PURPOSE OF REPORT

To present an update in relation to the Greater Manchester Combined Authority capital expenditure programme.

RECOMMENDATIONS:

Members are recommended to:

1. Approve the revisions to the capital budget as set out in appendix A and detailed within the report;

2. Note the current 2016/17 forecast compared to the previous 2016/17 capital forecast;

3. Approve the budget for the Metrolink renewal and enhancement capital programme as part of the Greater Manchester Transport Fund

4. Approve the capital programme budget for 2017/18 and the forward commitments as detailed in the report and in Appendix A;

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

6. Note that provision has been made in the revenue budget for the associated financing costs of borrowing;

7. 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;

8. 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; and

9. Note that a revised capital programme and Treasury Management Strategy
(including prudential indicators), will need to be submitted once the extent and scale of external borrowing powers are known and once the latest Growth Deal is announced.

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BACKGROUND PAPERS:


<table>
<thead>
<tr>
<th>TRACKING/PROCESS</th>
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</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>
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<table>
<thead>
<tr>
<th>EXEMPTION FROM CALL IN</th>
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<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>
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</table>

AGMA Commission TfGMC Scrutiny Pool

**Risk Management** – An assessment of major budget risks faced by the authority are carried out quarterly as part of the reporting process – at the present time a significant proportion of the capital budget is funded through grant. In order to mitigate the risk of monetary claw back the full programme is carefully monitored against the grant conditions and further action would be taken as necessary.
Legal Considerations – There are no specific legal implications contained within the report.

Financial Consequences – Revenue – There are no specific revenue considerations contained within the report, however, the revenue budget contains resources to meet the capital costs of the authority. Changes in the capital programme can affect the budget to meet these costs.

Financial Consequences – Capital – The report sets out the forecast expenditure for 2016/17 and future years.

INTRODUCTION AND BACKGROUND

1.1 The Greater Manchester Combined Authority (GMCA) approved the 2016/17 Capital Programme at its meeting on 29 January 2016. A forecast was approved at the GMCA at its meeting on 28 October 2016. This report sets out the quarterly update for the 2016/17 Capital Programme reforecast and the 2017/18 budget.

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

- The Greater Manchester Transport Fund (‘GMTF’);
- Metrolink Phase 3 extensions;
- Metrolink renewal and enhancement capital programme;
- Metrolink Trafford Line Extension;
- Other capital projects including Wythenshawe Interchange, Smart Ticketing, Local Sustainable Transport Fund (LSTF) and Cycle City Ambition Grant (CCAG);
- Growth Deal Major Schemes; and
- Minor Works (including schemes funded by Integrated Transport Capital Block and Growth Deal).

1.3 The 2016/17 Capital Programme is summarised in Appendix A and the major variances are described in this report. It should be noted however that a revised capital programme will be presented to members once the allocation of the latest Growth Deal has been confirmed.

1.4 The capital programme over the three year period (2017-2020) as presented will require a long term borrowing requirement of £406 million. Provision has been made in the 2017/18 revenue budget for the associated financing costs. The spending profiles in 2017/18 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 nine 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 The 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.

Metrolink Programme

2.5 The Metrolink Projects include:

- Phase 3 programme;
- Metrolink Second City Crossing (‘2CC’); and
- SEMMMs Interface Works;

2.6 The current forecast expenditure for 2016/17 on the Metrolink Programme, including the Metrolink Trafford Line Extension (refer to section 3) is £62.4 million, compared to the previous forecast of £63.3 million. The variance is due to a combination of the timing of the settlement of final accounts on the completed schemes and the phasing of expenditure on the ongoing works.

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

2.8 The 2017/18 budgeted expenditure is £19.3 million

Metrolink Renewal and Enhancement Capital Programme

2.9 As reported to the GMCA in January and November 2016, under the new contractual arrangements, TfGM will assume responsibility for undertaking the
renewal of life expired assets. The Metrolink 2017 contract establishes a procedure for identification of assets that require renewal and facilitate preparation of an annual renewal plan. This procedure will be augmented by utilising a ‘whole life cost model’ approach with the operator and is based on their methodology developed originally for Network Rail.

2.10 TfGM have previously engaged independent consultants to review the current information relating to the condition of the assets to prepare a draft 30 year renewal programme. The draft programme has now been further developed to provide a detailed three year asset renewal programme that will form the basis of the engagement with the operator and is included within Appendix A.

2.11 The programme will be funded from borrowings as part of the GMTF and the forecast cost is affordable within the current GMTF financial model.

2.12 The 2017/18 budgeted expenditure is £2.9 million.

**Bus Priority Programme**

2.13 The current forecast expenditure for 2016/17 is £12.9 million compared to the previous forecast of £11.1 million. The variance is due primarily to the re-phasing of the main construction works.

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

2.15 The 2017/18 budgeted expenditure is £3.2 million.

**Park and Ride**

2.16 The current forecast expenditure for 2016/17 is £0.5 million compared to the previous forecast of £0.3 million.

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

2.18 The 2017/18 budgeted expenditure is £0.1 million.

**Altrincham Interchange**

2.19 The current forecast expenditure for 2016/17 is £0.2 million compared to the previous forecast of £0.3 million.

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

2.21 The 2017/18 budgeted expenditure is nil.

**Bolton Town Centre Transport Strategy (BTCTS)**

2.22 The current forecast expenditure for 2016/17 is £14.5 million compared to the previous forecast of £14.4 million.

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

2.24 The 2017/18 budgeted expenditure is £4.2 million
A6 to Manchester Airport Relief Road

2.25 The SEMMMs A6 to Manchester Airport Relief Road (A6MARR) 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).

2.26 Stockport MBC is responsible for the delivery of the A6MARR, which will result in the expenditure largely comprising grant payments to Stockport MBC.

2.27 The current forecast expenditure for 2016/17 is £51.1 million compared to the previous forecast of £49.2 million. The variance is primarily due to the phasing of land acquisition costs and risk allowances.

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

2.29 The 2017/18 budgeted expenditure is £51.5 million

3. METROLINK TRAFFORD LINE EXTENSION

3.1 The Metrolink Trafford Line Extension will extend Metrolink as far as the Trafford Centre. The forecast cost and funding requirements is £350 million before specific risk allowances. Following the granting, in November 2016, of Transport and Works Act Order (TWAO) powers for the scheme, a report seeking approval for the release of the remaining funding up to the total of £350 million and approval to enter into contracts with certain suppliers was presented and approved by the GMCA in November 2016.

3.2 The scheme will be funded primarily from the Earnback deal, along with a local capital contribution. The Earnback deal will fund the Metrolink Trafford Line Extension and enable the delivery of the SEMMMs scheme.

3.3 Following the successful determination of the TWAO powers in November, the phasing of certain works relating to main construction works and utilities has been advanced leading to the increase in the forecast spend in 2016/17.

3.4 Total forecast outturn cost is within the total approved budget.

3.5 The 2017/18 budgeted expenditure is £50.2 million.

4. OTHER CAPITAL SCHEMES & PROGRAMMES

4.1 The other capital projects include

- Wythenshawe and Rochdale Interchanges;
- Installation of LED technology in traffic light wait indicators;
- Smart Ticketing;
- TfGM Website;
- MIS Phase 1;
- Local Sustainable Transport Fund (LSTF); and
- Cycle City Ambition Grant 1 and 2 (CCAG)

4.2 The current forecast expenditure for 2016/17 is £8.1 million compared to the previous forecast of £9.2 million. The variance relates primarily to the phasing of CCAG 2, the majority of that are being delivered by the Districts and other agencies. This underspend is offset, in part by the costs of the TfGM website and MIS Phase 1 works.

4.3 The 2017/18 budgeted expenditure for the Other Capital Schemes and Programmes is £17.1 million.

5. GROWTH DEAL MAJORS SCHEMES

5.1 The Growth Deal Majors programme consists of 12 major schemes that are being delivered by TfGM and the Districts. The current forecast expenditure for 2016/17 is £32.8 million compared to the previous forecast of £37.6 million. The variance is primarily due to the phasing of works on the Stockport Town Centre Accessibility Package and the Wigan Gateway M58 Link.

5.2 The 2017/18 budgeted expenditure is £49.1 million.

6. MINOR WORKS

6.1 The Minor Works Programme is a combination of schemes being delivered by the Districts and TfGM, the spend profiles are based on each promoters forecast.

6.2 The programme consists of schemes funded from a combination of Integrated Transport Block (ITB), Growth and Reform 1 (GD1) and Growth and Reform 2 (GD2).

6.3 The current forecast expenditure for 2016/17 is £13.5 million compared to the previous forecast of £17.6 million. The variance is primarily due to the phasing of the designs and phasing of construction works on a number of schemes being delivered by the Local Authorities.

6.4 The 2017/18 budgeted expenditure is £18.5 million.
7. **TRAFFIC SIGNALS**

7.1 The current forecast is in line with the budget of £2.5 million. All traffic signals are externally funded and the annual amount will fluctuate year on year dependant on the level of new installations and developments.

8. **ECONOMIC DEVELOPMENT AND REGENERATION FUNCTIONS**

**Growing Places Fund (GPF)**

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

8.2 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.

8.3 There are currently twelve projects totalling £32.8 million approved of Growing Places funding. Up to 31 December 2016 £25.9 million has been defrayed with a further £3.9 million anticipated for 2016/17, taking the total expenditure to £29.8 million by March 2017. It is currently anticipated that the remaining fund will be utilised within 2017/18.

**Recycled RGF / GPF**

8.4 Both the Regional Growth Fund and Growing Places Fund’s loans started to be repaid in 2015/16, with the strategy being that a perpetual fund is created to support businesses and enable growth. Between 2016/17 and 2018/19 it is currently forecast that £36.7 million will be recycled back out to businesses. It should be noted that the forecast will be subject to change once specific loans are approved and the timing of payments confirmed.

**Empty Homes Programme 2015-18**

Following a new bid to the Homes and Communities Agency earlier in the year, confirmation has been received that a further £3.542 million is available for 2015 – 2018 to deliver 232 units. Due to delays in the programme start, the actual spend within 2015/16 was £0.14 million. The current forecast for 2016/17 is £1.069 million with work underway or completed on 122 homes. The remaining £2.333 million is anticipated to be defrayed in 2017/18.
8.5 Skills Capital – Following the decision to carry out an Area Based Review on Further Education within 2015/16, the award of grant for further education provision was delayed. The 2016/17 forecast is £4.501 million compared to £4.757 million at Q2. The small variance is due to an adjustment to the timing of grant award payments. The remaining budget of £24.488 million will be defrayed over 2017/18 – 2019/20.

8.6 Life Sciences – The GM&C Life Sciences Fund is a seed and early stage venture capital fund targeting life sciences businesses located in the Greater Manchester and Cheshire & Warrington region.

8.7 It is currently forecast that £1.899 million will be invested within the fund in 2016/17 with the remaining £7.128 million invested within 2017/18 and 2018/19.

8.8 Business Support Digital Capital – Further to the successful Growth Deal 2 bid, £1 million has been included within the programme for new investment in digital IT to enhance the support given to businesses. The programme will be delivered by Manchester Growth Company with a total of 1,000 companies being engaged throughout the project. It is currently forecast to spend £0.7 million within 2016/17 with the remaining £0.3 million defrayed within 2017/18.

8.9 Graphene Engineering Innovation centre (GEIC) – Further to approval in August, a three year profile is now in place. The current forecast is £0.756 million as per the previous forecast. The remainder profiled over 2017/18 and 2018/19.

8 FUNDING REQUIREMENTS

8.1 The capital programme over the next three years, results in a borrowing requirement of £406 million. Provision has been made in the revenue budget for the associated financing costs.

8.2 The estimated funding profile for the forecast spend in financial year 2017/18 is as follows:

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<tr>
<th>Description</th>
<th>£m</th>
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<tbody>
<tr>
<td>Borrowing</td>
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<tr>
<td>Local Transport Plan (DIT Grant)</td>
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<td>Stockport Town Centre Access</td>
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<td>Growth Deal - (Transport Related Grant)</td>
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<td>Earn-back Capital Grant</td>
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<td>Cycle City Ambition Grant 2</td>
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<td>HCA - Empty Homes</td>
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<tr>
<td>Growing Place Grant</td>
<td>3,008</td>
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<tr>
<td>Growth Deal (ED&amp;R Related Grant)</td>
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<td>Capital Receipts (RGF / GPF)</td>
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<tr>
<td>Other</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>238,869</strong></td>
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9 RECOMMENDATIONS

9.1 Approval of the recommendations contained at the front of this report will authorise the capital programme detailed in Appendix A.
<table>
<thead>
<tr>
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<th>Forecast Outturn 2016/17 £000</th>
<th>Budget Forecast 2017/18</th>
<th>Budget Forecast 2018/19</th>
<th>Budget Forecast 2019/20</th>
<th>Budget Forecast Future Years</th>
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<td>71,643</td>
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<td>A6 MARR / SEMMMs</td>
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<td>51,488</td>
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<td><strong>Other Metrolink Schemes</strong></td>
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<td>Wythenshawe Interchange</td>
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<td><strong>Total</strong></td>
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<td>18,495</td>
<td>11,434</td>
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<td>Growth Deal Majors</td>
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<td>79,074</td>
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<td><strong>Economic Development and Regeneration</strong></td>
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<td>GPF / RGF</td>
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<td>Growth Deal - Skills Capital</td>
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<td>1,780</td>
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<td>Growth Deal - Business Support - Digital Capital</td>
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<td>300</td>
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<td>Growth Deal - GEIC</td>
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<td><strong>Total Capital (TfGM and GMCA)</strong></td>
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<td>238,869</td>
<td>316,193</td>
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