Non-specified investments** - Investments not in the above, specified category, e.g., foreign currency, exceeding one year or outside our minimum credit rating criteria.

**Treasury Bills** - These are marketable securities issued by the UK Government and as such counterparty and liquidity risk is very low.
Variable Rate Funding - The rate of interest either continually moves reflecting interest rates of the day, or can be tied to specific dates during the loan period. Rates may be updated on a monthly, quarterly or annual basis.

Volatility - The degree to which the debt portfolio is affected by current interest rate movements. The more debt maturing within the coming year and needing replacement, and the more debt subject to variable interest rates, the greater the volatility.

Yield Curve - A graph of the relationship of interest rates to the length of the loan. A normal yield curve will show interest rates relatively low for short-term loans compared to long-term loans. An inverted Yield Curve is the opposite of this.
Date: 30 January 2015
Subject: DfT Local Highways Maintenance Challenge Fund
Report of: Jon Lamont, Chief Executive, TfGM

PURPOSE OF REPORT

This report updates Leaders on the new maintenance funding regime established by Government, including a new Local Highways Maintenance Challenge Fund, to which bids have been invited by 9 February 2015, and the proposed bidding approach, which has been developed on the advice of the Chief Executives Investment Group.

RECOMMENDATIONS

The Combined Authority is asked to:
1. note the contents of this report;
2. comment on or otherwise endorse the approach set out for a Greater Manchester programme bid to the Challenge Fund, comprising locally derived schemes within prioritised categories; and
3. delegate approval of the final bid documentation to given to the Chief Executive of TfGM in consultation with the GMCA Transport Portfolio Holder.

CONTACT OFFICERS

Peter Molyneux, TfGM 0161 244 0815 peter.molyneux@tfgm.com
Simon Warburton, TfGM 0161 244 1427 simon.warburton@tfgm.com
1. **Introduction**

1.1 The Spending Round announcement in June 2013 committed £12 billion to maintain the local and national highway networks over the course of the next parliament. Half of this was allocated to the Highways Agency for the renewal of the strategic road network and half to local highway authorities to invest in local highway maintenance and renewal.

1.2 On 23 December 2014, the Government published details of the allocation of the £6bn set aside for local authority highways maintenance. Some £4.7bn was allocated through Highways Maintenance Block Funding to English local authorities for 2015/16 to 2020/21. Section 2 of this report summarises the outcome of this allocation for Greater Manchester.

1.3 In addition, funding was also set aside for an ‘incentive element’ (£578 million from 2016) to reward councils who demonstrate they are delivering value for money in carrying out cost effective improvements, and for a ‘Challenge Fund’. Section 3 of this report summarises the scope of the Challenge Fund and the process underway to prepare a Greater Manchester programme submission to it for the deadline of 9 February 2015.

2. **Summary of Block Funding Allocations**

2.1 Of the £4.7bn allocated for the Highways Maintenance Block, £901m (19%) is allocated to 2015/16, with a steady fall-off across subsequent years to £725m (15%) in 2020/21. However, it should be noted that the figures for 2018/19 to 2020/21 are indicative, subject to a refresh of the data, a review of the bridges data in the formula specifically, and the addition of the cycleway and footway element.

2.2 As shown below, Greater Manchester itself receives just under £28m in 2015/16, falling to £24.9m in 2017/18 and £22.5m in the three subsequent years to 2020/21 – in line with the decreases in spending nationally over this period.

2.3 In comparison to other northwest authorities, Greater Manchester receives the largest share of funding. It receives around 23.3% of the funding allocated to the region, marginally higher than Cumbria but substantially above that allocated to the Liverpool City Region (which receives £16.9m in 2015/16, 14% of the northwest figure).
3. The Highways Maintenance Challenge Fund

3.1 The DfT Local Highways Maintenance Challenge Fund provides £275m nationally from 2015/16-2017/18 (with a further £300m available 2018/19-2020/21 which will be the subject of a second bidding exercise). The Fund is designed to help maintain existing local highways infrastructure. The types of project that will be eligible for funding include:

- Major maintenance, strengthening or renewal of bridges, tunnels, retaining walls or other structures;
- Major maintenance or renewal of carriageways;
- Major maintenance or renewal of footways or cycleways;
- Upgrade of street lighting; and
- Major maintenance or renewal of drainage assets.

3.2 The deadline for submitting bids to DfT is 9 February 2015. Funding is available for schemes with a cost of over £5m (although schemes costing over £20m will require a major scheme business case). Promoters will need to contribute at least 10% of total scheme costs.

3.3 The guidance is worded as to allow each local authority in Greater Manchester to bid for two schemes (i.e. 20 in total), supported a Greater
Manchester strategic overview. However, these schemes will need to be prioritised.

3.4 Following discussion with Chief Executives, it has been agreed that the Greater Manchester programme bid will focus primarily on two aspects:

- Carriageway maintenance on the emerging Key Route Network, so as to reinforce the position established in the GM Growth Deal and demonstrate the unique levels of collaboration/cross-border working within the city region, which DfT regards as a source of unique advantage for GM; and
- A targeted group of comparatively large scale structures projects, which could demonstrate significant economic benefits.

3.5 District Highways Officers are preparing a programme on this basis, with coordination support being provided by TfGM. It is anticipated that appropriate briefings and internal approvals will be arranged within individual authorities.

3.6 At a programme level, given the timescales involved, the Combined Authority is requested to agree that delegated approval of the final bid documentation to given to the Chief Executive of TfGM in consultation with the GMCA Transport Portfolio Holder.

4. Recommendations

4.1 A full set of recommendations appears at the front of this report.

Dr Jon Lamonte
Chief Executive, TfGM
Date: 30 January 2015
Subject: Transport for the North
Report of: Jon Lamonte, Chief Executive, TfGM

PURPOSE OF REPORT

To provide a further update on the establishment of Transport for the North (TfN), its interim governance arrangements, and the work plan to prepare a March interim report for the Secretary of State for Transport and the Chancellor in advance of a March 18th budget announcement. This report follows on from the report submitted on 19 December 2014.

RECOMMENDATIONS:

Members are requested to:

i) note the contents of this report and to request a further update in due course.

CONTACT OFFICERS:

Jon Lamonte 0161 244 1030 jon.lamonte@tfgm.com
Dave Newton 0161 244 1043 dave.newton@tfgm.com
1. **Introduction and Background**

1.1 The report submitted to Members on the 19th December 2014 set out the proposals for establishing the interim governance structures for TfN’s Partnership Board, Regional Reference Group and operational teams. This report now updates on recent activity.

2. **TfN Establishment and Interim Governance Arrangements**

2.1 The inaugural meeting of the TfN Partnership Board convened on the 12th January 2015 and was followed by a meeting of the TfN Regional Reference Group. The Partnership Board meeting is chaired by Sir Richard Leese with political and business representation from the 6 city regions of Manchester, Leeds, Liverpool, Sheffield, North East and, Hull and Humber, together with the Chair of Network Rail, Chief Executive of the Highways Agency and HS2 Ltd.

2.2 The Secretary of State for Transport attended the Regional Reference Group meeting and was represented at the Partnership Board by Steve Gooding, Director General Roads, Traffic and Local Safety.

2.3 Sir Richard Leese also chaired the subsequent TfN Regional Reference Group meeting to which the non-metropolitan transport authorities not represented by the Partnership Board core city regions were invited to attend.

2.4 Both meetings were presented with updates on the interim governance arrangements to March, the work of One North, and the anticipated work plan to prepare the March interim report. It was reiterated that the constitutional arrangements for TfN post March 2015 were subject to further consideration, development and agreement but that given the budget and election timescales, interim arrangements were deemed the most effective means of grasping the opportunities presented to the North.

2.5 An Executive Team of senior officers, chaired by Jon Lamonte, has commenced fortnightly meetings to oversee the progress of work to prepare the March report and ensure it meets the requirements of Government and the TfN Partnership Board.

2.6 The Executive Team will now also continue to receive status reports from the TfN Programme Director, who will oversee a programme board responsible for delivering the outputs for the individual transport elements that were described in the report of 19th December 2014. All core city regions have been assigned an element of the intervention programme to lead and coordinate.

2.7 The interim governance structure and workstreams established to develop the programme of interventions is shown below:
2.8 A key component of the March report will be a well evidenced and compelling strategic economic case for a programme of multi-modal pan-northern interventions as set out in One North: The Programme. The TfN report will be prepared jointly by the city regions and DfT and will be founded on this economic analysis.

2.9 Development of an appropriate report structure is currently underway with DfT representatives. The report will seek to demonstrate the strategic economic case for a pan-northern multi-modal strategy and investment programme that will contribute significantly to the creation of a northern powerhouse.

3. Next Steps

3.1 The anticipated key next steps are:

- Jan 31st - Complete technical work assembly and collation of existing evidence including work from One North, HS2 Ltd, Network Rail, Highways Agency and DfT;
- 1st/2nd week February – Preliminary report drafts, review and refinement;
- Mid-February – Regional Reference Group senior officers event;
- Week commencing 23rd Feb – TfN Partnership Board and Regional Reference Group meet; and
• Early March – submission of report to Secretary of State for Transport and the Chancellor.

3.2 A further progress report will be submitted to Members on the content of the March Interim Report in due course.

Dr Jon Lamonte

Chief Executive, TfGM
REPORT OF AN INQUORATE MEETING OF THE GM LEP BOARD HELD ON MONDAY 12 JANUARY 2015 AT MANCHESTER TOWN HALL

Board Members:

Mike Blackburn (In the Chair)

Councillor Sue Derbyshire, Councillor Sean Anstee, Nancy Rothwell, Lou Cordwell and David Birch

Chairs of Strategic Boards:

Michael Oglesby and Iwan Griffiths

Advisors:

Howard Bernstein (Manchester CC), Eamonn Boylan (Stockport MBC), Sean Harriss (Bolton MBC), Theresa Grant (Trafford MBC), Simon Nokes (New Economy Manchester), Mark Hughes (GM Growth Company), Tim Newns and Dan Storer Manchester Investment Agency Service), Jon Lamonte (Transport for GM), Andrew Stokes and Louise Latham (Marketing Manchester), Julie Connor, Rebecca Heron, Susan Ford and Allan Sparrow (GM Integrated Support Team)

Apologies:

Councillor Richard Leese, Councillor Peter Smith, Keith Johnston, Scott Fletcher, Wayne Jones and Juergen Maier

LEP/15/01 DECLARATIONS OF INTEREST

Michael Oglesby declared an interest in Manchester Science Park.

David Birch declared an interest on the Public Sector Reform update as McKinsey’s were engaged in supporting the NHS and Manchester City Council on the health and social care integrated care agenda.

Nancy Rothwell declared an interest on the Manchester/India Strategic Review as the University of Manchester had a strong interest in India (c700 students).

Mike Blackburn declared on the GM Investment Framework and Conditional Project Approvals as Zen Internet are an organisation operating in the same market place as part of BT.
LEP/15/02 MINUTES

AGREED

1. That the Minutes of the meetings of the GM LEP Board held on 18 September and 5 November 2014 be approved as correct records.

2. That the written resolution of the Board dated 11 November 2014 be noted.

LEP/15/03 MATTERS ARISING

Atlantic Gateway (Written Resolution LEP2 refers)

The Chair reported that GM were to appoint three representatives onto the Atlantic Gateway. One would be appointed by the GMCA, one by Manchester Airport Group and one from the GM LEP. Currently, former GM LEP member Roger Milburn represented the Board on Atlantic Gateway. Following consideration of the appointment and taking into account that Atlantic Gateway was not to meet for another month, the Chair undertook to find a new representative and report back to the Board.

LEP/15/04 GREATER MANCHESTER SKILLS CAPITAL: PROCESS AND NEXT STEPS

Consideration was given to a report that outlined the process and next steps to deliver the Skills Capital Funding announced in the Greater Manchester Growth Deal in July 2014. The report set out the work that is underway to ensure that Greater Manchester is best placed to deploy skills capital in a strategic and cost efficient way which contributes to the GM Growth and Reform Plan.

The appraisal of the Skills Capital projects was ongoing with a report to go to the GMCA in March. The Board was also asked to grant delegated authority to the Chair to endorse the approved projects.

AGREED

1. To note the report.
2. That delegated authority be granted to the Chair to endorse the approved Skills Capital projects on behalf of the GM LEP Board.

LEP/15/05 GM LEP BUDGETS

A report was submitted that provided the GM LEP with a brief overview of the LEP’s budgets which set out a proposal on the GM LEP capacity and strategy funding for 2015/16 and how this should be allocated. The report proposes that
funds from the DfT are used to support programme costs for transport capital scheme delivery in 2014/15.

A member asked if the list of proposed areas of funding detailed in the report were the only proposals developed. The Board was informed that a detailed package of schemes would be brought back to the Board.

AGREED

1. To note the report and endorse the proposed use of LEP capacity and strategy funds as set out in section 4 of the report.
2. To note and endorse the proposed use of LEP LTB-related funds to support programme costs for transport capital scheme delivery.

LEP/15/06 GM LEP: MANCHESTER INDIA STRATEGIC REVIEW

The Board was informed that India was identified as a key international market within the GM Internationalisation Strategy. As part of the Internationalisation Strategy’s implementation plan, it was agreed that a strategic review of the India market should be undertaken, using a similar approach to the one undertaken for China in 2012.

The UK-India Business Council (UKIBC), the UK Government-sponsored specialist trade body for the Indian market was commissioned in May 2014 to carry out a GM-India Strategic Review. The resulting strategic review provides a scoping document from which a strategy and set of focused priorities will be identified and agreed with the subsequent creation of an implementation and business plan.

It is suggested that a sub-group of the GM LEP oversees the creation of this implementation and business plan, led by the Chair of the Advisory Board for Internationalisation and Marketing and involving interested parties from the GM LEP and other key stakeholders. This could also incorporate members of the existing “GM-India Steering Group” which consists of private sector representatives as well representatives from GM universities and the Indian business group TiE. In addition it is suggested that relevant wider UK Government bodies such as the British Council are brought in to discussions to add insight to relevant areas of the review and subsequent implementation plan.

The Board was asked to review the initial recommendations and the proposed next steps.

Nancy Rothwell reported that the University of Manchester attracted over 700 students from India each year which generated significant income for the University. The University was now giving consideration to opening an office in India (New Delhi) and looking to recruit a Manchester graduate to run the office.
The Board felt that a presence in India by GM would be beneficial. It was added that neighbouring LEP areas would be happy for a joint approach on this and ways to carry this concept forward were needed.

The Board welcomed the creation of a sub group (to be chaired by Iwan Griffiths) to progress ties with India and the Chair offered the assistance of the GM LEP members. It was reported that an update would be given to the next meeting of the GM LEP.

**AGREED**

1. That the recommendations and next steps from the Manchester India Strategic Review be endorsed:
   - Make in India, innovate in Manchester
   - Addressing Manchester’s profile in India
   - A Manchester-India ‘Enterprise Bridge’
   - A ‘Northern Powerhouse’/BMEC Corridor Tie-up
   - Supporting Manchester’s SMEs
   - Establishing a direct air route.

2. That a further update be reported to the next GM LEP Board.

**LEP/15/07 TRANSPORT UPDATE**

**A. One North Update**

Consideration was given to a report that updated the Board on the significant progress made since September 2014 when Sir David Higgins published his report ‘HS2: the Sooner the Better’. The Government had supported the joint working arrangements for Transport for the North and strong momentum regarding One North had been achieved as set out in the One North Executive Summary.

**AGREED**

To note that discussions are currently continuing with Government to agree the detailed arrangements for Transport for the North. The intention is that these structures are established very early in the New Year and that work is undertaken as a matter of urgency to inform the March Interim report. A further report will be submitted to the GM LEP Board once the work has progressed.

**B. Delivering Active Travel and Travel Choices**

Consideration was given to a report that provided an update on the good progress made with Travel Choices and Active Travel programmes which are currently funded through Department for Transport grant awards, namely the Local Sustainable Transport Fund (LSTF) which includes both revenue and
capital schemes; the Cycle City Ambition Grant (CCAG) which includes only capital schemes and the Cycle Safety Fund. The report also provided an update on the recently published DfT Cycling Delivery Plan; the Cycling Summit held on 27 November 2014 in Bristol and cross sector working as part of Greater Manchester’s physical activity agenda. It was reported that since the report was prepared the Government had announced that GM would receive an allocation of £22m from CCAG funding subject to GM agreeing the final programme. The Board welcomed the announcement of CCAG funding.

A member asked how other major cities in the UK compared to GM with Travel Choices and Active Travel so GM could measure the progress it was making. Simon Warburton responded that TfGM would need to look at the data collected and could then report something back.

A member highlighted the need to move things forward particularly regarding the GM bus network. It was reported that to deregulate the network new legislation would be needed and discussions were underway regarding the timescales for this. GM had a clear view on how the legislation should work.

**AGREED**

1. That the report be noted and the allocation of CCAG funding be welcomed.
2. That further information be provided to the Board as to how GM compared with other Cities in terms of Travel Choices and Active Travel.

**C. Greater Manchester Rail Priorities and Control Period 6**

The Board was informed that the rail industry strategic planning process and funding arrangements are delivered in five-year cycles, referred to as ‘Control Periods’. The current period is ‘Control Period 5’ (CP5) and covers April 2014 to March 2019; and ‘Control Period 6’ (CP6) will commence in April 2019. The rail industry is beginning to prepare for CP6 and therefore Greater Manchester needs to confirm what it would like to see achieved during this Period.

**AGREED**

That the report be noted.

**LEP/15/08 MANCHESTER CHANNEL UPDATE**

Consideration was given to the Executive Summary of the Manchester Channel Digital Publishing Plan. The Executive Summary set out the objectives and details were given of an investment proposal. It was reported that a full business plan would be reported to the GM LEP and funding of c.£30k was being sought from the GM LEP Capacity Budget.
AGREED

That members support the proposal to further develop a business case to progress the Manchester Channel as laid out in the report. The likely costs are in c.£30k to come from the GM LEP Capacity Budget.

LEP/15/09  ANY OTHER BUSINESS

There were no items of business.

LEP/15/10 PROGRAMME OF FUTURE MEETINGS

AGREED

That the future programme of meetings 2015 be noted.

Monday 16 March 2015
Monday 18 May 2015
Thursday 9 July 2015
Monday 7 September 2015
Thursday 12 November 2015

The following items contain matters relating to the financial and business affairs of particular persons or organisations. It is therefore proposed that discussions on these items are not held in public.

LEP/15/11 PUBLIC SECTOR REFORM UPDATE

The Board received a presentation from Sean Harriss and Andrew Lightfoot updating the Board on Public Sector Reform.

AGREED

That the update on public sector reform be noted.

LEP/15/12 MANCHESTER GROWTH COMPANY MID YEAR PERFORMANCE REPORT

It was reported that at its meeting held on 14 May 2014, the GM LEP Board received the Manchester Growth Company’s (MGC) Business Plan for the 2014/15 financial year. This represented the first Business Plan for the newly constituted MGC Group. The purpose of this report is to present to the Board a performance review of progress against Business Plan objectives and targets during the first half of the year (April to September 2014).

The report comprises a high level summary and two appendices which provide greater detail of performance against objectives and KPI targets.
AGREED

That the report be noted.

LEP/15/13 GM INVESTMENT FRAMEWORK AND CONDITIONAL PROJECT APPROVAL

Consideration was given to a paper that provided the Board with new projects which have been reviewed by the GM Core Investment Team, Chief Executive Appraisal Sub Group, Independent Advisor and approved in principal by the GMCA.

AGREED

That the decisions made by the Combined Authority on 28 November and 19 December 2014 be endorsed.

LEP/15/14 ANY OTHER BUSINESS

There were no items of business
GMCA AND AGMA SCRUTINY POOL

MINUTES OF THE MEETING HELD ON FRIDAY 16 JANUARY 2015
AT MANCHESTER CENTRAL LIBRARY

PRESENT

Bolton Council
Cllr Carol Burrows
Cllr Hilary Fairclough

Bury Council
Cllr Iain Gartside
Cllr David Jones
Cllr Susan Southworth

Manchester CC
Cllr Angeliki Stogia
Cllr Ahmed Ali
Cllr Matt Strong

Oldham MBC
Cllr Colin McLaren
Cllr Cath Ball
Cllr John Dillon

Rochdale MBC
Cllr Terry Linden
Cllr Alan Godson

Salford CC
Cllr John Ferguson
Cllr John Walsh

Stockport MBC
Cllr Syd Lloyd
Cllr Ben Alexander

Tameside MBC
Cllr John Bell

Trafford Council
Cllr Barry Brotherton

Wigan MBC
Cllr John O’Brien (Chair)

IN ATTENDANCE

Item

5 Internationalisation – Inward Investment & Marketing
Tim Newns, MIDAS
Sara Tomkins, Manchester CC

6 Planning & Housing update - Residential Growth
Eamonn Boylan, lead Chief Executive for Investment, Planning, Housing and Environment
Cllr S Derbyshire, Portfolio lead for Planning, Housing and Environment
Paul Beardmore, GM Director of Housing
7 Low Carbon Hub Work Programme
Mark Atherton, GM Director of Environment
Cllr S Derbyshire, Portfolio lead for Planning, Housing and Environment
Eamonn Boylan, lead Chief Executive for Investment, Planning, Housing and Environment

GM Integrated Support Team
Kerry Bond, Senior Democratic Services Officer

14/73 APOLOGIES

Apologies were received from Cllrs Bury, Holly, Brett, Peet, Dixon, Mitchell, Stewart and Wilkes.

14/74 DECLARATIONS OF INTEREST

Councillor Angeliki Stogia, Manchester CC declared an interest in Item 5 as a seconded officer to the New Economy.

14/75 MINUTES OF THE MEETING HELD ON 12 DECEMBER 2014

RESOLVED/-

To approve the minutes of the Scrutiny Pool meeting, held on 12 December 2014.

14/76 INTERNATIONALISATION – INWARD INVESTMENT AND MARKETING

Tim Newns, Chief Executive, MIDAS and Sara Tomkins, Assistance Chief Executive, Manchester CC talked to a presentation on internationalisation, inward investment and marketing within Greater Manchester.

The update highlighted-
- The current position and next steps for GM internationalisation
- Destination Marketing – the promotion and marketing of GM to visitors, businesses and investors
- The role of and the future direction of Inward Investment

Questions and comments from the Scrutiny Pool included-

- How do you choose which companies to approach to discuss, for example, relocating to GM?
  - MIDAS develops profiles and identifies companies which fit the profiles, following which we prepare an overall review of the business, its undertakings including finances, key strengths and opportunities before approaching the company.

- Of the jobs in the pipeline, what sectors/jobs are represented?
  - There are 25,000 jobs in the pipeline within 350 projects, the majority of which are within the finance and business sectors.
  A breakdown will be circulated to members.
Other authorities have tried unsuccessfully to bring in business from China, is there any investment in the region?
- There is investment in the region, but not all local authorities produce significant commercial benefits for re-location with their district.

Why is there such slow decision making within the industry?
- This is due to confidence as we emerge from the recession, decisions are still being made even though they are taking longer.

It seems that work is focussed on Manchester rather than GM, is there any indication of benefits for the other GM local authorities?
- Manchester is used as a byword for Greater Manchester as it is more well known than the other authorities.
- A high proportion of the inward investment comes into the central core (Manchester), but some projects move around other areas, where business are located isn’t necessarily for residents of that authority.
- Performance trackers measure performance for GM and Manchester, this is reflected in the funding model, the majority of funding is made by Manchester with the rest funded by districts on a population basis.
- Export and international trade is proportionally throughout Greater Manchester.

Is there any research on how domestic visitors are arriving into the region?
- Data from the Christmas campaign is currently being finalised, this includes statistics from TfGM, Virgin and Northern Rail.

Do coach companies contribute to the data?
- They don’t contribute to the campaign but we ensure that Manchester are included in their promotional literature.
- Will liaise with TfGM to obtain information from coach companies going forward.

In terms of marketing, is there any information on emerging countries eg MINT (Mexico, Indonesia, Nigeria, Turkey)?
- None of those countries made the final cut at focus markets, there will be a refresh this year, this may open up opportunities do more with those countries.

How do you monitor the surplus land available to developers?
- The GM Spatial Framework identifies long term availability, there is still some work to do, to evaluate short term land availability.

Has there been any research with the Bollywood market?
- MIDAS is aware of the opportunity longer term however the current focus is on achievable opportunities for the next 3-5 years.

There are more than 12,000 international students at Manchester Universities, what is the potential impact of government proposals to tighten up on visas?
- This has impacted on the number of students enrolling at the Universities, for example, Manchester has lost 500 Indian students per annum as a consequence, the universities are currently liaising with government on this subject.
RESOLVED/

1. To note the presentation and the work supported.
2. A breakdown of the pipeline of jobs and projects will be circulated to members.

14/77 PLANNING AND HOUSING UPDATE – RESIDENTIAL GROWTH

Eamonn Boylan, lead Chief Executive for Planning and Housing, Paul Beardmore, GM Housing Lead and Cllr Sue Derbyshire, Portfolio Lead for Planning and Housing provided a presentation which gave an update on the delivery of residential growth within Greater Manchester.

The update highlighted-
- The scale of the challenge
- The market context
- Potential sites across GM
- Current interventions
- Elements of the GM approach including GM Housing Investment Fund
- Next steps
- Resourcing

Questions and comments from the Scrutiny Pool included-
- How will the additional resource from districts be used?
  - Additional capacity is required within the GM planning and housing team to work on the GMSF to implement the agreement, this should be seen as an investment as it will enable GM to operate more effectively and efficiently to achieve better outcomes for residents.

- Do we have detail of off site manufacturing which use responsible social landlords (RSL’s)?
  - Yes, detail will be circulated to members.

- Are private developers interested in responsible social landlords?
  - Most developers aren’t at ease with responsible social landlords due to low sales, we hope to combine both elements to enable capacity to be absorbed.

  - Greater Manchester need to capitalise on existing infrastructure using a sustainable approach e.g. to include schools in planning policies and affordable housing.

- There is already a deficit in the delivery of housing requirements, will devolution be catalytic to meet the deficit?
  - Yes, the flexibility of the GM Housing Investment Fund should enable the deficit to be met.
  - There is a shortage of building skills, work to upscale the delivery of skills for the sustainable economic growth strategy does need to be progressed, this
can be done through the devolution agreement as this also gives GM greater control over growth/skills.

- It was suggested that part built / off site assembled housing to utilise the Chinese markets to manufacture in the UK be investigated.

- Does the scheme conflict with the LA Planning Authority?
  - No, and it is not intended to replace the LA Planning Authority.

- Does the Greater Manchester Strategic Framework replace district development plans?
  - No, it is not intended to replace them, but to augment them.

- With the lack of affordable housing it is getting harder for people to get on the housing ladder, is there anything that can be done, e.g mixed tenure?
  - Greater Manchester is reviewing mixed tenure and private rented stock, with a view to identifying the differing types of housing required to meet requirements.
  - The help to buy model offers a range of other products – equity share, owner share.

RESOLVED/-

1. To note the presentation and the work supported.

14/78 LOW CARBON HUB WORK PROGRAMME

Mark Atherton, GM Director of Environment and Cllr Sue Derbyshire, Portfolio Lead for Low Carbon and Eamonn Boylan, lead Chief Executive for Low Carbon, talked to a report and presentation detailing-
- the progress of the Low Carbon Hub towards its themed priorities for 2014/15
- the performance against the current Climate Change Strategy Implementation Plan, in advance of work to begin development of a new plan.

Questions and comments from the Scrutiny Pool included-

- What is the Carbon Literacy Programme?
  - This programme is a peer led training programme ran by the MMU.

- Why was the joint venture with the Green Investment Bank not established? Detailed in Annex 3, number 4.
  - The bank wanted Greater Manchester to loan money at a higher rate than available in the market.

- GM electric vehicles charging network – is there any evidence to say this is worthwhile?
  - This is a national programme, more vehicles are needed on the road to make any input into the carbon footprint, however there is a shortage of adequate charging stations. Further funding is being applied for from DfT.
• It could be suggested that when dealing with builders, a condition of their contract could be that they use energy efficient materials.

RESOLVED/-

1. To note the performance highlights included at Annex 1 of the report;
2. To note each of the themes against their 2014/15 priorities detailed in Annex 2 of the report.
3. To note the progress towards the Implementation Plan 2012-15 commitments, included at Annex 3 of the report.

14/79 SCRUTINY POOL WORK PROGRAMME

RESOLVED/-

To note the Work Programme.

14/80 FUTURE SCHEDULED MEETING DATES

2015
13 February
13 March
17 April

All meetings will be held 1:00pm - 3:00pm at Manchester Town Hall
Present:

Mayor Ian Stewart  GMCA (Chair)
Councillor Colin McLaren  Oldham Council
Councillor Terry Linden  Rochdale Council
Councillor David Lancaster  Salford CC
Stephen Downs  Independent Member

Officers in Attendance:

Richard Paver  GMCA Treasurer
Tom Powell  Internal Audit and Risk Management, MCC
John Farrar  Grant Thornton
Paul Simpson  Manchester Growth Company
Susan Ford  GM Integrated Support Team
Julie Gaskell

Prior to the meeting, members received an informal briefing from Laura Blakey (GM Core Investment Team), on governance of the GM Investment Fund.

AC14/47  APOLOGIES

Councillor Pam Stewart, Mark Heap (Grant Thornton)

AC14/48  DECLARATIONS OF INTEREST

None were received.

AC14/49  MINUTES OF THE MEETING 19 SEPTEMBER 2014

Resolved/-

That the minutes of the GMCA Audit Committee held on 19 September 2014 be approved as a correct record.

AC14/50  MATTERS ARISING

Website Update

Richard Paver reported that work is ongoing with regard to the re-work of the GMCA website in order to ensure that it reflects the key messages contained within the Communications Strategy as well as the new brand. GMIST have engaged new developers to deliver a new website. It is proposed that the work in progress on the structure and design of the new website is brought to the GMCA at its meeting end of January.
Members considered the GMCA Audit Committee Work Programme for 2014/15.

A Member asked how the new proposed devolution powers would impact on the Committee's work programme. Officers stated that the work programme would be refreshed and provided to Members for comment to reflect changes arising from devolution and the powers of the GMCA.

The Committee agreed that the work programme should also reflect the role of the Committee in approving the AGMA accounts and items as required to support this role. The Committee also agreed that Members would benefit a development session on GMCA, AGMA and LEP structures.

Resolved/-

1. That the Audit Committee Work Programme for 2014/15 be noted.

2. It was agreed to update the Work Programme to take into account the Devolution Agreement and powers; and also to capture the Committees responsibility for AGMA business.

3. That a development session on GMCA, AGMA and LEP structures be received by the Committee at a future meeting and that any reports/presentations at these sessions be prepared so that they can be shared publicly with district Members.

AC14/52 GMCA CORPORATE RISK REGISTER AND ASSURANCE MAP

Members received a report from the Treasurer to the GM Combined Authority and the Head of Audit and Risk Management detailing the quarterly review of the Combined Authorities Risk Register and Assurance Map.

In response to a query raised by a Member concerning “Strategy and Business Planning” stated on the assurance map, it was explained that this was GM's approach to avoid the duplication of reporting particularly in respect of the recent Growth and Devolution Deals as well as the Greater Manchester Strategy (GMS).

In response to a query raised by a Member regarding references to ‘partial’ assurance on the Assurance Map, the Head of Audit and Risk Management agreed that further work would be undertaken to confirm the basis of any limitations in assurance and any further actions required or proposed to obtain ‘full’ assurance.

It was also noted during discussions, that the corporate risk register document presented to the Committee was not the most recent version. Officers apologised for this error and it was agreed that the correct version would be electronically circulated to Members immediately after the meeting.

Resolved/-
AC14/53  TREASURY MANAGEMENT STRATEGY 2015-16

The Committee considered a report from the Treasurer to the GMCA setting out the proposed Treasury Management Strategy Statement and Borrowing Limits for 2015/16 and Prudential Indicators for 2015/16 to 2017/18. The Treasurer reported that the borrowing levels and Prudential Indicators might need to be revised once the capital budget had been finalised.

Observations/comments drawn to the Committee’s attention included:-

That the cash position, as set out in the report, is expected to increase due to the timing of amounts of grant income from government.

That during 2011/12, the Authority agreed £450m of future funding with the European Investment Bank (EIB), the last £20m of which was to be drawn down in 2015/16. A full schedule of loans agreed through the facility was set out in the report. It was observed that a further finance facility of £150m had been agreed in December 2012 available until 19 December 2015. There is no commitment to utilise the funds and that there would be no “non-draw down fee”.

Members were informed that the GMCA had recently signed a letter of intent to provide funding of £50,000 towards the setting up of the Municipal Bonds Agency. The bonds agency would be offering loans to local authorities in the near future and it is hoped that the borrowing rates will be lower than those offered by the Public Works Loan Board.

Members noted that due to the expiry of all local authorities contracts with the Co-op Bank, a tender exercise had been undertaken GM authorities. A decision has been made to award a contract to Barclays Bank by 1st April 2015. An update on this will be brought to the Committee at a future meeting.

That due to the removal of government implicit guarantees of UK banks, the Authority is looking to increase its range of investment facilities in order to diversify risk. These include a list of countries (listed in the report) that qualify using the approved credit criteria.

A Member queried the £20m investment limit for local authorities (except MCC where the limit is £50m) and the possibility for this to be temporary increased. The Committee was assured that this was purely relating to investment and not borrowing limits. That approval for such an increase would be required from the GMCA Treasurer and reported to Members as part of the normal treasury management reporting process.

Resolved/-

That the proposed Treasury Management Strategy Statement be approved, in particular:

i. The Treasury Indicators listed in Appendix A of the report.
ii. The MRP Strategy outlined in Appendix B of the report

iii. The Treasury Management Policy Statement at Appendix C of the report

iv. The Treasury Management Scheme of Delegation at Appendix D of the report

v. The Borrowing Requirements listed in Section 4 of the report

vi. The Borrowing Strategy outlined in Section 7 of the report

vii. The Annual Investment Strategy detailed in Section 8 of the report.

viii. That an update on the transfer of banking business from Co-op Bank to Barclays Bank be brought to a future meeting of the Committee.

ix. To authorise the Treasurer to revise the various limits and indicators to reflect the final capital programme.

AC14/54 INTERNAL AUDIT Q3 PROGRESS REPORT

Members received the 2014/15 Internal Audit Quarter 3 progress report from the Treasurer to the GM Combined Authority and the Head of Audit and Risk Management, providing an update on progress with delivery of audits and related assurances.

The Committee was given assurance that appropriate governance arrangements were in place for the GM Investment Fund. It was reported that audit work in 2014/15 would focus on the overall monitoring arrangements in place with detailed testing and proposed site visits in 2015/16 to validate monitoring records including finances and outputs. Assurance was also provided in respect of internal audit arrangements relating to Transport for Greater Manchester (TfGM) and New Economy/Midas (the Manchester Family).

The Committee noted a bid to the Department for Communities and Local Government (DCLG) on behalf of the GMCA, Manchester City Council and Bolton Council for funding of counter fraud work had been successful. A report on the work proposed will be brought to a future meeting of the Committee.

During a discussion regarding the review of TfGM's Head of Audit and Assurance Status Report to TfGM Audit Committee in October 2014; the Committee felt that it would be useful to receive information about any "high" issues or implications for the GMCA highlighted.

Resolved/-

1. To note progress with the delivery of the 2014/15 audit plan.

2. That information on proposed counter fraud funding proposals and work to be brought to a future meeting of the Committee.

3. That information on "high" issue risks and the implications for the GMCA, noted from internal audit work at TfGM and the Manchester Family be included in future reports to the Committee.
The External Auditor, John Farrar, Grant Thornton, presented the GMCA Annual Audit Letter which summarised the key findings arising from work carried out for the Greater Manchester Combined Authority for year ended 31 March 2014 and included key messages to the GMCA and external stakeholders, including members of the public and highlighted key issues that the Authority will face in the future.

A Member suggested the possibility of holding a separate pre-meeting should be explored by the Committee to meet with the external auditor in the absence of GMCA officers. The External Auditor confirmed that this could be arranged but that he had no concerns regarding raising issues with officers present.

The Committee was made aware of the recent publication of a Grant Thornton report “2020 Vision” and it was agreed that this would be circulated electronically to Members for information.

Resolved/-

1. That the GMCA Annual Audit letter for year ended March 2014 be noted.

2. That the Grant Thornton report ”2020 Vision” be circulated to Members for information.

The External Auditor presented the AGMA Annual Audit Letter which summarised the key findings arising from work carried out for the Association of Greater Manchester Authorities for year ended 31 March 2014 and included key messages to the GMCA and external stakeholders, including members of the public and highlighted key issues that the Authority will face in the future.

Resolved/-

That the AGMA Annual Audit letter for year ended March 2014 be noted.

The proposed dates for 2015/16 meeting be approved:

10 April 2015 - 12noon-2:00pm - Manchester Town Hall
24 July 2015, - 10:00am – 12 noon, venue tbc
18 September 2015, 10:00am – 12noon, venue tbc
22 January 2016, 12noon – 2:00pm, venue tbc
15 April 2016, 12noon – 2:00pm, venue tbc.

Contact Officer:
Kerry Bond, Greater Manchester Support Team
Tel: 0161 234 3302 Email:k.bond@agma.gov.uk
MINUTES OF THE PROCEEDINGS OF THE MEETING OF THE TRANSPORT FOR GREATER MANCHESTER COMMITTEE, HELD ON 16 JANUARY 2015

PRESENT

Councillor David Chadwick   Bolton
Councillor Guy Harkin   Bolton
Councillor Stuart Haslam   Bolton
Councillor Noel Bayley   Bury
Councillor Joan Grimshaw   Bury
Councillor Andrew Fender   Manchester (in the Chair)
Councillor Naeem Hassan   Manchester
Councillor Chris Paul   Manchester
Councillor Tracey Rawlins   Manchester
Councillor Josie Teubler   Manchester
Councillor Adrian Alexander   Oldham
Councillor Norman Briggs   Oldham
Councillor Howard Sykes   Oldham
Councillor Shakil Ahmed   Rochdale
Councillor Philip Burke   Rochdale
Councillors Ian Duckworth   Rochdale
Councillor Roger Jones   Salford
Councillor Robin Garrido   Salford
Councillor Barry Warner   Salford
Councillor Dean Fitzpatrick   Stockport
Councillor William Wragg   Stockport
Councillor Warren Bray   Tameside
Councillor Doreen Dickinson   Tameside
Councillor Peter Robinson   Tameside
Councillor Rob Chilton   Trafford
Councillor Michael Cordingley   Trafford
Councillor Mark Aldred   Wigan
Councillor Norman Bradbury   Wigan
Councillor Eunice Smethurst   Wigan

OFFICERS IN ATTENDANCE

Jon Lamonte Chief Executive, TfGM
Rodney Lund Monitoring Officer, GMCA
Bob Morris Chief Operating Officer, TfGM
Steve warrener Finance and Corporate Services Director, TfGM
Peter Cushing Metrolink Director, TfGM
Apologies for absence were received and noted from and Councillors Martin Candler (Stockport), Kevin Dowling (Stockport), Lynne Holland (Wigan), June Reilly (Trafford) and Jim McMahon (GMCA).

There was no urgent business reported. The following announcements were made by the Chair:-

a. **Dr Jon Lamonte**

The Chair on behalf of Members congratulated Dr Jon Lamonte on his recent appointment as the new chair of the Passenger Transport Executive Group (pteg). In addition, Members were also pleased to note that Dr Lamonte had been appointed as a Deputy Lieutenant for Greater Manchester.

b. **Transport Budget Briefing**

Members noted that a Transport Budget Briefing was to take place at Manchester Town Hall on Monday 9 February 2014. This event was to commence at 11.15 am.

Councillor Philip Burke declared a personal interest in relation to Item 12, Metrolink 2017.

The minutes of the TfGMC meeting, held on 14 November 2014 were submitted for consideration.

**Resolved/-**

To approve the minutes of the TfGMC meeting, held on 14 November 2014 as a correct record.

**Bus Network and TfGM Services Sub Committee**
The minutes of the Bus Network and TfGM Services Sub Committee meeting, held on 21 November 2014 were submitted.

Resolved/-

To note the minutes of the Bus Network and TfGM Services Sub Committee meeting, held on 21 November 2014.

b. Metrolink and Rail Networks Sub Committee

The minutes of the Metrolink and Rail Networks Sub Committee meeting held on 19 December 2014 were submitted.

Resolved/-

To note the minutes of the Metrolink and Rail Networks Sub Committee meeting, held on 19 December 2014.

TfGMC14/66 FORWARD LOOK

Members received a report which presented them with a Forward Look of key work streams requiring decisions from the Transport for Greater Manchester Committee over the next four months. The report also set out those significant elements of the Committee’s work programme, where further updates on progress and activity were anticipated over a longer time period.

A Member highlighted that with regard to the Leigh-Salford-Manchester guided busway scheme, a number of local meetings had taken place at which concern was raised regarding traffic disruption during the on-going highway works on the A580 and in Atherton, Leigh and Tyldsley town centres. In response, the Chair noted that officers from TfGM were working closely with district colleagues to resolve local issues and implement the scheme as soon as possible with minimal disruption.

In response to an enquiry from a Member regarding a proposal to meet with potential bidders for the next rail franchise, officers noted that a process to arrange such meetings would be undertaken once the Invitation To Tender (ITT) documents had been issued.

Resolved/-

To note the Forward Look.

Section 2: Item for further consideration by GMCA

TfGMC14/67 2015/16 TRANSPORT LEVY BUDGET PROPOSALS
A report was presented which presented members with budget proposals for 2015/16 and updated them on the discussions that had taken place with the GMCA Transport Levy Scrutiny Panel, which consisted of the Leaders and Treasurers of Wigan Bury and Trafford Councils and the Lead Combined Authority Member for Transport in developing this budget proposal. An update on the latest outturn position was also presented.

It was noted that the budget proposal, as set out in section 4 to the report, related to the Transport Levy budget, including all the costs of TfGM and the financing and overhead costs of GMCA which are attributable to transport related activities and traffic signals. The budget also included the financing costs and the agreed Levy contributions to the financing costs relating to the public transport schemes included within the Greater Manchester Transport Fund (GMTF).

Members noted that in setting the Levy budget for 2014/15 last year, GMCA also agreed an indicative Levy settlement for 2015/16, which was for a 3% reduction in the ‘Core’ Levy and a 3% increase in the ring fenced funding the Greater Manchester Transport Fund (GMTF). This was the same as the settlement agreed for 2014/15.

Members were informed that based on discussions with the GMCA Transport Levy Scrutiny Panel, it is proposed that the previously agreed reduction of 3% for the Core Levy will be unchanged. Last year it was agreed that the previously agreed increase in 2015/16 of 3% in the Levy for the GMTF financing costs would be reviewed again in the 2015/16 Levy Scrutiny process. Based on work undertaken with colleagues from GMCA, and as reported back to the Scrutiny Meeting, a deferral of 1.5% of the previously agreed 3% increase could be made until 2016/17 without adversely affecting the overall funding position for the GMTF. It was noted that this proposal was to be presented to GMCA for approval at its upcoming meeting in January 2015.

As a result of the above, the overall proposal for the Levy for 2015/16 is for a 1.5% (approximately £3 million), reduction, which compares to the previous proposal for an overall net cash standstill.

A Member highlighted the financial benefits bus operating companies were continuing to enjoy as a consequence of the continued reduction in fuel costs. It was suggested that these savings should be passed on to the customer via fare reductions. In response, officers noted that they would continue to encourage bus operators to reduce fares and noted the work taking place at TfGM regarding the provisions of the Greater Manchester Agreement in relation to bus reform.

Following an enquiry from a Member regarding reserves, it was noted that some reserves were held by GMCA as part of the GM Transport Fund arrangements and undertook to write to the Member concerned to clarify processes involved regarding reserves.

Resolved/-
1. To note and endorse the discussions with the GMCA Transport Levy Scrutiny Panel and the proposal for the underlying Levy (excluding the element relating to the Financing Costs of the GM Transport Fund) to be as previously agreed with GMCA in the budget process for 2014/15. This will result in a reduction of 3% in 2015/16 in funding for costs, excluding those relating to financing costs. This recommendation will be considered by GMCA at its meeting on 30 January.

2. To approve the proposed increase in Bus Station Departure Charges of 2.3%, with effect from 29 March 2015.

**Section 3 - Item for Resolution TfGMC**

**TfGMC14/68 POLITICAL ENGAGEMENT UPDATE**

Members considered a report which provided an overview of political engagement activities by the Committee and TfGM over the past 6 months and outlined a proposed approach for future engagement.

Resolved/-

1. To note the report

2. To approve a budget for the 2015-16 municipal year of £41,700 and

3. To delegate responsibility to the Chief Executive of TfGM in consultation with the Chair and the three Vice Chairs of TfGMC to continue to develop and refine TfGMC’s approach to political engagement.

**Section 4 - Items for Information**

**TfGMC14/68 UPDATE ON TfGMC POLICY PRIORITIES**

A report was presented which advised Members of the arrangements in place to progress and report on the 2014/15 Policy Priorities that were determined by the Committee at its annual meeting on 20 June 2014.

Following an enquiry from a Member, officers undertook to confirm the status in writing of the Highway signals asset replacement programme.

Resolved/-

That the progress in securing TfGMC’s key Policy Priorities be noted.

**TfGMC14/69 WI-FI ON PUBLIC TRANSPORT**

Members considered a report which provided an update on the Wi-Fi on Public Transport Project, the progress to date and to provide timescales for the implementation of Wi-Fi on Metrolink Trams and the 20 City Centre Metroshuttle Buses.
Resolved/-

1. To note the report

2. To note that a further report will be submitted once the Wi-Fi service has launched in order to update Members on future developments.

EXCLUSION OF PRESS AND PUBLIC

Resolved/-

That, under section 100 (A)(4) of the Local Government Act 1972 the press and public should be excluded from the meeting for the following items of business on the grounds that this involves the likely disclosure of exempt information, as set out in paragraph 3 Part 1, Schedule 12A of the Local Government Act 1972 and that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Section 5 - Item for Information

TfGMC14/70 METROLINK 2017 - PRESENTATION

[Note Councillor Philip Burke declared a personal interest this item and left the room during its consideration.]

Members received a presentation which advised them of the work currently being undertaken by TfGM to define an operating model for Metrolink from 2017 onwards and explained the processes to develop a specification for service and the procurement process.

Resolved/-

To receive and note the presentation.
Date: Friday 30 January 2015
Subject: Regional Growth Fund Projects
Report of: Eamonn Boylan, Chief Executive, Stockport MBC

PURPOSE OF REPORT

This report seeks Greater Manchester Combined Authority (“Combined Authority”) approval to delegate authority to Eamonn Boylan in consultation with Councillor Kieran Quinn to approve Regional Growth Fund projects for funding in order to meet commitment deadlines.

BACKGROUND

The deadline for commitment of the Combined Authority’s Regional Growth Funds is 31st March 2015. In order to process the final claims, DCLG require evidence of commitment of the funds (in the form of signed offer letters) by 2nd March 2015. Signed offer letters are not issued until Combined Authority approval for the funding has been received.

In order that the final projects approved by the Chief Executives’ Appraisal Sub Group are able to be issued with finalised offer letters in advance of the deadline, it is requested that Eamonn Boylan in consultation with Councillor Kieran Quinn be delegated the authority to approve projects for funding using Regional Growth Funds during the period 2 February 2015 up to and including 26 March. All projects will be subject to the usual due diligence processes.

Any projects that are approved through this delegation will be brought to the next available Combined Authority.

It should also be noted that there is an intention to over-commit the Regional Growth Fund allocation of £65m with up to £3m of additional projects being approved and included in the final claims. This will serve to reduce the risk of Greater Manchester losing any of its RGF allocation in the event that a project(s) withdraws or fails to drawdown their allocated funds. DCLG have agreed to this approach.

In the event that all of the approved projects progress, there is an estimated £6m of recycled RGF and Growing Places funding that could be used to meet the over-commitment.
RECOMMENDATIONS

1. The Greater Manchester Combined Authority is requested to give delegated authority to Eamonn Boylan, Chief Executive of Stockport, in consultation with Councillor Kieran Quinn, Leader Portfolio Investment, to approve funding requests for projects to be funded using Regional Growth Funds during the period 2 February 2015 up to and including 26 March in order to meet the commitment deadline for the Funds of 31 March 2015.

2. Delegate authority to the Combined Authority Treasurer and Combined Authority Monitoring Officer to review the due diligence information and, subject to their satisfactory review and agreement of the due diligence information and the overall detailed commercial terms of the transactions, to sign off any outstanding conditions, issue final approvals and complete any necessary related documentation in respect of the loans approved via the delegated authority detailed in 1. above.

3. That it be noted that applications approved under the delegation will be subject to the usual due diligence processes and will be reported back to the Combined Authority.

4. To note the intention to over-commit the Regional Growth Fund allocation by up to £3m so as to minimise the risk of any funds being lost to Greater Manchester.

CONTACT OFFICER:

Laura Blakey – l.blakey@manchester.gov.uk
Date: 30th January 2015

Subject: Greater Manchester Investment Fund Performance Report

Report of: Eamonn Boylan, Chief Executive, Stockport MBC

PURPOSE OF REPORT

This paper provides an update on the status of the Greater Manchester Investment Fund (GMIF).

RECOMMENDATIONS:

The Greater Manchester Combined Authority is asked to note the contents of this report.

BACKGROUND:

The Greater Manchester Investment Fund ("GMIF") is a virtual pool of funding that operates under the direction of the CA and is used to support economic growth across Greater Manchester.

Whilst there are specific requirements attached to each element of the GMIF, the overarching objective is primarily around the creation or safeguarding of jobs with a secondary objective of recycling funding wherever possible in order to maximise the impact of the funding over several investment cycles. This approach was endorsed by Government as part of the GM City Deal agreed in April 2012.
STATUS OF THE FUNDS

Business Funds

The status of the business funds as at 31\textsuperscript{st} December 2014 is set out below. A detailed list of approved investments is included in the Appendix.

<table>
<thead>
<tr>
<th>£’m</th>
<th>RGF2</th>
<th>RGF3</th>
<th>GM Loan Fund</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Committed</td>
<td>25.6</td>
<td>32.5</td>
<td>3.9</td>
<td>62.0</td>
</tr>
<tr>
<td>Pipeline</td>
<td>4.4</td>
<td>2.5</td>
<td>0.7</td>
<td>7.6</td>
</tr>
<tr>
<td>Remainder</td>
<td>-</td>
<td>-</td>
<td>15.4</td>
<td>15.4</td>
</tr>
<tr>
<td>Total</td>
<td>30.0</td>
<td>35.0</td>
<td>20.0</td>
<td>85.0</td>
</tr>
</tbody>
</table>

As at December 2014 £15m of funding remains available following strong activity in the RGF funding streams. It also should be noted that while the GM Loan Fund is shown as having an allocation of £20m, it is envisaged that no more than £14m will be drawn at any one time.

RGF 2 and RGF 3 need to be invested by 31\textsuperscript{st} March 2016 and 31\textsuperscript{st} March 2015 respectively, with all funds needing to have been committed by March 2015. Based on activity in the last quarter and the current pipeline, the team still expect to meet this deadline and in addition over-commit the fund by circa 5% to account for projects that inevitably fall away.

Alongside the deadline to have the funds committed is the deadline to have RGF 3 monies invested by Spring 2015. As at the end of December, £19.4m of the £32.1m committed funding had been invested.

The RGF funding provided to date has been through a mixture of grants and loans with the intention of restricting grant funding to transformational projects that create a significant number of jobs. The funds will continue to be promoted as primarily loan funds in order to maximise the level of funding that is recycled.

Property Funds

The status of the property funds as at 31\textsuperscript{st} December 2014 is set out below. The Evergreen fund includes an additional £10m of funding from a reallocation of ERDF 2007-13 monies. This has been agreed in principle by the Combined Authority.
<table>
<thead>
<tr>
<th>Property Funds</th>
<th>£’m</th>
<th>Growing places</th>
<th>Evergreen</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Committed</td>
<td>28.3</td>
<td>43.3</td>
<td></td>
<td>71.6</td>
</tr>
<tr>
<td>Pipeline</td>
<td>6.5</td>
<td>16.0</td>
<td></td>
<td>22.5</td>
</tr>
<tr>
<td>Remainder</td>
<td>19.8</td>
<td>-</td>
<td></td>
<td>19.8</td>
</tr>
<tr>
<td>Total</td>
<td>54.6</td>
<td>59.3</td>
<td></td>
<td>113.9</td>
</tr>
</tbody>
</table>

- Note: £20m additional capacity has been created in the successful Growing Places fund through leverage model which was approved by the CA earlier in the year.
- Note: Evergreen funds need to be committed by December 2014 and spent by December 2015. There is no time limit for Growing Places.

There remains an additional £30m of projects in the Evergreen pipeline. The remaining pipeline is expected to be funded through Evergreen 2 which is due to go live during 2015.

It should also be noted that the rate of new Growing Places commitments has been slowed by the increased Evergreen allocations and the need to invest those monies by the 2007-13 ERDF deadline.

**OUTPUTS**

Delivery of outputs is forecast to be very strong with the programmes in a good position to meet their targets.

In terms of job creation, the funding per job target is approximately £15,000 for RGF 2, £20,000 for RGF 3 and £14,000 for Evergreen. A summary of the contracted outputs under the RGF programmes and achievement against those outputs to date is included below:

<table>
<thead>
<tr>
<th>Jobs</th>
<th>RGF 2</th>
<th>RGF 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct jobs created</td>
<td>1,814</td>
<td>1,309</td>
</tr>
<tr>
<td>Direct jobs safeguarded</td>
<td>1,075</td>
<td>292</td>
</tr>
<tr>
<td>Indirect jobs created (RGF 3 only)</td>
<td>-</td>
<td>558</td>
</tr>
<tr>
<td>Indirect jobs safeguarded (RGF 3 only)</td>
<td>-</td>
<td>335</td>
</tr>
<tr>
<td>Jobs Total</td>
<td>2,689</td>
<td>2,969</td>
</tr>
<tr>
<td>Programme target</td>
<td>2,000</td>
<td>1,724</td>
</tr>
</tbody>
</table>

Note: GMLF outputs are included within the RGF 2 funding stream above.
Note: An analysis of outputs by district is available from the Core Investment Team if required.

The job creation target must be met by the end of the monitoring period in 2018. Jobs are profiled to be created steadily over the period as the impact of the initial
investment results in the supported companies achieving their growth strategies. Following the delay in finalising the RGF 3 letter, funds only started to be invested in companies at the end of 2013 resulting in a slow start to job creation in the RGF 3 programme.

A summary of the Evergreen contracted outputs is included below – as Evergreen funding relates to ongoing developments, it is not yet relevant to report on delivered outputs. There are no programme output targets for the Growing Places Fund.

<table>
<thead>
<tr>
<th>Committed outputs</th>
<th>Evergreen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jobs</td>
<td></td>
</tr>
<tr>
<td>Jobs Total</td>
<td>4,077</td>
</tr>
<tr>
<td>Programme target</td>
<td>4,088</td>
</tr>
<tr>
<td>Development</td>
<td></td>
</tr>
<tr>
<td>Sant. Developed</td>
<td>104,975</td>
</tr>
<tr>
<td>Programme target</td>
<td>109,760</td>
</tr>
<tr>
<td>Brownfield Land developed</td>
<td>15.4</td>
</tr>
<tr>
<td>Programme target</td>
<td>11.6</td>
</tr>
</tbody>
</table>

**FUND PROFILE**

As previously discussed, the intention is to create a recycling fund that can be reinvested several times. A summary of the current fund profile is set out below.

<table>
<thead>
<tr>
<th></th>
<th>£'000</th>
<th>2013/14</th>
<th>2014/15</th>
<th>2015/16</th>
<th>2016/17</th>
<th>2017/18</th>
<th>2018/19</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Growing Places</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CF Payments</td>
<td>34.8</td>
<td>32.3</td>
<td>20.7</td>
<td>4.3</td>
<td>20.8</td>
<td>28.0</td>
<td></td>
</tr>
<tr>
<td>CF Receipts</td>
<td>(2.3)</td>
<td>(13.2)</td>
<td>(18.3)</td>
<td>(6.8)</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>CF</td>
<td>32.5</td>
<td>20.7</td>
<td>4.3</td>
<td>20.8</td>
<td>28.0</td>
<td>34.7</td>
<td></td>
</tr>
<tr>
<td><strong>Evergreen</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CF Payments</td>
<td>49.0</td>
<td>38.2</td>
<td>13.8</td>
<td>22.5</td>
<td>43.0</td>
<td>49.0</td>
<td></td>
</tr>
<tr>
<td>CF Receipts</td>
<td>(8.0)</td>
<td>(25.4)</td>
<td>(7.9)</td>
<td>(6.0)</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>CF</td>
<td>38.2</td>
<td>13.8</td>
<td>22.6</td>
<td>43.0</td>
<td>49.0</td>
<td>49.0</td>
<td></td>
</tr>
</tbody>
</table>

*Note: the modelling is based upon full recovery of monies for all loans that have not defaulted.*

*Note: the profile includes an assumption for those projects that are not yet known.*

The profile models the fund based upon projects that have been committed to date, with an assumption built in for funds not yet committed.

The profile indicates that funding does not start to return in any quantum until 2016. This results in a capacity constraint particularly in the infrastructure funds, which has been addressed through the Growing Places leverage model and establishment of
Evergreen 2. The constraint arises as, whilst there may be cash available for investments, this cash has been committed to projects.

The Growing Places and Evergreen loan books are strong both in terms of the financial strength of the applicants and the level of security provided. The main risk associated with the infrastructure funds is expected to be the timing of the recycling, as opposed to the risk of default.

CONTACT OFFICERS:

Eamonn Boylan: eamonn.boylan@stockport.gov.uk
Richard Paver: r.paver@manchester.gov.uk
Bill Enevoldson: b.enevoldson@manchester.gov.uk

BACKGROUND PAPERS:

<table>
<thead>
<tr>
<th>TRACKING/PROCESS</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>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?</td>
<td>No</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXEMPTION FROM CALL IN</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>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?</td>
<td>No</td>
</tr>
</tbody>
</table>

AGMA Commission | TfGMC | Scrutiny Pool |
GREATER MANCHESTER COMBINED AUTHORITY MEETING

19 DECEMBER 2014

EXCLUSION OF THE PUBLIC - SECTION 100A LOCAL GOVERNMENT ACT 1972

RESOLVED: That the public be excluded from the meeting during the items of business specified below as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during those items there would be disclosure to them of exempt information of the descriptions respectively specified:

<table>
<thead>
<tr>
<th>Agenda Item No.</th>
<th>Title of Report</th>
<th>Description of exempt information by reference to the paragraph number in Schedule 12A of the Local Government Act 1972</th>
</tr>
</thead>
<tbody>
<tr>
<td>14</td>
<td>GM INVESTMENT FUND PERFORMANCE REPORT</td>
<td>This report is not for publication because it contains information relating to the financial and business affairs of particular persons and the exemption outweighs the public interest in disclosing the information.</td>
</tr>
<tr>
<td>15</td>
<td>GM INVESTMENT FRAMEWORK AND PROJECT APPROVALS</td>
<td>This report is not for publication because it contains information relating to the financial and business affairs of particular persons and the exemption outweighs the public interest in disclosing the information.</td>
</tr>
</tbody>
</table>