AGENDA

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. MEMBERSHIP OF GMCA – OLDHAM COUNCIL
   Verbal Report of the Secretary, Donna Hall

5. APPOINTMENT TO THE GMCA STANDARDS COMMITTEE
   To consider the appointment of a GMCA member (labour) to the Standards Committee. The current membership is as follows:

   5 GMCA members (3 Labour, 1 Liberal Democrat, 1 Conservative)

<table>
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<tr>
<th>District</th>
<th>Member</th>
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<tbody>
<tr>
<td>Bolton</td>
<td>Cliff Morris (LAB)</td>
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<td>Salford</td>
<td>Ian Stewart (LAB)</td>
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<tr>
<td>Vacancy</td>
<td>(LAB)</td>
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<tr>
<td>Stockport</td>
<td>Sue Derbyshire (LIB DEM)</td>
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<tr>
<td>Trafford</td>
<td>Sean Anstee (CON)</td>
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</tbody>
</table>
6. **MINUTES OF THE GMCA MEETING HELD ON 18 DECEMBER 2015** - attached
To consider the minutes of the GMCA meeting held on 18 December 2015 as a correct record.

7. **FORWARD PLAN OF STRATEGIC DECISIONS OF GMcA** - attached

8. **MINUTES**

   a. **GREATER MANCHESTER LOCAL ENTERPRISE PARTNERSHIP BOARD – 18 JANUARY 2016** – attached
   To note the minutes of the meeting held on 18 January 2016

   b. **TRANSPORT FOR GREATER MANCHESTER COMMITTEE – 15 JANUARY 2016** – attached
   To note the minutes of the meeting held on 15 January 2016

9. **LOCAL RECOVERY – BOXING DAY FLOODS** – attached
Report of Councillor Mike Connolly, Portfolio Lead for Protect & Respond and Civil Contingencies and Mike Owen Portfolio Lead Chief Executive Lead for Protect & Respond and Civil Contingencies.

10. **GREATER MANCHESTER DEVOLUTION IMPLEMENTATION PLAN** - attached

11. **AREA BASED REVIEW**- attached

12. **GREATER CREATORS: LINKEDIN ANALYSIS OF GREATER MANCHESTER’S LABOUR MARKET** - attached

13. **METROLINK 2017** - attached
Report of Tony Lloyd, GM Interim Mayor, Portfolio Lead for Transport and Jon Lamonte, Lead Chief Executive for Transport.

14. **GMCA TRANSPORT REVENUE 2016/17 AND BUDGET UPDATE 2015/16** - attached

15. **GMCA CAPITAL PROGRAMME 2015/16 – 2018/19** - attached
16. **GMCA TREASURY MANAGEMENT STRATEGY STATEMENT, BORROWING LIMITS AND ANNUAL INVESTMENT STRATEGY 2015/16 – 2016/17** – attached

17. **ESF – CO-FINANCING ORGANISATION** – attached

18. **GREATER MANCHESTER CITY DEAL – HOMES FOR COMMUNITIES AGENCY RECEIPTS** - attached
Report of Councillor Sue Derbyshire Portfolio, Lead for Planning and Housing and Councillor Kieran Quinn, Portfolio Lead for Investment Strategy and Finance and Eamonn Boylan, Portfolio Lead Chief Executive, Investment Strategy and Finance and Richard Paver, GMCA Treasurer

19. **GREATER MANCHESTER PLACE** - attached
Report of Councillor Sue Derbyshire, Portfolio Lead for Planning and Housing and Eamonn Boylan, Portfolio Lead Chief Executive, for Planning and Housing

20. **GREATER MANCHESTER HOUSING FUND AND LOW CARBON PROJECT DEVELOPMENT UNIT – RECRUITMENT UPDATE** - attached
Report of Councillor Sue Derbyshire, Portfolio Lead for Planning and Housing and Councillor Kieran Quinn, Portfolio Lead for Investment Strategy and Finance and Eamonn Boylan, Portfolio Lead Chief Executive, Investment Strategy and Finance and Steve Rumbelow, Portfolio Lead for Low Carbon and Bill Enevoldson, Investment Director
Agenda Contact:
Sylvia Welsh/Kerry Bond
Democratic Services Team
GMIST

Tel: 0161 234 3383/3302
Email: sylvia.welsh@agma.gov.uk/k.bond@agma.gov.uk

D.Hall
AGMA Secretary
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 26 June 2015.

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

<table>
<thead>
<tr>
<th></th>
<th>GMCA Member</th>
<th>GMCA Substitute</th>
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<tr>
<td>Bolton</td>
<td>Cllr C Morris</td>
<td>Cllr L Thomas</td>
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<td>Bury</td>
<td>Cllr M Connolly</td>
<td>Cllr R Shori</td>
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<td>Manchester</td>
<td>Cllr R Leese</td>
<td>Cllr S Murphy</td>
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<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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<td>Salford</td>
<td>Mr I Stewart</td>
<td>Cllr D Lancaster</td>
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<td>Stockport</td>
<td>Cllr S Derbyshire</td>
<td>Cllr I Roberts</td>
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<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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<td>Wigan</td>
<td>Cllr P Smith</td>
<td>Cllr D Molyneux</td>
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Donna Hall
AGMA Secretary
GMCA Meeting on 29 January 2016

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>
<th>Type of Interest</th>
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MINUTES OF THE GREATER MANCHESTER COMBINED AUTHORITY
MEETING HELD ON FRIDAY 18 DECEMBER 2015
AT MANCHESTER TOWN HALL

GM INTERIM MAYOR                  Tony Lloyd (in the Chair)
BOLTON COUNCIL                    Councillor Ebrahim Adia
BURY COUNCIL                      Councillor Mike Connolly
MANCHESTER CC                     Councillor Richard Leese
OLDHAM COUNCIL                    Councillor David Hibbert
ROCHDALE MBC                      Councillor Allen Brett
SALFORD CC                        Councillor Paul Dennett
STOCKPORT MBC                     Councillor Sue Derbyshire
TAMESIDE MBC                      Councillor Kieran Quinn
TRAFFORD COUNCIL                  Councillor Sean Anstee
WIGAN COUNCIL                     Councillor Peter Smith

JOINT BOARDS AND OTHER MEMBERS IN ATTENDANCE

GMFRA                              Councillor David Acton
GMWDA                              Councillor Nigel Murphy
TfGMC                              Councillor Andrew Fender

OFFICERS IN ATTENDANCE

Keith Davies                       Bolton Council
Mike Owen                          Bury Council
Howard Bernstein                  Manchester CC
Carolyn Wilkins                   Oldham Council
Steve Rumbelow                    Rochdale MBC
Jim Taylor                        Salford CC
Eamonn Boylan                     Stockport MBC
Steven Pleasant                   Tameside MBC
Theresa Grant                     Trafford Council
Donna Hall                        Wigan Council
Andrew Lightfoot                  GM Director of Public Service Reform
Peter O’Reilly                    GM Fire & Rescue
John Bland                        GM Waste Disposal Authority
Mark Hughes                       Manchester Growth Company
Simon Nokes                       New Economy
168/15  APOLOGIES

Apologies for absence were received on behalf of Margaret Asquith (Bolton), Richard Farnell (Rochdale), Jim McMahon (Oldham) and Ian Stewart (Salford).

169/15  DECLARATIONS OF INTERESTS

There were no declarations of interests made in respect of any item on the agenda.

170/15  MINUTES OF THE GMCA MEETING HELD ON 27 NOVEMBER 2015

The minutes of the GMCA meeting held on 27 November 2015 were submitted for consideration.

Clusters of Empty Homes Programme – Minutes 162/15 refers

Members were advised that the delegation to allocate the remaining funds for the Clusters of Empty Homes Programme has been exercised and resources have awarded to the Salford scheme.

RESOLVED/-

To approve the minutes of the GMCA meeting held on 27 November 2015.

171/15  FORWARD PLAN OF STRATEGIC DECISIONS OF GMCA

Consideration was given to a report of Julie Connor, Head of the Greater Manchester Integrated Support Team, which sets out a Forward Plan of those strategic decisions to be considered by GMCA over the next four months.

RESOLVED/-

To note the Forward Plan of Strategic Decisions as set out in the report.
Liz Treacy presented a report detailing the appointment process of an Independent Person to assist the GMCA’s Monitoring Officer and Hearing Panel in dealing with allegations that GMCA members have acted in breach of the GMCA’s Code of Conduct and the appointment of a Co-Opted Independent Member to be appointed as Chair of the GMCA’s Standards Committee.

RESOLVED/-

1. To agree the Monitoring Officer’s recommendation to appoint Nicolé Jackson to act as an Independent Person for a term of office of four years.

2. To agree the Monitoring Officer’s recommendation to appoint Geoff Linnell to act as an Independent Co-opted Member and the Chair of the GMCA’s Standards Committee for a term of office of four years.

3. To authorise payment to the Independent Person of an annual allowance of £873.

4. To agree to amend the Members’ Allowances Scheme, so that an expenses payment of £156 be made to the Co-opted Independent Member and Chair of the Standards Committee for each meeting of the Standards Committee attended.

Tony Lloyd presented a report setting out proposals to improve the efficiency of the GMCA portfolio arrangements and increase strategic leadership capacity through the appointment of Deputy Portfolio lead members. The report presented a draft prospectus providing an overview of key priorities, areas of responsibility for each portfolio area and a cross-portfolio role profile for deputy lead members, for consideration and agreement. Portfolio Leads to determine where the Deputy Portfolio lead members will be involved in assisting with the increased workload.

RESOLVED/-

1. To agree the need for the appointment of Deputy Portfolio Lead Members as detailed in the report.

2. To approve the draft Prospectus and cross-portfolio role description, appended to the report, to support the selection of deputies.

3. To agree to the process of selection, as detailed in Section 4 of the report.

4. To agree that the appointments would be subject to confirmation by the GMCA at the end of January 2016.
Tony Lloyd presented a report updating members on the status of the Cities and Devolution Bill and the next steps to implementation.

Tony Lloyd proposed an amendments to recommendations delegating authority to a small sub committee comprising the GMCA Chair and Vice Chairs to determine consent to the Order.

The Monitoring Officer will formally write to Greater Manchester Local Authorities seeking approval of the wording of the 1st Order. Consent will be required by early January.

The meeting was reminded that the Order to progress the Elected Mayor is contingent upon progress being made to implement the Devolution Agreement, including transport powers which enable the introduction of bus franchising and smart ticketing technology across Greater Manchester.

Members requested that a letter seeking assurance that the necessary legislation to provide transport powers and other elements of the Greater Manchester Devolution Agreement will be in place before the election of a GM Mayor. In the event that Government is not able to meet the timetable then Government will be requested to commit to rescind the Elected Mayor Order.

RESOLVED/-

1. To note the progress of the Bill and next steps required for implementation.

2. To delegate authority to a sub committee comprising the GMCA Chair and Vice Chairs to consent to the terms of the Order required to establish the role of GMCA elected Mayor and to provide for the Mayor to exercise the functions of the PCC in relation to the Greater Manchester Police area.

3. To delegate authority to a sub committee comprising the GMCA Chair and Vice Chairs the authority to propose and consent to the terms of orders required to enable GMCA to carry out health related functions from April 2016.

4. To commend the draft Order to the GM local authorities for their consent and agreement to the final version.

5. To agree that a letter seeking assurance that the necessary legislation to provide transport powers and other elements of the Greater Manchester Devolution Agreement will be in place before the election of a GM Mayor. In the event that Government is not able to meet the timetable then Government will be requested to commit to rescind the Elected Mayor Order.

Councillor Richard Leese presented a report providing Members with the work programme, summarising the tasks to be undertaken to progress the key areas of GM devolution agreement work, announced as part of the 2015 Spending Review settlement.
Members noted that a wider Implementation Plan was under development, covering all aspects of the devolution settlement to date.

A further report will be submitted to the GMCA on the preparation of a case for a land programme to enable Greater Manchester to move forward with the development of sites for housing and employment and commerce. Government has committed to work across Departments to assist GM in delivering reform priorities

RESOLVED/-

1. To endorse the work programme.

2. To note that a wider devolution implementation plan is currently under development and will be submitted for consideration at the January meeting of the GMCA.

3. To agree that a further report be submitted GMCA on the preparation of a case for a land programme to enable Greater Manchester to move forward with the development of sites for housing and employment and commerce.

176/15 SCIENCE AND INNOVATION AUDITS

Councillor Richard Leese presented a report detailing an opportunity to submit an Expression of Interest to Government to undertake a Science and Innovation Audit in the GM area.

RESOLVED/-

1. To note the information in relation to Science and Innovation Audits contained in the report.

2. To agree to delegate responsibility for signing off the GM Expression of Interest to Councillor Richard Leese and Sir Howard Bernstein as portfolio holders for Economic Strategy.

177/15 LAND AND ESTATES: DELIVERING ‘ONE PUBLIC ESTATE’ AT GM LEVEL

Councillor Sue Derbyshire presented a report detailing work underway to develop a strategy and delivery resource to address the complex land and estates challenges across Greater Manchester.

Members highlighted how utilising public estates in a different way can contribute to achieving Greater Manchester’s aspirations for public service reform. Members of the Land Commission do need to ensure that public service reform is embedded within their work programme in order to deliver better utilisation of assets.

RESOLVED/-
1. To approve the proposed membership, subject to agreement with Department for Communities and Local Government, GMCA portfolio Leaders for Investment, Growth, Housing and Public Service Reform and senior representatives of key Government Departments and Agencies (including NHS England, Homes and Communities Agency and Newtwork Rail) and role of the GM Land Commission.

2. To agree to the establishment of a GM Strategic Land Board as proposed in paragraph 2(b) of the report.

3. To approve the establishment of the post of Director of Land and Property for Greater Manchester and the creation of a Greater Manchester Land and Property Delivery Unit as proposed in paragraph 2(c) of the report.

4. To commission, as an early action, the preparation of a set of criteria to underpin a Greater Manchester Land Programme for discussions with Treasury in advance of the spring 2016 Budget.

**178/15 PROTOCOLS WITH TRADE UNIONS**

Tony Lloyd presented a report detailing a proposed GM Trade Union protocol, the establishment of a properly constituted strategic Workforce Engagement Board and the establishment of a Health and Social Care Engagement Forum.

**RESOLVED/-**

1. To authorise the Greater Manchester Interim Mayor to sign the GM Trade Union protocol on behalf of GMCA.

2. To support the establishment of a properly constituted strategic Workforce Engagement Board comprising senior managers, political leaders and trade union representatives. The Board will meet on at least a quarterly basis to exchange ideas and proposals, discuss relevant issues of joint concern and seek to reach agreements as appropriate on matters of workforce implications and workforce skills and development arising from or resulting from the early policy formulation, planning and implementation of Greater Manchester devolution, decentralisation and public service redesign initiatives. (appendix 1 of the report)

3. To support the establishment of a Health and Social Care Engagement Forum comprising trade union and employer representatives which will feed into the strategic Workforce Engagement Board and report to the Health and Social Care Partnership Board (appendix 2 of the report).

**179/15 NORTHERN AND TRANSPENNINE EXPRESS FRANCHISES ANNOUNCEMENT**

Councillor Richard Leese presented a report providing a brief overview of the key messages and initial benefit to Greater Manchester following the announcement of the franchise contract award to Arriva Rail North Ltd (Northern) and First TransPennine Express Ltd on 9th December.
Transport for the North, in working together has delivered much improved outcomes for the North, including significant employment opportunities across the franchises.

The investment in new rail vehicles, alongside other investment, particularly High Speed 2, will help to revive the UK rail industry, as a direct result of the Northern Authorities working together at both political and officer level.

RESOLVED/-

To note the report.

180/15  HENDY & BOWE NETWORK RAIL REVIEWS

Jon Lamonte presented a report setting out the conclusions of two independent reviews of Network Rail’s investment programme for Control Period 5, from 2014 to 2019. The first was undertaken by Sir Peter Hendy, Chairman of Network Rail, the second was undertaken by Dame Colette Bowe. Both reports were published on Thursday 25th November.

It was reported that all the Northern Hub works will be undertaken, with some on a delayed timetable due to the delays on the Ordsall Chord scheme planning process and legal actions, with the Piccadilly scheme completed by 2020. The schedule of works will emerge over the following months with further reports to the GMCA.

Members commented that there were still some significant services missing in the peripheral areas of Greater Manchester restricting access to key growth areas. Going forward there is still some work to be undertaken to establish where further improvements can be made.

RESOLVED/-

1. To note the conclusions of the reviews as set out in the paper and the implications for Greater Manchester.

2. To note that further reports will be submitted to the GMCA as the schedule of work emerges over the forthcoming months.

181/15  ENERGY COMPANY FOR GREATER MANCHESTER

Councillor Sue Derbyshire and Steve Rumbelow presented a report outlining the findings of a feasibility study and detailing the proposed the next steps to develop the proposal to create an Energy Company for Greater Manchester.

Members were informed that it was envisaged that the Company would be producing results three years following establishment, which should enable further detailed work on fuel poverty interventions.

Members also requested that Housing Associations be involved in the formation of the Energy Company as a means of getting supply into the residential properties.

RESOLVED/-
1. To note the contents of this report and the work completed by Cornwall Energy.

2. To agree that authority be delegated to Councillor Sue Derbyshire to commission all the work necessary to develop a preferred model for a Greater Manchester Energy Company (a fully licensed supply company) with a view to reporting back to the GMCA early in the New Year.

182/15 INTEGRATED COVENANT OF MAYORS

Councillor Sue Derbyshire and Steve Rumbelow presented a report providing an update and suggested approach regarding the integration of two initiatives in which Greater Manchester is engaged; the Covenant of Mayors and Mayors Adapt.

RESOLVED/-

1. To note the report.

2. To approve the signing of the new Integrated Covenant by the Greater Manchester Interim Mayor and Cllr Sue Derbyshire.

183/15 GREATER MANCHESTER INVESTMENT FRAMEWORK AND CONDITIONAL PROJECT APPROVAL

Councillor Kieran Quinn and Eamonn Boylan presented a report providing updates on the DataCentred and MonoPumps projects.

Further details of the projects are included in a more detailed report, considered in the confidential part of the agenda due to the information relating to the confidential business affairs of the applicants.

RESOLVED/-

1. To agree to the changes to the commercial terms of the DataCentred funding as set out in the part b report.

2. To note the update provided with respect to MonoPumps.

3. To delegate authority to the GMCA Treasurer and GMCA 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 transaction, to sign off any outstanding conditions, issue final approvals and complete any necessary related documentation in respect of the loan at 1) above.

184/15 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 of the Local Government Act 1972 and that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

185/15 ENERGY COMPANY FOR GREATER MANCHESTER

Councillor Sue Derbyshire and Steve Rumbelow presented a report providing further information on two routes to establishing a fully licensed supply company for Greater Manchester which is currently under consideration.

RESOLVED/-

1. To note the report.

2. To support further development of the principle of establishing a Greater Manchester Energy Company as described in the Part A report.

186/15 GREATER MANCHESTER INVESTMENT FRAMEWORK AND CONDITIONAL PROJECT APPROVAL

Councillor Kieran Quinn and Eamonn Boylan presented a report providing an update on the status of the MonoPumps and DataCentred projects.

It was agreed that a further detailed note on the assumptions would be circulated to Members of the GMCA on a confidential basis.

RESOLVED/-

To note the report.
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

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
Sylvia Welsh 0161 234 3383 sylvia.welsh@agma.gov.uk
GREATER MANCHESTER COMBINED AUTHORITY

FORWARD PLAN OF STRATEGIC DECISIONS
1 February 2016 – 31 May 2016

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 2016 and 31 May 2016.

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>Subject</th>
<th>Contact Officer</th>
<th>Description</th>
<th>Anticipated Date of Decision</th>
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<tbody>
<tr>
<td>26 February 2016</td>
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<tr>
<td>Cities &amp; Devolution Bill Update</td>
<td>Portfolio Lead: Tony Lloyd</td>
<td>Update following Royal Ascent of the Bill examining what secondary legislation is required</td>
<td>26 February 2016</td>
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<td>Wider Leadership Team Lead Officer:</td>
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<td>Liz Treacy</td>
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<td>Greater Manchester Growth Deal Transport Programme</td>
<td>Portfolio Lead: Councillor Richard Leese</td>
<td>Quarterly Update on the latest position n relation to the Growth Deal Transport Programme</td>
<td>26 February 2016</td>
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<td>Wider Leadership Team Lead Officer:</td>
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<td>Jon Lamonte</td>
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<td>Contact Officer: Chris Barnes</td>
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<td>TfGM 2040 Vision</td>
<td><strong>Portfolio Lead:</strong> Tony Lloyd</td>
<td>Presentation of the Draft Strategy</td>
<td>26 February 2016</td>
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<td>Wider Leadership</td>
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<td>Team Lead Officer: Jon Lamonte</td>
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<td>Contact Officer: Dave Newton</td>
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<td>Greater Manchester Energy Company</td>
<td><strong>Portfolio Lead:</strong> Councillor Sue Derbyshire</td>
<td>Preferred Model for Greater Manchester</td>
<td>26 February 2016</td>
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<td>Contact Officer: Julian Packer</td>
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<td>18 March 2016</td>
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<tr>
<td>Stations Operations Strategy</td>
<td><strong>Portfolio Lead:</strong> Tony Lloyd</td>
<td>Proposed approach to managing suite of stations</td>
<td>18 March 2016</td>
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<td></td>
<td>Wider Leadership</td>
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<td>Team Lead Officer: Jon Lamonte</td>
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<td>Internationalisation Strategy</td>
<td><strong>Portfolio Lead:</strong> Richard Farnell</td>
<td>Progress Update</td>
<td>18 March 2016</td>
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<td>Climate Change Strategy</td>
<td><strong>Portfolio Lead:</strong> Councillor Sue Derbyshire</td>
<td>Update on the progress of the Implementation Plan</td>
<td>29 April 2016</td>
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<td>Wider Leadership Team Lead Officer: Steve Rumbelow</td>
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<td>Manchester Growth Company</td>
<td><strong>Portfolio Lead:</strong> Ian Stewart</td>
<td>Presentation of the Business Plan</td>
<td>29 April 2016</td>
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<td>Wider Leadership Team Lead Officer: Mark Hughes</td>
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<td>Revenue and Capital Outturn</td>
<td><strong>Portfolio Lead</strong> Councillor Kieran Quinn</td>
<td>Year end update</td>
<td>24 June 2016</td>
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<td>2016/17 Revenue and Capital Update</td>
<td><strong>Portfolio Lead:</strong> Councillor Kieran Quinn</td>
<td>Quarterly Update</td>
<td>29 July 2016</td>
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<td>Revenue and Capital Update</td>
<td><strong>Portfolio Lead:</strong> Councillor Kieran Quinn</td>
<td>Quarterly Update</td>
<td>28 October 2016</td>
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<td>GM Growth Deal Transport Update</td>
<td><strong>Portfolio Lead:</strong> Councillor Richard Leese</td>
<td>Quarterly Update</td>
<td>To be confirmed</td>
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<td>Highways Shared Services</td>
<td><strong>Portfolio Lead:</strong> Tony Lloyd</td>
<td>Outline Business Case</td>
<td>To be confirmed</td>
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<td>Contact Officer: Peter Molyneux</td>
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<td>New Rail Franchise and Electrification Programmes</td>
<td><strong>Portfolio Lead:</strong> Councillor Richard Leese</td>
<td>Overview of projects across the region to enable electrification</td>
<td>To be confirmed</td>
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<td>Subject</td>
<td>Contact Officer</td>
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| **Intermediary Body Status** | **Portfolio Lead:** Councillor Kieran Quinn  
Wider Leadership Team Lead Officer: Simon Nokes  
Contact Officer: Alison Gordon | Update on progress of discussions with Government | To be confirmed |
| **Metrolink Trafford Park Line** | **Portfolio Lead:** Tony Lloyd  
Wider Leadership Team Lead Officer: Jon Lamonte  
Contact Officer: Steve Warrener | Outcome of the Procurement of the Works Contract | To be confirmed |
| **Greater Manchester Spatial Framework** | **Portfolio Lead:** Councillor Sue Derbyshire  
Wider Leadership Team Lead Officer: Eamonn Boylan  
Contact Officer: Chris Findley | Intellectual Property Map/ Future Cities Catapult Center | To be confirmed |
MINUTES OF A MEETING OF THE GM LOCAL ENTERPRISE
PARTNERSHIP BOARD HELD ON MONDAY 18 JANUARY 2016 AT
MANCHESTER TOWN HALL

Board Members:

Mike Blackburn (in the Chair)
Nancy Rothwell, Lou Cordwell, Juergen Maier, David Birch, Richard Topliss,
Michael Oglesby, Tony Lloyd, Councillor Richard Leese and Councillor Sue
Derbyshire

Advisors:

Howard Bernstein (Manchester City Council), Mark Hughes (Manchester
Growth Company), Ian Williamson (NHS), Theresa Grant (Trafford MBC),
Simon Nokes, Jon Lamonte (Transport for Greater Manchester), Shelley
Kipling and Bridget Aherne (Communications), Louise Latham and James
Stanley (Marketing Manchester), Rebecca Heron, David Rogerson and Allan
Sparrow (GM Integrated Support Team)

Apologies:

Keith Johnston, Councillor Sean Anstee, Scott Fletcher, Wayne Jones, Vanda
Murray, Eamonn Boylan and Carolyn Wilkins

LEP/16/01 DECLARATIONS OF INTEREST

Mike Blackburn declared an interest in discussions concerning the Science
Innovation Audit as BT was a named supporter of the bid. He also declared
interests regarding Smart Ticketing, the Hendy and Bow Rail Network Review,
Northern & TransPennine Express Franchise Announcement and TfGM’s
Response to the Shaw Review as a member of the Transport for the North
Board.

Councillor Richard Leese declared his interests regarding Smart Ticketing, the
Hendy and Bow Rail Network Review, Northern & TransPennine Express
Franchise Announcement and TfGM’s Response to the Shaw Review as a
member of the Transport for the North Board. He also declared a personal
interest as Chair of the ANPRA.

Richard Topliss declared his interest as the Chair of the Manchester Growth
Company as well as having a banking relationship with MGC.

Juergen Maier declared an interest in the item concerning the Energy
Company for Greater Manchester as Siemens had a potential interest in
providing technology advice solutions to the Energy Company.
David Birch declared an interest in the GM Health and Social Care Strategy as McKinsey’s carried out some consultancy work on behalf of the NHS.

Iwan Griffiths declared interests in the items regarding the GM Health & Social Care Plan and Smart Ticketing as Price Waterhouse Coopers provided services in connection with these items.

**LEP/16/02   MINUTES**

**AGREED**

That the Minutes of the meeting of the GM LEP Board held on 12 November 2015 be approved as a correct record.

**LEP/16/03   MATTERS ARISING**

There were no matters arising.

**LEP/16/04   GM AREA BASED REVIEW**

A report was submitted that updated Members on the Area Based Review process and the impact that the expected outcomes were likely to have. The Board was informed that the Area Based Review process formed part of the national reforms to the post 16 education sector with the aim of raising productivity and economic growth. The fact was highlighted that improving productivity was a key national challenge. The Board was informed that for GM, the review would play a key role in further developing and ultimately implementing the skills flexibilities agreed through the devolution deal.

The Board noted that this was an opportunity to review an element of the education sector which has not been reviewed for some time. It was felt that the outcomes of the Area Based Review should be positioned to allow for the creation of an effective infrastructure across post-16 education and training landscape. GM was hoping that an impact of the review would lead to more effective infrastructures being put in place to meet the needs of business.

The Board was informed that as part of the review New Economy Manchester had undertaken some ‘deep dive’ research to determine the future skills requirements of GM and this information was available to Board members on request. The Board was also updated on the key criteria for the review for GM and the progress made to date. The Board was asked to consider the next steps for the review.

A Member asked if the review had taken account of any employer led activities and had the review taken sufficient account of business needs. He added that he would be happy to share details of the review with the NWBLT. It was reported that the review included a work stream specifically looking at engagement with business.
The Board was informed that the review would be completed around March/April 2016 and a further update would come back to the Board.

AGREED

That the report be noted and that a further report be brought back to the Board once the review had been completed.

LEP/16/05  DEVOLUTION UPDATE

Consideration was given to a report that provided the LEP with an update on the additional freedoms and flexibilities awarded to GM as part of a further Devolution Agreement, announced as part of the Spending Review announcement made on 25 November 2015.

This agreement reaffirmed the Government’s commitment to maximising devolution to Greater Manchester over time and also identified a number of areas for further joint work including, housing, energy, employment support, apprenticeships and energy. The work programme summarised the key tasks to be undertaken to progress those key areas of work, prior to the development of a wider implementation plan which would cover all aspects of the devolution settlement to date. This plan would be considered by the GMCA on 29 January 2016.

The LEP was then updated on a number of devolution issues:

- Public Transport: GM was still awaiting details regarding the legislation required to introduce bus franchising, which is key to moving the devolution agenda forward;
- The Land Commission: the first meeting of the Land Commission was scheduled to take place with the Minister for Housing on 22 January 2016 to set out arrangements for running the Land Commission. This was an opportunity to look at land assets in public ownership.
- Children’s Services: Work would commence to examine real gaps in service as part of the need to reform all services. A Member commented that this review was not a devolution issue but the ten districts working together positively
- Business Support Services: Certainty around this area was still being sought from Government. The LEP was informed that GM had written to Government seeking assurances that equivalent funding would be provided in light of the closure of the Business Growth Service but to date no response had been received.

The Chair on behalf of the Board asked that officers let private sector members know how they can help and support delivering the agreement.

AGREED

That the report be noted.

LEP/16/06  GM HEALTH AND SOCIAL CARE STRATEGIC PLAN
Ian Williamson provided the LEP with a presentation on the GM Health and Social Care Strategic Plan: Taking Charge. The presentation outlined where GM would be focusing its efforts including:

- A fundamental change in the way people and communities take charge of, and responsibility for, their own health and wellbeing
- The development of local care organisations, where doctors, nurses and other health professionals work in health care teams in communities with hospitals providing the more specialised care
- Hospitals across GM to work together to make sure expertise and experience was widely shared so that everyone in GM could benefit equally from the same high standards of care
- Other changes would ensure standards were consistent and high quality across GM, as well as saving money i.e. sharing functions across organisations, consolidating public sector buildings, investing in new technology, research and innovation.

A Member noted that the transition to the arrangements would be challenging and that there was a risk of service duplication. It was reported that there was a clear commitment to share best practice and learn from other areas on how to achieve a smooth transition with dual running of services not being a viable or affordable option.

In terms of LEP support there were opportunities in health innovation and life sciences as these are key growth areas and part of the science review. GM needed to ensure that private sector partners were aware of these developments and able to contribute to health innovation solutions. It was noted that the private sector from around the world were looking at GM, given the scale and significance of the Health and Social Care integration agenda. Opportunities also existed in terms of digital health which should be linked to the technological ambitions for GM and the LEP could help with this.

A comment was made that the strategy called for significant behavioural change. The private sector had a lot of experience with transformational projects and would be able to help in this area.

**AGREED**

That Ian Williamson be thanked for his informative presentation.

**LEP/16/07 GMCA COMMUNICATIONS REVIEW**

Consideration was given to a paper which provided the Board with an update on current and planned GMCA communications and engagement activity to the LEP. Bridget Aherne was introduced to the Board as the new GMCA Communications Officer.

The Board was informed of the importance of getting the communications infrastructure right and the paper outlined progress being made and the need to improve the overall communications activity.
To this end, the Communications Team were developing a Forward Plan of activity including a Leadership Framework to develop a shared set of expectations for leaders across GM.

Members commented that any potential communications activity should take account of work being carried out by groups such as the Manufacturing Sector Leadership Group and GM’s creative digital communications sector. There is a significant amount of existing activity that can be built on.

A Member asked how the GMCA Communications Team differed from Marketing Manchester. In response it was reported that both had a defined remit addressing different audiences.

The Chair asked Members to send through any further comments they may have on the Leadership Framework work and asked that Bridget Aherne’s contact details be made known to Members.

AGREED

1. That the report be noted.

2. That the Members of the LEP forward any comments they may have on the Leadership Framework work to Bridget Aherne.

LEP/16/07 THE MANCHESTER CHANNEL

Lou Cordwell provided the Board with a presentation on the objectives of the Manchester Channel – the creation of a unique digital channel demonstrating Manchester’s modern and innovative instincts. The Channel sought to build and change perceptions of Manchester and needed to achieve ‘cut through’ by building international recognition of Manchester’s various world class areas of excellence. The aim was to show Manchester as a modern, innovative, young and international city.

The Board noted that JayWing had been appointed to explore the development of the channel and produced a feasibility study outlining the key elements of the Channel. Further worked had been carried out on developing a more detailed business plan. This had indicated the need to explore the role of commercial sponsorship and feedback was also sought from the LEP on the next steps.

A Member welcomed the opportunity to better promote GM and attract investment by engaging directly with people through costs effective digital means. Work to develop a digital app to market the City was also suggested as part of GM’s offer.

A comment was made that achieving the suggested levels of commercial sponsorship could be challenging in the current climate. Lou Cordwell responded that the Channel was an innovative new approach to promoting
the region which would address unmet need in this area for a significant section of the local economy.

The Board further discussed the capacity required to implement this project and the links with the wider GM agenda including Health and Social Care provision as well as to issues such as smart ticketing.

AGREED

That the presentation be noted.

LEP/16/08 SMART TICKETING UPDATE

A report was submitted which provided the Board with an update on the work streams associated with the Smart Ticketing programme.

A Member felt that the sooner contactless payment was in operation the better. The Chair highlighted issues around integrating through ticketing across all modes of public transport and it was reported that TfGM were working on these issues which would in time need aligning with Transport for the North and new bus franchise arrangements.

AGREED

The Board noted:

1. The current position in relation to the Smart Ticketing Programme.
2. The agreed commercial settlement with Atos and the transition to new suppliers for the Metrolink concessionary users.
3. The launch of the ‘get me there’ app on Metrolink.
4. The launch of the multi operator ‘Smart on Bus’ solution, deployment of ETMs and the roll out of ‘get me there’ cards for use on buses.
5. The inclusion of smart ticketing within the requirements for the new rail franchises.
6. The ongoing work to refresh the smart ticketing strategy and plan for GM in the context of devolved transport powers and ‘Transport for the North’.

LEP/16/09 HENDY AND BOWE NETWORK RAIL REVIEWS

Consideration was given to a paper that set out the conclusions of two independent reviews of Network Rail’s investment programme for control period 5, from 2014 to 2019 by Sir Peter Hendy and Dame Collette Bowe.

A Member referred to the TfGM summary of North West/GM rail projects considered in the Hendy Review and noted that the value of the Ordsall Chord was the only risk recognised in full.

It was felt that the project to increase capacity at Piccadilly Station (platforms 15 & 16) was essential, not only in terms of increasing capacity but also in the regeneration of the the Mayfield site which was currently a blight on a key
areas of the City Centre. A comment was made that the Piccadilly platforms 15 & 16 scheme should not be delayed. The Chair asked if there was anything the Board could do to help with this.

It was felt that the LEP would be well placed to understand and communicate the impact on economic growth in the City if the scheme was put back to 2019. TfGM would welcome any concerns expressed by the LEP as this would help with future discussions with Network Rail. It was also suggested that the NWBLT be asked to show support for this.

AGREED

1. That the conclusions of the reviews set out in the report and the implications for GM be noted.

2. That Network Rail be informed of the LEP’s concern over any delays to increase capacity at Piccadilly Station and the impact this would have on economic growth in the City if the scheme was put back to 2019.

3. That the NWBLT also be asked to support the LEP’s concerns.

LEP/16/10 NORTHERN AND TRANSPENNINE EXPRESS FRANCHISE ANNOUNCEMENT

The Board was informed that the winning bidders for the new Northern (Arriva Rail North Ltd) and TransPennine Express (First TransPennine Express Ltd) franchises starting April 2016 were confirmed on 9 December 2015. It was reported that GM’s long term rail strategy, as a key partner in Rail North, had called for a truly transformational package so that the Northern franchise was unrecognisable from the ‘no-growth’ one let in 2004. The new franchises achieved were better than TfGM expected. The Chair welcomed the new arrangements and congratulated all those involved in securing the new franchises.

AGREED

That the report be noted.

LEP/16/11 TfGM RESPONSE TO THE SHAW REVIEW

A report was submitted on the Shaw Review which looked at the future shape and financing of Network Rail for the Government. A scoping report had been published last November posing 29 questions and inviting transport bodies to respond to a consultation on the scoping report by 24 December 2015. The Board was informed that TfGM had attended one of a series of regional discussion sessions during the consultation period in Manchester and had worked closely with colleagues in Rail North, Transport for North and Urban Transport Group to finalise a response which was appended to the report.
In noting the response made by TfGM the LEP welcomed the regional approach and structure but asked that the process takes account of devolution.

AGREED

That the report be noted.

LEP/16/12 ANY OTHER BUSINESS

Science and Innovation Audit: Expression of Interest

The Board received an update on the Science and Innovation Audit being conducted by BIS. Members were informed that BIS had asked regions to bid under an expression of interest and GM had one nearing completion. It was reported that GM’s bid included Cheshire East. BIS had asked regions to outline in their EoI areas where they had particular strengths with evidence. GM’s EoI included health innovation, advanced materials, fast growth opportunities in digital, energy and industry biotechnologies. GM was able to evidence the new Innovation Centre for Health (Pankhurst Building), advanced materials engineering etc. The Board noted that the EoI needed to be submitted by 22 January 2016.

AGREED

That the LEP supports the GM and Cheshire East Science and Innovation Audit Expression of Interest and that a copy of the Expression of Interest be circulated to LEP Members for information.

LEP/16/13 PROGRAMME OF FUTURE MEETINGS

Thursday 10 March 2016
Monday 16 May 2016
Thursday 14 July 2016
Monday 19 September 2016
Thursday 10 November 2016

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

LEP/16/14 ENERGY COMPANY FOR GREATER MANCHESTER

Consideration was given to a report which outlined the business case for the concept of an ‘energy enterprise’ for GM.

AGREED

That the report be noted.
The Board received a report that set out the Manchester Growth Company’s mid year performance review.

AGREED

That the Manchester Growth Company’s mid year performance report be noted.
MINUTES OF THE PROCEEDINGS OF THE TRANSPORT FOR GREATER MANCHESTER COMMITTEE, HELD ON 15 JANUARY 2016 AT MANCHESTER TOWN HALL

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 Dzidra Noor  Manchester
Councillor Chris Paul  Manchester
Councillor David Hibbert  Oldham
Councillor Howard Sykes  Oldham
Councillor Shakil Ahmed  Rochdale
Councillor Phil Burke  Rochdale
Councillor Ian Duckworth  Rochdale
Councillor Barry Warner  Salford
Councillor Geoff Abell  Stockport
Councillor Dean Fitzpatrick  Stockport
Councillor Syd Lloyd  Stockport
Councillor Iain Roberts  Stockport
Councillor Warren Bray  Tameside
Councillor Doreen Dickinson  Tameside
Councillor Rob Chilton  Trafford
Councillor Michael Cordingley  Trafford
Councillor Mark Aldred  Wigan
Councillor James Grundy  Wigan
Councillor Lynne Holland  Wigan
Councillor Eunice Smethurst  Wigan

OFFICERS IN ATTENDANCE

Jon Lamonte  Chief Executive, TfGM
Bob Morris  Chief Operating Officer, TfGM
Peter Cushing  Metrolink Director, TfGM
Michael Renshaw  Executive Director, TfGM
Desmond Gardner  Head of Legal, TfGM
Amanda White  Head of Rail, TfGM
Howard Hartley  Head of Bus, TfGM
Rodney Lund  Monitoring Officer
Paul Harris  GMIST

TFGMC15/54  APOLOGIES FOR ABSENCE

Apologies for absence were received and noted from Councillors Azra Ali (Manchester), Norman Briggs (Oldham), Robin Garrido (Salford), Roger Jones (Salford), June Reilly (Trafford) and Peter Robinson (Tameside).

TFGMC15/55  URGENT BUSINESS AND CHAIR’S ANNOUNCEMENTS

a) Bus Network and TfGM Services Sub Committee – Bus Station Departure Charges

The Chair noted that subject to the agreement of the Committee, an addendum to the minutes of the Bus Network and TfGM Services Sub Committee, held on 20 November 2015, was to be moved which would seek to delegate authority to the Chief Executive, TfGM in consultation with the Chair the Vice Chair of TfGMC, Chair of Bus Network and TfGM Services Sub Committee to vary Bus Station Departure Charges.

b) Rail Re-franchising

It was noted that following the meeting an informal briefing session for Members regarding Rail Refranchising was to take place.

TFGMC15/56  DECLARATIONS OF INTEREST

Councillor Phil Burke declared a personal and prejudicial interest in Items 7a Metrolink and Rail Networks Sub Committee – 20 November 2015 and Item 9 Metrolink 2017.

Councillors Mark Aldred, Doreen Dickinson, Andrew Fender and Lynne Holland each declared a prejudicial interest in items 10 and 12 Ring and Ride Eligibility Criteria and Fares Review.

Resolved/-

To note the Declarations of Interests made, by Councillors Aldred, Burke, Dickinson, Fender and Holland.

TFGMC15/57  APPOINTMENT TO TfGMC

Resolved/-

1) To note the appointment of Councillor Azra Ali (Manchester) as a Member of TfGMC. For the remainder of the 2015/16 municipal year.
2) To note the resignation of Councillor Josie Teubler (Manchester) from TfGMC.

TfGMC15/58 APPOINTMENT TO SUB COMMITTEES

Resolved/-

1) That Councillor Azra Ali (Manchester) be appointed as a Member of the Metrolink and Rail Networks Sub Committee, for the remainder of the 2015/16 municipal year.
2) That Councillor Azra Ali (Manchester) be appointed as a substitute on the Bus Network and TfGM Services Sub Committee.

TfGMC15/59 MINUTES

The minutes of the previous TfGMC meeting, held on 13 November 2015, were submitted.

Resolved/-

To approve the minutes of the TfGMC meeting, held on 13 November 2015, as a correct record.

TfGMC15/60 MINUTES FROM SUB COMMITTEES

a) Bus Network and TfGM Services Sub Committee

The minutes of the Bus Network and TfGM Services Sub Committee, held on 20 November 2015 were submitted.

A Member moved an addendum to the minutes that authority be delegated to the Chief Executive, TfGM in consultation with the Chair and Vice Chair of TfGMC/Chair of Bus Network and TfGM Services Sub Committee to vary Bus Station Departure Charges in line with current policy.

The amendment was seconded and carried.

Resolved/-

1) To note the minutes of the Bus Network and TfGM Services Sub Committee, held on 20 November 2015.
2) To agree that Councillors Warren Bray and Chris Paul be included in the list of those Members present.
3) To agree that delegated authority be granted to the Chief Executive of TfGM, in consultation with the Chair and Vice Chair of TfGMC/Chair of Bus Network and TfGM Services Sub Committee, to vary Bus Station Departure Charges in line with current policy.

b) Metrolink and Rail Networks Sub Committee
[Note: Councillor Burke declared an interest in this item.]

The minutes of the Metrolink and Rail Networks Sub Committee meeting, held on 18 December 2015 were submitted.

Resolved/–

To note the minutes of the Metrolink and Rail Networks Sub Committee, held on 18 December 2015.

TfGMC15/61 FORWARD LOOK

Members considered a report which set out those key work streams requiring decisions from the Joint Committee over the next four months. Members also noted those significant elements of the Committee’s work programme, where further updates on progress and activity are anticipated over a longer period of time.

Resolved/–

To note the Forward Look.

Section 2
TfGMC Recommendations for Further Approval by GMCA

There were no items requiring further approval by GMCA.

Section 3
Items for Resolution by TfGMC

TfGMC16/62 METROLINK 2017

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

A report was presented which provided Members with an update on the progress of the Metrolink 2017 project to procure a contract for the operation and maintenance of Metrolink from July 2017, when the current contract expires. The report also sought the endorsement of the Committee on the draft service pattern and plan which will be included in the contract specification as appended to the report. Members noted that this service pattern plan and specification had been developed solely for indicative purposes to assist the benchmarking within the bidding process. Timescales of the procurement process were also included.

In response to a comment from a Member regarding services from Oldham going to Piccadilly rather than Victoria, officers reiterated that the service pattern was purely an indicative plan for the bidding process. Representations
from districts would be considered and would look at the viability with this request with Oldham.

Following a comment from a Member, officers confirmed that the double units on the Altrincham-Bury line would be maintained.

A Member highlighted that the Committee’s focus was to maximise the patronage of the whole Metrolink network and for this reason, not all of the service aspirations raised by districts will be achievable.

Resolved/-

1) To note the current position of the Metrolink 2017 project.
2) To approve the proposed service pattern for inclusion in the specification and in doing so, note that the service pattern plan is solely an indicative plan for use as part of the bidding process.

TfGMC16/63 RING AND RIDE ELIGIBILITY CRITERIA AND FARES REVIEW

[Note Councillors Mark Aldred, Doreen Dickinson, Andrew Fender and Lynne Holland each declared a prejudicial interest in this item and left the in the room whilst it was considered.]

Councillor Harkin the Chair.

Consideration was given to a report which set out details of the proposed changes to the eligibility criteria and fares on the Ring and Ride service and set out the next steps for the implementation of these changes by April 2016.

Members noted that Greater Manchester residents would be automatically eligible to use the Ring and Ride service if they:

(i) hold a Greater Manchester issued Concessionary Plus pass; or
(ii) hold a Concessionary Disabled pass; and/or
(iii) meet a minimum age criteria (70), hold elderly senior citizen Concessionary pass and also have difficulty accessing the public transport network; or
(iv) have surrendered their Concessionary Plus pass and use travel vouchers.

A Member sought clarification as to whether GMATL were aware of those current service users that will be ineligible under the new scheme and if they would be able to access alternative services. In response, officers noted that the existing bus network and Direct Responsive Transport (DRT) services would provide accessible services.

Following a comment from a Member, officers noted that GMATL has long standing criteria for disability and that these criteria had remained unaltered.
Resolved/-

1) To endorse the outcome of the review undertaken to identify revised eligibility criteria for the Ring and Ride service to reduce the risk that the service fails to prioritise to those with the most need.
2) To endorse the proposed changes to the fares and fare structure on the Ring and Ride service to support the ongoing suitability of the service.
3) That the details of the financial implications of the proposals are included in a separate report in Part B of the agenda. (Minute TfGMC16/65 refers).

TfGMC16/64  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.

Item 4
Item for Information

TfGMC16/65  RING AND RIDE ELIGIBILITY CRITERIA AND FARES REVIEW

[Note Councillors Mark Aldred, Doreen Dickinson, Andrew Fender and Lynne Holland each declared a prejudicial interest in this item and were not in the room whilst it was considered.]

Members considered a report which provided them with the details of the financial implications of the changes to the Ring and Ride eligibility criteria and fares.

Resolved/-

To note the financial implications of the revised Ring and Ride eligibility criteria and fares, as set out in the report.
Date: 29 January 2016

Subject: Local Authority Recovery Group - Up-date on Boxing Day floods

Report of: Councillor Mike Connolly, lead portfolio holder for Police, Crime, Fire, Resilience and Civil Contingencies

PURPOSE OF REPORT:

To provide information on the extent of the impact of storm Eva across Greater Manchester and to up-date the Combined Authority on the GM response and on recovery activity.

RECOMMENDATIONS:

The Combined Authority is asked to note the report and to pass on its appreciation of, and thanks for, the excellent work done by everyone involved in the response to the floods. The Authority also sends its sympathy to all residents and businesses that were affected by the floods.

CONTACT OFFICERS:

Mike Owen, Chief Executive, Bury Council
m.a.owen@bury.gov.uk
0161 253 5102
### BACKGROUND PAPERS:

None

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<thead>
<tr>
<th>TRACKING/PROCESS</th>
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<tr>
<td>Does this report relate to a major strategic decision, as set out in the GMCA Constitution (paragraph 14.2) or in the process (paragraph 13.1 AGMA Constitution) agreed by the AGMA Executive Board:</td>
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1.0 INTRODUCTION

1.1 December 2015 had already been a record breaking month for rainfall in some parts of the UK, with exceptional amounts of rain falling onto already saturated ground and with rivers at significantly higher levels than usual.

1.2 Whilst further very wet weather had been well forecast for Boxing Day in parts of north Wales and northwest England, Storm Eva was confidently expected to hit England many miles north of Greater Manchester. However, a late change of wind direction meant that this turned out not to be the case.

1.3 During the 24 hours leading up to 9am on 27 December Lancashire and Greater Manchester were hit with widespread rainfall totalling between 70mm and 100mm with peaks of 130mm. This compares to an average GM rainfall for the month of 80mm.

1.4 As a result of this unprecedented level of rain areas of Greater Manchester faced devastating fluvial (river) and pluvial (rain related) flooding with 2,449 homes and 521 businesses being flooded in 8 of our Boroughs: Bolton; Bury; Manchester; Oldham; Rochdale; Salford, Trafford and Wigan.

1.5 Upwards of 5,500 properties lost power and many properties lost water supplies. In Radcliffe (Bury) two footbridges were swept away and a gas main exploded when a bridge collapsed, leaving residents without gas supplies. Loss of power to traffic lights, mainly in Rochdale, led to road traffic accidents. In Littleborough the flood defense wall which was protecting 200 properties was damaged and breached by flood water (a temporary repair has been carried out). A number of residential care homes were evacuated, the foodbank in Rochdale lost half its stock, a 200 year old building in Summerseat (Bury) collapsed into the River Irwell and the Mark Addy pub in Salford was flooded.

1.6 Impacts included collapsed culverts, scouring of waterway banks and damage to river flood defenses, canal walls, bridges and listed buildings. There was also a significant slip of the Manchester Ship Canal wall adjacent to the Valero fuel storage site in Trafford which required a significant response from GMFRS.

1.7 The response from all the agencies involved, and from the GM community, was little short of magnificent and as a result of their efforts there wasn’t one single fatality or serious injury directly related to the floods. My thanks go to everyone involved in this outstanding effort. The Mayor, Tony Lloyd, has also placed on record his appreciation to all concerned.

1.8 At a national level, the Secretary of State for Communities and Local Government and other Ministers have praised the speed and effectiveness of the GM response and the recovery work which is on-going.

2.0 COMMAND AND CONTROL

2.1 GM multi-agency response and recovery arrangements have long been established to co-ordinate the response to an emergency such as this and an initial assessment shows that they worked well.
2.2 The Police role in major incidents is to coordinate the activity across all agencies responding to the major incident and for this incident the Chief Constable and his delegates very effectively ACC acted as Gold Commander.

2.3 Blue light services rescued over 1,000 people in less than 24 hours with rescues being made from a submerged caravan site, and from cars trapped in flood waters. At the height of the emergency response phase more than 66% of the GMFRS assets were deployed leaving just 17 units to cover GM for non-flood incidents. In addition GMFRS were monitoring the ongoing situation at the Valero site in Trafford Park which, had it escalated into a major incident, would have required GMFRS assets to be withdrawn from other flooding response.

2.4 As well as the above flood rescues there was a fire in Leigh requiring six fire engines and this meant that fire resources were particularly stretched, especially the boat units.

2.5 By midday the Fire service had recalled extra resources back to duty and a reserve boat was provided along with supplementary officer cover. Had the River Mersey also flooded then GMFRS had serious concerns over their ability to have responded even based on current staffing levels.

2.6 For the initial response to the flooding a multi-agency Strategic Co-ordination Group (SCG) was rapidly established, led by GMP, with the first full meeting taking place at 1pm on Boxing Day. The SCG met throughout Boxing Day and on the following day although it has now been stood down to be replaced by regular meetings of the local authority led GM Recovery Co-ordination Group (RCG) which is handling the recovery phase. GM-level recovery sub groups are being established to address immediate and longer-term infrastructure and communications matters.

2.7 At a national level, Greater Manchester was fully and effectively represented on COBR teleconferences and as events have moved on we continue to be fully represented on Ministerial Recovery Group teleconferences.

2.8 Affected boroughs continue to co-ordinate successfully recovery efforts at a local level and the Environment Agency are also planning additional community engagement and will work with local councils to develop this.

2.9 A full multi-agency debrief of the immediate response phase will be taking place shortly through the GM Resilience Forum’s incident review process and lessons learned will be fully communicated to all authorities and agencies. Key resilience issues will be picked up by the GM Resilience Forum and shared with the GM Flood and Water management Board which works closely with GMRF.

2.10 Immediate learning from GMFRS identified a need for the service to be given a statutory duty (with appropriate funding) to respond to flooding in order to be able to continue to effectively plan for and resource increasingly commonplace wide area funding. It is felt that new equipment including an extra boat unit and flood bags at fire stations (including dry suits/waders and other additional equipment) would help the service to respond to flooding more quickly, more effectively and more safely.
3.0 FINANCE, BUSINESS AND ECONOMY

3.1 It is recognized that many households are struggling with finances in the aftermath of the event due to issues such as:

- high demand on power supplies as equipment is used to dry out properties
- properties requiring a deep clean due contaminated flood waters
- having to replace contaminated food, furniture and other consumables
- the need to seek alternative accommodation

3.2 Business are experiencing the costs of clean-ups, and loss of stock. Many are key local employers, with some employees facing potential loss of income if businesses cannot continue trading.

3.3 In the case of both householders and businesses lack of insurance cover at the time of the floods is a significant issue, as is the potential impact on insurance terms going forward.

3.4 There are three main sources of financial support to residents and businesses:

3.4.1 Central Government:

Has allocated £50m to a national fund designed to “help local authorities design their own locally tailored support packages for communities and businesses affected by Storm Eva”. Two tranches of funding totaling £26.2m have been distributed to local authorities across the country. These are aimed at providing funding for local community and business support schemes and for a Property Level Protection scheme. Individual authority-level allocations vary significantly and appear to be based on estimates of the numbers of properties affected.

This support has been paid as a s31 grant and the Government is happy for individual Councils to draw up schemes that best meet the needs of their localities.

All affected GM authorities have all now designed and implemented their own schemes with most making an initial £500 payment to affected residents and work on getting money into residents’ banks is well advanced. Councils are also offering Council Tax relief where residents have been forced to leave flooded properties.

In terms of financial support to businesses it has been proposed that automatic payments of £500 are made to affected SME’s on a similar basis to residents’ support. These payments can then be bolstered by additional targeted support provided through a GM Business Support scheme developed jointly by Councils and the Manchester Growth Company. This scheme is live and being administered by individual Councils. In addition Councils are providing Business Rate relief/exemptions for firms that have been impacted by flooding.

The Growth Company are also being extremely pro active in terms of making available advice and non-financial support to businesses in partnership with Councils.
In terms of the Property Level Protection scheme, this now appears to be a substantial Government priority with funding being aimed at making individual properties more resilient to future flooding. The funding is provided on the basis that authorities make available up to £5,000 per property flooded as a result of the Boxing Day storm. Councils are expected to design and run their own scheme with arrangements being put in place for households and SMEs to claim support easily based on assessed need. GM Councils are responding effectively to this element of the recovery package although the speed at which initiatives are being developed both centrally and locally does mean that administrative processes may not be as slick as we would all like.

Adequacy of central funding to support this scheme is also an issue and this is being addressed at Ministerial level.

3.4.2 GM Disaster Relief Fund:

This Fund was established after the so-called Woolworths fire in 1979 and is administered by ‘Forever Manchester’. It currently stands at £165,000 and a payment of £100,000 has been now been made out of the Fund, boosted to £120,000 by a one-off donation from a private company, for authorities to use to support victims of the floods. ‘Forever Manchester’ continue to raise funds proactively to support those affected.

After discussions around this money, boroughs have agreed to adopt an individual approach to the allocation of these funds based on local needs, e.g. Salford are looking to provide financial help to one of their local Community Support Groups affected by the floods.

3.4.3 Bellwin scheme:

Affected GM boroughs have also been advised to register on the ‘Bellwin’ scheme via the DCLG. The Bellwin scheme reimburses local authorities for costs incurred on, or in connection with, their immediate actions to safeguard life and property or to prevent suffering or severe inconvenience as a result of a disaster or emergency in their area. The Scheme will reimburse 100% of eligible costs over and above specified thresholds.

3.5 In addition to these funding sources it will be important to encourage the Government to make an application to the EU Solidarity Fund and it has been suggested that GM should play a leading role in this.

3.6 Ministers have also requested information regarding insurance issues. There may be issues locally where insurance has not been in place, or has not been adequate. Where insurance has been in place, it is understood that the insurance industry has responded as required. The Association of British Insurers is being engaged by Ministers at a national level to ensure that issues are considered and DEFRA has been working with the insurance industry to develop the Flood Re scheme, which aims to accept policies from insurers by April 2016.

3.7 Finance and insurance issues will continue to be monitored and addressed as residents return to their properties and businesses reopen.
4.0 INFRASTRUCTURE AND ENVIRONMENT

4.1 Ministers have requested, and been provided with, a prioritised list of the local authority infrastructure repairs which are required across GM, along with estimated costs, timescales for completion and whether Government support will be required.

4.2 A GM Recovery Coordination Group infrastructure sub-group has been established, including colleagues from the Environment Agency, United Utilities, Electricity North West and Transco to ensure that efforts to identify, repair and replace all infrastructures are coordinated. The sub-group will also evaluate the resilience of infrastructure going forward.

4.3 The Mayor is also very keen to address quickly the issue of flood defenses so that we can better protect our local communities. He will shortly be meeting Sir James Bevan, Chief Executive of the Environment Agency, to raise this with him.

4.4 It is well understood that the Greater Manchester Spatial Framework will provide an important vehicle for ensuring future flood defense and other infrastructure resilience. Councillor Antrobus, chair of the Regional Flood and Costal Committee also has oversight of local response and recovery issues and the Mayor and CE of Bury met with him on New Year’s Eve.

4.5 Flood defense is also seen as a key priority for the GMRF, supporting the ‘resilient cities’ agenda which is so key to the future prosperity of the city region.

5.0 COMMUNICATIONS

5.1 All available means of communications have been engaged in ensuring a consistent GM message has gone out to affected residents.

5.2 Web sites and social media avenues across all boroughs, together with those of the GMCA and the AGMA CCRU, have provided regular updates and key messages designed to inform, and support. Responding agencies have communicated via the web and local contact means, i.e. leaflets, providing updates on their activities.

5.3 A key learning in this area was the value of rest centres and door to door support which enabled a quick assessment of impact and early action on support, hardship and vulnerability and clean up.

5.4 Information has been collated for Ministers, Members of Parliament and Elected Members. To facilitate the recovery process the GM Recovery Coordination Group (RCG) has formed a Communications sub-group which will ensure a consistent message continues to go out from boroughs and responding agencies and will ensure that lessons learned from the floods will be available in the event of future emergency events.
6.0 COMMUNITY RECOVERY

6.1 Community organisations, voluntary organisations and Elected Members have played an absolutely vital role in recovery efforts. For example, the Broughton Trust in Salford (which was recently recognized as United Nations Champion of Disaster Risk Reduction) has been actively involved in recovery efforts in Salford.

6.2 It is important, and well understood, that work must continue to strengthen community resilience and to build on the availability of community support.

7.0 HEALTH AND WELFARE

7.1 Health colleagues played an important and active part in the GM response and whilst no significant immediate health impacts have been identified, the GM RCG is alert to the potential psychological impacts which may start to arise. Learning from previous national and international flooding events has demonstrated that flooding affects people of all ages and can exacerbate or provoke physical and mental health problems.

8.0 CONCLUSIONS AND RECOMMENDATIONS

8.1 The report outlines the events of Boxing Day and sets out a summary of the emergency response, work done to assist in the recovery phase and the financial implications. Lessons will be learned from the floods which will be used to influence the GM response to future emergency events.

8.2 Detailed recommendations appear at the front of this report.

COUNCILLOR MIKE CONNOLLY
LEAD PORTFOLIO HOLDER FOR POLICE, CRIME, FIRE, RESILIENCE AND CIVIL CONTINGENCIES
PURPOSE OF REPORT

The latest GM devolution agreement, announced as part of the 2015 Spending Review settlement, reaffirmed the Government’s commitment to maximising devolution to Greater Manchester over time and built on previous agreements made in November 2014 and July 2015.

Taken together, the three devolution agreements to date form an extensive and wide ranging devolution settlement.

The implementation plan attached at Annex A to this report brings together all elements of the three agreements to set out the work required to implement that devolution settlement. It highlights key milestones and tasks, timescales, requirements of Government and risks.

RECOMMENDATION

The GMCA is asked to comment on and endorse the GM Devolution Integrated Implementation Plan.

CONTACT OFFICER

Andrew Lightfoot 0161 234 7591 a.lightfoot@manchester.gov.uk
Rebecca Heron 0161 234 3278 r.heron@agma.gov.uk
**BACKGROUND PAPERS:**

Greater Manchester Agreement: Devolution to the GMCA and transition to a directly elected Mayor of Greater Manchester (3 November 2014)

GM Health and Social Care: Memorandum of Understanding (27 February 2015)

Further Devolution to Greater Manchester (31 July 2015)

Further Devolution to Greater Manchester (27 November 2015)

Further Devolution to Greater Manchester: Work Programme (18 December 2015)

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Greater Manchester Devolution Implementation Plan
January 2016
PLANNING AND HOUSING

Summary:
- Mayoral powers over strategic planning, including the development of a statutory spatial framework for Greater Manchester, the power to designate Mayoral Development Corporations, Compulsory Purchase Powers and the power to implement a Community Infrastructure Levy.
- Control of a new £300 million Housing Investment Fund over 10 years, set up as a financial transaction and funded from within the budgets of existing financial transaction programmes.
- Joint work with Government to consider how regulatory reform can maximise the housing and public service outcomes sought by the GMCA.
- Establishment of a Land Commission to oversee the efficient utilisation of the public estate.
- Development of a business case for a Land Programme to ensure that strategic sites are brought forward to deliver jobs and homes for GM

Portfolio lead  Cllr Sue Derbyshire
CEX lead  Eamonn Boylan

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<th>Requirements of Government</th>
<th>Risks</th>
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<td>Timescales</td>
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<td>Risks</td>
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<tr>
<td>• Consultation on an initial GMSF evidence base</td>
<td>• Closed Nov 2014</td>
<td>Confirmation that the GMSF will fulfil the role of a local plan for all ten GM local authorities.</td>
<td>In the absence of assurances from Government that the GMSF will fulfil the role of a local plan and that the timescale outlined by GM is acceptable, it is possible that at least 3 of the districts will decide to prepare a parallel local plan (to protect New Homes Bonus).</td>
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<tr>
<td>• Consultation on draft vision and draft strategic options, along with a Call for Sites</td>
<td>• Closed Jan 2016</td>
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<tr>
<td>• Consultation on the draft GMSF</td>
<td>• Autumn 2016</td>
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<tr>
<td>• Publication of the GMSF</td>
<td>• 2017</td>
<td></td>
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<tr>
<td>• Submission, examination and adoption</td>
<td>• 2018</td>
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Introduction of Mayoral planning powers, including the power to designate Mayoral Development Corporations, Compulsory Purchase Powers and the power to implement a Community Infrastructure levy

This will be picked up as part of the work currently underway to draft the secondary legislation required to draw down the additional powers secured by GM

<table>
<thead>
<tr>
<th></th>
<th>GM Orders to be specified by end March 2016</th>
<th>Assistance in the drafting of legislation</th>
<th>That legislation is not passed in time for those powers to be assumed by the Mayor on election.</th>
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<tr>
<td></td>
<td>Orders to be laid by June 2016</td>
<td>A commitment to ensure that legislation passes through parliament expediently</td>
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<td></td>
<td>Statutory Instruments in place by Nov 2016</td>
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Establishment of a GM Land Commission to oversee the effective utilisation of publically owned land
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<th>Requirements of Government</th>
<th>Risks</th>
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<tbody>
<tr>
<td>• First meeting (to co-chaired by the GM Mayor and the Minister for Housing and Planning)</td>
<td>• 22 Jan 2016</td>
<td>Engagement to secure appropriate representation on the Commission and support in the development of appropriate tools and mechanisms to fund the work of the Commission and the disposal of publically owned sites.</td>
<td>That the Commission is not provided with the tools and mechanisms required to drive growth.</td>
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<tr>
<td>• Develop and agree terms of reference, governance arrangements and work programme</td>
<td>• End Jan 2016</td>
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**Development of a business case for a Land programme**

Development of a business case for the Land Programme, including:
- a pipeline of schemes to be brought forward
- an assessment of the potential impact of the programme in terms of outputs (new homes developed, jobs created and GVA growth etc.)
- governance and programme management arrangements
- potential sites for investment and appraisal methodology

The business case will be submitted to Government at the end of Jan 2016

Requirements and next steps will become clearer following submission and discussion of the business case.

Development of a mechanism to unlock Brownfield development is critical to sustainable growth in the medium to long term.

**Control of a £300 million Housing Investment Fund**

- Fund launched in April 2015
- Over one third of funding committed by end FY 2015

N/A

Joint work with Government to consider how regulatory reform can maximise the housing and public service outcomes sought by the GMCA
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<th>Requirements of Government</th>
<th>Risks</th>
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<tbody>
<tr>
<td>• Work with GM Providers to develop a common evidence base on the social housing</td>
<td>• By end Jan 2016</td>
<td>Continuing dialogue on the ability to achieve greater flexibility in the regulation of housing providers (informing national deregulation work responding to the ONS designation of housing associations as public bodies), and on potential resourcing opportunities. Discussion likely to focus particularly around flexibility for housing providers and local authorities to establish collective investment and delivery structures with appropriate governance, and on the regulation of the use, allocation and rent-setting relating to social housing assets, in both local authority and housing association ownership.</td>
<td>Achieving and maintaining consensus among wide partnership of GM Providers</td>
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<tr>
<td>asset base, and demand for low cost home ownership products and social housing in a</td>
<td>• By end Feb 2016</td>
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<td>changed economy.</td>
<td>• By end March 2016</td>
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<td>• Redefine the purpose(s) of social housing and the principles behind a reformed</td>
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<td>housing system.</td>
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<td>• Scope the potential for deepening housing providers’ contribution to public</td>
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<td>service reform and housing delivery and the flexibilities in the legislative</td>
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<td>framework needed to achieve that.</td>
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## TRANSPORT

### Summary:
- Provision of multi-year funding settlement, including devolution of current Government funding for the bus system
- Introduction of a franchised model of bus service delivery, including full transparency in the transfer of resources to support such a model and introduction of integrated, multi-modal smart ticketing solution
- Development of options for the devolution of rail stations to GM ownership; and consultation with DfT on any station proposals affected by franchising
- Joint working with Highways Agency on operations, investment & maintenance, including the development of proposals for establishing a joint investment platform to support the resilience of the highways network

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<th>Portfolio lead</th>
<th>Interim Mayor Tony Lloyd</th>
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<td>CEX lead</td>
<td>Jon Lamonte</td>
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### Key milestones/tasks

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<tr>
<th><strong>Provision of multi-year funding settlement, including devolution of current Government funding for the bus system</strong></th>
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<tbody>
<tr>
<td>• TfGM/DFT meeting to review Multi-Year Funding Settlement (MYFS) proposal</td>
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<tr>
<td>• TfGM dialogue with DfT (and DCLG) on proposed contents of MYFS</td>
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<tr>
<td>• DfT to prepare draft MYFS letter</td>
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<td>• DfT to issue initial MYFS letter</td>
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<tr>
<td><strong>Timescales</strong></td>
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<tr>
<td>Dec 2015 (held)</td>
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<td>Dec 2015 (ongoing)</td>
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<td>Jan 2016 (pending)</td>
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<tr>
<td>Key milestones/tasks</td>
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<tr>
<td>Ongoing TfGM/DfT dialogue on Buses Bill to maintain strong HMG awareness of implications of final Bill for GM, including shape and nature of final funding arrangements</td>
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<tr>
<td>DfT to complete Buses Bill drafting</td>
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<tr>
<td>Buses Bill introduced in Parliament</td>
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<tr>
<td>TfGM to prepare OBC for bus franchising to fit with Buses Bill provisions</td>
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<tr>
<td>Development of long term strategy for integrated, multi-modal smart ticketing</td>
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<tr>
<td>Development of options for the devolution of rail stations to GM ownership; and consultation with DfT on any station proposals affected by franchising</td>
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<tr>
<td>TfGM to prepare SOBC for devolved stations management</td>
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<tr>
<td>Meeting with DfT Rail DG</td>
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<tr>
<td>Regular liaison with industry partners</td>
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<tr>
<td>TfGM to prepare OBC for devolved stations management</td>
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<tr>
<td>DfT to sign off OBC for devolved stations management</td>
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<tr>
<td>TfGM to prepare FBC for devolved stations management</td>
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<tr>
<td>DfT to sign off FBC for devolved stations management</td>
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Joint working with Highways Agency on operations, investment & maintenance, including the development of proposals for establishing a joint investment platform to support the resilience of the highways network
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<tr>
<th>Key milestones/tasks</th>
<th>Timescales</th>
<th>Requirements of Government</th>
<th>Risks</th>
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<tbody>
<tr>
<td>• TfGM and GMCA to review GM Growth Deal position and core highways maintenance</td>
<td>• Initial discussions to inform end January</td>
<td>DfT/HMT to review scope for additional LGF/Highways Block contribution to fund to reflect growth potential of GM highways resilience programme as part of initial MYFS agreement by end January 2016.</td>
<td>Risk of lack of available funding to secure GM KRN resilience. To be reviewed as part of discussions re initial MYFS</td>
</tr>
<tr>
<td>• DfT / TfGM to convene further meeting to progress concept</td>
<td>target for MYFS (completed)</td>
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<td></td>
<td>• Jan 2016 (pending)</td>
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EARNBACK

Summary:
• Mayoral control of a reformed Earnback deal, within the current envelope of £30 million a year for 30 years, that provides a simplified approach and enables delivery of Metrolink Trafford Park and SEMMS
• Earn Back is funding mechanism that builds on the GM Transport Fund established in 2009. Greater Manchester will be rewarded for demonstrating that the economic benefits and impacts made under the scheme have been delivered. Greater Manchester will be required to put in place an extensive programme of evaluation, including developing an overarching independent assessment framework for Earn Back investments.

Portfolio lead
Sir Richard Leese

CEX lead
Sir Howard Bernstein

Key milestones/tasks | Timescales | Requirements of Government | Risks
---|---|---|---
Mayoral control of a reformed Earnback deal
• GM to draw down funding at the start of each financial year
• Government, GM and the other Earnback/Gainshare cities to agree proposals for the Gateway Review process and appointment of the Independent Panel
• Independent Panel to be appointed
• Gateways to take place on a 5-yearly basis
• Annually
• Complete
• June 2016
• 5 yearly from 2019 - 2039
Final confirmation of the capital/revenue split to 2020
Single gateway review process for all cities leads to delays and overly complex arrangements for independent assessment
**BUSINESS RATES**

**Summary:**
- Mayoral power to introduce a Business Rates supplement, subject to the support of the Mayor’s cabinet and with the agreement of the local business community through the Local Enterprise Partnership, and subject to the implementation of the necessary primary legislation.
- GM to work with Government to consider how risk and volatility are managed within the Business Rates system, including in particular in relation to appeals.

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<tr>
<td>Mayoral power to introduce a Business Rates supplement, subject to the implementation of the necessary primary legislation</td>
<td>• Government to include GM in discussions regarding the design of supplement provisions</td>
<td>• TBC</td>
<td>To progress the development of the primary legislation required to introduce the supplement.</td>
</tr>
</tbody>
</table>
| GM to work with Government to explore how risk and volatility within the current system can be managed | • Work with Government officials to review and update the evidence previously presented regarding the increased impact of appeals and the degree of masking of growth.  
• Renegotiate the Budget 2015 agreement to allow a true measure of growth and hence meaningful reward of growth under the pilot. | • End Jan 2016  
• Engagement throughout and a commitment to work with GM to address volatility and risk within the current system. | Unless these issues are addressed it will be difficult to predict the level of income to be generated, and a significant provision will need to be made for outstanding appeals. |
## BUSINESS SUPPORT

**Summary:**
- Devolution of national Business Growth Service funding to enable GM to provide a fully integrated service to GM businesses
- Ring-fencing of the regional UKTI International trade budget and service subject to agreed protocols for interface with national schemes
- Collaboration between GM and the British Business Bank (BBB) to support SMEs in GM to access the finance and support they need to grow

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<tr>
<th>Portfolio lead</th>
<th>Mayor Ian Stewart</th>
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<td>CEX lead</td>
<td>Mark Hughes</td>
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### Key milestones/tasks | Timescales | Requirements of Government | Risks |
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<tr>
<td>Devolution of national Business Growth Service funding to enable GM to provide a fully integrated service to GM businesses</td>
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<tr>
<td>• Following the decision to close the Business Growth Service GM has held initial discussions with Government to ensure that the commitment to devolve business support budgets is honoured. A letter has been sent from GMCA to BIS requesting the commencement of discussions around the 'equivalent support' that will be provided.</td>
<td>Jan 2016</td>
<td>• Confirm that equivalent support is to be provided and what form this will take.</td>
<td>• 'Equivalent support' not available or may amount to a lot less than the funding that was committed to in the original devolution agreement.</td>
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<td></td>
<td>Feb 2016</td>
<td>• Agree that NW LEPs can utilise MAS assets e.g. brand, data, tools and techniques. Engage in discussions with GM in the future about potential funding opportunities.</td>
<td>• BIS may take a quick decision to opt for a licensing model impacting GM's ability to deliver local priorities. If LEPs do not reach agreement with BIS then there will be a significant gap in support for GM's manufacturing sector.</td>
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<td></td>
<td>Feb 2016</td>
<td>• Engage in discussions with GM about how we can work together to provide a fully integrated service to GM businesses. (Including identification of specific areas of devolution).</td>
<td>• No obvious national business support programme/budget to devolve. Potential lack of engagement from key</td>
</tr>
<tr>
<td>• (In collaboration with BIS and NW LEPs) develop and agree an offer for manufacturing SMEs that is based on the principles of the Manufacturing Advisory Service (MAS). It is intended that the service would have a consistent set of elements across LEPS but with the ability for GM to flex to meet local priorities. To be complemented by a GM manufacturing service (funded through ERDF).</td>
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<tr>
<td>• GM is seeking to recommence discussions with BIS about the wider devolved approach to business support from 2017 e.g. Innovate UK, UKTI</td>
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<tr>
<td>Investment. (Meeting to be arranged between GM and BIS during Feb).</td>
<td>Feb 2016</td>
<td>Facilitate discussions with GT and make decisions on key issues e.g. data transfer,</td>
<td>Lack of engagement from BIS and GT. Potential limits on what BIS are</td>
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<tr>
<td></td>
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<td>appropriate referral mechanisms from other national services. BIS to share with BGH</td>
<td>prepared to share with Growth Hubs.</td>
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<td></td>
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<td>as much information as they can from the client database that they own.</td>
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<tr>
<td>In light of the close down of the Business Growth Service, plan with BIS and</td>
<td>Feb/March 2016</td>
<td>Continue to engage in discussions with GM on what the money will be spent on, how it</td>
<td>That GM does not do as well as other areas in terms of the financial</td>
</tr>
<tr>
<td>Grant Thornton secure a 'transfer of key assets from the BGS to the Business</td>
<td></td>
<td>relates to our devolution deal, what the allocation will be and how the money will</td>
<td>value of our allocation. Potential that the way in which funding can be</td>
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<tr>
<td>Growth Hub.</td>
<td></td>
<td>be transferred.</td>
<td>deployed may not be flexible enough for GM.</td>
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<tr>
<td>Work with BIS Local to secure an allocation of funding from Local Growth Fund that</td>
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<tr>
<td>Government have announced for Growth Hubs. (£12m in 2016/17 and £12m in 2017/18</td>
<td>Feb/March 2016</td>
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<td>to be allocated across 39 LEPs).</td>
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Ring-fencing of the regional UKTI International trade budget and service subject to agreed protocols for interface with national schemes
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<tr>
<td>GM has drafted its international trade action plan and this has been considered by the GM LEP Advisory Board for Business Support and Business Finance. The next steps are to secure formal feedback on this from UKTI and consultation with key GM partners undertaken as part of and in parallel with the consultation on GM’s Internationalisation Strategy.</td>
<td>End Feb 2016</td>
<td>UKTI to provide formal feedback on export plan. GM expects full engagement from UKTI in supporting the agreement (as per the devolution deal) to integrate trade services with our wider approach to business support.</td>
<td>Lack of commitment from UKTI to delivering the agreement included within the devolution deal for a fully integrated service to GM businesses that meets local needs and priorities.</td>
</tr>
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</table>

**Collaboration between GM and the British Business Bank (BBB) to support SMEs in GM to access the finance and support they need to grow**

GMCA has signed an MOU with the British Business Bank (BBB). Key tasks are to; collaborate to build understanding of GM access to the finance market leading to new initiatives and product approaches around agreed market gaps; confirm market need in the sub £500k seed and early stage equity space; and develop a potential fund structure through GM Co-Angel service to maximise opportunities for investment in to this sector. Both parties have committed to regular senior executive meetings to ensure that the MOU is delivered in full.

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<td>First meeting of senior executives scheduled for Feb 2016. Meetings will then be bi-monthly.</td>
<td>Now that the MOU has been signed GM expects full engagement from BBB and a commitment to follow through working flexibly to explore how to best address the themes set out in the MOU</td>
<td>Lack of engagement from BBB to deliver the MOU.</td>
</tr>
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### ENERGY

**Summary:**
- Discuss opportunities for cooperation with DECC which, subject to the outcomes of the Spending Review, will include discussion of areas such as energy efficiency, community energy and business energy tax reform with a view to concluding a more detailed agreement in early 2016

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<tr>
<th>Portfolio lead</th>
<th>Cllr Sue Derbyshire</th>
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<td>CEX lead</td>
<td>Steve Rumbelow</td>
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Key milestones/tasks | Timescales | Requirements of Government | Risks
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- Negotiate a detailed agreement with DECC and HMT to align national policy and programmes with GM low carbon priorities, including the piloting of a local delivery mechanism to demonstrate how national funds for community energy can be used locally to increase uptake; | By end Feb 2016 | - Support the finalisation and delivery of Greater Manchester’s integrated Climate Change and Low Emissions Implementation Plan (CICLEIP).  
- Deliver the commitment to pilot a local delivery mechanism to demonstrate how national funds for community energy can increase uptake;  
- Consider how other national programmes can better support the policy objectives of both Government and GM | - Lack of alignment between national and local initiatives if agreement not reached.  
- Lost opportunity for efficiency gains. 

Other initiatives could potentially include:  
- developing and delivering a smart systems and heat demonstrator through Energy Systems catapult;  
- establishing, on behalf of Local Government, a District Energy Procurement Agency (DEPA) and identification and delivery of a longer term programme of work focused on the procurement and delivery of heat network schemes;  
- piloting of an accelerated local public sector buildings energy efficiency programme;  
- subject to feasibility, establishment of a local authority lead energy enterprise and support HMT in the Business Energy Tax Review to ensure complementarity and maximise effectiveness;  
- also support Government in the redesign of ECO and the delivery of future local home energy efficiency programmes, particularly targeting the fuel poor and integrating with other local policy initiatives e.g. health and regeneration.

**SCIENCE**

**Summary:**  
- Government commits to ensuring there is an opportunity for the strengths and assets of GM to be recognised through the forthcoming Science and Innovation Audit process  
- Subject to final decisions on which areas will undergo a Science and Innovation Audit the Government will offer the GMCA expert advice and support and will prioritise GM for Smart Specialisation Advisory Hub workshops

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<tr>
<td><strong>Government commits to ensuring there is an opportunity for the strengths and assets of GM to be recognised through the forthcoming Science and Innovation Audit process</strong></td>
<td>• EOI submitted by end January 2016.</td>
</tr>
<tr>
<td>• Establish a Task and Finish Group headed by the University of Manchester (Nancy Rothwell) and supported by New Economy to draft and submit an Expression of Interest to BIS by end of January. Audits would then be carried out over the spring to help inform future government spending decisions.</td>
<td>• Audit from March - June 16</td>
</tr>
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</table>
**PUBLIC SERVICE REFORM INVESTMENT FUND**

**Summary:**
- Government and GM to work together to consider how the Combined Authority can be given greater flexibility to invest in and develop innovative approaches to delivering public services.

**Portfolio lead**
- Interim Mayor Tony Lloyd
- Lord Peter Smith
- Cllr Sean Anstee
- Cllr Cliff Morris

**CEX lead**
- Donna Hall

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<td>Government and GM to work together to consider how the Combined Authority can be given greater flexibility to invest in and develop innovative approaches to delivering public services</td>
<td></td>
<td></td>
<td>Establishment of a PSR Investment Fund is critical to the achievement of our reform ambitions. The lack of such a fund will impact on the pace and scale of reform.</td>
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- Establish a GM working group to develop Reform Investment Fund proposals
- Establish Government leads and agree joint programme of work
- Agree areas to be explored for scope of potential fund with Government (i.e. existing funding streams, transformation funding, and ‘new’ funding)
- Develop proposals for focus of initial funding decisions
- Develop GM single outcomes framework proposals (refining existing model developed for SR submission)
- Determine GM funding to be allocated to the Fund (reserves and/or mainstream funding contributions)
- Develop proposed Governance arrangements for Fund
- Develop proposed operating model for the Fund (to include resource requirement, finance, legal and procurement support, decision making structure, etc)

- Initial GM proposals by end of Jan 2016
- GM funding options to be developed by end of Jan 2016 (aligned with action above)
- Proposals discussed with Gov and refined in early Feb
- GM proposal (informed by Government view) submitted for GM consideration late Feb
- GM proposal submitted to Gov March 2016

- Identify lead officers from HMT, CO, and DCLG
- Identify funding streams to be considered for the Fund
- Co-produce governance model and detail of Fund operating principles
- Negotiate with individual departments if proposals require amendments of current funding/performance requirements
- Agree a single outcomes framework for GM reform
### SERVICES FOR CHILDREN

**Summary:**
- GM to work with Government to develop and implement an integrated approach to preventative services for children and young people by April 2017, as a trailblazer for reform of the way that all services for children are delivered

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<th>Portfolio lead</th>
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<tr>
<td>CEX lead</td>
<td>Jim Taylor</td>
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#### Key milestones/tasks | Timescales | Requirements of Government | Risks
--- | --- | --- | ---
GM to work with Government to develop and implement an integrated approach to preventative services for children and young people by April 2017, as a trailblazer for reform of the way that all services for children are delivered
- Develop the analytical baseline and an assessment of best practice to make the case for change
- Produce scoping documents for each workstream, including identification of "quick wins"
- Scope of seven workstreams presented to Government. Scope of all workstreams (Youth Offending Teams, Integrated Health Commissioning and Delivery for Children, Complex Safeguarding, Quality Assurance, Education, Complex Dependency and Early Help, Looked After Children) agreed by government. - complete
- SROs to establish core group of officers from GM to work with DfE on Education, Complex safeguarding and QA workstreams & workshops set up.
- Develop, validate and refine business cases, including a culture strategy and communication plan and a training plan for affected staff
- Implementation of identified quick wins

- Completed end Oct 2015
- Completed end Nov 2015
- End December 2016
- Mid Jan 2016
- End Feb 2016
- From April 2016

- Identify resources to support the core review team including secondees from DfE and CLG
- Governance and accountability: GM / DfE three-weekly review meetings to be scheduled, to April 2016
- Further asks of Government to be developed ahead of Budget 2016

Need to identify core resource for the review - in progress but a risk that review deadlines jeopardised if there is a delay in the appointment to key posts
SKILLS

Summary:

- Work with BIS and DfE to ensure that the Area Based Review process results in local outcomes agreements that meet the economic and educational priorities and outcomes of the Combined Authority and the Local Enterprise Partnership
- Undertake further analysis, working with the Department for Business, Innovation and Skills, in relation to post-19 provision more generally to ensure that the totality of provision meets the needs of the Greater Manchester economy
- Explore with BIS and DfE how the delivery of their respective responsibilities can contribute to aligning outcomes from 16-18 vocational education and commissioning of 19+ adult skills provision
- Discuss with BIS how the Advanced Learner Loans system can best support more residents to progress to Level 3+, and better meet the needs of the Greater Manchester labour market
- Work with Government to explore how the delivery of respective responsibilities can contribute to aligning outcomes from 16-18 vocational education and commissioning of 19+ adult skills provision.

Portfolio lead
Cllr Sean Anstee

CEX lead
Theresa Grant

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<tr>
<td>• Continue to support/lead the Area Based Review (ABR) process, ensuring close alignment with original devolution priorities around redesigning FE system</td>
<td>Nov 2015 – Apr 2016</td>
<td>• Resource in the form of the ABR team working much more closely with GM</td>
<td>• ABR at risk of not delivering a sustainable position for GM: mitigated by GM investing in KPMG resource to ensure baseline and evidence is robust</td>
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<tr>
<td>• Develop a clear financial baseline for all provision across GM: with modelling assumptions for impact on reductions</td>
<td></td>
<td>• Access to data for all post 16 provision</td>
<td>• Data is not delivered in a timely manner on an ongoing basis</td>
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<tr>
<td>• Ensure review outcomes are communicated to local employer groups to enable employer involvement in development of local agreements</td>
<td></td>
<td>• Support for the outcomes of the ABR - including working to ensure the implementation plan is delivered Financial restructuring fund (if appropriate)</td>
<td>• Implementation of the ABR will require resource</td>
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<td>• Further develop engagement with all stakeholders including political, LA &amp; Trade Unions</td>
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Undertake further analysis, working with the Department for Business, Innovation and Skills, in relation to post-19 provision more generally to ensure that the totality of provision meets the needs of the Greater Manchester economy
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| • Conduct sector deep dive research sector to provide us with overarching GM forecasts by sector / qualification level; outline expansion and replacement demand; provide in-depth information relating to growth opportunities for specific districts  
• Use deep dive research to assist with further curriculum analysis and support decisions around the location of specialisms as a result of the review  
• Undertake detailed financial analysis of FE colleges (including financial position for each individual college for 2014/15 and 2015/16; and longer term forecasts to 2020) to inform financial baseline  
• Hold workshops for general FE and Sixth Form Colleges to communicate research and analysis and to enhance the review process by collaborative consideration of options information.  
• Work closely with GMLPN, GM colleges, employer groups to ensure the totality of post-16 provision meets needs of GM economy  
• Establish a strong role for GM employers to be proactively involved in shaping the curriculum to meet future needs – embedding work experience and enterprise skills (use of ESF to drive this initially). | Nov 2015 – Mar 2016 | • Access to data for all post 16 provision.  
• Agree methodology of further analysis so Gov is bought into its conclusions - including any implications on pre-conditions for further devolution of funding to GM (such as how historic liabilities are dealt with, linking future budget and entitlement setting etc.) | • Data is not provided in a timely manner  
• Engagement with all parties is critical: risk around non engagement and sharing of information for those that sit outside of ABR  
• Limited resource available to instigate change |
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<td>Explore with BIS and DfE how the delivery of their respective responsibilities can contribute to aligning outcomes from 16-18 vocational education and commissioning of 19+ adult skills provision</td>
<td>Nov 2015 – Mar 2016</td>
<td>- Commitment from BIS/DWP/DfE to have open discussion about all Post 16 requirements in GM</td>
<td>- Government departments are not willing to explore joining outcomes and funding pathways</td>
</tr>
<tr>
<td>- Continue to develop deeper understanding of the impact of ensuring that future provision is responsive to both the labour market and our local funding mechanisms</td>
<td></td>
<td>- Commitment to follow through on those discussions to ensure provision is contracted in line with them by various departments, to ensure alignment</td>
<td>- Limited resource available to instigate change</td>
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<tr>
<td>- Ensure that GM work and skills related strategies, including CEIAG and RPA, are aligned with outcomes</td>
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<td>- Limited resource and accountability around CEIAG</td>
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<td>- Develop clear plan of the appropriate provision requirements within GM - post 16</td>
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<tr>
<td>Discuss with BIS how the Advanced Learner Loans system can best support more residents to progress to Level 3+, and better meet the needs of the Greater Manchester labour market</td>
<td>Nov 2015 – Mar 2016</td>
<td>- Flexibility around Adult Learner Loan criteria to meet needs of GM economy, as part of the holistic system</td>
<td>- Learner loan menu does not support GM needs</td>
</tr>
<tr>
<td>- Develop deeper understanding of the impact of learner loans by conducting impact analysis, building on research already carried out, in order to develop proposals that support residents in line with GMS priorities</td>
<td></td>
<td>- Decrease in learner loans uptake due to policy shift to levy</td>
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<td>- Explore how local outcome agreements should take into account the changes to the learner loans system in relation to local accountability of providers to progress individuals to higher level skills</td>
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<tr>
<td>Work with Government to explore how the delivery of respective responsibilities can contribute to aligning outcomes from 16-18 vocational education and commissioning of 19+ adult skills provision</td>
<td>Feb 16- Jun 16</td>
<td>- Organise a meeting with respective senior officials across Government</td>
<td>- Government departments are not willing to explore joining outcomes and funding pathways</td>
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<tr>
<td>- Work with DFE, DWP &amp; BIS to look at aligning outcomes for all age learners</td>
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<td>- Sharing of data across agency</td>
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<tr>
<td>- Mapping of various outcomes and transition points between ages of learners</td>
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<td>- Impact on learners at each transition point</td>
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</tbody>
</table>
## APPRENTICESHIPS

**Summary:**
- GM to work with Government to maximise the opportunities presented by the introduction of apprenticeship reforms (including the levy)
- GM to explore with Government how public sector partners in Greater Manchester could collaborate to take full advantage of the Government’s apprenticeship programme to support new ways of working in the public sector and stimulate progression pathways at all levels within Greater Manchester

<table>
<thead>
<tr>
<th>Portfolio lead</th>
<th>Cllr Sean Anstee</th>
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<tbody>
<tr>
<td>CEX lead</td>
<td>Theresa Grant</td>
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<thead>
<tr>
<th>Key milestones/tasks</th>
<th>Timescales</th>
<th>Requirements of Government</th>
<th>Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Work with Government to maximise the opportunities presented by the introduction of the apprenticeship reforms (including the levy)</strong></td>
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<tr>
<td>• Conduct analysis of employer base to determine how many GM employers are liable to pay the Apprenticeship levy</td>
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<tr>
<td>• Ensure local funding mechanisms (in line with devolution reforms) allow for employers to maximise on the opportunities presented by the Apprenticeship reforms</td>
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<tr>
<td>• Explore options and develop recommendations for how will retain unspent Apprenticeship levy</td>
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<tr>
<td>Nov 2015 – Mar 2016</td>
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<tr>
<td>Work with GM to develop clear Apprenticeship Levy implementation in GM which supports GMs economic plans - including ensuring how levy revenues raised in relation to GM are spend in GM</td>
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<tr>
<td>• Consultation response from BIS does not allow levy paying organisations to support supply chains</td>
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<tr>
<td>• HMRC limit the ability to pool.</td>
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</table>

| **Explore with Government how public sector partners in Greater Manchester could collaborate to take full advantage of the Government’s apprenticeship programme to support new ways of working in the public sector and stimulate progression pathways at all levels within Greater Manchester** |
### Key milestones/tasks

<table>
<thead>
<tr>
<th>Requirements of Government</th>
<th>Timescales</th>
<th>Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support for creating and implementing ring fence allocation for GM public services &amp; NHS</td>
<td>Nov 2015 – Mar 2016</td>
<td>Guidance on Apprenticeship levy not supportive of ambition to pool vouchers</td>
</tr>
</tbody>
</table>

#### EMPLOYMENT SUPPORT

**Summary:**
- Commence detailed discussions with Government regarding how Greater Manchester can shape every element of the commissioning process - from strategy to service design, managing provider relationships and reviewing service provision

**Portfolio lead**
Cllr Sean Anstee

**CEX lead**
Theresa Grant

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### Key milestones/tasks

<table>
<thead>
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<tr>
<td>Key milestones/tasks</td>
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<td>Requirements of Government</td>
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<tr>
<td>Work with DWP to shape detail of new Work &amp; Health Programme, including:</td>
<td>Dec 2015 – Apr 2016</td>
<td>• Identify SRO and joint programme team</td>
</tr>
<tr>
<td>• Commissioning strategy &amp; timetable,</td>
<td></td>
<td>• Provide details of funding settlement for Work &amp; Health Programme</td>
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<tr>
<td>• Cohorts for the programme,</td>
<td></td>
<td>• Agree for programme to be commissioned on a GMCA footprint</td>
</tr>
<tr>
<td>• Financial model,</td>
<td></td>
<td>• Support GM to develop required administrative tools to deliver programme (referrals,</td>
</tr>
<tr>
<td>• Programme management,</td>
<td></td>
<td>payments, performance management, validation)</td>
</tr>
<tr>
<td>• Evaluation</td>
<td>Apr 2016 – Mar 2017</td>
<td></td>
</tr>
<tr>
<td>Work with DWP to ensure new Work &amp; Health Programme operational by April 2017,</td>
<td>Dec 2015 – April 2016</td>
<td>• Agree and deliver a joint integration plan</td>
</tr>
<tr>
<td>building on the Working Well Expansion:</td>
<td></td>
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<tr>
<td>• Managing commissioning process</td>
<td></td>
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<tr>
<td>• Appointing new provider(s)</td>
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<td>• Securing investment</td>
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<tr>
<td>• Creating a skills &amp; employment delivery ‘eco-system’</td>
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<td>Use the joint JCP/GMCA estates strategy to facilitate an integrated employment</td>
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<td>support system for all benefit claimants:</td>
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<tr>
<td>• Identify all co-location opportunities</td>
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<td>• Agree co-location implementation timetable</td>
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<tr>
<td>BLUE LIGHT SERVICES</td>
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<td><strong>Summary:</strong></td>
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<tr>
<td>• Transfer of the role currently undertaken by the Police and Crime Commissioner</td>
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<td>to the directly elected Mayor</td>
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<tr>
<td>• Transfer of responsibility for the functions currently exercised by the GM Fire</td>
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<td>and Rescue Authority to the directly elected Mayor</td>
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<tr>
<td><strong>Portfolio lead</strong></td>
<td>Cllr Mike Connolly</td>
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<tr>
<td><strong>CEX lead</strong></td>
<td>Mike Owen</td>
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<tr>
<td>Key milestones/tasks</td>
<td>Timescales</td>
<td>Requirements of Government</td>
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<td>------------------------------------------------------------------------------------</td>
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<tr>
<td><strong>Transfer of the role currently undertaken by the Police and Crime Commissioner to the directly elected Mayor</strong></td>
<td>• Order to be laid by end Jan 2016&lt;br&gt;• Statutory Instrument in place by May 2016</td>
<td>• Assistance in the drafting of legislation&lt;br&gt;• A commitment to ensure that legislation passes through parliament expediently</td>
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<tr>
<td>This will be picked up as part of the work currently underway to draft the secondary legislation required to draw down the additional powers secured by GM</td>
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<tr>
<td><strong>Transfer of responsibility for the functions currently exercised by the GM Fire and Rescue Authority to the directly elected Mayor</strong></td>
<td>• Order to be laid by end Jan 2016&lt;br&gt;• Statutory Instrument in place by May 2016</td>
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## EVALUATION

### Summary:
- Development of a monitoring and evaluation framework to cover all aspects of devolution

<table>
<thead>
<tr>
<th>Portfolio lead</th>
<th>Interim Mayor Tony Lloyd</th>
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<tbody>
<tr>
<td>CEX lead</td>
<td>Sir Howard Bernstein</td>
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</table>

### Key milestones/tasks
- Develop an over-arching meta-evaluation of the process by which devolution to GM is implemented. Feasibility study to be commissioned jointly with Government to ensure that the meta-evaluation meets the needs of both GM and Government.
- Introduce individual evaluation arrangements covering each of the policy areas referenced in the various devolution agreements, building on existing evaluation activity where this exists.

### Timescales
- Feasibility study to be completed by June 2016
- Ongoing

### Requirements of Government
- Support in the development of the framework – it will be jointly owned by Government and GM

### Risks
- Lack of available funding for the meta-evaluation and some individual evaluations
### TRANSITION

<table>
<thead>
<tr>
<th>Summary:</th>
<th>A comprehensive programme of work to ensure a seamless transition to devolved arrangements, including workstreams in relation to:</th>
</tr>
</thead>
</table>
| Governance | o Governance  
|             | o Legal issues  
|             | o Resourcing  
|             | o Communications |

<table>
<thead>
<tr>
<th>Portfolio lead</th>
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<td>Risks</td>
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<tr>
<td>Legislative requirements</td>
<td></td>
<td>• Assistance in the drafting of legislation</td>
<td>Risk that delays in the Parliamentary process mean that the necessary legislation is not in place in time for Mayoral elections in March 2017</td>
</tr>
<tr>
<td>• Draft initial Order to establish the post of directly</td>
<td>• End Jan 2016</td>
<td>• A commitment to ensure that legislation passes through parliament expediently</td>
<td>The introduction of a GM elected Mayor is dependent on the introduction of primary legislation to support bus franchising.</td>
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<tr>
<td>elected Mayor and extend the period of office of the</td>
<td>• End March 2016</td>
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<tr>
<td>current PCC to May 2017</td>
<td>• End June 2016</td>
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<tr>
<td>• Specify the secondary legislation required to draw</td>
<td>• June 2016</td>
<td></td>
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<tr>
<td>down additional powers and responsibilities to the</td>
<td>• Nov 2016</td>
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<tr>
<td>GMCA and elected Mayor, and determine the sequencing of</td>
<td>• March 2016</td>
<td></td>
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<tr>
<td>the required Orders</td>
<td>• To be complete by April 2017</td>
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<tr>
<td>• Draft remaining Orders</td>
<td>• To be complete by April 2017</td>
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<tr>
<td>• Lay Orders before Parliament</td>
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<tr>
<td>• Statutory Instruments in place</td>
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<tr>
<td>Confirm arrangements for the Mayoral election in May 2017</td>
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<tr>
<td>• Conduct rules to be lodged with the Electoral</td>
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<td>Commission by March 2016</td>
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<tr>
<td>Review of the GMCA and AGMA constitutions</td>
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<tr>
<td>Review of GM scrutiny arrangements</td>
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<tr>
<td>Legal</td>
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<tr>
<td>• Consideration of the legal implications of devolved</td>
<td>• Underway and ongoing</td>
<td>Advice and guidance on the issues to be considered and the provision of good practice</td>
<td>The GMCA will be assuming responsibility and liability for a range of additional functions: the transfer of such functions must meet legal requirements</td>
</tr>
<tr>
<td>arrangements, including issues in relation to</td>
<td></td>
<td>examples where available</td>
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<td>employment, existing contracts and assets</td>
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<td>Resourcing</td>
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<tr>
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<td>Timescales</td>
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<tr>
<td>Ensure that appropriate arrangements are put in place to support the GMCA and directly elected Mayor, including • Accommodation • Staff resources • HR support • Financial systems and audit arrangements • IT systems</td>
<td>• Underway: revised arrangements to be introduced in a phased manner in the run up to May 2017</td>
<td>• Underway and ongoing Support of the key messages communicated, and consistency with GM messages in any Government communications</td>
<td>Delays in introducing appropriate arrangements will lead to inefficiencies and additional costs being incurred</td>
</tr>
</tbody>
</table>

**Communications**

Effective communications will be required to ensure that all stakeholders understand the rationale for the introduction of devolved arrangements, what those arrangements mean from them, and what their role will be within those arrangements

That residents, businesses, partners and stakeholders do not understand the changes that are being implemented and therefore are not able to support delivery of GM’s ambitions
Date: 29th January 2016

Subject: GM Area Based Review

Report of: Cllr Sean Anstee, Portfolio Lead for Skills, Employment and Worklessness and Theresa Grant, Portfolio lead Chief Executive for Skills, Employment and Worklessness

PURPOSE OF REPORT
The purpose of this draft report is to update the GMCA on the Area Based Review progress following the last meeting in November 2015.

RECOMMENDATIONS:
That members note and discuss the information set out in the paper.

CONTACT OFFICERS:
Theresa Grant, Chief Executive, Trafford MBC
Simon Nokes, Managing Director, New Economy

BACKGROUND PAPERS:

<table>
<thead>
<tr>
<th>TRACKING/PROCESS</th>
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<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>
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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>
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<table>
<thead>
<tr>
<th>AGMA Commission</th>
<th>TfGM</th>
<th>Scrutiny Pool</th>
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<tbody>
<tr>
<td>[Date considered at 1 of the 6 AGMA Commissions; if appropriate]</td>
<td>[Date considered at TfGM; if appropriate]</td>
<td>[Date considered/or to be considered at Scrutiny Pool; if appropriate]</td>
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</table>
1 INTRODUCTION

1.1 Members will recall that the report of the 27th November 2015 set out the background to the Area Based Review (ABR) process which forms part of the national reforms to the post-16 education sector, with the aim of raising productivity and economic growth.

1.2 To reiterate, Government has set out objectives for post-16 education reforms, these are:

- Providing clear, high quality professional and technical routes to employment, alongside robust academic routes, which allow individuals to progress to high level skills valued by employers;
- Better responsiveness to local employer needs and economic priorities, for instance through local commissioning of adult provision, which will help give the sector the agility to meet changing skills requirements in the years ahead.

2. Background

2.1 As discussed at the last meeting, a draft set of GM criteria were agreed against those outlined in the ABR guidance published by Government, to ensure that GM is able to achieve the outcomes needed for the economy and individuals from the ABR process. The outline GM criteria covered the following statements:

- an offer that meets each area’s educational and economic needs;
- sufficient access to high quality and relevant education and training for all;
- providers with strong reputations and greater specialisation
- provision which reflects changes in government funding priorities and future demand.
- institutions which are financially viable, sustainable, resilient and efficient, and deliver maximum value for public investment

2.2 These criteria have been consulted on with Principals and the private sector and widely supported as outline criteria. They are being further developed to ensure that they can be used and embedded within the BIS Appraisal Process for the ABR outcomes. Therefore a more refined and specific set of appraisal criteria will be brought back to the GMCA in February following the additional workshops for the ABR as set out in the report.
2.3 The draft/outline criteria agreed by GMCA at its November meeting are attached as **Annex 1** to this report for reference.

3. **GM Context**

3.1 It is important to remember that under devolution GM was keen to ensure the ABR process supported our growth and reform agenda, as well as enabling the creation of an effective infrastructure across the post-16 education and training landscape.

3.2 It was previously discussed that there was a need to ensure the ABR was truly reflective of the GM post 16 landscape and not just a process to ensure financial sustainability of colleges. Following the Autumn Statement a further GM Devolution agreement was announced which committed GM to a full analysis of all post 16 provision to be undertaken by the end of the financial year. This will then feed into the subsequent phasing of the ABR to guarantee provision is meeting skill needs across GM at all levels.

3.3 Also announced in the devolution deal was the commitment for The Department for Business, Innovation and Skills, the Department for Education and the Greater Manchester Combined Authority to work together to ensure that the Area Review process results in local outcomes agreements that meet the economic and educational priorities and outcomes of the Combined Authority and the Local Enterprise Partnership.

3.4 The November deal also announced that Sixth Form Colleges (SFC’s) are now able to convert to academies or join multi-academy trusts. A workshop for SFC’s will be scheduled following publication of further guidance.

3.5 The full GM Devolution agreement for Work & Skills following the Autumn Statement is set out in **Annex 2**

4. **PROGRESS TO DATE**

4.1 Greater Manchester’s review commenced on 21st September and to date there has been 3 meetings of the Steering Group. All college site visits (and subsequent reports) have been completed.

4.2 At the last Steering Group it was agreed to extend the ABR process to allow for further analysis to be undertaken. There is now extensive work going on to support and enhance the BIS process in terms of
ensuring that all of the evidence and data used by BIS is accurate and robust enough to make sound judgements. In addition there is considerable GM data which we are building into the overall process.

4.3 This work includes:

- detailed sector deep dive research which will provide us with overarching GM forecasts by sector and qualification level, outlining both expansion and replacement demand. This will assist with understanding curriculum needs and areas of specialism
- population forecasts by District to ensure clarity on future volumes of clients likely to flow through into the post 16 system
- current curriculum provision
- a financial analysis of the current college providers

5. NEXT STEPS

5.1 On 1st February there will be a full day workshop for GFE colleges in which a financial analysis, commissioned jointly by GM & GM Colleges Group and produced by KPMG, will be presented. This will include the financial position for each individual college for 2014/15 and 2015/16 and longer term forecasts to potentially 2020 along with a GM picture of the sector. These forecasts will be based on assumptions including colleges’ own assumptions around funding income, efficiency and cost reduction; national policy assumptions; and assumptions around enrolment levels and demographic change. College assumptions will be reviewed to ensure realism at an aggregate level across GM in relation to issues such as growth in numbers, demand and market share

5.2 Following this will be a discussion of the implications of the profiles based on economic / policy context, for example does it look like we have sufficient capacity in digital skills currently to meet future employer demand. Although difficult, these discussions will be critical in getting us to a stage whereby the colleges & GM understand and agree the implications of the information produced by the analysis, and how this will be used to create a financial baseline to inform the development of options for the final stages of the review.

5.3 As mentioned above, the criteria agreed at the last GMCA will be refined and used to develop an appraisal process against which all options will be scored. This, along with the work outlined above, will
ensure that options proposed through the ABR process will meet the needs of GM and be financially sustainable to meet future demand.

5.4 In considering the options from the Area based Review, GM will want to factor in the potential cumulative impact from a range of decisions on changes to public services in an area e.g. Local Authority, Health, Courts and JCP (i.e. a placed based approach).

5.5 Much of the information collected via the ABR process, as described above, will also support GM to develop an Outcomes Framework against which future provision will be driven. This framework will be important as GM moves increasingly to specify the provision it needs and, potentially, towards devolved funding. It will need to ensure all provision develops the employability skills/core competencies needed by individuals and the GM economy, as well as higher level skills.

5.6 Below is an indicative timeframe for completion of the review:

<table>
<thead>
<tr>
<th>Action</th>
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<tbody>
<tr>
<td><strong>Workshop for General FE Colleges (full day):</strong></td>
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<tr>
<td>• Presentation and analysis of data set mapped</td>
<td>1st Feb 2016</td>
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<tr>
<td>• Forward looking analysis of implications of policies, GM priorities and financials</td>
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<td>• Discuss options for consideration / development / appraisal criteria</td>
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<td>• Professional advice on legal / financial implications of options</td>
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<tr>
<td>• Agree timetable process for options development and criteria to be used</td>
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<tr>
<td><strong>Sixth Form College (Full Day Workshop)</strong></td>
<td>Mid Feb 2016</td>
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<tr>
<td><strong>Workshop all colleges (full day)</strong></td>
<td></td>
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<tr>
<td>• Options development - Phase 1</td>
<td>25th Feb 2016</td>
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<tr>
<td>• Criteria development for appraisal</td>
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<td>Active engagement by ABR team / CA throughout</td>
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<tr>
<td><strong>Options appraisal developed</strong></td>
<td>By mid-March</td>
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<tr>
<td><strong>Steering Group meeting 4</strong></td>
<td></td>
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<tr>
<td>• Recommendations from options appraisal</td>
<td>21st April 2016</td>
</tr>
<tr>
<td>• Next steps and progression to Phase 2</td>
<td></td>
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<tr>
<td><strong>Steering Group meeting 5</strong></td>
<td></td>
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<tr>
<td>• Agreement of final recommendations</td>
<td>25th May 2016</td>
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</tbody>
</table>
6. **CONCLUSION**

6.1 To date, the review has progressed well with all parties involved showing high levels of positive engagement. The next steps, including the workshop at the beginning of February, will be challenging in terms of securing the buy-in from institutions; particularly where difficult decisions may need to be made about future provision. The additional commissioned work on financial modelling and sector deep dive research will be particularly useful at this point in helping to enable GM to deliver the system that will be responsive to the needs of learners, employers and the economy; and ultimately allow us to implement the wider skills and employment flexibilities agreed through devolution.
Annex 1 KEY CRITERIA FOR GM

The outcomes of the Review process are significant in terms of supporting GM’s ambitions around growth and reform and key to delivering aspects of the devolution agreement. Therefore, it is essential that key criteria are following initial discussions by Leaders and applied to the process. The Guidance provided by BIS around the Area Based Review has set out 5 criteria outlined below. It is proposed that GM therefore uses these as a template to suggest additional criteria specificity to meet GM priorities. Initial criteria are outlined below and the GMCA are asked to discuss and approve these on the basis that they will then be further developed and implemented into the BIS Appraisal process.

Following initial discussion with Leaders, the GM and the ABR team have engaged with Principals and employers around the draft criteria. Further engagement and refinement is required to develop and finalise the BIS appraisal process but initial discussion have been positive as the criteria set out below build on the previous devolution ambitions for work & skills across GM.

1) An offer that meets each area’s educational and economic needs

Initial GM criteria:
- Proposals using GM Labour Market Intelligence and future skills requirements that better delivers the higher level and technical skills required by GM’s core and growth sectors
- Proposals with a strong role for employers both in shaping the curriculum to meet future needs or supporting delivery – embedding work experience, enterprise skills and knowledge transfer
- Provision which integrates timely, quality Careers Education, Information, Advice and Guidance (CEIAG) building on successful GM initiatives
- Proposals which are focused on outcomes, not only qualifications, reducing the number of NEETs and increasing English/Maths attainment by age 19 as well as employment opportunities.
- Proposals that support an integrated approach to skills/employment/provision, in different places, including post 16, delivered through different models which have the individual and employer at its heart.

2) Sufficient access to high quality and relevant education training for all

Initial GM criteria:
- Access to L2/3 and below provision within each area of GM (a presence in each district), but with specialist higher level provision,
working closely with GM’s employers, at specific sites in GM with excellent transport connections- recognising travel to learn patterns.

- Proposals with clear pathways for progression to further/higher education or into employment and to develop higher level skills to drive up productivity
- Strong collaboration between institutions and employers to ensure there are seamless progression routes for people across geographies.
- Strong academic post 16 offer, distinct from general FE, with more young people succeeding in STEM subjects at Level 3
- Ensuring that there is sufficient provision for adults and learners with Special Educational Needs and Disabilities

3) Providers with strong reputations and greater specialisation

Initial GM criteria:

- Remove duplication in provision (both at local level and across GM specifically for level 3+)
- Proposals built on the existing strengths of institutions as demonstrated through volumes delivered, Ofsted grading and learner/employer ratings
- Greater specialisation focused on level 3+ provision including the opportunity for one or more Institutes of Technology in GM: GM to be at the forefront of developing innovative models.
- Focus on growing provision in key GM sectors where skills shortages are emerging and impacting on growth
- Demonstrating and delivering clear progression routes to further education or skilled employment

4) Provision which reflects changes in government funding priorities and future demand

Initial GM criteria:

- Proposals that deliver significantly more 16-18 apprenticeships, with a focus on level 3 apprenticeships in GM's key economic sectors
- Growing the number of level 3 apprenticeships for those already in employment
- Increasing GM employment rates by supporting progression into work
- Reducing reliance on public funding by growing provision funded through adults loans, apprenticeship levy and direct employer investment
- Proposals which are flexible to meet changing future demand, including new models of delivery & virtual learning (not just investment in fixed infrastructure costs and traditional institutions)

5) Institutions which are financially viable, sustainable, resilient and efficient, and deliver maximum value for public investment

Initial GM criteria:
- Financially viable tested against the expected reductions in both 16-18 and 19+ budgets to 2020
- Greater efficiency against the key cost drivers, at least meeting national benchmarks recently set out by the FE Commissioner
- Make more efficient use of the land, buildings and technology in line with ‘one public estate’- allowing delivery in a varied range of the whole public estate.
- Proposals with strong leadership and management, with reduced overhead/back office costs & flexibility to support different models in different places.
- Creating the right infrastructure for the future, for GM learners and the economy, rather than protecting any one existing institution.
- Exploring all models of delivery including greater commission of activity from third parties and business led.

Skills

The Department for Business, Innovation and Skills, the Department for Education and the Greater Manchester Combined Authority will work together to ensure that the Area Review process results in local outcomes agreements that meet the economic and educational priorities and outcomes of the Combined Authority and the Local Enterprise Partnership.

The Greater Manchester Combined Authority will undertake further analysis, working with the Department for Business, Innovation and Skills, in relation to post-19 provision more generally to ensure that the totality of provision meets the needs of the Greater Manchester economy. This analysis will be completed by the end of the financial year to enable a discussion of further devolution of responsibility for 19+ funding to Greater Manchester.

Within the context of the existing national 16-19 policy, funding and accountability framework and the progress and outcomes of the area review, the Department for Education, the Department for Business, Innovation and Skills and the Greater Manchester Combined Authority will explore how the delivery of their respective responsibilities can contribute to aligning outcomes from 16-18 vocational education and commissioning of 19+ adult skills provision. This will be with the objective of better meeting the needs of the Greater Manchester economy, as part of the overall skills and employment system being developed in Greater Manchester.

The Department for Business, Innovation and Skills and the Greater Manchester Combined Authority will discuss how the Advanced Learner Loans system can best support more residents to progress to Level 3+, and better meet the needs of the Greater Manchester labour market.

Apprenticeships

The Greater Manchester Combined Authority and the Government commit to working together to maximise the opportunities presented by the introduction of the apprenticeship reforms (including the levy). This will include: working with employers to recognise the value of apprenticeships in driving productivity; putting in place appropriate high quality careers education, information, advice and guidance so that apprenticeships are seen as an equally valuable progression route for all individuals leaving school/college; and specific work around Greater Manchester public services including health to generate high quality apprenticeships to drive demand and support public service reform.

The Government and Greater Manchester will discuss how, within the national framework where individual employers have control of their levy contributions, public sector partners in Greater Manchester could collaborate to take full advantage of the Government’s apprenticeship programme to support new
ways of working in the public sector and stimulate progression pathways at all levels within Greater Manchester

**Employment Support**

Government re-confirms its commitment to joint commissioning with Greater Manchester of employment programme support outside of the Jobcentre Plus regime, to assist the long term unemployed and those with health conditions and disabilities to (re)-enter work, as outlined in the November 2014 Agreement and the subsequent agreement announced as part of the 2015 Summer Budget. The Department for Work and Pensions and Greater Manchester will continue to consider other areas, including in relation to Jobcentre Plus, in which to collaborate to improve labour market outcomes.

In particular Government and Greater Manchester agree that following the publication of the Spending Review they will commence detailed discussions on how Greater Manchester can shape every element of the commissioning process - from strategy to service design, managing provider relationships and reviewing service provision. The intention is to finalise all of these discussions by the end of this financial year.
1. INTRODUCTION

1.1 Over the past 8 months Greater Manchester (GM) has been working with LinkedIn to explore how LinkedIn can contribute to GM’s skills agenda and the growth of GM’s economy. A central part of this collaboration was LinkedIn’s commitment to analyse its records for its members who live and/or work in GM to provide new information on GM’s labour market. This analysis is now complete and the findings are being launched in a report entitled ‘Greater Creators’. This note sets out key findings from the research, ahead of a launch event on 29th January.

2. BACKGROUND TO THE LINKEDIN-GM PARTNERSHIP

2.1 LinkedIn has a vision to create economic opportunity for every member of the global workforce. It is progressing this by working in partnership with public authorities to create ‘Economic Graphs’ for cities across the world. LinkedIn’s first partnership was with New York City to analyse the city’s tech sector. LinkedIn wanted to create an ‘Economic Graph’ for a European city and selected GM because of our strong tech sector, track-record of collaborative working and effective delivery, and the potential that skills devolution brings for analysis to inform change on the ground.

2.2 Rather than simply undertaking a one-off piece of analysis of LinkedIn’s dataset, GM has entered into a long-term strategic relationship with LinkedIn, entitled #ProjectManchester with the aim of supporting residents already working in GM, or those looking to work in the city region, to advance their skills and careers.

2.3 ProjectManchester was launched in June 2015, with LinkedIn embarking on a high profile marketing campaign across the city region that aimed to encourage professionals to add their latest skills,
education, and employment history to their profiles, or create a LinkedIn profile.

3. **KEY FINDINGS FROM THE RESEARCH**

3.1 This Economic Graph uses the workforce data held by LinkedIn – including current jobs, past jobs, education and skills – to analyse GM’s labour market in specified areas and sectors. 614,000 LinkedIn members are located in GM and over 50,000 companies are represented on the site. This gives a good level of coverage of GM’s labour market, particularly in sectors such as financial & professional services, public administration & education, and tech/telecoms.

3.2 The analysis provides a range of cutting-edge data and analysis that has not been available before and is not available to other cities. Although there are limitations to the data and to what LinkedIn are able to make available, the research complements GM’s wider labour market analysis. LinkedIn analysed their records for all of GM. No analysis was undertaken at a sub-GM level meaning that district comparisons are not possible.

3.3 Overall, the LinkedIn Greater Creators report provides a positive analysis that reinforces GM’s position as an increasingly important digital/creative hub at the heart of the Northern Powerhouse. Key messages include:

- LinkedIn conclude that the data highlight the unique role of GM as a hub for people with digital, creative skills. This is a positive message which gives GM a good narrative to push locally, nationally and internationally as part of our strategy to develop the digital/tech/creative economy.

- LinkedIn highlight that members proficient in social media marketing, events coordination, data mining, and analytical problem solving skills have been in high demand over the past 12 months. GM is also importing people with digital skills, with the top 3 skill clusters GM is gaining from London being Digital and Online Marketing; User Interface Design; and TV & Video Production.

- The analysis also highlights the strong links between London and GM and the important role GM plays at the heart of the Northern Powerhouse. London was the number one destination for residents leaving GM and the number one location of origin for new residents to GM. Outside London, the strongest links are to major cities and towns in the North of England. LinkedIn conclude
that “connection behavior between members suggests that Greater Manchester is an economic hub for the North”.

4. **LAUNCH EVENT**

4.1 To highlight these messages to a wider audience, a launch event is taking place on 29th January 2016 at Guardsman Tony Downes House in Droylsden from 2pm to 3pm.

4.2 Speaking at the event will be the Rt Hon Matthew Hancock MP, Minister for the Cabinet Office; Tony Lloyd, Interim Mayor, Greater Manchester; Sean Anstee, Leader of Trafford Council; and Josh Graff, UK Country Manager, LinkedIn. Presentations from the speakers will be followed by a short Q&A session.

4.3 The event will be attended by around 50 key stakeholders and local and national press have also been invited.

5. **NEXT STEPS**

5.1 The analysis will support the GMCA and partners to develop economic and skills strategies and programmes based on cutting-edge data and analysis. Specific ways that the analysis will be acted on include:

- It will inform the development, alongside GM’s wider evidence base, of a **GM Digital Skills Action Plan**, which will set out the short, medium and long term actions GM will undertake to respond to its digital skills challenges. This Action Plan – due to be finalised in Spring – will ensure that GM will respond to the LinkedIn report findings through practical actions. Consultation with employers and stakeholders is still on-going, but themes include boosting degree apprenticeship numbers, upskilling the existing workforce in digital skills, embedding digital skills across the schools and college curricula, and improving digital careers guidance.

- Through the Digital Skills Action Plan, it will inform the implementation of the **devolution deal**, specifically the reshaping of further education and training provision to better meet the needs of employers and residents. Messages will also be fed into the **Area Based Review** process that is on-going at the moment.

5.2 The research will set the agenda for the next phase of GM’s partnership with LinkedIn. The agenda for this is still emerging but LinkedIn are keen to explore how they could work with GM stakeholders on improving Careers Advice, as part of the implementation of GM’s **careers education, information, advice and guidance strategy**.
Date: 29 January 2016
Subject: Metrolink 2017
Report of: Tony Lloyd, GM Interim Mayor Portfolio Lead for Transport and Jon Lamonte Chief Executive, TfGM

PURPOSE OF REPORT

This report provides the GMCA with an update on the progress of the Metrolink 2017 project to procure a contract for the operation and maintenance of Metrolink from July 2017, when the current contract expires. It also seeks the GMCA’s endorsement of the proposed service pattern for inclusion in the contract specification for the purpose of the bidding process.

RECOMMENDATIONS:

Members are recommended to:

(i) Note the current position of the project; and
(ii) Approve the proposed service pattern for inclusion in the specification.

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Daniel Vaughan 0161 244 1519 daniel.vaughan@tfgm.com
BACKGROUND PAPERS:

Background papers must be listed, particularly anything referenced within the body of the report.

Presentation to the Transport for Greater Manchester Committee dated 16th January 2015.

Report to Transport for Greater Manchester Committee dated 15th January 2016

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<td>15th January 2016</td>
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</table>

Risk Management – see paragraph 2.3

Legal Considerations – see paragraph 4

Financial Consequences – Revenue – see paragraph 6

Financial Consequences – Capital – see paragraph 5.3
1. INTRODUCTION AND BACKGROUND

1.1 The Metrolink 2017 project (M2017) has been established to procure a service provider to operate and maintain the Metrolink system following expiry of the current contract in July 2017.

1.2 The objectives and proposed approach to delivery of M2017 were presented to TfGMC at its meeting on 16 January 2015. Since then, work has continued to deliver the project to the point where a shortlist of bidders has been identified and draft tender documentation developed.

1.3 The purpose of this report is to brief the GMCA on the key features of the tender documentation, including the specification for the services against which bidders will be requested to price their proposals, prior to finalisation of the documentation and issue to the shortlisted bidders.

2. PROCUREMENT PROCEDURE

2.1 The procurement is being undertaken through the negotiated procedure under the Utilities Contract Regulations 2006. It is also being undertaken in compliance with European Regulation (EC) No 1370/2007 of 23 October 2007 on public passenger transport services by rail and by road.

2.2 Following advertisement in the Official Journal of the European Union (OJEU) in May 2015, the following bidders were shortlisted to participate in the procurement (in alphabetical order):

| Keolis Amey | Comprising – Keolis UK and Amey Rail Ltd to form Keolis Amey Metrolink |
| National Express | Comprising –National Express, MJ Quinn (Sub-Cont), Stobart (Sub-Cont) and Bombardier Rail (Sub-Cont) to form NX Manchester Metrolink |
| RATP | RATP Dev UK Ltd as Metrolink RATP Dev Limited (MRDL) |
| Transdev | Transdev PLC as Transdev Tram UK Ltd |

2.3 An outline of the procedure is set out at Appendix 1 to this report. The project is being delivered in accordance with TfGM’s Project Management Procedures which provide for the effective and consistent management of projects. This includes monthly monitoring of the project’s programme, financial performance and risk register through the project Steering Group chaired by TfGM’s Head of Legal Services who is the Senior Responsible Officer (SRO) for the project.
2.4 The procurement procedure provides for engagement with shortlisted bidders on draft documentation prior to the tender documentation being finalised. The purpose of this engagement is to test the deliverability and value for money of the draft proposals and to ensure the proposition is fully understood by the bidders.

2.5 One final engagement session has taken place in early January, following which, the documentation has been further developed with the objective that, subject to the approval of the GMCA and TfGM’s Executive Board, the Invitation to Negotiate (ITN) is issued to bidders on 2 February. The key milestones that follow are:

- Tender returns 9 May 2016
- Indicative Preferred Bidder September 2016
- Due Diligence October 2016
- Preferred Bidder November 2016
- Standstill Notice December 2016
- Contract Signature January 2017

2.6 Achieving contract signature in January 2017 will allow for a six month mobilisation period which should help secure a smooth transition to the new contractual arrangements.

3. SERVICE SPECIFICATION

3.1 In order to develop the future service specification a revised financial model has been developed. This model uses data from the current operation to inform the development of a financial model which brings together a revenue model that considers demand, fares and crowding; a performance model based on the features of the system; and a cost model reflecting the staffing, operation and maintenance costs of the service.

3.2 The financial model has allowed the affordability of a number of different service patterns to be modelled to inform the development of the service specification for M2017. The options that were considered included:

- Option 1 – the base option which provided for six minute services on all the Phase 3 lines, retaining existing service levels on the existing infrastructure
- Option 2 – where a 12 minute service is operated on the Airport Line
- Option 3 – where a 12 minute service is operated on both the Airport and the Ashton line

3.3 In addition to the above options a number of variants were explored including using different origins for services and varying the lines which used the second city crossing in the Regional Centre.
3.4 The modelling allowed the different options to be assessed with regard to the affordability of the service pattern and the capacity of the infrastructure, including the number of trams, to support the operation. In each case, the base Option 1 was used as the benchmark, with the other options being modelled to explore the effect of different models in the event that Option 1 was not achievable.

3.5 Following conclusion of the modelling work, Option 1 has been identified as the preferred option. The service pattern is shown on the diagram at Appendix 2 and provides for both a “Daytime” service which operates until 8pm Monday to Friday and 6pm Saturday and a “Core” service which is run at all other times. The proposed service pattern has the following key features:

<table>
<thead>
<tr>
<th>Line from Regional Centre to</th>
<th>Frequency (minutes)</th>
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<tbody>
<tr>
<td></td>
<td>Daytime</td>
</tr>
<tr>
<td>Rochdale</td>
<td>12</td>
</tr>
<tr>
<td>Oldham and Shaw</td>
<td>6</td>
</tr>
<tr>
<td>Bury</td>
<td>6</td>
</tr>
<tr>
<td>Ashton</td>
<td>6</td>
</tr>
<tr>
<td>Eccles</td>
<td>12</td>
</tr>
<tr>
<td>MediaCityUK</td>
<td>12</td>
</tr>
<tr>
<td>Trafford Centre</td>
<td>12</td>
</tr>
<tr>
<td>Altrincham</td>
<td>6</td>
</tr>
<tr>
<td>Manchester Airport</td>
<td>6</td>
</tr>
<tr>
<td>East Didsbury</td>
<td>6</td>
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</table>

3.6 The modelling work shows that by delivering 6 minute services as described above, the overall capacity of the network will be increased. However, in order to deliver the number of services from within the current fleet it will mean that there will be reduced scope for “double-tram” services operating on the network, albeit the overall capacity on the network will increase.

3.7 Subject to GMCA approval, it is proposed to include the above service pattern in the ITN to be issued to bidders who, in turn will be asked to develop a timetable to deliver the requirements which will form the basis of their priced proposals.

3.8 At this stage, the service pattern’s primary function is to enable bidders to submit financial and operational proposals against a common standard. It
reflects the optimum model based on current assumptions of the available infrastructure following the completion of the Trafford Park Line. It should not, therefore, be read as the timetable for the service that will take effect on commencement of the new agreement in July 2017.

3.9 Following commencement of the contract, it is anticipated that the successful bidder’s timetable, which will be based on the service pattern, will be introduced on a flexible and phased basis, as part of the operator’s transition plan, utilising the Second City Crossing and, once completed, the Trafford Park Line. This will enable TfGM to vary the service patterns to respond to changes in demand across the network over time and to support special events such as football matches and concerts. The agreement will contain a mechanism whereby TfGM can implement changes to the specification, including the service pattern, to ensure the network best serves its customers from time to time.

3.10 One potential option for the future development of the service would be a further expansion of the fleet of trams to enable both more double tram services to be operated to meet demand and enhance the resilience of the network overall. The financial model that has been developed allows the costs and benefits of different services to be identified which will feed into the development of a business case for the proposal. Subject to the outcome of the business case analysis, a further report will be brought to the GMCA on this issue for consideration in the future.

4. CONTRACT AND PERFORMANCE MECHANISM

4.1 The M2017 agreement has been developed from the current Combined Operation and Maintenance Agreement that was signed in 2007. The agreement has been updated to reflect lessons learned and recent contracts awarded by DfT in relation to Heavy Rail franchises and also the Docklands Light Railway (DLR) operation and maintenance agreement awarded by Transport for London in 2014.

4.2 The agreement will be for an initial term of seven years with an option for TfGM to extend the term for a further three years. The agreement will include a number of measures which are designed to incentivise the operator’s performance including a suite of remedies to enforce and/or address performance issues. The performance mechanism will enable the monthly fee payable to the operator to be adjusted both up and down to reflect their performance against targets for operational performance, availability of assets and cleanliness. A key feature of the performance mechanism is the use of “Excess Waiting Time” to measure operational performance. This incentivises the operator to maintain consistent headways between trams throughout the day.

4.3 In addition to the measures contained in the performance mechanism, the operator will be required to report on a number of further KPIs. In the event that the contractor fails to achieve these targets, the operator may be
required to provide a correction plan which describes actions it will take to improve performance to the required level. Finally, the contract contains further remedies including step in and termination rights.

5. **RENEWALS PROGRAMME**

5.1 Under the M2017 contract, the operator will not be responsible for renewing the assets once their condition has deteriorated to the point where they reach defined “Renewal Criteria” set out in the specification. This has been retained by TfGM who will commission the work directly as part of a long term asset renewal programme.

5.2 Under the specification, the operator will be responsible for monitoring and reporting the condition of the assets through the asset register. Using this data the operator will notify TfGM of those assets it believes will require renewal in the following year. This will result in TfGM preparing an annual renewals plan for agreement with the operator. Where agreement cannot be reached disputes may be referred to an independent expert for resolution.

5.3 TfGM have engaged independent consultants to review the current information relating to the condition of the assets to prepare a draft 30 year renewal programme. This information has been shared with the bidders and has been used to develop TfGM’s own renewals forecast. This work will continue to develop over the next two years as the initial high level work is refined by reference to more detailed asset condition information. The renewals forecast will, in turn, be used to inform the Greater Manchester Transport Fund (GMTF) which will fund the capital renewals in the future.

6. **FINANCIAL IMPLICATIONS**

6.1 The financial model has supported the development of revenue and cost forecasts. These forecasts indicate that the proposed specification, including the above service pattern, and the GMTF funded renewals forecast is affordable. Once proposals have been received from bidders this assessment will be reviewed again to enable the financial implications of the proposals to be fully understood.

7. **RECOMMENDATIONS**

7.1 Recommendations are set out at the front of this report.

**Dr Jon Lamonte**

Chief Executive, TfGM
APPENDIX 1 – PROCUREMENT PROCEDURE
APPENDIX 2 – SERVICE PATTERN FOR THE PURPOSES OF THE BID
Date: 29 January 2016
Subject: GMCA Transport Revenue Budget 2016/17 and Budget Update 2015/16
Report of: Councillor Kieran Quinn, Portfolio Lead for Investment Strategy and Finance and Richard Paver, Treasurer to GMCA

PURPOSE OF REPORT

The report sets out the transport related Greater Manchester Combined Authority (GMCA) budget for 2016/17. It also includes the transport related forecast outturn position for 2015/16.

The proposed Transport Levy to be approved for 2016/17 is included within the report together with the consequent allocations to the District Councils of Greater Manchester.

RECOMMENDATIONS:

Members are recommended to:-

1. note the forecast outturn for the year ending 31 March 2016 is in line with budget after transfers to earmarked reserves £19.861 million;
2. note the report and the current TfGM revenue outturn forecast for 2015/16 which is projecting an underspend of £500,000;
3. approve the GMCA budget relating to transport functions, as set out in this report, for 2016/17;
4. note the issues which are affecting the 2016/17 transport budgets as detailed in the report;
5. 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 2016/17 of £195.123 million, less a one-off adjustment of £5.8 million taking the levy to be charged to £189.323;
6. note that the £5.8 million levy decrease will be charged in addition to the 2016/17 non transport contribution in order to meet revenue commitments;
7. note that the planned increase of 1.8% with respect to the Greater Manchester Transport Fund will be deferred to futures years;
8. approve a Transport Levy on the district councils in 2016/17 of £189.323 million apportioned on the basis of mid year population as at June 2014 as in paragraph 5.3 and Appendix 1 to this report;
9. approve the use of reserves in 2016/17 as detailed in paragraph 7;
10. note and approve the position on reserves as identified in the report; and


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Name: Steve Warrener, Finance and Corporate Services Director, Transport for Greater Manchester
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E-Mail: steve.warrener@tfgm.com

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<tr>
<td>N/A</td>
<td>N/A</td>
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Risk Management – An assessment of major budget risks faced by the authority are carried out quarterly as part of the reporting process – no risks have been identified in this quarter. For risk management in relation to budget setting, please refer to section 8 of the report.

Legal Considerations – There are no specific legal implications with regards to the 2015/16 budget update, however please refer to section 8 of the report for budget setting considerations.

Financial Consequences – Revenue – The report sets out the projected net under or over spends for 2015/16 based on expenditure up to the end December 2015 and the proposed budget for 2016/17.

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

1.1 The report provides the forecast outturn position for the transport related GMCA budget in 2015/16 based on the position as at the end of December 2015 and details the proposed budget for 2016/17.

1.2 The report sets out the Transport Levy proposals for 2016/17 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 5.3 and Appendix 2 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.

GMCA TRANSPORT RELATED FORECAST OUTTURN 2015/16

2.1 The forecast outturn for the year ending 31 March 2016 is in line with budget after transfers to earmarked reserves of £19.861 million. The table below details the position:

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<td>Resources Available:</td>
<td>£000's</td>
<td>£000's</td>
<td>£000's</td>
<td>£000's</td>
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<tr>
<td>Transport Functions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transport Levy</td>
<td>(195,123)</td>
<td>(195,123)</td>
<td>(195,123)</td>
<td></td>
</tr>
<tr>
<td>Transfer from Reserves</td>
<td>(34,059)</td>
<td>(34,059)</td>
<td>(34,059)</td>
<td></td>
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<tr>
<td>Government Grants - Received In-Year</td>
<td>2.2</td>
<td>(5,850)</td>
<td>(6,720)</td>
<td>(6,720)</td>
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<tr>
<td>Other Income</td>
<td>2.4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Resources</td>
<td>(235,032)</td>
<td>(235,902)</td>
<td>(236,102)</td>
<td>(200)</td>
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<tr>
<td>Calls on Resources:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transport Functions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Grant to TfGM</td>
<td>2.5 – 2.6</td>
<td>134,953</td>
<td>134,953</td>
<td>119,488</td>
</tr>
<tr>
<td>less TfGM Funded Finance Costs</td>
<td>(3,736)</td>
<td>(3,736)</td>
<td>(3,736)</td>
<td></td>
</tr>
<tr>
<td>Net grant paid to TfGM</td>
<td>131,217</td>
<td>131,217</td>
<td>115,752</td>
<td>(15,465)</td>
</tr>
<tr>
<td>Other Grants</td>
<td>2.3</td>
<td>12,727</td>
<td>13,597</td>
<td>10,457</td>
</tr>
<tr>
<td>GMCA Traffic Signals</td>
<td>2.4</td>
<td>3,822</td>
<td>3,822</td>
<td>3,822</td>
</tr>
<tr>
<td>Capital Financing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Levy Funded</td>
<td>2.7</td>
<td>55,604</td>
<td>55,604</td>
<td>54,570</td>
</tr>
<tr>
<td>GMCA Funded from Reserves</td>
<td></td>
<td>27,182</td>
<td>27,182</td>
<td>27,182</td>
</tr>
<tr>
<td>TfGM Funded from Reserves/Revenues</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td></td>
</tr>
<tr>
<td>TfGM Funded from Efficiencies</td>
<td>3,236</td>
<td>3,236</td>
<td>3,236</td>
<td></td>
</tr>
<tr>
<td>Other Levy Funded Activity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketing Manchester</td>
<td>27</td>
<td>27</td>
<td>27</td>
<td></td>
</tr>
<tr>
<td>GMCA Running Costs</td>
<td>717</td>
<td>717</td>
<td>717</td>
<td></td>
</tr>
<tr>
<td>Total Call on Resources</td>
<td>235,032</td>
<td>235,902</td>
<td>216,241</td>
<td>(19,661)</td>
</tr>
<tr>
<td>Net GMCA Position</td>
<td></td>
<td></td>
<td></td>
<td>(19,861)</td>
</tr>
<tr>
<td>Contribution to Earmarked Reserve</td>
<td></td>
<td></td>
<td></td>
<td>19,861</td>
</tr>
<tr>
<td>Contribution to General Reserve</td>
<td></td>
<td></td>
<td></td>
<td>-</td>
</tr>
</tbody>
</table>
Variation Analysis and Budget Update

Government Grants

2.2 The budget for Government Grants has increased by £0.870 million following the award of the grants detailed below;

- £0.028 million – Cycle City Ambition Grant Evaluation Study
- £0.680 million – Smart Cities Partnership Programme
- £0.162 million – Clean Bus Technology Fund

2.3 Following a review of all revenue grants it is currently anticipated that the following grants totalling £3.140 million will be transferred to reserves for carry forward into 2016/17;

- £2.000 million – Local Sustainable Transport Fund
- £0.350 million – SEMMMS Evaluation Study
- £0.028 million – Cycle City Ambition Grant Evaluation Study
- £0.600 million – Smart Cities Partnership Programme
- £0.162 million – Clean Bus Technology Fund

GMCA Traffic Signals

2.4 Other income of £0.200 million is forecast due to Section 278 – Commuted Sums for Traffic Signals. The corresponding expenditure of £0.200 million is then defrayed against new installations and maintenance.

Revenue Grant to TfGM

2.5 Following updated Metrolink net income forecasts, the grant to TfGM will be £2.965 million lower than budgeted. The balance will be transferred to the earmarked Capital Programme Reserve.

2.6 In addition, TfGM have received a receipt from a third party to the value of £12.500 million. It is proposed to reduce the revenue grant payable to TfGM and to place to the £12.500 million into an earmarked Integrated Ticketing Reserve.

Capital Financing Costs

2.7 Capital financing costs have been assessed in light of the latest forecast borrowing position for the remainder of 2015/16. The forecast reduction in borrowing costs of £1.256 million 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.
TRANSPORT FOR GREATER MANCHESTER (TfGM) FORECAST OUTTURN 2015/16

3.1 The following paragraphs 3.2 - 3.12 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 2015 and the full year budget and forecasts of income and expenditure of TfGM

<table>
<thead>
<tr>
<th>Period to December 2015</th>
<th>Annual Budget 2015/16</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Budget</td>
</tr>
<tr>
<td></td>
<td>£m</td>
</tr>
<tr>
<td><strong>Resources Available:</strong></td>
<td></td>
</tr>
<tr>
<td>Levy</td>
<td>98.33</td>
</tr>
<tr>
<td>Funding from Metrolink Revenue / Reserves</td>
<td>2.18</td>
</tr>
<tr>
<td>Rail Grant</td>
<td>37.15</td>
</tr>
<tr>
<td>Transfer from specific Reserves</td>
<td>4.25</td>
</tr>
<tr>
<td>Third Party Funding</td>
<td>-</td>
</tr>
<tr>
<td>Other Government Grants</td>
<td>2.90</td>
</tr>
<tr>
<td><strong>Total Resources</strong></td>
<td>144.81</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Calls on Resources:</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Concessionary Support</td>
<td>51.97</td>
<td>51.97</td>
<td>-</td>
<td>69.33</td>
<td>69.33</td>
</tr>
<tr>
<td>Supported Services</td>
<td>20.19</td>
<td>20.04</td>
<td>0.15</td>
<td>27.83</td>
<td>27.33</td>
</tr>
<tr>
<td>Rail</td>
<td>35.77</td>
<td>35.77</td>
<td>-</td>
<td>47.76</td>
<td>47.76</td>
</tr>
<tr>
<td>Accessible Transport</td>
<td>3.68</td>
<td>3.68</td>
<td>-</td>
<td>4.94</td>
<td>4.94</td>
</tr>
<tr>
<td>Passenger Services, Facilities &amp; Support</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Levy Funded Costs</td>
<td>25.39</td>
<td>23.17</td>
<td>2.22</td>
<td>29.72</td>
<td>29.72</td>
</tr>
<tr>
<td>- Grant Funded Costs</td>
<td>2.90</td>
<td>5.42</td>
<td>(2.52)</td>
<td>3.86</td>
<td>5.76</td>
</tr>
<tr>
<td>Financing</td>
<td>4.79</td>
<td>4.78</td>
<td>0.01</td>
<td>10.17</td>
<td>10.17</td>
</tr>
<tr>
<td><strong>Total Call on Resources</strong></td>
<td>144.69</td>
<td>144.83</td>
<td>(0.14)</td>
<td>193.61</td>
<td>195.01</td>
</tr>
</tbody>
</table>

(Surplus) / Deficit: 0.12 2.35 2.23 (0.02) 0.48 0.50
3.3 The Concessionary Support budget for 2015/16 assumes utilisation of £4.5 million of the reserve earmarked for concessionary travel. The reserve is currently forecast to be fully utilised by the end of 2018/19.

3.4 The Supported Services budget includes targeted savings of £7.1 million over the two year period to 2015/16 with savings from the following areas, all of which are on track to be delivered in full by the end of 2015/16:

- Commercialising existing subsidised 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).

3.5 Supported Services’ costs are £0.2 million lower than budget in the period to the end of December 2015. Both general network and schools costs are currently below budget in the year to date due to efficiency savings. The forecast for the year is for a total saving of £0.5 million reflecting a continuation of contract savings. As agreed during the Transport Budget Scrutiny process, any bus related efficiency savings will be ‘ring fenced’ to part fund the future costs of Bus Franchising.

3.6 The budgeted figures for rail grants receivable and payable have been adjusted from the budgeted amounts presented to GMCA on 30 January 2015, to reflect the actual amounts agreed under the Direct Award to Northern Rail by DfT. The year to date adverse variance on the rail grant is forecast to reverse in the final quarter on receipt of the Through Ticketing grant.

3.7 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.

3.8 Other Government Grants funded expenditure, which is included within Passenger Services, Facilities and Support Costs, is £2.52 million higher than budget. This is fully offset by a corresponding positive variance in grants receivable.

3.9 As approved by GMCA in June 2015 the ring fenced revenue surplus from 2014/15 of £1.17 million is being used to fund costs associated with Devolution in 2015/16.

3.10 The amount TfGM will receive from GMCA in respect of the Transport Levy is forecast to reduce by £12.5 million compared to budget, due to income received from a third party in the year. This amount will be transferred into a ring fenced reserve by GMCA.

3.11 In overall terms, the forecast outturn is for a surplus of £0.5 million following transfers to/from reserves.

3.12 Net revenues from Metrolink are ahead of budget in the year to date and are also currently forecast to be ahead of 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. This is reflected in the Funding from Metrolink Revenue/Reserves line.
4 GMCA REVENUE BUDGET STRATEGY 2016/17

4.1 The overall position for 2016/17 can be summarised as follows in the table below:

<table>
<thead>
<tr>
<th>Resources Available:</th>
<th>2016/17</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£’000</td>
</tr>
<tr>
<td><strong>Transport Functions</strong></td>
<td></td>
</tr>
<tr>
<td>Transport Levy</td>
<td>189,323</td>
</tr>
<tr>
<td>Government Grants</td>
<td>9,000</td>
</tr>
<tr>
<td>Contributions from Reserves - Earmarked</td>
<td>24,863</td>
</tr>
<tr>
<td><strong>Total Resources</strong></td>
<td>223,186</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Calls on Resources:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Transport Functions</strong></td>
<td></td>
</tr>
<tr>
<td>Gross Grant to TfGM</td>
<td>134,953</td>
</tr>
<tr>
<td>TfGM Funded Finance Costs</td>
<td>(5,124)</td>
</tr>
<tr>
<td>Grant Paid to TfGM</td>
<td>129,829</td>
</tr>
<tr>
<td>Other Grants</td>
<td>3,140</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>49,804</td>
</tr>
<tr>
<td>GMCA Funded from Reserves/Revenues</td>
<td>25,559</td>
</tr>
<tr>
<td>TfGM Funded from Reserves/Revenues</td>
<td>2,062</td>
</tr>
<tr>
<td>TfGM Funded from Efficiencies</td>
<td>3,062</td>
</tr>
<tr>
<td>Revenue Contribution to capital employed (RCCO)</td>
<td>5,164</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>223,186</td>
</tr>
</tbody>
</table>

5 PROPOSED GMCA TRANSPORT LEVY 2016/17

5.1 Following Transport Scrutiny Panel discussions it is proposed that the Transport Levy for 2016/17 will be unchanged at £195.123 million. The previously planned increase of 1.8% (£3.5 million) for the Greater Manchester Transport Fund (GMTF) has been reviewed during the Scrutiny process and, following this review, it has been agreed that this increase will be further deferred to a future period.

5.2 As a result of the above, the overall proposal for the Transport Levy for 2016/17 will be for a cash standstill, which represents a reduction of 1.8% (or £3.5 million) on the previously assumed base position.

5.3 The Transport Levy is distributed across the Districts based on mid year population as at June 2014. An analysis of amounts payable by each District in 2016/17 is shown at Appendix 1 and on the following page.
5.4 GMCA approved financial assistance to the Business Growth Hub of £5.8 million over two years 2015-17, with £1.9 million payable in 2015/16 and a further £3.9 million due to be paid in 2016/17.

5.5 In 2015/16 the payment of £1.9 million was met from the GMCA reserves (a combination of the Growing Places Fund Revenue Reserve and General Reserves). It is recommended that the reserves are reinstated in 2016/17.

5.6 To fund the payments to the Growth Hub and avoid any detrimental impact on the overall contributions from Districts it is proposed that this is met from a one-off adjustment to the Transport Levy.

**Proposed GMCA Transport Levy 2016/17 per District**

<table>
<thead>
<tr>
<th>District</th>
<th>2015/16 Levy £000</th>
<th>2016/17 Levy £000</th>
<th>Levy Change £000</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bolton</td>
<td>20,128</td>
<td>19,428</td>
<td>(700)</td>
<td>(3.48%)</td>
</tr>
<tr>
<td>Bury</td>
<td>13,406</td>
<td>12,988</td>
<td>(418)</td>
<td>(3.12%)</td>
</tr>
<tr>
<td>Manchester</td>
<td>36,971</td>
<td>36,039</td>
<td>(932)</td>
<td>(2.52%)</td>
</tr>
<tr>
<td>Oldham</td>
<td>16,337</td>
<td>15,848</td>
<td>(489)</td>
<td>(2.99%)</td>
</tr>
<tr>
<td>Rochdale</td>
<td>15,245</td>
<td>14,753</td>
<td>(492)</td>
<td>(3.23%)</td>
</tr>
<tr>
<td>Salford</td>
<td>17,178</td>
<td>16,768</td>
<td>(410)</td>
<td>(2.39%)</td>
</tr>
<tr>
<td>Stockport</td>
<td>20,485</td>
<td>19,865</td>
<td>(620)</td>
<td>(3.03%)</td>
</tr>
<tr>
<td>Tameside</td>
<td>15,854</td>
<td>15,294</td>
<td>(560)</td>
<td>(3.53%)</td>
</tr>
<tr>
<td>Trafford</td>
<td>16,543</td>
<td>16,104</td>
<td>(439)</td>
<td>(2.65%)</td>
</tr>
<tr>
<td>Wigan</td>
<td>22,976</td>
<td>22,236</td>
<td>(740)</td>
<td>(3.22%)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>195,123</strong></td>
<td><strong>189,323</strong></td>
<td><strong>(5,800)</strong></td>
<td><strong>(2.97%)</strong></td>
</tr>
</tbody>
</table>

5.7 In addition to the Transport Levy, it is anticipated that earmarked reserves will be utilised to fund the remaining Local Sustainable Transport Grant, SEMMMS evaluation, Cycle City Ambition Grant evaluation and capital financing costs for 2016/17.

5.8 The GMCA Transport levy Scrutiny Panel also requested that any bus related efficiency savings would be “ring fenced” to part fund the future costs of Bus Franchising and any other savings over and above those included to reach a “cash standstill” position would be ring-fenced to reduce the currently forecast deficits in 2017/18 and 218/19.

6 TFGM BUDGET STRATEGY 2016/17

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. During the Scrutiny process the TfGM budget was reviewed. The results of this review are described below.
Devolution

6.2 The impacts of the GM Devolution deal agreed with Government in November 2014 on GMCA transport budgets will have a number of significant impacts on the activities of TfGM and therefore its future budgets as set out below:

- Additional activities: under Devolution, TfGM could, potentially under the proposals, take on additional responsibilities including the operation of Bus Franchising; taking responsibility for the operation of GM rail stations; and Highways responsibilities, including Highways Shared Services and responsibility for the Key Route Network.
- New funding arrangements: the Devolution agreement includes provision for a Multi-Year Financial Settlement (MYFS) whereby funding for certain key activities (including certain elements of bus funding) will be included in a multi-year settlement.
- Additional pressures on resources: no additional funding has been made available either for the delivery, or the future operation, of any of the above. Business cases are being prepared for each activity. The costs of the development of the business cases, and the subsequent implementation will need to be funded from existing resources, including Reserves.

Transport Fund

6.3 During discussions with the Scrutiny Panel it was agreed that the previously planned increase of 1.8% with respect to the Greater Manchester Transport Fund would be deferred and would be reviewed again in future years. This represents a saving of around £3.5 million compared to the previous base budget position. The ongoing funding profile for the Transport Fund will also need to take into account any future calls on Transport Fund/Capital Programme Reserve for scheme development costs.

Concessionary Support

6.4 Limited savings would be possible from implementing reductions in entitlement from the Local Concessionary Scheme. The Local Bus Concession is a key element of capturing long term passengers and building the bus network. In this regard it is a key component of the funding for Bus Franchising. Removing or reducing the entitlements under the Local Scheme for Metrolink or Rail would also deliver little, if any, real savings.

6.5 ‘Accelerated’ usage of existing reserves, including specifically the Concessionary Travel Reserve, was also discussed. This reserve will also be required to help manage the costs and risks of the Devolution activities and any utilisation of this reserve in the interim would lead to a potentially significant increase in the Levy being required in 2017/18 and 2018/19, at a time that the GMWDA Waste Levy is also due to increase significantly.
Supported Bus Services

6.6 The proposals to Scrutiny included potential additional efficiency saving, over and above those included in the ‘base’ budget, of £0.5m with respect to supported bus services. This would result in no or limited ability to absorb any future service deregistrations. Given the £7.1 million (c 20%) reduction in the supported bus services budget in the previous two years, it is considered that any further savings over and above the £0.5m could only be delivered by service reductions. It was agreed that the £0.5m, and any additional savings from further efficiencies, be ‘ring fenced’ to part fund the future costs of Bus Franchising, including the implementation costs, along with the use of reserves.

6.7 There are £2 million of incremental costs in 2016/17 relating to additional responsibilities (£0.6 million) including Freight and Logistics, Local Growth Fund coordination and current business case development; and additional costs (£1.4 million) resulting from additional staff costs, including those related to increased National Insurance and pension costs, that will need to be funded from further efficiencies. These are in addition to the efficiency savings delivered in the last two years. It was agreed that any further operational and other non-bus related efficiency savings (over and above those needed to offset the £2 million incremental cost increase referred to above) would be ring fenced to reduce the currently forecast deficits (on the basis of continuing ‘cash standstill’ positions) of £1.8 million and c £3.9 million in 2017/18 and 2018/19.

6.8 The Scrutiny Panel requested TfGM to review a number of options over and above those included within the ‘base’ budget for raising additional revenues in connection with the services it provides. It is estimated that up to £250,000 of additional savings could be generated from a number of initiatives. These savings would also be ‘ring fenced’ to reduce the currently forecast deficit in future years.

6.9 Taking into account the above the Scrutiny Panel proposed that:

- the Transport Levy for 2016/17 remain unchanged from 2015/16 at £195.123 million less a £5.8 million one-off adjustment;
- the previously planned increase of 1.8% (£3.5 million) with respect to the Greater Manchester Transport Fund would be deferred and would be reviewed again in future years;
- any bus related efficiency savings would be ‘ring fenced’ to part fund the future costs of Bus Franchising; and
- any other efficiency savings, over and above those included to reach a “cash standstill” position would be ring-fenced to reduce the currently forecast deficits in 2017/18 and 2018/19.
6.10 Based on the proposals above the TfGM budget for 2016/17 would be as follows:

<table>
<thead>
<tr>
<th></th>
<th>2015/16 Budget £million</th>
<th>2016/17 Budget £million</th>
<th>Variance £million</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Resources</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Levy</td>
<td>132.05</td>
<td>132.89</td>
<td>0.84</td>
</tr>
<tr>
<td>Special Rail Grant</td>
<td>49.11</td>
<td>51.03</td>
<td>1.92</td>
</tr>
<tr>
<td>Utilisation of surplus/other reserves</td>
<td>5.67</td>
<td>1.53</td>
<td>(4.14)</td>
</tr>
<tr>
<td>Metrolink Funding from Revenue / Reserves</td>
<td>2.90</td>
<td>2.06</td>
<td>(0.84)</td>
</tr>
<tr>
<td>Other Grants</td>
<td>3.86</td>
<td>1.50</td>
<td>(2.36)</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>193.60</td>
<td>189.00</td>
<td>(4.60)</td>
</tr>
<tr>
<td><strong>Call on Resources</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Concessionary Support</td>
<td>69.33</td>
<td>66.08</td>
<td>3.25</td>
</tr>
<tr>
<td>Supported Services</td>
<td>27.83</td>
<td>27.11</td>
<td>0.72</td>
</tr>
<tr>
<td>Rail</td>
<td>47.76</td>
<td>49.19</td>
<td>(1.43)</td>
</tr>
<tr>
<td>Accessible Transport</td>
<td>4.94</td>
<td>4.91</td>
<td>0.03</td>
</tr>
<tr>
<td>Operational costs</td>
<td>33.58</td>
<td>32.33</td>
<td>1.25</td>
</tr>
<tr>
<td>Financing</td>
<td>10.17</td>
<td>9.39</td>
<td>0.78</td>
</tr>
<tr>
<td><strong>Total Expenditure</strong></td>
<td>193.60</td>
<td>189.00</td>
<td>4.60</td>
</tr>
<tr>
<td><strong>Surplus/(Deficit)</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

6.11 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; the ability to deliver the continuing challenging efficiency savings targets; and the ability to manage the additional costs of the activities referred to in section 6.2 within agreed budgets and reserves.

6.12 The main elements of the proposed budget are considered further below.

**Resources**

6.13 The amount of Transport Levy which is allocated to TfGM increases by £0.84 million due to a corresponding lower budgeted utilisation of TfGM Metrolink reserves in 2016/17. The total resources available to TfGM are the same in 2015/16 and 2016/17.

6.14 The vast majority of the Rail grant is passed through to the operators of the Northern franchise with TfGM retaining a grant for rail administration and to support rail activities as noted below. The amount of the Rail Grant is currently subject to confirmation from DfT. Any change in the amount receivable would be offset by a change in the amount payable to the operator of the Northern franchise as described in section 6.23 below.

6.15 The level of funding from reserves is budgeted to reduce primarily due to lower Concessionary travel operating costs compared to the 2015/16 budget and the lower contribution from Metrolink reserves.
6.16 The reduction in funding from other grants reflects the forecast timing of the drawdown of the remaining grant funding.

Concessionary support costs

6.17 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.

6.18 2016/17 represents the final year of three year fixed price agreements which are in place with the three largest operators covering the costs of both ENCTS and Local Scheme. This gives budget certainty over the majority of costs until March 2017.

6.19 There are no proposals to amend the Local Scheme.

6.20 Concessionary support costs are budgeted to reduce in 2016/17 reflecting the profile of the fixed price agreements in place and reduced costs of operating the scheme in 2016/17 compared to the 2015/16 budget.

Supported Services costs

6.21 The 2013/14 and 2014/15 budgets included savings of £7.1 million from procurement and other efficiencies in the delivery of Subsidised Services. As previously reported these have been 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.

6.22 The budgeted reduction in costs in 2016/17 reflects further efficiency savings from the delivery of services.

Rail Costs

6.23 The vast majority of these costs represent the grant which is passed through to the operator of the Northern franchise. The actual amount of this grant is subject to confirmation from the Department for Transport. TfGM receives a Rail Administration grant which is used to fund various rail related activities. The Budget assumes that this funding continues on the same basis.

Accessible Transport Costs

6.24 The grant payable to GMATL in the proposed budget will be up to £4.6 million in 2016/17. This follows a reduction in the grant of £0.5 million in 2015/16 which has been funded largely from GMATL reserves.

6.25 GMATL is implementing changes from April 2016 which will allow it to manage within this reduced level of funding on an ongoing basis with more limited reliance on reserves. These changes are the implementation of a minimum age criteria for service users and increases in fares, both from April 2016. Both of these changes have
previously been approved by the GMATL Board and were presented to and endorsed by TfGMC at its meeting on 15th January 2016.

Operational costs

6.26 Operational 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.

6.27 The budget includes an assumption that Bus Station Departure Charges will increase by 1p from April 2016, which represents additional income of £47,000. This represents an increase of 1.6% and will be used to offset the costs of operating bus stations. This is subject to approval by TfGMC.

6.28 The budgets for 2014/15 and 2015/16 included very challenging targets for savings in operational costs, including significant headcount savings, and the generation of additional commercial income. As noted above TfGM are also taking on a number of additional responsibilities including in relation to Devolution and other activities in 2016/17. The forecast expenditure in relation to Devolution in 2016/17 is being finalised. As previously agreed with GMCA, it is proposed that these costs will be funded from reserves. Requests for the drawdown of this funding will be submitted to future meetings of GMCA.

6.29 As agreed with the Scrutiny Panel any additional savings over and above those included in the ‘base’ budget will be ring fenced to part fund the currently forecast deficits in 2017/18 and 2018/19.
7 RESERVES

7.1 An analysis of the forecast and budgeted movements in transport related reserves for 2015/16 and 2016/17 is set out below:

Transport Related Reserves

<table>
<thead>
<tr>
<th>Reserve</th>
<th>Balance as at 31 March 2015 £000's</th>
<th>Transfers in/(out) 2015/16 £000's</th>
<th>Projected Balance 31 March 2016 £000's</th>
<th>Transfers in/(out) 2016/17 £000's</th>
<th>Budgeted Balance 31 March 2017 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Reserve - GMCA/TfGM</td>
<td>11,935</td>
<td>(667)</td>
<td>11,268</td>
<td>-</td>
<td>11,268</td>
</tr>
<tr>
<td>Property Reserve - TfGM</td>
<td>8,807</td>
<td>(358)</td>
<td>8,449</td>
<td>(358)</td>
<td>8,091</td>
</tr>
<tr>
<td>Concessionary Fares Reserve - TfGM</td>
<td>12,369</td>
<td>(4,500)</td>
<td>7,869</td>
<td>(1,530)</td>
<td>6,339</td>
</tr>
<tr>
<td>Capital Programme Reserve - GMCA</td>
<td>87,505</td>
<td>17,946</td>
<td>105,451</td>
<td>3,960</td>
<td>109,411</td>
</tr>
<tr>
<td>Metrolink Reserves - GMCA/TfGM</td>
<td>34,496</td>
<td>(24,217)</td>
<td>10,279</td>
<td>(10,279)</td>
<td>-</td>
</tr>
<tr>
<td>Joint Road Safety Group Reserve - TfGM</td>
<td>6,168</td>
<td>(2,376)</td>
<td>3,792</td>
<td>(1,643)</td>
<td>2,149</td>
</tr>
<tr>
<td>Capital Grants Unapplied Reserve - TfGM</td>
<td>2,578</td>
<td>(2,578)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Capital Grants Unapplied Reserve - GMCA</td>
<td>16,474</td>
<td>(7,402)</td>
<td>9,072</td>
<td>(5,800)</td>
<td>3,272</td>
</tr>
<tr>
<td>Revenue Grants Unapplied Reserve - GMCA</td>
<td>6,877</td>
<td>(3,737)</td>
<td>3,140</td>
<td>(3,140)</td>
<td>-</td>
</tr>
<tr>
<td>Integrated Ticketing Reserve - GMCA</td>
<td>-</td>
<td>12,500</td>
<td>12,500</td>
<td>12,500</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>187,209</td>
<td>(15,389)</td>
<td>171,820</td>
<td>(18,790)</td>
<td>153,030</td>
</tr>
</tbody>
</table>

7.2 Current good practice states that reserves should be maintained at an appropriate level as determined by a detailed business risk review. The forecast balance on the General Reserve at 31 March 2016 is £11.3 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;
- ability to deliver the additional responsibilities, in particular Devolution related activities, within current resources;
- additional cost 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 movements in 2015/16 and 2016/17 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 2016 is £11.8 million. The reserve is currently forecast to be fully utilised by the end of 2018/19.

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 2016/17 is budgeted to be circa £290 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 2016 is forecast to be approximately £105 million. The forecast balance on the Capital Programme Reserve is consistent with the work undertaken in relation to financing costs which have informed 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 £10.2 million at 31 March 2016 which are to be 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 For example, a £1 million shortfall in net revenues in any one year has an adverse impact of approximately £55 million over the 30 year period of the GMTF. A deferral of 1% in any one year would represent a shortfall of around £20 million over the life of the 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 revenues.

7.17 The long term funding strategy for the Greater Manchester Transport Fund included an assumption that Metrolink fares would increase at RPI + 1%. No fare increases have been implemented in January 2016 due to ongoing works on the system in particular on the Second City Crossing Scheme which will impact services during the year and no increases are proposed for the remainder of 2016. The future position on fares changes for 2017 will be reviewed later in the year.

Joint Road Safety Group Reserve

7.18 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

7.19 This relates to grants available for the purposes for which a capital receipt may be used, with the current expectation that £5.800 million will be utilised in 2016/17.

Revenue Grants Unapplied Reserve

7.20 This relates to grants received ahead of expenditure, mainly in relation to the Local Sustainable Transport Fund and Smart Cities Partnership programme. It is envisaged that the reserve will be fully utilised by the end of 2016/17.

Integrated Ticketing Reserve

7.21 The Integrated Ticketing Reserve funded from a third party contribution will be used over a period of time to contribute towards the scheme.
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;

- 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.

- The budgets for 2016/17 include potential pressure areas, particularly within the TfGM controlled budgets. The budgets are however considered achievable and will be monitored against budget on a regular basis.

- The complex nature of the significant capital developments being undertaken to enhance and extend the transport network is another key risk area. Whilst these projects and programmes are subject to rigorous management and governance arrangements and each contains an appropriate level of risk allowance and contingency, there remains an inherent financial risk with any project or programme of this size.

9 RECOMMENDATIONS

9.1 Detailed recommendations appear at the front of this report.
### GMCA BUDGETED CHARGES 2016/17

<table>
<thead>
<tr>
<th>MID YEAR 2014 POPULATION FIGURES</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>
</tr>
</thead>
<tbody>
<tr>
<td>GMCA CHARGE - TRANSPORT LEVY</td>
<td>Population</td>
<td>19,427,878</td>
<td>12,987,753</td>
<td>36,038,758</td>
<td>15,848,075</td>
<td>14,753,296</td>
<td>16,767,723</td>
<td>19,865,429</td>
<td>15,294,278</td>
<td>16,103,914</td>
<td>22,236,076</td>
<td>189,323,000</td>
</tr>
<tr>
<td>TO BE BILLED BY GMCA</td>
<td></td>
<td>19,427,878</td>
<td>12,987,753</td>
<td>36,038,758</td>
<td>15,848,075</td>
<td>14,753,296</td>
<td>16,767,723</td>
<td>19,865,429</td>
<td>15,294,278</td>
<td>16,103,914</td>
<td>22,236,076</td>
<td>189,323,000</td>
</tr>
</tbody>
</table>
Date: 29 January 2016
Subject: GMCA Capital Programme 2015/16 – 2018/19
Report of: Councillor Kieran Quinn, Portfolio Lead for Investment Strategy and Finance and Richard Paver, Treasurer to GMCA

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 year to date expenditure, to November 2015, and the current 2015/16 full year forecast expenditure compared to the revised 2015/16 capital budget;
3. Approve the capital programme budget for 2016/17 and the forward commitments as detailed in the report and in Appendix A;
4. Note that the capital programme is financed from a mixture of grants (including from DfT), external contributions and long term borrowings;
5. Note that provision has been made in the revenue budget for the associated financing costs of borrowing; and
6. 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.
7. 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.

CONTACT OFFICERS:

Richard Paver 0161 234 3564 r.paver@manchester.gov.uk
BACKGROUND PAPERS:


<table>
<thead>
<tr>
<th>TRACKING/PROCESS</th>
<th></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></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 |

**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 projected spends for 2015/16 onwards.
INTRODUCTION AND BACKGROUND

1.1 The Greater Manchester Combined Authority (GMCA) approved the 2015/16 Capital Programme at its meeting on 31 January 2015.

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;
- Other Metrolink Schemes;
- Other committed schemes including Smart Ticketing, Local Sustainable Transport Fund (LSTF) and Cycle City Ambition Grant (CCAG);
- Growth Deal Major Schemes; and
- Minor Works (including schemes funded by Integrated Transport Capital Block and Growth Deal).

1.3 The three year Capital Programme and the latest estimates of forecast spend for 2015/16 is summaries at Appendix A.

1.4 The capital programme over the three year period (2016-2018) as presented will require a long term borrowing requirement of £461 million. Provision has been made in the revenue budget for the associated financing costs. The spending profiles in 2016/17 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 expenditure to 30 November was £33.1 million. The current forecast expenditure for 2015/16 is £52.0 million, compared to the previous forecast of £49.6 million. The variance is due primarily to the phasing of renewals expenditure.

2.6 The total forecast outturn costs for the Metrolink programme are in line with the total approved budgets.

2.7 The 2016/17 budgeted expenditure is £53.6 million

**Cross City Bus Package**

2.8 The expenditure to 30 November for the Cross City Bus Package was £11.0 million. The current forecast expenditure for 2015/16 is £15.6 million, compared to the previous forecast of £13.6 million. The variance is due primarily to phasing of risk allowances.

2.9 The total forecast outturn is within the total approved budget.

2.10 The 2016/17 budgeted expenditure is £11.6 million

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

2.11 The expenditure to 30 November for the LSM was £16.7 million. The current forecast expenditure for 2015/16 is £23.3 million compared to the previous forecast of £18.2 million. The variance is due primarily to phasing of expenditure and risk allowances.

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

2.13 The 2016/17 budgeted cost is £2.8 million

**Park and Ride**

2.14 The expenditure to 30 November for the Park and Ride was £2.5 million. The current forecast expenditure for 2015/16 is £3.3 million compared to the previous forecast of £3.1 million.

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

2.16 The 2016/17 budgeted expenditure is £0.4 million
Altrincham Interchange

2.17 The current forecast expenditure for 2015/16 is £0.5 million compared to the previous forecast of £0.4 million.

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

Bolton Town Centre Transport Strategy (BTCTS)

2.19 The expenditure to 30 November for BTCTS was £10.2 million. The current forecast expenditure for 2015/16 is £14.1 million compared to the previous forecast of £13.6 million.

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

2.21 The 2016/17 budgeted expenditure is £14.5 million.

A6 to Manchester Airport Relief Road

2.22 The expenditure to 30 November for the SEMMMS A6 to Manchester Airport relief road scheme was £15.7 million. The current forecast expenditure for 2015/16 is £42.2 million compared to the previous forecast of £43.4 million.

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

2.24 The 2016/17 budgeted expenditure is £67.2 million.

3. METROLINK TRAFFORD EXTENSION

3.1 The expenditure to 30 November was £13.1 million in relation to the works approved by GMCA in April 2015. The current forecast expenditure for 2015/16 is £20.3 million compared to the previous forecast of £21.0 million. The variance is due to the timing of the Public Inquiry and the impact of this on both the initial design works and third party and land agreements.

3.2 Total forecast outturn cost for the works approved by GMCA in April 2015 are within the total approved budget of £65.9 million.

3.3 A further report will be presented to the GMCA in 2016, providing an update on progress with the TWAO application and seeking further approvals in first half of 2016/17. The 2016/17 budgeted expenditure is £49.1 million, including £12.4 million of approved expenditure approved in April 2015 and £36.7 million of expenditure that is yet to be approved.

4. OTHER CAPITAL SCHEMES & PROGRAMMES

4.1 The expenditure to 30 November for the other committed capital schemes was £11.7 million. The current forecast expenditure for 2015/16 is £27.3 million compared to the previous forecast of £31.4 million. The variance is due to timing differences on a number of projects.
4.2 Included in the Capital Programme for 2016/17 is £0.4 million with respect to the installation of LED technology in traffic light wait indicators. This will be funded by prudential borrowings with the costs being repaid from savings in future years operational costs.

4.3 The 2016/17 budgeted expenditure is £7.7 million.

5. GROWTH DEAL MAJORS SCHEMES

5.1 The expenditure to 30 November for the Growth Deal Major schemes was £45.2 million. The current forecast expenditure for 2015/16 is £66.1 million compared to the previous forecast of £67.3 million. The variance is largely due to the timing of the progression of a number of business cases and in some instances changes as agreed with individual Authorities relating to the scope of works. Schemes will be monitored throughout the year to ensure that grants available are maximised.

5.2 The 2016/17 budgeted expenditure, as advised by scheme sponsors, is £61.1 million

6. MINOR WORKS

6.1 The expenditure for quarter 2 for the Minor Works schemes was £6.9 million. The current forecast expenditure for 2015/16 is £12.2 million compared to the previous forecast of £14.0 million. The variance is due to:

- the phasing of design and delivery expenditure, on a number of schemes; and

- a number of the Growth Deal schemes are still in the design stage and awaiting business case submission from scheme promoters.

6.2 The 2016/17 budgeted expenditure, as advised by scheme sponsors, is £21.2 million
7. ECONOMIC DEVELOPMENT AND REGENERATION FUNCTIONS

Regional Growth Fund (RGF) – Rounds 2 and 3

7.1 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.

7.2 The Regional Growth Fund has conditionally approved, under the GM Investment Framework, funding for 70 projects. The projects are projected to create / safeguard over 6,204 jobs with 4,826 achieved to date. RGF3 funds of £6.110 million were defrayed by May 2015 and it is expected that the remaining RGF2 funds of £15.902 million will be defrayed by March 2016.

Growing Places Fund (GPF)

7.3 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.

7.4 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.

7.5 There are currently twelve projects totalling £32.8 million approved of Growing Places funding. Up to 31 December 2015 £19.3 million has been defrayed with a further £3.6 million anticipated for 2015/16, taking the total expenditure to £22.939 million by March 2016. It is currently anticipated that the remaining fund will be utilised within 2016/17.

Recycled RGF / GPF

7.6 Both the Regional Growth Fund and Growing Places Fund's loans have now started to be repaid, with the strategy being that a perpetual fund is created to support businesses and enable growth. Between 2015/16 and 2017/18 it is currently forecast that £34.2 million will be recycled back out to businesses. It should be noted that the forecast will be subject to change once specific loans are approved and the timing of payments confirmed.

Empty Homes Programme 2015-18

7.7 Following a new bid to the Homes and Communities Agency earlier in the year, confirmation has been received that a further £3.542 million is available for 2015 – 2018 to deliver 232 units. It was anticipated that £1.5 million would be drawn down by 31 March 2016.
7.8 Announcements in the Summer Budget have compromised the financial model behind the AHP Empty Homes programme, since reduced rental income to our housing provider partners undermines the viability of their investment in acquiring/leasing and improving the empty property. A case is being made to DCLG about the scope for flexibility in the rent regime to allow this important work to continue but even if successful, the delay in commencing the programme mean that it is unlikely the Authority will achieve the intended £1.5 million spend in 2015/16. A reduced figure of £0.3 million is now forecast and will be kept under review.

**Growth Deal – Economic Development and Regeneration Projects**

7.9 Skills Capital – Following the decision to carry out an Area Based Review on Further Education provisions, the majority of grants will now be awarded in 2016/17 once the review has concluded and business cases reassessed. The capital forecast and futures years budget has been updated to reflect the position.

7.10 Life Sciences – The fund is now operational with a fund manager procured and in place. It is currently anticipated that £1.025 million will be invested within the fund in 2015/16 with the remaining £8.975 million invested within 2016/17.

7.11 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.

7.12 Graphene Engineering Innovation centre (GEIC) – following approval at both the LEP Board and GMCA in May, £5 million has been set aside from the Growth Deal grant to provide match funding for the GEIC project.

**8 FUNDING REQUIREMENTS**

8.1 The capital programme over the next three years, results in a borrowing requirement of £461 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 2016/17 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowing</td>
<td>142,820</td>
</tr>
<tr>
<td>Local Transport Plan (DIT Grant)</td>
<td>9,400</td>
</tr>
<tr>
<td>Regional Funding Allocation (DIT Grant)</td>
<td>34,797</td>
</tr>
<tr>
<td>Growth Deal - (Transport Related Grant)</td>
<td>53,768</td>
</tr>
<tr>
<td>Earn-back Grant</td>
<td>26,164</td>
</tr>
<tr>
<td>Cycle City Ambition Grant</td>
<td>5,350</td>
</tr>
<tr>
<td>HCA - Empty Homes</td>
<td>2,242</td>
</tr>
<tr>
<td>Growing Place Grant</td>
<td>11,591</td>
</tr>
<tr>
<td>Growth Deal (ED&amp;R Related Grant)</td>
<td>21,700</td>
</tr>
<tr>
<td>Capital Receipts (RGF / GPF)</td>
<td>9,972</td>
</tr>
<tr>
<td>Other</td>
<td>11,500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>329,304</strong></td>
</tr>
</tbody>
</table>
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>
<th>Programme</th>
<th>Forecast Outturn 2015/16 £000</th>
<th>Budget Forecast 2016/17</th>
<th>Budget Forecast 2017/18</th>
<th>Budget Forecast 2018/19</th>
<th>Budget Forecast Future Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater Manchester Transport Fund Capital Programme</td>
<td>147,806</td>
<td>144,492</td>
<td>135,550</td>
<td>26,159</td>
<td>1,363</td>
</tr>
<tr>
<td>Other Metrolink Schemes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trafford Line - Powers</td>
<td>7,321</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trafford Line - Programme / Design</td>
<td>12,975</td>
<td>49,100</td>
<td>89,185</td>
<td>72,246</td>
<td>93,424</td>
</tr>
<tr>
<td>Other Metrolink Projects</td>
<td>3,075</td>
<td>5,500</td>
<td>5,614</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>23,371</td>
<td>54,600</td>
<td>94,799</td>
<td>72,246</td>
<td>93,424</td>
</tr>
<tr>
<td>Other Committed Capital Schemes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wythenshawe Interchange</td>
<td>1,999</td>
<td></td>
<td></td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Other</td>
<td>(887)</td>
<td>2,338</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Better Bus Area Fund</td>
<td>357</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Sustainable Transport Fund (LSTF)</td>
<td>9,266</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cycle City Ambition Grant (CCAG)</td>
<td>15,236</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cycle City Ambition Grant 2 (CCAG)</td>
<td>1,322</td>
<td>5,350</td>
<td>15,428</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>27,293</td>
<td>7,688</td>
<td>15,428</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Minor Works Funding</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minor Works - ITB</td>
<td>6,305</td>
<td>1,776</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Growth Deal 1 Funded Schemes</td>
<td>3,528</td>
<td>3,589</td>
<td>1,539</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Growth Deal 2 Funded Schemes</td>
<td>2,386</td>
<td>15,873</td>
<td>20,113</td>
<td>2,730</td>
<td>40</td>
</tr>
<tr>
<td>Total</td>
<td>12,219</td>
<td>21,238</td>
<td>21,652</td>
<td>2,730</td>
<td>40</td>
</tr>
<tr>
<td>Growth Deal Majors</td>
<td>66,096</td>
<td>61,107</td>
<td>113,866</td>
<td>78,134</td>
<td>31,446</td>
</tr>
<tr>
<td>Total Capital (TfGM)</td>
<td>276,785</td>
<td>289,125</td>
<td>381,295</td>
<td>179,269</td>
<td>126,273</td>
</tr>
<tr>
<td>Traffic Signals (Externally Funded)</td>
<td>2,200</td>
<td>2,500</td>
<td>2,500</td>
<td>2,500</td>
<td>2,500</td>
</tr>
<tr>
<td>Economic Development and Regeneration</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GPF / RGF</td>
<td>36,085</td>
<td>11,591</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Recycled GPF / RGF Capital Receipts</td>
<td>3,250</td>
<td>9,972</td>
<td>11,305</td>
<td>9,750</td>
<td>0</td>
</tr>
<tr>
<td>Empty Homes Programme</td>
<td>300</td>
<td>2,242</td>
<td>1,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Growth Deal - Skills Capital</td>
<td>583</td>
<td>3,899</td>
<td>14,587</td>
<td>10,228</td>
<td>0</td>
</tr>
<tr>
<td>Growth Deal - Life Sciences Fund</td>
<td>1,025</td>
<td>8,975</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Growth Deal - Business Support - Digital Capital</td>
<td>0</td>
<td>1,000</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Growth Deal - GEIC</td>
<td>5,000</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total Capital (TfGM and GMCA)</td>
<td>325,228</td>
<td>329,304</td>
<td>410,687</td>
<td>201,747</td>
<td>128,773</td>
</tr>
</tbody>
</table>
PURPOSE OF REPORT
To set out the proposed Treasury Management Strategy Statement and Borrowing Limits for 2015/16 - 2016/17 and Prudential Indicators for 2016/17 to 2018/19.

RECOMMENDATIONS:
Members are 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.

CONTACT OFFICERS:
Richard Paver, telephone: 0161 234 3564, email: r.paver@manchester.gov.uk

BACKGROUND PAPERS:
None.

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

<table>
<thead>
<tr>
<th>EXEMPTION FROM CALL IN</th>
<th>Yes</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</td>
<td></td>
<td>No</td>
</tr>
<tr>
<td>urgency?</td>
<td>AGMA Commission</td>
<td>TfGMC</td>
</tr>
<tr>
<td>---------</td>
<td>----------------</td>
<td>-------</td>
</tr>
<tr>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>
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 Chartered Institute of Public Finance and Accountancy’s (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 section 8 of this report); the Strategy 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 CIPFA Code of Practice on Treasury Management (Revised November 2009) was adopted by this Authority on the 1 April 2011. 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 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 responsible body for treasury management strategy and practices, budget consideration and approval, monitoring and selection of external service providers to a specific named body. For this Authority the delegated body is the Audit Committee.

1.4. **Treasury Management Strategy for 2015/16 - 2016/17**

The suggested strategy 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
- **Section 3:** Current Portfolio Position
- **Section 4:** Borrowing Requirement
- **Section 5:** Prudential and Treasury Indicators for 2016/17 to 2018/19
- **Section 6:** Prospects for Interest Rates
- **Section 7:** Borrowing Strategy
- **Section 8:** Annual Investment Strategy
- **Section 9:** MRP Strategy
- **Section 10:** Recommendations

Appendices:

- **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

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.

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 2016 will comprise:

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Principal</th>
<th>Ave. rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Fixed rate funding</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PWLB</td>
<td>394.9</td>
<td>5.25</td>
</tr>
<tr>
<td>Market</td>
<td>60.0</td>
<td>4.22</td>
</tr>
<tr>
<td>EIB</td>
<td>450.0</td>
<td>4.21</td>
</tr>
<tr>
<td></td>
<td>904.9</td>
<td>4.68</td>
</tr>
<tr>
<td>Variable rate funding</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PWLB</td>
<td>0.0</td>
<td>0.00</td>
</tr>
<tr>
<td>Market</td>
<td>45.0</td>
<td>4.23</td>
</tr>
<tr>
<td></td>
<td>45.0</td>
<td>4.23</td>
</tr>
<tr>
<td>Gross debt</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>949.9</td>
<td></td>
</tr>
<tr>
<td>Temporary Investments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market</td>
<td>(140.7)</td>
<td>0.36</td>
</tr>
<tr>
<td>Interbank</td>
<td>0.0</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td>(140.7)</td>
<td>0.36</td>
</tr>
<tr>
<td>Net debt</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>809.2</td>
<td></td>
</tr>
</tbody>
</table>
4. **BORROWING REQUIREMENT**

4.1. The figures detailed in the table below show the anticipated funding of the 2015/16 capital programme and based on information provided by central government includes significant cash receipts for schemes such as SEMMS and the Growth Deal. Should these receipts or expenditure profiles be materially different from the levels forecast, the borrowing requirements shown below could alter, in both scale and profile.

4.2. This would present a material risk to the Authority if grant conditions cannot be fulfilled, namely that they have to utilised in 2015/16, as this would result in the repayment of the grant.

<table>
<thead>
<tr>
<th>Table 2</th>
<th>2015/16</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£’000</td>
</tr>
</tbody>
</table>

| Planned Capital Expenditure | 324,945 |
| Less:                       |         |
| Grants Payable in Year      | 194,152 |
| Grants B/fwd to be applied  | 80,877  |
| External Contributions      | 14,000  |
| Capital Receipts - RGF / GPF| 3,250   |
| **Borrowing Requirement**   | **32,666** |

4.3. The MRP policy would envisage the grant being used to repay long term debt with then a consequent reduction in the MRP chargeable to the revenue budget.

4.4. The potential long-term cash borrowing requirements over the next three years, including borrowing for Metrolink and the Transport Fund Programme, are as follows:

<table>
<thead>
<tr>
<th>Table 3</th>
<th>2016/17</th>
<th>2017/18</th>
<th>2018/19</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£’000</td>
<td>£’000</td>
<td>£’000</td>
</tr>
</tbody>
</table>

| Planned Capital Expenditure | 343,078 | 407,724 | 191,519 |
| Less:                       |         |         |         |
| Grants Payable in Year      | 159,061 | 161,000 | 110,101 |
| Capital Receipts            | 18,029  | 15,060  | 10,513  |
| Cash / Deposits held at 1st April | 140,680 | 10,869  | 12,812  |
| Working Capital / Short Term Cash Movements | 5,308 | 20,795 | 8,093 |
| **Cash Borrowing Requirement** | **20,000** | **200,000** | **50,000** |

4.5. 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 2016/17 TO 2018/19**

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 revised 2009 Code was adopted on the 1 April 2011. 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 G 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:

- 2016: 0.50%
- 2017: 1.00%
- 2018: 1.75%
- 2019: 2.00%

6.2. There is a risk or opportunity to these forecasts. If the economic recovery from the recession proves to be weaker and slower than currently expected 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 prepared by Capita 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 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).

For example the current estimates of MRP provision for the next five years are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>2015-16</th>
<th>2016-17</th>
<th>2017-18</th>
<th>2018-19</th>
<th>2019-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>MRP</td>
<td>21,287</td>
<td>23,307</td>
<td>27,389</td>
<td>29,070</td>
<td>30,045</td>
</tr>
</tbody>
</table>
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 16</th>
<th>Jun 16</th>
<th>Sep 16</th>
<th>Dec 16</th>
<th>Mar 17</th>
<th>Mar 18</th>
<th>Mar 19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank Rate</td>
<td>0.50%</td>
<td>0.75%</td>
<td>0.75%</td>
<td>1.00%</td>
<td>1.00%</td>
<td>1.75%</td>
<td>2.00%</td>
</tr>
<tr>
<td>5 yr PWLB rate</td>
<td>2.40%</td>
<td>2.60%</td>
<td>2.70%</td>
<td>2.80%</td>
<td>2.80%</td>
<td>3.30%</td>
<td>3.60%</td>
</tr>
<tr>
<td>10 yr PWLB rate</td>
<td>3.00%</td>
<td>3.10%</td>
<td>3.20%</td>
<td>3.30%</td>
<td>3.40%</td>
<td>3.80%</td>
<td>4.10%</td>
</tr>
<tr>
<td>25 yr PWLB rate</td>
<td>3.70%</td>
<td>3.80%</td>
<td>3.90%</td>
<td>4.00%</td>
<td>4.10%</td>
<td>4.30%</td>
<td>4.50%</td>
</tr>
<tr>
<td>50 yr PWLB rate</td>
<td>3.60%</td>
<td>3.70%</td>
<td>3.80%</td>
<td>3.90%</td>
<td>4.00%</td>
<td>4.20%</td>
<td>4.40%</td>
</tr>
</tbody>
</table>

A more detailed Capita Asset Services forecast is included in Appendix G 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.

7.4. 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) PWLB borrowing for a period under 10 years. 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

c) European Investment Bank loans (potentially there is a further £50m available in respect of the Second City Crossing, and there is a further £150m finance contract agreed. Please see paragraph 7.5 for more details);

d) PWLB Project Rate funds, if available;

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

f) 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;

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).
It is worth noting that there is a very limited availability of traditional market loans, with those available tending to be LOBOs which are not currently available at competitive rates of interest.

7.5. European Investment Bank Borrowing Facility

During 2011/12, the Authority agreed £450m of future funding with the European Investment Bank (EIB). The final tranches of this loan facility were taken in December 2015.

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 was due to expire in December 2015, along with the outstanding £50m from the initial loan agreement. Negotiations have now been agreed with the EIB to extend both facilities for 24 months. There is no commitment to utilise the facility and 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 7.4 above.

7.6. 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.

7.7. Municipal Bond Agency

It is likely that the Municipal Bond Agency, which is in the process of being set up, will be offering loans to local authorities in the near future. The Authority is a shareholder in the Bonds Agency. 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. Prior approval will be sought from the Authority if it is considered accessing the Municipal Bond Agency will offer the most prudent form of funding.

7.8. 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 2016/17 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.

7.9. 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.

7.10. 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 2016/17 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

Through much of the financial crisis the main rating agencies (Fitch, Moody’s and Standard & Poor’s) provided some institutions with a ratings “uplift” due to implied levels of sovereign support (government backing should an institution fail). In response to the evolving regulatory regime and the declining probability of government support, the rating agencies are removing these “uplifts”. The result of this is that some institutions ratings have been downgraded by up to two notches.

The 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 were built into ratings throughout the financial crisis. The removal of sovereign support is taking place now that the regulatory and
economic environments have ensured that financial institutions are much stronger and less prone to failure in a financial crisis.

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.

The key change to the regulatory framework in respect of banks is the introduction of the European Union’s Banking Recovery and Resolution Directive (BRRD). In response to the banking crisis some Governments used taxpayer funds to support banks in danger of failing. In future BRRD will require ‘bail-in’ to be applied in such a scenario. In the U.K. this will mean that after shareholders’ equity, depositors’ funds comprising balances over £85k will be used to support a bank at risk. This will increase the risk to the Authority of holding unsecured cash deposits with banks and building societies.

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 credit rating changes the Authority needed to spread its counterparty risk by identifying more counterparties that can be utilised for investments; therefore the Treasurer introduced in the 2015-16 Treasury Management Strategy 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 Certificates of Deposit 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.
- For standard cash investments 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), apart from deposits with other Local Authorities or the DMO.
- Following the GMCA meeting last July, members approved a revision to the investment strategy in relation to Regional Investment Fund investment. The investment strategy now includes non-specified investments (in this case being investments held for over 1 year), specifically that the Authority can invest funds with Manchester City Council for 5 years.
These measures were approved in last year’s Strategy, but because of the changes in regulatory and economic environments they have all not yet been pursued.

- Investment in banks and building societies are now exposed to bail-in risk. In response to this change rather than increase investment in banks and building societies as approved in last year’s Treasury Management Strategy, in practice lower limits for investment in banks and building societies have been adopted in 2015/16.

  This is apart from the limit with Barclays bank; Barclays is the Authority’s main banker and is the investment destination of last resort for the close of daily trading. These revised limits are interim operational changes and to preserve flexibility should circumstances change the overall investment limits approved for banks and building societies for 2015/16 will be maintained in 2016/17.

- Research into the implications of Treasury bill trading has been completed and custodian and broker options identified. Current Treasury bill yields are in excess of those generated from investments with the U.K. Treasury’s Debt Management Office, whilst the level of risk is similar as Treasury bills are investments in U.K. Government stock. Treasury bills also are not subject to bail-in risk. It is expected that initial trading in Treasury bills will commence in 2016. Further background detail on Treasury bills is noted in section 8.9 below.

- There are no plans yet to utilise Certificates of Deposit and Covered Bonds with high quality counterparties. Certificates of Deposit are deposits with banks and are therefore captured by bail-in risk. Covered Bonds are not subject to bail-in risk and the bonds are backed by a separate group of loans. Covered Bonds are usually long duration investments. The custodian and broker facilities identified for Treasury bill trading can also be used for trading in Certificates of Deposit and Covered Bonds. Further background detail on Certificates of Deposit and Covered Bonds bills is noted in sections 8.10 and 8.11 below.

- Money Market Funds will also avoid bail-in risk, however they have not yet been pursued because although the requirements of Constant Net Asset Value (CNAV) and AAA rating might be met, Money Market Funds of U.K. origin might be still be invested abroad in countries which are outside the Authority’s approved list of counterparties/countries. Further background detail on Money Market Funds is noted in section 8.8 below.

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 considered above 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>Specified Investments</th>
<th>Minimum ‘High’ Credit Criteria</th>
<th>Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Term deposits – banks and building societies*</td>
<td>See below</td>
<td>In-house</td>
</tr>
<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>
<tr>
<td>Treasury Bills</td>
<td>UK Government backed</td>
<td>In-house</td>
</tr>
<tr>
<td>Covered Bonds</td>
<td>AAA</td>
<td>In-house</td>
</tr>
</tbody>
</table>

* Banks & Building Societies

The Authority will keep the investment balance below or at the maximum limit based on the institutions credit rating as detailed in paragraph 8.6. If this 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 8.6, with any breaches reported to the Treasurer.

8.5. 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, Moody’s 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 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 classed 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 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.

In summary therefore the Authority will approach assessment of creditworthiness by using the Capita counterparty list as a starting point, and then applying as an overlay its own counterparty limits and durations.

All credit ratings will be monitored daily and re-assessed 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\(^1\) 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.

\(^1\) 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.
8.6. **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**
- Fitch AA+ and above: £15 million
- Fitch AA/AA-: £10 million
- Fitch A+/A: £8 million
- Fitch A-: £4 million
- Fitch BBB+: £0 million

**Debt Management Office**: £200 million
**Manchester City Authority**: £50 million
**GM Local Authorities**: £35 million
**Other Local Authorities**: £20 million

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.

8.7. **Country Limits**

The Authority 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 8.5. The list of countries that qualify using this credit criteria as at 8 January 2016 are shown below:

- Australia
- Canada
- Denmark
- Finland
- Germany
- Netherlands
- 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. 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.
8.8. **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.

It is proposed that the Authority will only use Money Market Funds where the institutions hold the highest AAA credit rating. Furthermore where the Money Market Funds invest outside the U.K. the countries concerned must be on the list of approved counterparties noted in paragraph 8.7 above.

8.9. **Use of Treasury Bills**

These are marketable securities issued by the UK Government and as such counterparty and liquidity risk is relatively low, although there is potential risk to value arising from an adverse movement in interest rates unless they are held to maturity.

Weekly 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 and reduce the volume 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; and also purchase them in the secondary market. It is anticipated however that in the majority of cases the Authority will hold to maturity to avoid any potential capital loss from selling before maturity. The Authority will only sell the treasury bills early if it can demonstrate value for money in doing so.

8.10. **Use of Certificates of Deposit**

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. Certificates of deposit are given the same priority as fixed deposits if a bank was to default. The Authority would only deal with Certificates of deposit that are issued by banks which meet the credit criteria.
8.11. 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, (e.g. insurance companies).

8.12. Use of Non-UK Banks/Building societies

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 8th January 2016 are listed at paragraph 8.7.

8.13. Liquidity

Based on cash flow forecasts, the level of cash balances in 2016/17 is estimated to range between £0m and £300m. 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.


Bank rate has been unchanged at 0.50% since March 2009. Bank rate is forecast to commence rising in the first quarter of 2016/17. Bank Rate forecasts for financial year ends (March) are as follows:

- 2015: 0.50%
- 2016: 0.50%
- 2017: 1.00%
- 2018: 1.75%
- 2019: 2.00%

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

- As for the Eurozone in general, concerns in respect of a major crisis subsided in 2013. In January 2015 the European Central Bank (ECB) launched a €1.1 trillion programme of quantitative easing to buy up high credit quality government and other debt of selected EZ countries. This policy appears to have had a positive effect in helping a recovery in consumer and business confidence and a start to a significant improvement in economic growth. However, recent downbeat Chinese and Japanese economic news has reiterated concern that the ECB will need to boost its QE programme to succeed in significantly improving growth in the EZ and getting inflation up from the current level of around zero to its target of 2%. It is suggested that
until these targets are reached the use of higher quality counterparties for shorter time periods is continued;

- Investment returns are likely to remain relatively low during 2016/17 and beyond;

- Borrowing interest rates have continued to be volatile during 2015 as alternating bouts of good and bad news have promoted optimism, and then pessimism, in financial markets. There are also many external influences weighing on the U.K. The closing weeks of 2015 have seen a small increase in U.S. interest rates, the first for nearly a decade, however U.K. rates are not predicted to move until quarter 2 of 2016 at the earliest. The expected trend in the longer term is for gilt yields and PWLB rates to rise once economic recovery is established. This will be accompanied by rising inflation and consequent increases in Bank Rate and the eventual unwinding of quantitative easing;

- 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 down 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 2016/17 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.

8.15. 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.

8.16. 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.
8.17. **Scheme of delegation**

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

8.18. **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 charges to revenue through the annual MRP charge, noting the change to the policy in relation to the use of capital receipts to mitigate the risk associated with grant repayment if conditions are not met.

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.

#### Prudential Indicators

<table>
<thead>
<tr>
<th></th>
<th>2016/17</th>
<th>2017/18</th>
<th>2018/19</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capital Expenditure</strong></td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>2016/17</td>
<td>329.3</td>
<td>410.7</td>
<td>201.7</td>
</tr>
<tr>
<td><strong>Ratio of Gross Financing Costs to Net Revenue Stream</strong></td>
<td>38%</td>
<td>43%</td>
<td>46%</td>
</tr>
<tr>
<td><strong>Capital Financing Requirements as at 31 March</strong></td>
<td>1,504.8</td>
<td>1,591.0</td>
<td>1,665.8</td>
</tr>
<tr>
<td><strong>Incremental Impact of Capital Investments on Levy</strong></td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Gross debt to CFR</strong></td>
<td>64%</td>
<td>73%</td>
<td>72%</td>
</tr>
</tbody>
</table>

#### Treasury management indicators

<table>
<thead>
<tr>
<th></th>
<th>2016/17</th>
<th>2017/18</th>
<th>2018/19</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>2016/17</td>
<td>1,249.9</td>
<td>(1,194.9)</td>
<td>1,242.9</td>
</tr>
<tr>
<td><strong>Other long term liabilities</strong></td>
<td>0</td>
<td>(0)</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>1,249.9</td>
<td>(1194.9)</td>
<td>1,242.9</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>2016/17</td>
<td>1,060.4</td>
<td>(1,188.5)</td>
<td>1,203.4</td>
</tr>
<tr>
<td><strong>Other long term liabilities</strong></td>
<td>0</td>
<td>(0)</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>1,060.4</td>
<td>(1,188.5)</td>
<td>1,203.4</td>
</tr>
<tr>
<td><strong>Actual external debt</strong></td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>2016/17</td>
<td>964.9</td>
<td>(1,124.9)</td>
<td>1,157.9</td>
</tr>
</tbody>
</table>

#### Upper limit for fixed interest rate exposure

- Net borrowing at fixed rates as a % of total net borrowing
  - 2016/17: 146% (106%)
  - 2017/18: 149% (107%)
  - 2018/19: 138%

#### Upper limit for variable rate exposure

- Net borrowing at Variable rates as a % of total net borrowing
  - 2016/17: 11% (23%)
  - 2017/18: 8% (25%)
  - 2018/19: 24%

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

- 2016/17: 0 (0)
- 2017/18: 0 (0)
- 2018/19: 0
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<th>Maturity structure of new fixed rate borrowing during 2016/17</th>
<th>Upper Limit</th>
<th>Lower limit</th>
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<tr>
<td>under 12 months</td>
<td>30% (30%)</td>
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<td>12 months and within 24 months</td>
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<td>24 months and within 5 years</td>
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<td>5 years and within 10 years</td>
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<td>10 years and above</td>
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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 and future years:

- 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 calculated on an annuity basis and deferred until the year after the asset has been commissioned into use.

- If capital receipts have been used to repay borrowing during the year then the value of the MRP which would otherwise have been set aside will be reduced by the amounts which have instead been repaid using capital receipts.

- In the event that there is a risk of repayment of capital grant, where-by the grant conditions state that they may be used for the purposes for which a capital receipt may be used, the Authority may apply a proportion of the grant to repay borrowing.

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.

With regards to the use of capital receipts the right to use capital receipts to repay borrowing is given in the Capital Finance and Accounting Regulations (para 23). The Authority proposes that each year it may apply a portion of capital receipts to redeem debt. It will calculate the amount that it considers to be a prudent overall provision for the repayment of debt, and it will fund this repayment partly from revenue and partly from capital receipts. Since this approach would not reduce the overall amount of funding being set aside to redeem debt, the Authority is satisfied that this would result in a prudent MRP provision.

It is envisaged that in normal circumstances capital grants which are useable for the same purposes as capital receipts might be used to repay debt in so far as they might otherwise have to be repaid to central government.
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 as at December 2015

UK. UK GDP growth rates in of 2.2% in 2013 and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and the 2015 growth rate is likely to be a leading rate in the G7 again. However, quarter 1 of 2015 was weak at +0.4%, although there was a short lived rebound in quarter 2 to +0.7% before it subsided again to +0.5% (+2.3% y/y) in quarter 3.

The Bank of England’s November Inflation Report included a forecast for growth to remain around 2.5% – 2.7% over the next three years. For this recovery, however, to become more balanced and sustainable in the longer term, it still needs to move away from dependence on consumer expenditure and the housing market to manufacturing and investment expenditure. The strong growth since 2012 has resulted in unemployment falling quickly to a current level of 5.3%.

The Bank of England Monetary Policy Committee (MPC) has been particularly concerned that the squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back above the level of CPI inflation in order to underpin a sustainable recovery. It has, therefore, been encouraging in 2015 to see wage inflation rising significantly above CPI inflation which has been around zero since February.

The Inflation Report was notably subdued in respect of the forecasts for CPI inflation; this was expected to barely get back up to the 2% target within the 2-3 year time horizon. However, once the falls in oil, gas and food prices over recent months fall out of the 12 month calculation of CPI, there will be a sharp tick up from the current zero rate to around 1% in the second half of 2016. Indeed, the increase in the forecast for inflation at the three year horizon was the biggest in a decade and at the two year horizon it was the biggest since February 2013.

Nevertheless, despite average weekly earnings ticking up to 3.0% y/y in the three months ending in September, this is unlikely to provide ammunition for the MPC to take action to raise Bank Rate in the near future as labour productivity growth has meant that net labour unit costs appear to be rising by about only 1% y/y. Having said that, at the start of October, data came out that indicated annual labour cost growth had jumped sharply in quarter 2 from +0.3% to +2.2%: time will tell if this is just a blip or the start of a trend.

There is, therefore, considerable uncertainty around how quickly inflation will rise in the next few years and this makes it difficult to forecast when the MPC will decide to make a start on increasing Bank Rate. There are also concerns around the fact that the central banks of the UK and US currently have few monetary policy options left to them given that central rates are near to zero and huge quantitative easing is already in place. There are, therefore, arguments that they need to raise rates sooner, rather than later, so as to have some options available for use if there was another major financial crisis in the near future. But it is unlikely that either would raise rates until they are sure that growth was securely embedded and ‘noflation’ was not a significant threat.

The forecast for the first increase in Bank Rate has, therefore, been pushed back progressively during 2015 from Q4 2015 to Q2 2016 and increases after that will be at a much slower pace, and to much 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 Government’s revised Budget in July eased the pace of cut backs from achieving a budget surplus in 2018/19 to achieving that in 2019/20 and this timetable was maintained in the November Budget.

**USA.** GDP growth in 2014 of 2.4% was followed by Q1 2015 growth, which was depressed by exceptionally bad winter weather, at only +0.6% (annualised). However, growth rebounded very strongly in Q2 to 3.9% (annualised) before dipping again in Q3 to 2.1%

Until the turmoil in financial markets in August, caused by fears about the slowdown in Chinese growth, it had been strongly expected that the Federal Reserve (Fed) may start to increase rates in September. However, the Fed pulled back from that first increase due to global risks which might depress US growth and put downward pressure on inflation, as well as a 20% appreciation of the dollar which has caused the Fed to lower its growth forecasts.

Although the non-farm payrolls figures for growth in employment in August and September were disappointingly weak, the October and November figures were stunningly strong and underpinned the first increase (0.25%) in the Fed’s funding rate for almost a decade.

**Eurozone.** The European Central Bank (ECB) fired its big bazooka in January 2015 in unleashing a massive €1.1 trillion programme of quantitative easing to buy up high credit quality government and other debt of selected EZ countries. This programme of €60bn of monthly purchases started in March 2015 and it is intended to run initially to September 2016, and then on to March 2017 (although no change to the original quantum of QE has as yet been announced).

This policy appears to have had a positive effect in helping a recovery in consumer and business confidence and a start to a significant improvement in economic growth. GDP growth rose to 0.5% in Q1 2015 (1.0% y/y) but came in at +0.4% (+1.5% y/y) in Q2 and +0.3% (+1.6% y/y) in Q3. However, the recent downbeat Chinese and Japanese news has reiterated the concern that the ECB will need to boost its QE programme if it is to succeed in significantly improving growth in the EZ and getting inflation up from the current level of around zero to its target of 2%.

**Greece.** During July, Greece finally capitulated to EU demands to implement a major programme of austerity. An €86bn third bailout package has since been agreed although it did nothing to address the unsupportable size of total debt compared to GDP. However, huge damage has been done to the Greek banking system and economy by the initial resistance of the Syriza Government, elected in January, to EU demands.

The surprise general election in September gave the Syriza government a mandate to stay in power to implement austerity measures. However, there are major doubts as to whether the size of cuts and degree of reforms required can be fully implemented and so a Greek exit from the euro may only have been delayed by this latest bailout.

**China and Japan.** Japan is causing considerable concern as the increase in sales tax in April 2014 suppressed consumer expenditure and growth. In Q2 2015 quarterly growth shrank by -0.7% after a short burst of strong growth of 1.0% during Q1. Growth in Q3 was -0.8% so Japan is now back into recession for the fourth time in five years. It has been hit hard by the downturn in China during 2015. This does not bode well for Japan as the Abe
government has already fired its first two arrows to try to stimulate recovery and a rise in inflation from near zero, but has dithered about firing the third, deregulation of protected and inefficient areas of the economy.

As for China, the Government has been very active during 2015 in implementing several stimulus measures to try to ensure the economy hits the growth target of 7% for the current year and to bring some stability after the major fall in the onshore Chinese stock market during the summer. Many commentators are concerned that recent growth figures could have been massaged to hide a downturn to a lower growth figure.

There are also major concerns as to the creditworthiness of much of the bank lending to corporates and local government during the post 2008 credit expansion period. Overall, China is still expected to achieve a growth figure that the EU would be envious of. Nevertheless, concerns about whether the Chinese economy could be heading for a hard landing, and the volatility of the Chinese stock market, which was the precursor to falls in world financial markets in August and September, remain a concern.

**Emerging countries.** There are also considerable concerns about the vulnerability of some emerging countries and their corporates which are getting caught in a perfect storm. Having borrowed massively in dollar denominated debt since the financial crisis (as investors searched for yield by channelling investment cash away from western economies with dismal growth, depressed bond yields and near zero interest rates into emerging countries) there is now a strong flow back to those western economies with strong growth and an imminent rise in interest rates and bond yields.

This change in investors’ strategy, and the massive reverse cash flow, has depressed emerging country currencies and, together with a rise in expectations of a start to central interest rate increases in the US, has helped to cause the dollar to appreciate significantly. In turn, this has made it much more costly for emerging countries to service their dollar denominated debt at a time when their earnings from commodities are depressed. There are also likely to be major issues when previously borrowed debt comes to maturity and requires refinancing at much more expensive rates.

Corporates (worldwide) heavily involved in mineral extraction and / or the commodities market may also be at risk and this could also cause volatility in equities and safe haven flows to bonds. Financial markets may also be buffeted by the sovereign wealth funds of those countries that are highly exposed to falls in commodity prices and which, therefore, may have to liquidate investments in order to cover national budget deficits.

**CAPITA ASSET SERVICES FORWARD VIEW**

Economic forecasting remains difficult with so many external influences weighing on the UK. Our Bank Rate forecasts, (and also MPC decisions), will be liable to further amendment depending on how economic data evolves over time. Capita Asset Services undertook its last review of interest rate forecasts on 9 November 2015 shortly after the publication of the quarterly Bank of England Inflation Report. There is much volatility in rates and bond yields as news ebbs and flows in negative or positive ways. This latest forecast includes a first increase in Bank Rate in quarter 2 of 2016.

The overall trend in the longer term will be for gilt yields and PWLB rates to rise when economic recovery is firmly established accompanied by rising inflation and consequent increases in Bank Rate, and the eventual unwinding of QE. Increasing investor confidence
in eventual world economic recovery is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.

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

However, the overall balance of risks to our Bank Rate forecast is probably to the downside, i.e. the first increase, and subsequent increases, may be delayed further if recovery in GDP growth, and forecasts for inflation increases, are lower than currently expected. Market expectations in November, (based on short sterling), for the first Bank Rate increase are currently around mid-year 2016.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Geopolitical risks in Eastern Europe, the Middle East and Asia, increasing safe haven flows.
- UK economic growth turns significantly weaker than we currently anticipate.
- Weak growth or recession in the UK’s main trading partners - the EU, US and China.
- A resurgence of the Eurozone sovereign debt crisis.
- Recapitalisation of European banks requiring more government financial support.
- Emerging country economies, currencies and corporates destabilised by falling commodity prices and / or the start of Fed. rate increases, causing a flight to safe havens

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

- Uncertainty around the risk of a UK exit from the EU.
- The commencement by the US Federal Reserve of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to 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 Capita 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>
<th>Capita Asset Services' Interest Rate</th>
<th>Capita Asset Services' Interest Rate View</th>
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<tbody>
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<td>0.5%</td>
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<td>50yr PWLB Rate</td>
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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 Authority 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 Authority to ‘have regard to’ the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Authority’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 than 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: 29th January 2016
Subject: ESF Co-Financing Organisation Update

PURPOSE OF REPORT
The purpose of this report is to inform Members of the latest developments on the Greater Manchester Combined Authority becoming an ESF Co-Financing Organisation (CFO).

Following outline agreement from the GMCA to become a Co-Financing Organisation in June 2015 and approval of the outline application by the ESF Managing Authority (DWP), a detailed bid application that identifies eligible match funding must be submitted and approved before ESF funding can be drawn down in support of GM commissioned activity. At its June meeting the Combined Authority requested a further report before GM finalised its CFO application.

RECOMMENDATIONS:
Members are asked to approve that GM proceeds with becoming an ESF Co-Financing Organisation and to note:
- the phased structure which will enable GM to secure ESF funding to commission activity as and when eligible match funding can be confirmed.
- the immediate need to progress the CFO bid in order to ensure ESF match funding can be used to fully support the Working Well Expansion programme.
- the financial / legal risks associated with becoming a CFO and in particular the capacity and resources required to establish and operate the functions required of a CFO.
- the intention to develop the full bid for the Phase 1 proposal in conjunction with the GMCA Finance / Legal Teams over the coming weeks with the final bid submitted on behalf of the GMCA.

CONTACT OFFICERS:
Theresa Grant, Chief Executive, Trafford MBC
Simon Nokes, Managing Director, New Economy

BACKGROUND PAPERS:
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<td>[Date considered at TfGMC; if appropriate]</td>
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GM ESF CO-FINANCING ORGANISATION

1. BACKGROUND

1.1. As part of devolution arrangements GM has been developing proposals to become an ESF Co-Financing Organisation (CFO) in order to fully support the Working Well Expansion programme and further devolution commitments over the next five to seven years. This would enable GM to take localised control of a significant proportion of its £132.9m ESF 2014-2020 Programme allocation.

1.2. Outline Combined Authority approval to move GM towards becoming a CFO was received in June 2015 on the clear understanding that a final decision would need to be made by the Combined Authority once the details had been fully worked up.

1.3. GM will be able to apply for a significant proportion of its ESF allocation in one or more ‘block’ requests which then place GM in control of processes to commission, contract and manage ESF activity itself. This means we can align ESF funding to other devolved funds and existing contracts to maximise its impact and represents true devolution.

1.4. The co-financing model will enable GM to have a higher level of local control over its ESIF 2014-2020 programme than the current proposals for partial Intermediate Body status would allow.

1.5. Currently co-financing is only available for use within ESF funding and not ERDF within the UK. Co-financing is seen as an effective approach to delivering ESF, which enables funding to be matched by the public sector to select providers to deliver ESF-funded activities through a competitive bidding process. Provision is aimed at:

- improving employment opportunities
- promoting social inclusion
- helping people to fulfil their potential

1.6. To date CFOs in the ESF 2014-2020 Programme have been national public sector, ‘Opt-In’ organisations – the Skills Funding Agency (SFA), DWP and the Big Lottery Fund – with a statutory remit and capability to deliver the ESF Operational Programme’s objectives. GM currently has to apply for funding for a specific project to either work with the Managing Authority or existing CFOs to procure and provide match for ESF activity on GM’s behalf. Three ESF calls have been launched to date via the ‘Opt-Ins’ which total a maximum of £22m.

1.7. In October 2015, the SFA informed all LEPs, due to changes resulting from the Government’s Spending Review and further devolution of resources, that it would be unable to commit to activity or match expenditure beyond March 2018. The SFA advised it would only procure activity on shortened contracts (between 18-24 months). The current understanding is that SFA contracts will
not be novated or transferred so recommissioning of activity will have to take place in mid-2018.

1.8. Following this in November 2015, the Minister for Employment agreed that Combined Authorities could have a role to play in the delivery of ESF as (local) CFOs, allowing them to apply their strengthened local governance and increased functions to the delivery of ESF.

1.9. These changes present an opportunity for GM to further scope out the coverage of its CFO in terms of eligible match and capacity to deliver. This will become increasingly important when SFA co-financing ceases and GM’s devolution budgets, which could be used as match against ESF, become clearer from 2017.

2. **BID PROCESS**

2.1. To receive ESF funding, Combined Authorities will need to be appointed as CFOs by the ESF Managing Authority (DWP) first and then apply for ESF funding second. DWP’s revised selection criteria for CFO status and roles and responsibilities are set out in Annex 1.

2.2. As agreed at the June 2015 meeting of GMCA Trafford Council, on behalf of GMCA, has submitted an outline CFO application to gain initial feedback from the ESF Managing Authority (DWP). Trafford Council is leading on the bid as it is acting as the accountable body for the Working Well Expansion programme, and until the CA Order is passed, the CA does not have the relevant data sharing powers to apply in its own right. After this point it is proposed that the CA would take over from Trafford Council as the CFO organisation. The outline bid will be appraised and once the Trafford/GMCA receives CFO status it will be invited to submit a full bid detailing the ESF funding resources it wishes to draw down.

2.3. The ESF Managing Authority (DWP) will only release funding to a CFO once sufficient eligible match funding is confirmed and a funding agreement or MoU between parties is in place. Therefore it is proposed that the GM CFO takes an incremental approach to securing ESF funding over the next few years in a clear phased approach which minimises financial risks.

3. **PHASED APPROACH**

3.1. The proposal is for a two-phased approach which encompasses phase 1 activity, based on confirmed eligible match available in GM at this present time; and phase 2 activity, which is based on what GM expects it could use as ESF match through a combination of devolved funding and other national / local funding streams from 2017 onwards.

3.2. **Phase 1**: Phase 1 provision supports Working Well programme services which will require a maximum of £8.85m ESF. Planned activity is split between:
3.3. **Phase 1a – Working Well Pilot (running to 2017/18)** - £1.2m ESF funding required for service delivery against £1.2m secured match from local authorities.

3.4. **Phase 1b – Working Well Expansion Programme (running to 2019/20)** - split between provision for a Personalised Support Service, which expects to draw down a maximum of £6.9m ESF and a Mental Health Support Service for £750k ESF.

Confirmed match funding of Transformation Challenge Award (£1.4m), Mental Health trailblazer grant (£2.6m) and up to £6m of HM Treasury funding is available as match funding against this proposed ESF drawdown. HM funding will be paid progressively as sustained outcomes and AME savings are realised. The programme is structured with ESF equating to 50% of total costs.

3.5. It is crucial GM finalises and then receives approval for its CFO application as soon as possible to ensure that contracting with providers for the Working Well Expansion (due to commence in February 2016) can include ESF funding to maximise the impact of the programme.

3.6. **Phase 2 (from late 2017-2022):** As part of the application process, DWP have asked that GM outlines the anticipated ESF funding ask and match funding sources known at this stage. It is proposed, as devolved funding arrangements become clearer, that GM seeks to extend its CFO resources and commission further ESF activity split between:

3.7. **Phase 2a (covering GM employment devolution commitments):** In addition to Phase 1, GM has earmarked a further c£30m of its ESF allocation to enable it to deliver its devolution commitments. This funding will look to support employment and social inclusion provision which may include further phases of the Working Well programme and a co-commissioned Work and Health Programme. Match funding in support of this provision is likely to be drawn from:

   - Youth Contract (Cabinet Office) - £2m
   - Proposed Work & Health programme (DWP) - circa £6m a year
   - Other funding within scope and eligible, e.g. Troubled Families.

3.8. This phase will be developed in conjunction to align with health and social care devolution and public service reform activities to ensure best value from ESF.

3.9. **Phase 2b (covering other ESF activity post 2018):** As the SFA is only able to commit match funding and contract ESF provision on Greater Manchester’s behalf until March 2018, GM has an opportunity to maximise its devolved skills budget by aligning it to remaining ESF allocations. This could equate to circa £40-50m ESF, dependent on the performance and drawdown of its SFA contracts up to March 2018.

The SFA decision to cease co-financing and only commission short-term 18-24 month contracts is having a considerable impact on the calls GM envisaged the
SFA would procure based on the original GM ESIF Investment Plan. GM is working hard with the SFA to ensure it procures activities which focus on our local skills and employment priorities and fill known gaps in provision with the current position being a blend of activity including:

- NEET Participation & Skills Programme (tender currently live)
- Careers Education Information, Advice and Guidance
- Skills Support for the Workforce
- Higher Skills Support Programme

3.10. Post 2018, future commissioning activity under the CFO will align closely to these types of activity. Match funding is likely to be provided from GM’s devolved Adult Education Budget.

3.11. The outline application seeks to secure CFO status for Greater Manchester and proposes to then draw down ESF funding to commission and deliver activity identified under Phase 1. This is the only commitment/risk being entered into at this point. However, having secured CFO status, this gives GM the ability in the future to extend the level of ESF funding available via CFO to deliver activity identified under Phase 2 activity as match funding becomes clearer following the devolution of budgets post 2017.

4. IMPLICATIONS AND RISKS OF BECOMING A CFO

4.1. There are significant opportunities which arise from GM becoming an ESF Co-financing Organisation. Notably it will give GM the ability to move away from nationally commissioned programmes and instead procure targeted provision based on robust local evidence of need and demand.

4.2. Control of ESF contracts and performance management will also enable GM to better evaluate the quality of service provision and help to influence future commissioning requirements. There are though a number of risks associated with becoming a CFO.

4.3. Financial / legal risks

4.4. A: Cashflow

The issue is to ensure that any cashflow requirements are fully understood as a result of the need to defray payment to contracted providers before drawing down ESF funding in arrears.

4.5. For Phase 1, the Working Well Expansion programme has eligible match funding of £4m in place upfront to minimise cashflow issues as ESF funding will be reimbursed approximately three months after quarterly claims are made to the Managing Authority and HM Treasury payments will be made on a rolling basis aligned to performance volumes of the programme. The GM CFO approach will see activity to support the Working Well Expansion follow the
financial cashflow modelling undertaken by Ernst & Young and approved by GM Treasurers. This model shows no financial cashflow issues.

4.6. Cashflow modelling for all Phase 2 activity will be developed at a later point - before any commitment is made to draw down ESF funding for Phase 2 - to understand cashflow implications and minimise any risks.

4.7. **B: Financial Clawback**

*The issue is to minimise the risk of potential financial clawback due to non-compliance from providers and/or the GM CFO team.*

4.8. Risks will be minimised through back to back agreements between the Managing Authority and the GMCA and the GMCA and the providers which will ensure the clawback risk is cascaded directly to the provider. However, the risk remains that providers may not be in a position to pay back any financial clawback.

4.9. Whilst offering no guarantees, the resources and systems established for Phase 1 activity (the Working Well Expansion) including its payment by results model and monitoring, audit and evaluation frameworks will help to ensure ‘double checking’ verification by the CFO team and also by a GMCA-appointed independent audit is carried out to ensure ESF compliance and minimise the likelihood of clawback. There is still a residual risk that an audit will find areas of non-compliance and/or incomplete audit trails and therefore impose financial clawback.

4.10. **C: Resources and capability to deliver the GM CFO**

*The issue is to ensure that GM has the capacity and capability to establish and operate its CFO function at scale.*

4.11. Building on the experience of the Working Well programme team and the Core Investment Team, GM has a wealth of experience and systems in place to manage programmes of this scale. The CFO, unlike current ERDF arrangements, can draw down ESF resources to support the costs of managing each project it commissions and manages.

4.12. Once the GMCA has agreed to progress the CFO, the full bid will build in appropriate Phase 1 fees to cover the necessary programme management, legal, financial and procurement expertise. These fees will then be developed as GM bids for further ESF funding under Phase 2.

5. **GOVERNANCE ARRANGEMENTS**

5.1. The GM CFO will be accountable to the Managing Authority (DWP) as per arrangements with existing co-financing organisations such as the SFA.
5.2. The CFO will sit within the devolution governance structure for Greater Manchester and report directly to the GMCA (and local ESIF Committee) and ensure relevant information is supplied to the GM Wider Leadership Team, Local Authority Treasurers, the GM Skills & Employment Partnership and the Employment and Skills Executive.

5.3. From an ESIF perspective, the Managing Authority (DWP) would insist that the CFO acted independently from the current ESF and ERDF Technical Assistance contracts (which are being finalised with DWP and DCLG) and GM’s Intermediate Body status and powers which will start from 1st April 2016. It could of course sit alongside these functions as part of GM’s overall resources managing different aspects of the ESIF 2014-2020 Programme.

6. **RECOMMENDATIONS**

6.1. Members are asked to approve that GM proceeds with its approach to becoming an ESF Co-financing organisation.

6.2. Following agreement from the GMCA and approval of the outline application by the ESF Managing Authority (DWP) a full detailed bid application will be developed based on the Phase 1 proposal. This will be developed in conjunction with the GMCA Finance / Legal Teams over the coming weeks with the final bid submitted on behalf of the GMCA.
ANNEX 1 – ‘Local CFOs’ - Revised Selection Criteria for ESF Co-Financing Organisations, including ESF Opt-Ins

The criteria are:

- They are national public bodies or equivalent; or
- They are combined authorities (CAs); or
- They are the Greater London Authority (GLA).
- If national public bodies - they fulfil their statutory functions in relation to one or more of the activities described in the OP.
- If CAs or the GLA - they fulfil functions within the scope of the OP.
- They have sufficient eligible match funding for an agreed duration within the time period of the OP.
- They have sufficient infrastructure and expertise to manage ESF in compliance with European and national law and are able to cover the geography of at least one whole Local Enterprise Partnership (LEP) area.

They are capable of running compliant procurement or grant processes as providers which will receive support from ESF, using open and competitive selection procedures

Outline role and responsibilities of a Co-Financing Organisation

- Contributing to the delivery of the ESF Operational Programme;
- Covering the geography of at least one LEP area;
- Working with LEP area local partners to seek advice on how provisions best meet local needs;
- Setting out ‘ways of working agreement’ for engagement with LEP area local partners, seeking LEP area ESI Funds sub-committee agreement;
- Developing tender specifications or competitive calls for proposals for the providers that will deliver the ESF-funded activities in line with the Operational Programme;
- Selecting and contracting with providers using open, fair and transparent procedures;
- Paying project claims in accordance with the terms of the provider contract;
- Monitoring of project delivery and correctness of financial claims against the terms of the provider contract;
- Ensuring that there is an audit trail of claimed expenditure, including match, that will meet audit and verification requirements;
- Ensuring that all providers, funded by either ESF or match funds, respect regulatory requirements, in particular with regard to publicity and the cross cutting themes;
- Submitting claims for reimbursement of ESF to the Managing Authority at Funding Agreement level;
- Ensuring that eligible match funding is in place to draw down the ESF; and
- Collecting from ESF and match funded providers data relating to individual participants, collating the data and submitting participant records to the Managing Authority.
- Reporting progress to the MA using appropriate MI.
Date: 29 January 2016

Subject: GM City Deal: Homes & Communities Agency Receipts

Report of: Councillor Sue Derbyshire Portfolio, Lead for Planning and Housing and Councillor Kieran Quinn, Portfolio Lead for Investment Strategy and Finance and Eamonn Boylan, Portfolio Lead Chief Executive, Investment Strategy and Finance and Richard Paver, GMCA Treasurer

PURPOSE OF REPORT

This report seeks approval to proposed changes to the strategy for investment of receipts to the Homes & Communities Agency (“HCA”) from disposal of its land and property in Greater Manchester.

RECOMMENDATIONS:
The Combined Authority is recommended:

- to approve the strategy to use those HCA City Deal receipts received to date which have not yet been invested, and all future HCA City Deal receipts, to make equity investments in residential developments alongside loans from the GM Housing Fund.
- to request that Manchester City Council (“MCC”), which has agreed to manage the funds on behalf of GM on the basis of the original investment strategy, approves the new strategy.

In doing so, the Combined Authority is asked to note the following:

- that no changes to the existing tri-partite agreement between GMCA, MCC and the HCA which governs the arrangements around HCA City Deal receipts are required as a result of the revised strategy;
- that if the recommendation is approved, Officers will bring back a report setting out a more detailed strategy for equity investments, to be developed in close consultation with appropriate Leaders, and following the endorsement of the Housing Investment Board and GM Investment Board;
- that specific investments of HCA City Deal receipts will require the approval of GMCA and HCA.

CONTACT OFFICERS:
Michael Walmsley (m.walmsley@manchester.gov.uk, 0161 234 1834)
1.0 BACKGROUND & OVERVIEW

1.1 In line with commitments set out in the GM City Deal agreed with government in 2012 and which runs to 2022, the HCA has agreed to make receipts from the disposal of its land and property in Greater Manchester available for reinvestment in schemes which support the objectives of the GM City Deal. A list of HCA land and property in GM is included at appendix 1.

1.2 The City Deal receipts HCA will pass over can only be invested in ‘Viable Projects’, i.e. those which a reasoned assessment confirms will, in all likelihood, be able repay the investment. As such, there is a presumption that the funds received will be repaid to the HCA in 2022, in line with the 10-year lifetime of the GM City Deal. Critically, however, the HCA has agreed that it will bear the loss in relation to any investments of City Deal receipts which are not recovered.

1.3 As part of the process to operationalise the principles surrounding City Deal receipts, in 2014 GMCA agreed that receipts from residential sites would pass to the authority of the originating district to invest, but with proposed investments to be endorsed through the Housing Investment Board in order to ensure the joined-up approach that the City Deal calls for. In the event that a district did not wish to take up an opportunity to invest a residential receipt locally, the GMCA agreed that the funds could pass to another authority to use as if the receipt had been generated from a site in its own district, again acting under the governance of the Housing Investment Board.

1.5 The GMCA also agreed that receipts from commercial sites would be managed through the GMCA Core Investment Team, and invested alongside Regional Growth and Growing Places funds as part of the GM Investment Framework. As a result of it bearing the loss for any investments which are not recovered, HCA requires that all proposed investments obtain its approval.
1.6 In view of legal advice that the funds constitute a loan which GMCA could not accept given its limited borrowing powers, GMCA agreed that MCC should act as the lead authority to receive and administer the funds on behalf of GM. A detailed legal agreement between GMCA, MCC and the HCA was completed in March 2015.

2.0 CURRENT POSITION & FUTURE STRATEGY

2.1 To date, HCA has paid over £7.453m of City Deal receipts, £6.256m being generated from residential sites in Manchester and £1.196m generated from a residential site in Wigan.

2.2 Wigan Council has recently confirmed that it does not wish to take City Deal receipts, which has prompted a review by the Housing Investment Board as to how best they could be redeployed. In doing so, the Housing Investment Board has sought to reflect the evolution of the wider GM investment landscape since the original strategy for investment of City Deal receipts was conceived. This has seen the creation of the £300m GM Housing Fund, which is now operational, and an increase in the capacity of the Growing Places Fund resulting from certain loan offers not being taken up together with the early repayment of funds lent to other schemes which can now be recycled. The continued success of the Evergreen Fund, which is also now recycling early investments, and GM’s plans to create Evergreen 2, are also relevant.

2.3 Against this backdrop, the Housing Investment Board has recommended that, rather than use City Deal receipts to do “more of the same”, GM instead adds to the range of investment tools currently available to it by using these funds to make equity investments in residential developments. It also recommends that investments are made without restriction to the originating district in order to ensure that impacts are optimised at a GM-level. The rationale for doing so is that, while the level of uptake seen since the Housing Fund launched in July 2015 is extremely encouraging with over £67m of lending approved to date, the Housing Fund investment strategy is currently based on the provision of senior loans. This strategy may inhibit GM’s ability to unlock the delivery of schemes where marginal viability exists, or involve complex, challenging sites with extended timescales to completion of units that would be at odds with the Housing Fund’s aim to lend on a relatively short cycle.

2.4 In developing the Housing Fund investment strategy, it has been acknowledged from the outset that more flexible financial structures may need to be considered over the 10-year life of the Housing Fund.

1 With a total investment capacity of £35m, there is currently c. £13.5m headroom available for new Growing Places investments.

2 With a total investment capacity of £60.5m, approximately £9m of Evergreen investment has so far recycled, with a further £10m expected to be recycled by June 2016.
Protecting the GM indemnity will, however, continue to be the focus of the Housing Fund investment strategy for the foreseeable future. As such, the use of City Deal receipts to make equity investments in residential schemes, aligned to the provision of debt from the Housing Fund, offers a near-term opportunity to enhance GM’s ability to deliver its objectives for housing growth.

2.5 Notwithstanding that its approval to proposed investments of City Deal receipts will continue to be required, the HCA has indicated its approval to the principle of using them to make equity investments in housing schemes, provided they are invested on a recoverable basis and not as grant.

2.6 If the principle of using City Deal receipts as proposed is approved, the Core Investment Team and HCA’s Greater Manchester Area Team will, under the governance of the Housing Investment Board, work with the districts to progress further analysis of the sorts of constraints to schemes in their pipeline which equity investments could tackle as part of a financial package which also includes Housing Fund loans. This will provide the basis for the preparation of a more detailed strategy to guide the prioritisation and structuring of equity investments, to be developed in close consultation with appropriate Leaders and to be endorsed by the Housing Investment Board ahead of seeking GMCA approval to that strategy.

3.0 OPERATIONAL ISSUES & RISK MANAGEMENT

3.1 Proposed equity investments will be appraised, structured and managed by the GMCA Core Investment Team as if the funds were part of the Housing Fund itself. The approval process will also follow the existing governance processes for the GM Housing Fund, but with the additional requirement for approval from the Housing Investment Board in order to obtain the HCA approval required.

3.2 Mirroring its role as the lender for the purpose of Housing Fund loans, MCC will act as the investor for the purpose of equity investments made with HCA receipts, to be managed in line with MCC’s internal capital expenditure processes as required.

4.0 FINANCIAL IMPLICATIONS

4.1 The amount currently available for equity investments stands at £5.9m, with HCA forecasting a further £7m of City Deal receipts to be passed over by the end of March 2016. This figure reflects an investment of £1.6m of City Deal receipts made by MCC in late 2014. MCC wishes to retain a further amount of receipts from residential sites in Manchester for an investment (currently estimated at £1-2m) to address infrastructure defects and liabilities in relation to land it has acquired from the HCA, and is in discussion with HCA regarding this.
All other receipts from residential sites in Manchester would be available for equity investments on a non-restricted basis.

4.2 The value of City Deal receipts passed over will be based on actual disposal proceeds realised by HCA, net of any disposal costs and other deductions (e.g. obligations to pay overage to former landowners). Based on its assessment of the probability of disposal within the 10-year period for which the City Deal arrangements will apply, and associated book values, HCA predicts that around £21m of receipts could be generated for reinvestment. This is comprised of approximately £14m from residential sites in Manchester and Wigan together with a further £7m from commercial sites in Manchester and Salford.

4.3 As noted above, in the event that investments made with City Deal receipts are not recovered, there is no liability for repayment of the loss to HCA when the arrangements expire in 2022. Equally, however, any uplift achieved on investments is also to be repaid to HCA in 2022.

4.4 No additional resource expenditure is proposed at this time, with work being absorbed by anticipated Core Investment Team resource as set out in another paper on the GMCA’s agenda. It should, however, be noted that the arrangements with HCA provide for 2% of the City Deal receipts received be used to cover additional costs involved in the administration of investments. Further dialogue with HCA may be required to ensure that the arrangements around top-slicing are fit for purpose. This will be reported as part of the normal finance arrangements for the Core Investment Team.

5.0 LEGAL IMPLICATIONS

5.1 The use of City Deal receipts to make equity investments in residential schemes does not require any changes to the existing legal agreement between HCA, GMCA and MCC.

5.2 The state-aid implications of specific equity investments will be assessed as part of the appraisal and approval of those investments.

6.0 CONCLUSIONS

6.1 The value of City Deal receipts that will potentially be generated presents a meaningful quantum of equity to support schemes with a different risk-profile to those which are fundable under the current Housing Fund investment strategy, and therefore enhance GM’s ability to realise housing growth. In line with the recommendation of the Housing Investment Board, the GMCA is recommended to approve this strategy.
APPENDIX 1: SUMMARY OF HCA LAND AND PROPERTY ASSETS IN GM

- Receipts from the disposal of the assets listed below will be passed over for reinvestment.

- HCA reports that only those sites marked with an asterisk are expected to generate receipts within the lifetime of the City Deal (these include sites which have already been disposed and receipts passed over).

<table>
<thead>
<tr>
<th>SITE</th>
<th>DISTRICT</th>
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<tbody>
<tr>
<td><strong>Residential Sites</strong></td>
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<tr>
<td>Ancoats Urban Village*</td>
<td>Manchester</td>
</tr>
<tr>
<td>Former All Saints School Site</td>
<td>Manchester</td>
</tr>
<tr>
<td>Land adj. to Gorton Monastery</td>
<td>Manchester</td>
</tr>
<tr>
<td>Land At 20 Piercy Street*</td>
<td>Manchester</td>
</tr>
<tr>
<td>Former St Jude’s School*</td>
<td>Manchester</td>
</tr>
<tr>
<td>13 - 19 New Islington*</td>
<td>Manchester</td>
</tr>
<tr>
<td>Cardroom Estate*</td>
<td>Manchester</td>
</tr>
<tr>
<td>Land adjacent to 13 - 17 New Islington*</td>
<td>Manchester</td>
</tr>
<tr>
<td>Land remaining in Manchester – 12 Piercy St*</td>
<td>Manchester</td>
</tr>
<tr>
<td>Land remaining in Manchester- Great Bridgewater</td>
<td>Manchester</td>
</tr>
<tr>
<td>JET Centre, Site 22 Hattersley</td>
<td>Tameside</td>
</tr>
<tr>
<td>Site 22 (excl JET Centre), Hattersley</td>
<td>Tameside</td>
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<tr>
<td>Site 16, Hattersley</td>
<td>Tameside</td>
</tr>
<tr>
<td>Site 15 Sandy Bank Avenue</td>
<td>Tameside</td>
</tr>
<tr>
<td>Bickershaw Colliery*</td>
<td>Wigan</td>
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</tbody>
</table>

| **Commercial sites** | |
| Weir Pumps Phase 1 and Phase 2* | Manchester |
| Fujitsu Tower | Manchester |
| Vaughan Street Building | Manchester |
| Central Business Park* | Manchester |
| Kingsway Business Park | Rochdale |
| Broadshaw Farm | Rochdale |
| Agecroft Commerce Park* | Salford |
| Ashtons Field* | Salford |
| Land remaining in Salford – M50 1RE | Salford |
| Land remaining in Salford – M50 1RD | Salford |
| Land remaining in Salford – M17 1SX | Salford |
| Martland Park | Wigan |
| Land remaining in Wigan – Fourmarts Rd | Wigan |
PURPOSE OF REPORT

1.1 In January 2015 to establish Greater Manchester Place (GM Place) and develop a delivery plan for Greater Manchester along side a proposition for a governance structure for consideration by the Housing Investment Board.

1.2 In June 2015 Chief Executives considered a progress report on key areas of work including pipeline development of ‘at market’ and ‘near to market’ sites and longer term propositions; engagement with landowners and developers; production of market focused intelligence and analysis and establishing strategic relationships with Investors and SWF.

1.3 This paper sets out the broader scope of work GM Place is undertaking with the ten Local Authorities within GM in terms of:

   i) work which is carried out consistently across all ten GM local authorities;
   ii) individual priorities agreed with each local authority;
   iii) opportunities for further investment and activity following the recent Spending Review announcements.

RECOMMENDATIONS:

The Combined Authority is requested to:

1. Note progress against the key activity areas of GM Place.

2. Note the programme of works agreed across all ten authorities which will form the GM Place Business plan 2016/17.
3. Invite a further report detailing an approach/strategy to maximise the opportunities and resources outlined in the Spending Review and Autumn Statement 2015 to support the City Region’s aspiration for Growth and to accelerate delivery of the residential growth strategy.

Risk Management – None
Legal Considerations – None
Financial Consequences – Revenue – None
Financial Consequences – Capital – None

<table>
<thead>
<tr>
<th>TRACKING/PROCESS</th>
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<tr>
<td>Does this report relate to a major strategic decision, as set out in the GMCA Constitution (paragraph 14.2) or in the process (paragraph 13.1 AGMA Constitution) agreed by the AGMA Executive Board:</td>
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<th>EXEMPTION FROM CALL IN</th>
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<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>
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<th>TfGMC</th>
<th>Scrutiny Pool</th>
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3.0 KEY ACTIVITY AREAS

Local Authority Land

3.1 Good progress has been made on reviewing the process and procedures to promote best practice across GM on land disposal. A small task and finish group has been established across GM to develop a best practice, consistent approach to which all local authorities can sign up to, to enable effective and efficient engagement with developers. The agreed procedure guidance note will be presented to the next Housing Investment Board for approval and implementation.

3.2 Local Authorities have all now agreed to jointly issue an annual GM land disposal plan for housing sites. In line with government best practice, this will provide transparency and consistency to the house builder and developer industry to facilitate the acceleration of housing delivery.

3.3 Work has been on-going with the local authorities to identify a programme of infill sites to bring to market/dispose to deliver housing. Phase one at MCC was targeted to Registered Service Landlords (RSL) development; phase two is currently out to market seeking a private sector house builder partner. It is expected these sites will be of interest to SME house builders/developers.

3.4 Work is on-going with all the local authorities to identify priority sites to accelerate and take to market, with a particular focus on large scale investment opportunities that will produce significant housing numbers. 23 sites in the ownership of local authorities were identified across six local authorities where local authority land could be brought forward for development, with access to the GM Housing Fund promoted to encourage developers to bid for the schemes. These 23 sites have the capacity for around 3,000 new homes. Three large strategic sites have also been identified in the ‘northern arc’ authorities that have the capacity to deliver around 5,000 new homes.

3.5 Following discussions with individual local authorities, it has been agreed that a ‘small sites’ development partner panel would accelerate the rate at which local authorities are able to bring forward sites in their ownership. The existing Developer Property Panel 2 (DPP2) is used extensively by the HCA and local authorities and is available to other public sector partners. The current DPP2 includes most of the main volume house builders who work across GM. The DPP2 panel members tend not to work on sites of fewer than around 50 units, however there is an increasing number of smaller, regional and specialist developers and contractors, together with RSL partners who operate very well on at this level, and often access public sector development finance to increase the volume of their activities. The HCA will begin work in the 2016 to put a ‘small sites’ panel together.
3.6 Pilot work on a landfill strategy that will be replicable across GM is underway between Manchester and Salford. The learning from this pilot will be shared across GM.

HCA Land

3.7 During this financial year, the HCA has either sold, or is contracted to sell, 18 sites across GM. The anticipated receipt from these sales totals £8.8m which will be included in the GM City Deal arrangements. The output from these disposals is circa 350 new homes together with land for commercial and industrial development. The HCA does have a modest number of remaining sites to sell which will be brought forward in 2016/17.

Other Public Sector Land

3.8 Work has been on going with the PCC and TfGM to identify opportunities to release surplus land and bring to market as residential opportunities.

3.9 GM Place team has been supporting Trafford in masterplanning and preparing a pilot site – the former Divisional Police Headquarters on Chester Road. Whilst the existing data centre is relocated, the GM Place team is working with officers at Trafford Council and the PCC/ Tony Lloyds office to agree a development framework for the site together with assembling technical and legal reports. The site will be brought to market for a substantial mixed-use scheme including residential dwellings, a hotel and supporting commercial space.

3.10 GM Place team is working with TfGM to examine if there are opportunities to deliver residential accommodation on or adjacent to transport interchange improvements already scheduled. A co-ordinated approach to the delivery of the residential accommodation opportunities is progressing well, with an initial phase of development identified. Subject to TfGM Board approval, the first phase is expected to deliver approx. 1,000 units. It is expected that procurement of a partner will commence in the first quarter of 2016/17.

3.11 Once the GM Land Commission is established, the GM Place team will work with the estates and asset management teams responsible for other central government department land and property which has been declared surplus. The team will work with individual local authorities to identify the most appropriate route to market for these surplus assets, and ensure that the identified land is included in the on-going work to identify land for both commercial and residential development through the GM Spatial Framework. The GM Place Team will work to maximise and accelerate delivery of schemes where land is sold to private sector developers, including directing the private sector to the GM Housing
Fund and other funding streams available to support commercial and employment activity.

**Accelerating Private Sector Land**

3.12 The team is undertaking continuous market engagement with developers, house builders, contractors, agents and other professional advisors to ensure that awareness of the GM Housing Fund is maintained following the launch last summer. The GM Place team meets regularly with the main agents operating across the Greater Manchester market to jointly review their instructions, client base and general market knowledge to identify opportunities for the public sector to intervene or support to bring forward schemes.

3.13 An opportunity to make some strategic acquisitions from the HCA Single Land Programme this financial year has become available. Seven sites have been agreed with local authorities and due diligence work is in progress to enable the HCA to secure the necessary approvals and complete the acquisitions before the 31 March 2016.

**Finance**

3.14 The GM Place Team has been working with the local authorities to identify barriers to housing delivery and work to resolve them. Initial work has focussed on identifying ‘near to market’ sites across GM which could be accelerated with the support of the £300m GM Housing Fund. To date 7 schemes have been approved by GMCA totalling £67m of the Fund and delivering 1,026 new units. A further scheme of 101 units (£10m loan) is awaiting final approval by GMCA.

3.15 The team has focused this work on the ‘northern arc’ authorities where the market for private sector led development is not as strong as the city core and southern local authorities and has made good progress in identifying private developers with schemes and working with them to make applications to the Fund in the first half of 2016.

**Supporting the GM Spatial Framework (GMFS)**

3.16 Work is ongoing with Housing & Planning Commission officers to agree how the team can best support the review of submissions made as part of the GMSF ‘call for sites’ process which formally closes on the 11 January 2016. Intelligence gathered through our regular meetings and discussions with local authorities will inform the review process, particularly focusing on the deliverability and viability of suggested sites. The HCA’s large scale planning support team (ATLAS) will also make some resources available to assist with this work in the New Year.

3.17 The GM Place Team is also working with officers responsible for the development of the GM Infrastructure Map to ensure that there is consistency of information and a mapped based of known sites to aid
production of pipeline/site evidence base for future GM funding bids etc. This information will be restricted to the ‘closed’ area of the site to respect commercial confidences.

Enabling & Support

3.18 The team provides a range of enabling and support services to the local authorities by invitation. This has included:

• Support and guidance to scope, procure, evaluate and cost technical reports and investigations – local authorities can access the HCAs Multi-Disciplinary Panel of consultants for these services;
• Advice on determining the best route to market to bring development sites forward, and evidence from recent disposals on how to respond to current market appetite – local authorities can make use of the HCAs Property Panel of consultants for these services – this includes soft market testing of sites through the DPP2 panel;
• Collating and interpretation of market data;
• Engagement with developers, property market consultants and the wider industry to market opportunities to the widest possible audience – market making activities.

4.0 EMERGING GM PLACE BUSINESS PLAN 2016/17

Local Authority Priority Projects

4.1 Working with each of the local authority’s lead the team has identified small number of key priorities with each of the local authorities where support has been requested. This initial list of priority projects will form the basis of an annual operating plan with GMCA and will set out a series of outputs for each local authority and targets across GM. Annex A outlines the initial priorities and the team with the local authorities undertake a continual review of priorities to address new and emerging opportunities.

5.0 FURTHER OPPORTUNITIES - INVESTORS & SPENDING REVIEW

5.1 Manchester Place, which has been in operation in advance of the GM Place arrangements coming together, has made significant progress in identifying and meeting with large scale investors and Sovereign Wealth Funds (SWF). A number of investment propositions are being discussed within Manchester, with deals likely to be announced in 2016.

5.2 However it is apparent that the investment appetite is significant across the City Region in particular for schemes of significant scale. The GM Place Team, led by the chief executive, will begin to introduce investors to the wider GM market and work with other local authorities to identify
and prepare investment propositions and support both local authorities and potential investors to bring these to fruition.

5.3 A significant increase in funding for housing was announced by the Chancellor at the Spending Review on the 25 November 2015. Details of how the programmes will be delivered are yet to emerge, which presents an opportunity for GM to shape and secure additional funding to support its housing growth ambitions.

5.4 Two main areas of opportunity have been identified including the £2bn of ‘long term funding’ available in the form of recoverable grant which is available to bring forward the future supply of land for housing, including brownfield sites. A second opportunity arising from the Spending Review is £2.3bn available for Starter Homes which is to be made available to developers directly and to fund regeneration of brownfield land specifically for the construction of Starter Homes.

5.5 The Spending Review also set out a series of changes to the social/affordable housing sector – opportunities and issues arising from this are picked up in the parallel work being undertaken with registered providers across GM. The GM Place Team will continue to provide support to this workstream.

5.6 The GM Place Team will support further devolution asks by working with local authorities to identify a pipeline of schemes which could be brought forward if a more flexible, long-term funding package was made available. This work will need to be completed early in the New Year.

6.0 NEXT STEPS

6.1 The GM Place Team will bring forward a full business plan together with a resources plan to cover the 2016/17 period for consideration and approval by within the final quarter of the current financial year.

CONTACT OFFICERS:

Deborah McLaughlin - Chief Executive Manchester Place
Email: d.mclaughlin@manchester.gov.uk
Tel. 0161 234 5506
<table>
<thead>
<tr>
<th>Bolton</th>
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<tbody>
<tr>
<td>Horwich Loco</td>
<td>• Working with Bolton Council &amp; Horwich Vision</td>
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<tr>
<td>Church Wharf</td>
<td>• Exploring site assembly options with project partners</td>
</tr>
<tr>
<td>Assisting LA with the disposal of Council owned sites</td>
<td>• Soft market testing sites with developers on LA’s behalf</td>
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<thead>
<tr>
<th>Bury</th>
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<tbody>
<tr>
<td>Kersal Vale / East Lancs Paper Mill</td>
<td>• HCA directly engaging landowners</td>
</tr>
<tr>
<td></td>
<td>• HCA currently working with Bury MBC to review opportunities for bringing sites forward</td>
</tr>
<tr>
<td>Starter Homes</td>
<td>• HCA working to directly purchase a Bury MBC owned site for Starter Homes</td>
</tr>
<tr>
<td>Local Authority Owned Sites</td>
<td>• Assisting Bury MBC with the disposal of 3 sites</td>
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<tr>
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<td>• Assisting the LA in reviewing opportunities for direct development</td>
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<thead>
<tr>
<th>Manchester</th>
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<tbody>
<tr>
<td>Northern Gateway</td>
<td>• Supporting procurement of a Property Adviser (PA)</td>
</tr>
<tr>
<td></td>
<td>• Support on tendering the opportunity to the market</td>
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<tr>
<td>Eastern Gateway</td>
<td>• Understanding of HCA national role in HS2</td>
</tr>
<tr>
<td></td>
<td>• Understand potential for HCA intervention/enabling</td>
</tr>
<tr>
<td>Southern Gateway</td>
<td>• Strategic acquisitions to support overall scheme</td>
</tr>
<tr>
<td>Supporting delivery of HCA direct and contingent assets</td>
<td>• Bringing land to the market and supporting MCC to deliver contingent assets including:</td>
</tr>
<tr>
<td></td>
<td>- Ancoats and New Islington</td>
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<td>- HCA sites in Gorton</td>
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<td>- West Gorton</td>
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<td>- Stagecoach</td>
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<td></td>
<td>- Central Park and Weir Pumps</td>
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<td></td>
<td>- Collyhurst</td>
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<tr>
<td>Supporting disposal of LA owned sites</td>
<td>• Supporting delivery and disposal of MCC’s assets including</td>
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<tr>
<td></td>
<td>- Infill sites</td>
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<tr>
<td></td>
<td>- Land in North Manchester</td>
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<td></td>
<td>- Collyhurst (DPP2)</td>
</tr>
<tr>
<td>Location</td>
<td>Description</td>
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<td>-------------------</td>
<td>-----------------------------------------------------------------------------</td>
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</tbody>
</table>
| Oldham            | - Former landfill sites  
                   - Potential for starter homes  |
| Hartford Mill     | • Working with OMBC                                                          |
| Lymehurst Village | • Working with OMBC to dispose of site                                       |
| Rochdale          | **Private Owned Strategic Sites**  
                   • Working with LA to engage with private owners  
                   • Working with LA to review opportunities to acquire these sites or provide GM HIF funding into the schemes |
| Salford           | **Crescent-Chapel Street area**  
                   • This is a major regeneration priority for the City and has already seen significant public and private investment to upgrade transport infrastructure, improve public realm, create development parcels and fund the delivery of new residential and commercial property  
                   • Land will be brought forward for development through the Council’s existing Central Salford project with ECF, with private landowners at Greengate and via the University on the Crescent  
                   • In some cases will require the support of the GM Housing Fund to provide development finance and the GM Place team will work with the Council and developers to review schemes, consider funding options and put in place necessary approvals through the Core Investment Team |
| Irwell Riverside-Salford Quays area | • This is a major regeneration priority for the City and has already seen significant public and private investment to upgrade transport infrastructure, improve public realm, create development parcels and fund the delivery of new residential and commercial property  
                   • In some cases will require the support of the GM Housing Fund to provide development finance and the GM Place team will work with the Council and developers to review schemes, consider funding options and put in place necessary approvals through the Core Investment Team |
<table>
<thead>
<tr>
<th>Stockport</th>
<th>Stockport College site acquisition</th>
<th>Stockport Homes development programme</th>
<th>Stockport Interchange</th>
</tr>
</thead>
<tbody>
<tr>
<td>Town Centre public sector assets plan</td>
<td>Recognising the opportunity to increase the level of residential development in the town centre across a number of publically owned sites the HCA is supporting the Council is preparing a plan for the sites</td>
<td>Comprehensive development rather than piecemeal completions</td>
<td>Working with, TfGM and SMBC to discuss the interchange development</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Tameside</th>
<th>Ashton Town Centre interchange development</th>
<th>Production of a Stalybridge residential strategy</th>
<th>Preparation of the Tameside Residential Prospectus</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Working with SMBC to discuss the interchange development</td>
<td>There are various plots around the train station that could be brought forward for residential development. These include sites owned by the Council and GMPVF. The HCA will support the Council is identifying these sites and preparing a development strategy alongside the existing private ownerships in the town</td>
<td>Following the Tameside Residential Summit the HCA will support the Council is the production of a residential prospectus</td>
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<table>
<thead>
<tr>
<th>Trafford</th>
<th>Chester House – assist GMP/PCC with disposal</th>
<th>Pomona/Cornbrook Hub – maximise access to GM Fund</th>
<th>Canalside, Partington</th>
<th>Carrington</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Support GMP/PCC with the work required to bring this important site to the market – working with the Council to ensure its design and planning considerations are included</td>
<td>Work with the Council and developers to provide development finance, where required, to enable the development of this key site</td>
<td>Work with TMBC to bring forward development of the site which has capacity for around 500 units</td>
<td>Work with TMBC to support bringing this</td>
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<tr>
<td>Area</td>
<td>Description</td>
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<tr>
<td><strong>Old Trafford Masterplan area</strong></td>
<td>• Work with the Council to bring forward development and regeneration including the Tamworth project</td>
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<tr>
<td><strong>Stretford Masterplan area</strong></td>
<td>• Work with the Council to identify potential interventions to assist in the redevelopment of the sites around Stretford</td>
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<tr>
<td><strong>Use of GM Housing Fund across the borough</strong></td>
<td>• Liaise with the Council and developers to provide, as necessary, development finance from the GM Housing Fund</td>
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<tr>
<td><strong>Wigan</strong></td>
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<td><strong>North Leigh</strong></td>
<td>• North Leigh is a 75ha site, situated on the eastern side of Wigan Borough to the North of Leigh, east of Hindley Green and West of Atherton</td>
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<td></td>
<td>• The site is in the joint ownership of Wigan MBC and the Long Port Group. Long Port have secured outline planning consent for 1800 homes, 51,000 m² of employment floorspace, 1,900 m² local centre and a 2 mile A Class Link Road</td>
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<td></td>
<td>• HCA has also been able to provide support to appoint GVA to undertake an Economic Impact Assessment to support the Council to demonstrate the benefit of delivering the Link Road</td>
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<tr>
<td><strong>Westwood</strong></td>
<td>• Westwood Park is a 22 ha, large-scale mixed use development site in the ownership of Wigan Council. the site the benefit of outline planning consent for 429 residential units, 4.8 hectares of B1, B2, B8 use together with a local centre of 0.7 hectares and a link road</td>
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<td></td>
<td>• HCA is supporting the Council to progress the disposal and development of the land. Support includes signing Wigan up to use HCA technical and DPP panels, structuring a brief for a Property Adviser, support on Soft Market Testing exercise, support on tendering through DPP and selecting a developer partner</td>
<td></td>
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<tr>
<td><strong>West Leigh Waterfront</strong></td>
<td>• Wigan Council and the Canal &amp; River Trust are joint freehold owners of circa 51 acres of land immediately adjacent to HCA’s Bickershaw South scheme. The partners have recently consulted upon plans to develop the site out for 470 new</td>
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<td>homes. An outline planning application is expected to be made late 2015/ early 2016</td>
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<td>• The partners have asked HCA to support on a Soft Market Testing exercise through HCA’s DPP2, with a view to using the panel to procure a development partner and utilising HCA’s support</td>
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Date: 29 January 2016
Subject: GM Housing Fund and Low Carbon PDU – Recruitment Update and Request to establish new posts
Report of: Councillor Sue Derbyshire, Portfolio Lead for Planning and Housing and Councillor Kieran Quinn, Portfolio Lead for Investment Strategy and Finance and Eamonn Boylan, Portfolio Lead Chief Executive, Investment Strategy and Finance and Steve Rumbelow, Portfolio Lead for Low Carbon and Bill Enevoldson, Investment Director

PURPOSE OF REPORT

This paper seeks approval to the recruitment and appointment of additional posts within the GMCA’s Core Investment Team to support operation of the £300m GM Housing Fund and GMs Low carbon Development Unit.

RECOMMENDATIONS:

The Combined Authority is requested:

- To approved the establishment of 5 x Transactional Managers at a salary of £60k to £65k each.
- To note that external recruitment to these posts will be required
- To delegate to the Lead Chief Executive for Investment, in consultation with the GMCA Portfolio Holders for Investment and Housing, and in conjunction with the Chief Investment Officer and with the support of the GM Integrated Support Team, to progress external recruitment and subsequent appointments to these new posts
- To note that the additional costs of the Housing Fund proposals will be re-charged to Manchester City Council to be funded from income generated on investments made by the Housing Fund
- To note that the costs of the Low Carbon Transaction Manager in 2015/16 through to 2017/18 will be funded from ELEN A funding and existing budgets. From 2017/18 onwards it is intended that costs will be funded from income generated from the Low Carbon Fund created under the 2014-20 ERDF programme.

CONTACT OFFICERS:
Bill Enevoldson (b.enevoldson@manchester.gov.uk)
BACKGROUND PAPERS:

- *Housing Investment Fund* (report to Combined Authority on 27 February 2015)
- *Housing Investment Fund – Recruitment* (report to Combined Authority on 27 March 2015)
- GM Housing Fund – Recruitment (report to Combined Authority on 27 March 2015)
- GM Housing Fund – Recruitment Update (report to the Combined Authority on 28th August 2015)
- EIB-GMCA ELENA contract May 2015
- LCDU Structure Presentation 16th January 2014

<table>
<thead>
<tr>
<th>TRACKING/PROCESS</th>
<th>[All sections to be completed]</th>
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<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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<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>
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<thead>
<tr>
<th>AGMA Commission</th>
<th>TfGMC</th>
<th>Scrutiny Pool</th>
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<tbody>
<tr>
<td>[Date considered at 1 of the 6 AGMA Commissions; if appropriate]</td>
<td>[Date considered at TfGMC; if appropriate]</td>
<td>[Date considered/or to be considered at Scrutiny Pool; if appropriate]</td>
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</table>

**Risk Management** – See paragraph 7.3

**Legal considerations** – There are no legal implications

**Financial Consequences – Revenue** – See paragraphs 7.1 – 7.5

**Financial Consequences – Capital** – See paragraph 6.1
1. **INTRODUCTION**

1.1 The £300m GM Housing Fund is now well established. The Fund has committed to investment in 7 projects with a total value of £67.253m. A number of additional projects are being progressed through the approval process with the expectation that £100m of funding will be approved and committed by the Combined Authority by the end of the financial year.

1.2 To ensure there is appropriate safeguarding of the guarantee GM has given regarding repayment of the Housing Fund, there is a need to ensure that GM develops robust and properly accountable capacity to manage the Housing Fund.

1.3 Similarly, with the development of the GM Low Carbon Fund as part of the 2014/20 ERDF programme there is similarly a need to recruit permanent staff into the Core Investment Team to support the Low Carbon Investment Director.

1.4 Any proposals to establish additional posts to support the Core Investment Team are required to seek GMCA approval, following the development of role profiles and consideration of salaries in line with the senior grading approach and market research. The proposals are set out within this report for approval.

2. **CURRENT POSITION OF HOUSING FUND**

2.1 The Housing Fund is being managed within the GMCA Core Investment Team. The initial resource utilised to operate the Housing Fund consisted of 1 FTE of internal resource and 3 secondees. Approval was granted in April to recruit 4 FTEs, consisting of 2 Transaction Managers, a Risk Director and Administrative Support, to the Core Investment Team to provide permanent support. With the exception of the Risk Director, these roles have now been filled but there has been need to supplement the team with two senior secondees. The secondees are, however, only temporary arrangements and there is a need to ensure that GM appoints properly experienced resource to appropriately manage the Fund to ensure stability and delivery of the increased work programme.

2.2 Following quantification of the work load it was agreed that at this stage the role of Risk Director could be undertaken on a part time basis. This arrangement has been formalised via the appointment of part time Risk Director, on a consultancy basis, with a strong background senior real estate. The full-time post will be filled once sufficient workload justifies the permanent appointment.

2.3 The Housing Scrutiny Committee, created as part of the governance process to advise on whether applications to the Fund should proceed to detailed deal structuring and due diligence, has been established for
four months. The committee comprises of 3 external individuals with appropriate expertise in housebuilding, property development management and finance. This brings an appropriate level of independent external challenge to scheme deliverability and viability of potential investments proposed to be made by the Fund.

2.4 Pipeline development support is currently being provided by the HCA. This support is being provided at nil cost to GM. HCA budgets have been significantly reduced in the recent budget announcements and a restructure is expected to be undertaken in 2016 that may impact on the support that can be provided. This will impact on the resource requirements of the Core Investment Team.

2.5 It is intended to utilise certain HCA receipts as equity investments into residential developments within Greater Manchester to further unlock the delivery of housing across GM. The equity investments will be assessed and managed by the Core Investment Team utilising the existing governance arrangements for the Housing Fund. The need to develop processes and procedures and assess projects will further increase the resource requirements of the team on an ongoing basis.

3. HOUSING FUND AUDIT AND ASSURANCE

3.1 Government required assurance over the operation of the Housing Fund as a condition precedent to draw down of the first £40m tranche of funding. This skills and capacity review was successfully completed by the end of June 2015. A final stage of assurance is required to be completed prior to the release of the next tranche of funding. Final assurance is expected to be granted by March 2016 providing GM can demonstrate the appropriate expansion of the skills and capacity of the Core Investment team required to successfully operate the Housing Fund as investment levels increase.

3.2 Manchester City Council Internal Audit has undertaken a review of the processes and procedures adopted by the Housing Fund. They have provided substantial assurance that the methodology adopted for the selection, assessment and approval stages are sound. They note that “Satisfactory and proportionate controls have been designed and adopted to ensure that a high level of scrutiny is applied to prospective developments before any formal commitment is made to provide finance”. On going annual assurance will be provided by the City Council Internal Audit prior to each financial year end. This will enable the S151 officer to issue the required annual assurance statement to DCLG, an annual condition of the loan from DCLG.

4 HOUSING FUND FUTURE RESOURCE REQUIREMENTS

4.1 It was noted in previous reports that the Housing Fund’s operational resource requirements will be reviewed going forward as the scale and complexity of the pipeline and Fund grows and becomes clearer, the
Fund’s credit risk management framework and processes are developed further, and the status of projects within the portfolio becomes more varied.

4.2 As demand for the Housing Fund is maintained it is clear that 2 new permanent posts of Transaction Managers are required. The establishment of two additional permanent roles would remove the need for the current secondment arrangements and provide a greater level of stability to manage the development and approval of known loans within the existing pipeline.

4.3 Current analysis indicates that demand for the Housing Fund will continue to increase and as more projects enter into the drawdown and monitoring phase that existing resource may become insufficient to appropriately manage transactions and the ongoing monitoring of loans provided to projects. It is anticipated that, in addition to the two new posts referenced in 4.2 in the near future there may be a requirement an additional two x Transaction Managers and three x support roles to support both the Transaction Managers and Credit Risk function over the coming year. This would take the total headcount for the Housing Fund to 11. Once the full detail of the future requirements has been developed a report will be brought forward for approval.

4.4 The previous report to the GMCA approved the establishment of the Transaction Manager role at a salary of up to £60k. Whilst this resulted in the appointment of two candidates throughout the recruitment exercise it was evident that this is a unique role requiring a set of skills and experiences that do not exist within the public sector and recruitment is a competitive market.

4.5 Approval is sought to establish four new posts of Transaction Manager at a salary of £60k to £65k to enable some flexibility to attract and appointment candidates with the required skills and background. The role and associated salary has been considered in line with the approach to senior grading and market research,

4.6 The Head of Paid Services and the Treasurer, under their delegated powers, will be asked to approve the appointment of the 3 support roles as and when the need is identified.

5 **LOW CARBON RESOURCE REQUIREMENTS**

5.1 The 2014 – 2020 ERDF programme currently being agreed with Government includes a £15m Low Carbon Fund and £10m Low Carbon Grant element. The projects applying for the funding will be developed by the Low Carbon Development Unit with the funds being governed under the proposed ERDF arrangements. The Low Carbon Development Unit sits within the Core Investment Team and is led by the Low Carbon Investment Director. Resource for the team is currently provided by way of secondments or contracts for service with funding...
being provided from the GMCA Low Carbon budget and the ELENA grant funding secured by GM in May 2015

5.2 The development of Low Carbon projects has, to date, focussed on technical viability and relatively high level economic/business case. As projects demonstrate techno-economic viability there is a need to financially and commercial structure the projects such that they are suitably structured to receive loan and grant funding via the ERDF programme. This paper seeks approval to appoint a Low Carbon Transaction Manager to the Core Investment Team, in addition to the four Housing Transaction Managers, and support the Low Carbon Development Unit. The cost of the new post will be accommodated within the existing ELENA budget and from fees generated through the ERDF programme thereafter. The Low Carbon Transaction Manager job description and specification of skills and experience required will be similar to those that have been developed and benchmarked for the GM Housing Fund, albeit with experience in the Low Carbon sector rather than the property sector.

6. FINANCIAL IMPLICATIONS - CAPITAL

6.1 The first tranche of the loan was for £40m, with a requirement under the Loan Facility Agreement to commit this value of on-lending to schemes during the course of 2015/16. The structure of the loans that is required under the approved GM Investment Strategy seeks to back end the loan payments into projects and as such the projected capital lent to projects this financial year is lower than initially anticipated with c£7m of capital being provided to projects. The future drawdown of funds from DCLG is to be re-profiled to accommodate this underspend.

7. FINANCIAL IMPLICATIONS - REVENUE

7.1 On behalf of GM, MCC is able to retain any interest ‘premium’ it generates on loans made by the Fund up to a maximum of £2.5m per annum, together with any interest generated by funds held on deposit or arrangement fees.

7.2 The Housing Fund is seeing a greater number of city centre apartments schemes than anticipated resulting in a greater level of committed funding than anticipated and consequentially a higher level of expected income.

7.3 Financial modelling has been carried out against the approved and likely projects which make up the expected pipeline in order to understand the income levels that could reasonably be expected to be generated from loans made by the Housing Fund. This modelling indicates that sufficient premium interest and other income can be generated in 2016 / 17 that meet the costs of the additional posts, including the proposed salary increases, as well as the external Committee members required to manage the Fund.
7.4 It is anticipated that from 2016/17 onwards income generated from the Housing Fund will be in excess of the costs incurred to manage the Fund. It is proposed that any surplus revenue generated by the Housing Fund will be utilised as patient equity investments that help unlock housing schemes across GM. The utilisation of equity investments will be the subject of a further paper to the GMCA.

7.5 The costs of the Low Carbon Transaction Manager will be met by the ELENA grant provided to GM with no increase in GMCA Low Carbon budget required. Costs incurred in following years will be met by fees charged on Low Carbon Fund investments.

8. CONCLUSIONS AND RECOMMENDATIONS

8.1 Approval is sought to establish five new posts of Transaction Manager at a salary of £60k to £65k each and progress external recruitment to these roles. The establishment of these additional roles will provide the required additional capacity to the Core Investment Team to deliver against the increased work programme.

8.2 Recommendations are as set out at the front of this report.