# WMCA Board

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| **Date** | 25 May 2018 |
| **Report title** | Financial Outturn 2017/18 |
| **Cabinet Member Portfolio Lead** | Councillor Izzi Seccombe - Finance & Investments |
| **Accountable Chief Executive** | Deborah Cadman, West Midlands Combined Authority<br>email: deborah.cadman@wmca.org.uk<br>tel: (0121) 214 7552 |
| **Accountable Employee** | Sean Pearce, Director of Finance<br>email: sean.pearce@wmca.org.uk<br>tel: (0121) 214 7936 |
| **Report to be/has been considered by** | WMCA Programme Board - 11 May 2018 |

**Recommendation(s) for action or decision:**

**The WMCA Board is recommended to:**

(1) Note the final outturn position for 2017/18.

## 1.0 Purpose

1.1 To provide an update of the West Midlands Combined Authority finances as at the end of March 2018.

## 2.0 Financial Monitoring

2.1 A summary of the final outturn for both revenue and capital spend against the reported forecast are attached as appendices 1-5. A summary of the Investment Programme along with current commitments is included in appendices 6 and 7 and a summary of the Balance Sheet is included in appendix 8.

2.2 Also reported for noting is the Authority's 2017/18 Treasury Management outturn at appendix 9.

2.3 Appendix 1 shows the overall consolidated revenue outturn position for West Midlands Combined Authority. The final outturn was only £0.061m less than forecast (less than 0.5% variance from total budgeted expenditure) and £0.481m less than originally budgeted, following a transfer to reserves of £4.8m that was approved by the West Midlands Combined Authority Board in February.

2.4 The Budget for 2018/19 set out plans to use this £4.8 million saving to support the Transport Revenue Budget during the period 2018/19-2020/21.

2.5 The final outturn was closely in line with the January 2018 forecast variance that was reported to the West Midlands Combined Authority Board on 9 March 2018, as shown below:

**Table1: WMCA Final Outturn 2017/18 compared with Forecast Outturn**

| £ million | January 2018 Forecast | Final Outturn |
|---|---|---|
| Transport Delivery | 0.4 | 0.4 |
| WMCA Operational Budget | 0.0 | 0.1 |
| Mayor's Office | 0.0 | 0.0 |
| Mayoral Election | 0.6 | 0.7 |
| Investment Programme | (0.6) | (0.7) |
| **Total** | **0.4** | **0.5** |

2.6 The Transport Delivery final outturn reflects the £0.265 million rebate to Constituent Authorities as approved within the 9 February 2018/19 budget report.

2.7 The underspend on the Mayoral election costs amounted to £0.682m following final District returns, resulting in the equivalent funding being returned to the Investment Programme.

2.8 It should be noted that the final outturn position set out in this report is subject to external audit which commenced on 8 May with audit findings to be reported to Audit, Risk and Assurance Committee on 21 June 2018 when the Committee will also approve the final audited accounts.

## 3.0 Transport

3.1 Appendix 2 sets out the final outturn position on the Transport Delivery Budget as at the end of March 2018 and gives further details of variances from budget which amount to an overall surplus of £0.4m in line with the most recent forecast.

3.2 The Appendix sets out further details of an overall saving before contributions to reserves for the year of £5.3 million primarily as a result of a £4.8 million saving on capital financing costs, following a change in the West Midlands Combined Authority Minimum Revenue Provision policy, that was approved by the West Midlands Combined Authority Board in November 2017.

3.3 As previously reported the final outturn reflects savings on concessions expenditure, primarily as a result of savings on the national bus concession scheme owing to lower patronage (£1.1m) as well as savings within the local child concession scheme (£0.3m).

3.4 This position is offset by an adverse variance within Rail and Metro Services due to provision being set aside for Midland Metro Ltd mobilisation work (£0.8 million) and an adverse variance on Bus Services, mainly in respect of routine infrastructure maintenance costs (£0.3 million) as previously reported.

3.5 As noted above the final outturn position also reflects a rebate granted to Constituent Authorities of £0.265 million approved in the 9 February 2018/19 budget report which is returned to West Midlands Combined Authority to fund Mayoral costs in 2018/19.

## 4.0 West Midlands Combined Authority Operational Budget

4.1 Appendix 3 sets out the final outturn position on the West Midlands Combined Authority Operational budget as at the end of March 2018. There is a favourable outturn variance of only £0.072m.

4.2 Variations in year are detailed in the appendix and reflect key savings for the year on the Collective Investment Fund (CIF) of £0.4 million as the CIF is expected to cover its fees and cost of capital in the year.

4.3 The favourable variances are partly offset by the approved one off contribution to the Commonwealth games bid of £0.25 million.

## 5.0 Mayor's Office

5.1 Appendix 4 details the Mayor's office spend and the cost of the mayoral election. The outturn closely reflects the most recent forecast.

5.2 Final outturn for the Mayor's office spend shows a minor saving against budget of £0.002m. Savings within the mayoral election budget amount to £0.682m. This funding has been transferred back to the Investment Programme, where £0.5m has been set aside to fund likely costs associated with business rates work.

## 6.0 Transport Delivery Capital Programme

6.1 Appendix 5 details the Transport Delivery Programme which out-turned £0.2m behind budget at the end of March 2018. The directly delivered Investment Programme schemes were £0.6m ahead of budget primarily due to accelerated spend on the Metro Wednesbury to Brierley Hill Extension (£3.2m), and the Edgbaston Metro Extension (£2.8m), off-set by deferred activity on the Wolverhampton Metro Extension (£3.0m) where the delivery profile has been reviewed. The SPRINT Network was under budget due to a change in the delivery approach to encompasses a second phase of work (£1.9m). Bilston Road Track Replacement was completed on time under budget (1.6m). The out-turn was £1.8m below Forecast, due in the main to the schemes highlighted above.

6.2 Within the Other Major Schemes, the Birmingham City Centre Extension came under budget and forecast following the release of prior year construction estimates (£0.9m).

6.3 The Minor Works Programme was marginally over budget (£0.2m). There was one minor cost pressures being due to knotweed at Walsall cutting( £0.1m) funded by prior call on the 2018/19 Integrated Transport block funds. The Managing Short Trips Programme was accelerated ahead of budget following a review of the Programme, offset by rescheduled progression of Park and Ride Expansions and the shelter refurbishment of Digital Advertising Panels. A saving resulted on Park and Ride Upgrades, as the new franchise agreement has undertaken to deliver cycling facilities.

6.4 The Administered Programme was marginally under budget (£0.3m) and forecast (£0.2m), relating entirely to the National Productivity Investment Programme (NPIF), with small savings across the wide range of schemes in the Programme.

## 7.0 Investment Programme

7.1 The West Midlands Combined Authority is currently reviewing governance and performance reporting for the Investment Programme including ranking and scheduling, of both funding and costs. This will be reported to a future Board; ahead of this the 2017/18 year's financial position is as follows.

7.2 Appendix 6 details the progression of the West Midlands Combined Authority Investment Programme spending £98.4m against a forecast of £157.3m in the main due to the Land Remediation Programme and HS2 Supply Chain Programmes. This reflects revised spend targets and how the project scope is fully established. In relation to the HS2 supply chain, the variance relates to private sector leverage which is in the process of being reviewed. Work will continue into 2018/19 to validate this investment. Further detail regarding the variances to out-turn and forecast are included on Appendix 6.

7.3 Appendix 6 also currently notes forecast costs greater than funding on the Metro schemes to Birmingham Airport and Brierley Hill. However at this early stage of development it is assumed this will be value managed down as the project detail develops. Those projects and programmes flagged as Red or Amber rated are reviewed by the HS2 Growth Delivery Board and mitigating actions to reduce risks are considered and challenged.

7.4 Appendix 7 details Investment Programme projects with a West Midlands Combined Authority funding value of £477.7m which have received approval via the West Midlands Combined Authority Assurance Framework to 31 March 2018, most notable of which is the £98.7m towards the Coventry City Centre Regeneration project.

7.5 A separate report on the Investment Programme overall and current financial commitments and funding was considered by West Midlands Combined Authority board on 12 February and further work is underway regarding project scheduling.

## 8.0 Balance Sheet

8.1 Appendix 8 shows the West Midlands Combined Authority Balance Sheet which shows a healthy financial position at the end of March. Main changes reflect Transport for West Midlands capital spend and work-in-progress mainly funded by grants in advance, resulting in the increase in the long-term assets.

8.2 Payments for the Managing Short Trips (MST) schemes and advance payment for free concessions are the main contributors to the decrease in the short-term deposits and cash.

8.3 The decrease in short-term creditors/accruals is the result of downward revision of capital accrual for the Coventry City Centre regeneration scheme, NPIF and the MST schemes. On the other hand, the increase in debtors is due to accrued grant income from DfT for the Metro Wednesbury to Brierley Hill extension scheme.

8.4 The decrease in the grants receipts in advance and the usable reserves is largely due to the DfT Challenge Fund Q4 claims accrual and payments for the HS2, UK Central and Coventry City Centre regeneration scheme funded from the Gainshare contribution respectively.

8.5 Earmarked Reserves as at 31 March 2018 reflect the following:

**Table 2: WMCA Earmarked Reserves as at 31 March 2018**

| £ million | Investment Programme | Revenue Grants | General Earmarked Reserves | Total |
|---|---|---|---|---|
| 1 April 2017 Opening Balance | 35.608 | 3.465 | 8.966 | 48.039 |
| Movements in the year | 29.330 | (0.935) | 5.922 | 34.316 |
| 31 March 2018 Closing Balance | **64.938** | **2.530** | **14.888** | **82.355** |

Expenditure plans exist for all of the above funds.

8.6 The final General Fund Balance reflects the surplus in year as follows:

**Table 3: WMCA General Fund Balance as at 31 March 2018**

| £ million | Total |
|---|---|
| 1 April 2017 Opening Balance | 1.814 |
| Surplus in the year | 0.481 |
| **31 March 2018 Closing Balance** | **2.295** |

This remains below what would normally be expected to be held by an Authority of this size, however in light of the statutory underwrite by the 7 Metropolitan councils a lower level of general funds is considered acceptable.

**9.0 2017/18 Treasury Management outturn**

9.1 Attached at appendix 9 is the Authority's Treasury Management outturn as required by the CIPFA Treasury Management code.

9.2 It summarises borrowing and investment activity for the year, noting an average borrowing rate of 5.93%, an average rate of return on investment of 0.55% and all key prudential indicators being within target.

**10.0 Legal implications**

10.1 There are no legal implications.

**11.0 Equalities implications**

11.1 There are no equalities implications.

**12.0 Appendices**

- Appendix 1 – WMCA Consolidated Summary – March 2018
- Appendix 2 – WMCA Transport Revenue Summary – March 2018
- Appendix 3 – WMCA Operational Revenue Summary – March 2018
- Appendix 4 – WMCA Mayor Revenue Summary – March 2018
- Appendix 5 – WMCA Capital Transport Delivery Programme – March 2018
- Appendix 6 – WMCA Investment Programme Summary – March 2018
- Appendix 7 – WMCA Investment Programme Commitments – March 2018
- Appendix 8 – WMCA Balance Sheet – March 2018
- Appendix 9 – WMCA Treasury Management Strategy – March 2018

**Appendix 1**

## Consolidated Summary –2017/18 Outturn

### WMCA Consolidated Position as at March 2018

| | 2017/18 Outturn | | | 2017/18 Outturn | | |
|---|---|---|---|---|---|---|
| | ACTUAL £'000 | BUDGET £'000 | VARIANCE £'000 | ACTUAL £'000 | FORECAST £'000 | VARIANCE £'000 |
| **INCOME** | | | | | | |
| General (un-ringfenced) resources: | | | | | | |
| - Transport Levy | 121,542 | 121,542 | 0 | 121,542 | 121,542 | 0 |
| - Devolution Deal grants | 36,500 | 36,500 | 0 | 36,500 | 36,500 | 0 |
| - Business rates growth | 3,000 | 1,500 | 1,500 | 3,000 | 3,000 | 0 |
| - Grants from Constituent members | 1,488 | 1,488 | 0 | 1,488 | 1,488 | 0 |
| - Grants from Non Constituent members | 361 | 361 | 0 | 361 | 361 | 0 |
| - Investment Income | 328 | 632 | (305) | 328 | 729 | (402) |
| Specific resources: | | | | | | |
| - Use of Reserves | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total income** | 163,219 | 162,023 | 1,196 | 163,219 | 163,621 | (402) |
| **EXPENDITURE** | | | | | | |
| Operating expenditure: | | | | | | |
| - Transport delivery | 116,068 | 121,542 | 5,474 | 116,068 | 116,057 | (11) |
| - Operational budget | 3,955 | 4,280 | 325 | 3,955 | 4,280 | 325 |
| - Interest payable | 0 | 0 | 0 | 0 | 0 | 0 |
| - Investment Programme Governance | (1,718) | 2,222 | 3,940 | (1,718) | (681) | 1,037 |
| - Mayoral Office | 362 | 364 | 2 | 362 | 362 | 0 |
| - Mayoral Elections | 4,318 | 5,000 | 682 | 4,318 | 4,453 | 135 |
| Capital Financing: | | | | | | |
| - Revenue finance of capital expenditure | 34,434 | 28,615 | (5,819) | 34,434 | 33,664 | (770) |
| Contributions to reserves | 5,318 | 0 | (5,318) | 5,318 | 5,065 | (253) |
| **Total expenditure** | 162,738 | 162,023 | (715) | 162,738 | 163,200 | 463 |
| **Net** | 481 | 0 | 481 | 481 | 421 | 61 |

The full year position shows a forecast surplus of £0.481m against budget. The contribution to reserves reflects a decision by the West Midlands Combined Authority board to use savings generated from a change in MRP policy to support the Transport Revenue Budget for the period 2018/19 to 2020/21 and grant a £0.265m rebate to Constituent Authorities fund the 2018/19 Mayoral Office costs as approved within the 9 February 2018/19 budget. Other significant variances have occurred within the Concessions budget where savings total £1.64m offset by a provision being set aside for Midlands Metro Limited mobilisation work of £0.800m.

Within the Investment Programme there is a favourable variance relating to Business Rates where the original budget was prudent and pending the outcome of discussions with Government and the Constituent Local Authorities regarding the formula to allow Business Rates Growth to be received by West Midlands Combined Authority. The Constituent local authorities have now agreed to a settlement of £3m for 2017/18 and this is reflected in the final position.

Also within the Investment Programme there is a £3.9m favourable variance against budgeted (£0.438m from forecast) governance which comprises £0.4m relating to delays in recruiting into key roles and vacancies, the remaining £2.4m relates to the reclassification of costs as capital spend both in the current year and for 2016/17.These favourable variances within the Investment Programme are fully offset by increased revenue financing of capital expenditure in year and hence no effect on the bottom line but merely adjusting where the funds are held on the balance sheet.

Whilst the budget for investment income reflected internal borrowing between WMCA functions, the final consolidated position shown reflects actual receipt of external investment income. The operational budget outturned at the reported £0.072m saving after £0.253m approved funds were transferred into reserves.

* Note that the Investment Programme budget was updated during the early part of 2017/18 from the originally reported position in February 2017 to reflect latest mobilisation timescales and funding sources.

# **Appendix 2 -**Transport Revenue Budget – 2017/18 Outturn

| | 2017/18 Outturn | | | 2017/18 Outturn | | | |
|---|---|---|---|---|---|---|---|
| | Actual £'000 | Budget £'000 | Variance £'000 | Actual £'000 | Forecast £'000 | Variance £'000 | Comments |
| **INCOME** | | | | | | | |
| Transport Levy | 121,542 | 121,542 | | 121,542 | 121,542 | () | |
| **Total Income** | **121,542** | **121,542** | | **121,542** | **121,542** | **()** | |
| **EXPENDITURE** | | | | | | | |
| **Concessions** | | | | | | | |
| National Bus Concession | 51,468 | 52,519 | 1,051 | 51,468 | 51,619 | 151 | |
| Metro / Rail | 4,187 | 4,409 | 222 | 4,187 | 4,290 | 103 | There is a favourable variance compared with budget of £1,643k and compared with forecast of £288k. This is primarily as a result of savings on the national bus concession scheme owing to lower patronage and savings on the local child concession scheme due to the release of a provision set aside in the budget which is no longer required. |
| Child Concession | 9,292 | 9,609 | 317 | 9,292 | 9,303 | 10 | |
| Passes and Permits | (56) | (3) | 54 | (56) | (32) | 24 | |
| | 64,891 | 66,534 | 1,643 | 64,891 | 65,179 | 288 | |
| **Bus Services** | | | | | | | |
| Bus Stations / Infrastructure | 4,571 | 4,213 | (359) | 4,571 | 4,518 | (53) | The adverse variance compared with budget within bus stations and infrastructure has largely occurred due to the higher than anticipated costs of CCTV upgrade works (£114k), routine maintenance (£96K), reduced rental income for 16 summer lane (£80k) and lower departure charge income (£86k). These variances are offset by a favourable variance of £246k within the cleaning budget due reduced cleaning requirements. |
| Subsidised Network | 7,820 | 7,772 | (48) | 7,820 | 7,793 | (27) | |
| Tendering / Monitoring | 877 | 816 | (61) | 877 | 820 | (58) | |
| Accessible Transport | 7,365 | 7,369 | 4 | 7,365 | 7,365 | () | |
| | 20,635 | 20,171 | (464) | 20,635 | 20,497 | (138) | |
| **Rail and Metro Services** | | | | | | | |
| Metro | 2,172 | 1,408 | (763) | 2,172 | 2,224 | 52 | The adverse variance compared with budget reflects the mobilisation costs of Midland Metro (£800k). |
| Rail Operations | 279 | 191 | (89) | 279 | 271 | (9) | |
| Car Park and Ride | 1,421 | 1,426 | 5 | 1,421 | 1,423 | 2 | |
| West Midlands Rail | 312 | 316 | 4 | 312 | 289 | (23) | |
| Bromsgrove Rail Station | | 326 | 326 | | 40 | 40 | The favourable variance compared with budget £326k has occurred due to higher than anticipated receipts from the DFT. |
| | 4,184 | 3,668 | (516) | 4,184 | 4,247 | 63 | |
| **Integration** | | | | | | | |
| Safety and Security | 874 | 924 | 50 | 874 | 923 | 49 | respect of RTI and rebranding. These costs are partly offset by one-off additional E-purse commission (£50k), and underspends against marketing campaigns & monitoring work. |
| Passenger Information | 5,874 | 5,531 | (343) | 5,874 | 5,773 | (101) | |
| Sustainable Travel | 142 | 60 | (82) | 142 | 145 | 3 | |
| | 6,890 | 6,514 | (375) | 6,890 | 6,841 | (48) | |
| **Network Resilience** | 76 | | (76) | 76 | | (76) | |
| **Business Support Costs** | 3,908 | 4,052 | 144 | 3,908 | 3,796 | (112) | The favourable variance compared with budget within business support costs is primarily as a result of savings within staff costs due to vacant posts. The adverse variance compared with forecast is due to the additional costs within software maintenance for the Euclid and Experian software upgrade (£157k) relating to Swift reporting . |
| **Policy and Strategy and Elected Member Services** | 2,146 | 2,075 | (72) | 2,146 | 2,149 | 2 | |
| **Finance Charges** | | | | | | | |
| Finance Costs | 10,531 | 15,673 | 5,142 | 10,531 | 10,538 | 7 | The favourable variance within finance costs is as a result of the MRP saving from the approved change to the Capital Finance policy £4.8m. Along with interest savings on long term borrowing |
| Deregulation Pension Costs | 1,307 | 1,356 | 49 | 1,307 | 1,310 | 3 | |
| Transport Development | 1,500 | 1,500 | () | 1,500 | 1,500 | () | The adverse variance is due to a revenue contribution to capital to partly fund shelter installation for the next phase of the Digital Advertising programme. This has been generated as a result of greater advertising income than forecast. |
| | 13,338 | 18,529 | 5,190 | 13,338 | 13,348 | 10 | |
| **Total Expenditure** | **116,068** | **121,542** | **5,474** | **116,068** | **116,057** | **(11)** | |
| Contribution to reserves | 5,065 | | (5,065) | 5,065 | 5,065 | | |
| **Net** | **409** | **()** | **409** | **409** | **420** | **(11)** | |

Appendix 3

# West Midlands Combined Authority Operational Budget - 2017/18 Outturn

| FINANCIAL SUMMARY AS AT 31st MARCH 2018 | 2017/18 Outturn ACTUAL £000 | 2017/18 Outturn BUDGET £000 | 2017/18 Outturn VARIANCE £000 | 2017/18 Outturn ACTUAL £000 | 2017/18 Outturn FORECAST £000 | 2017/18 Outturn VARIANCE £000 |
|---|---|---|---|---|---|---|
| Contribution - 7 Met Council's | 1,488 | 1,488 | 0 | 1,488 | 1,488 | 0 |
| Non-Constituent Members | 319 | 319 | 0 | 319 | 319 | 0 |
| Associate Members / Official Observers | 43 | 43 | 0 | 43 | 43 | 0 |
| Contribution to / from Gain Share | 1,936 | 1,936 | 0 | 1,936 | 1,936 | 0 |
| Investment Income | 494 | 494 | 0 | 494 | 494 | 0 |
| **Total Income** | **4,280** | **4,280** | **0** | **4,280** | **4,280** | **0** |
| Black Country Economic Intelligence Unit | (240) | (240) | 0 | (240) | (240) | 0 |
| Collective Investment Fund | 42 | (350) | 392 | 42 | 0 | 42 |
| Communications | (314) | (375) | 61 | (314) | (374) | 60 |
| Culture and Tourism | (138) | (246) | 108 | (138) | (159) | 21 |
| Housing & Land Commission | (144) | (100) | (44) | (144) | (261) | 117 |
| Growth Company | (637) | (700) | 63 | (637) | (699) | 62 |
| Mental Health Commission | (210) | (230) | 20 | (210) | (230) | 20 |
| Productivity & Skills Commission | (391) | (544) | 153 | (391) | (324) | (67) |
| Programme/Policy/Support | (1,668) | (934) | (734) | (1,668) | (1,485) | (183) |
| Public Sector Reform | (428) | (480) | 52 | (428) | (428) | 0 |
| Transport | (80) | (81) | 1 | (80) | (80) | 0 |
| **Total Expenditure** | **(4,208)** | **(4,280)** | **72** | **(4,208)** | **(4,280)** | **72** |
| **TOTAL RETURN** | **72** | **0** | **72** | **72** | **0** | **72** |

WMCA OPERATIONAL BUDGET

The final outturn shows a is a favourable variance of £72k from budget and forecast within the WMCA Operational budget.

Variance against budget :

Key variances include a favourable saving relating to the Collective Investment Fund £392k due to the current anticipated return on investment being ahead of plan. This is offset by an adverse variance within Programme, Policy and Support due to a one off contribution of £250k to the Commonwealth Games and increased staffing variations within Programme Policy and Support.

Culture and tourism has a favourable variance largely due to projects proceeding later than planned.

Variance against forecast:

The key favourable variances within Productivity and Skills commission primarily relates to the rescheduling of projects to deliver the commissions aims.

There are also savings within the Housing and Land budget due to devolution funding being used to fund delivery costs incurred during the year.

Appendix 4

# West Midlands Combined Authority Mayoral Budget - 2017/18 Outturn

| | MARCH 2018 YEAR TO DATE | | | FULL YEAR 2017/18 | | | OVERALL REVENUE BUDGET STATUS |
|---|---|---|---|---|---|---|---|
| | ACTUAL £000 | BUDGET £000 | VARIANCE £000 | ACTUAL £000 | FORECAST £000 | VARIANCE £000 | |
| **MAYORAL OFFICE** | | | | | | | |
| Staff Costs | (312) | (229) | (83) | (312) | (315) | 3 | Final spend for mayoral office was within budget and forecast with no material variation to report. |
| IT | (5) | (6) | 1 | (5) | (11) | 6 | |
| Promotions, Information and Initatives | (1) | 0 | (1) | (1) | (1) | 0 | |
| External Advice | (12) | (75) | 63 | (12) | 0 | (12) | |
| Travel & Subsistence | (26) | (42) | 16 | (26) | (31) | 5 | |
| Postage, Printing & Office Supplies & Office Furniture | (6) | (12) | 6 | (6) | (5) | (1) | |
| Recharges | 0 | 0 | 0 | 0 | 0 | 0 | |
| **TOTAL EXPENDITURE** | **(362)** | **(364)** | **2** | **(362)** | **(363)** | **1** | |
| **MAYORAL ELECTIONS** | | | | | | | |
| Promotions, Information and Initatives | (745) | (1,000) | 255 | (745) | (760) | 15 | Claims for Election costs by Local Authorities are lower than anticipated £682k. |
| Postage, Printing & Office Supplies | (687) | (640) | (47) | (686) | (686) | 0 | |
| Mayoral Election Costs | (2,886) | (3,360) | 474 | (2,886) | (3,007) | 121 | |
| **TOTAL EXPENDITURE** | **(4,318)** | **(5,000)** | **682** | **(4,317)** | **(4,453)** | **136** | |
| **MAYORAL EVENTS** | | | | | | | |
| Income | 19 | 0 | 19 | 0 | 0 | 0 | Income and expenditure relate to the Diwali celebrations organised by WMCA in October. The event was funded by sponsorship raised from private sector companies. |
| Expenditure | (19) | 0 | (19) | 0 | 0 | 0 | |
| **NET** | **0** | **0** | **0** | **0** | **0** | **0** | |

Appendix 5

# West Midlands Combined Authority Transport Delivery Capital Programme - March 2018

| Financial Summary Month Ending March 2018 | VARIANCE TO BUDGET | | | | VARIANCE TO FORECAST | | | |
|---|---|---|---|---|---|---|---|---|
| | ACTUAL £000 | BUDGET £000 | VARIANCE £000 | | ACTUAL £000 | FORECAST £000 | VARIANCE £000 | |
| **TFWM Directly Delivered Investment Programme Schemes** | | | | | | | | |
| HS2 Connectivity Programme: | | | | | | | | |
| Bilston Road Track Replacement Phase 2 | (14,095) | (15,699) | 1,604 | | (14,095) | (14,858) | 763 | |
| Sprint Network | (1,189) | (3,137) | 1,948 | | (1,189) | (1,047) | (142) | |
| Investment Programme Rail Programme | (587) | (558) | (29) | | (587) | (559) | (28) | |
| Metro Centenary Square Extension | (11,224) | (11,423) | 199 | | (11,224) | (11,262) | 38 | |
| Metro Wolverhampton City Centre Extension | (5,537) | (8,500) | 2,963 | | (5,537) | (5,138) | (399) | |
| Metro Edgbaston Extension | (10,501) | (7,643) | (2,858) | | (10,501) | (11,352) | 851 | |
| Other TFWM Investment Programme Schemes | | | | | | | | |
| Metro Birmingham Eastside Extension | (1,760) | (1,678) | (82) | | (1,760) | (2,033) | 273 | |
| Metro East Birmingham to Solihull Extension | (3,061) | (2,024) | (1,037) | | (3,061) | (3,856) | 795 | |
| Metro Wednesbury to Brierley Hill Extension | (5,347) | (2,133) | (3,214) | | (5,347) | (5,017) | (330) | |
| TOTAL TFWM INVESTMENT PROGRAMME | (53,302) | (52,795) | (507) | 1% | (53,302) | (55,122) | 1,820 | 3% |

The direct TfWM Investment Programme out-turn was £0.507m below budget.

The main variances include **Metro Wednesbury to Brierley Hill Extension** (£3.214m) which was ahead of budget due to the acceleration of design works. In addition, **Metro Edgbaston Extension** (£2.804m) out-turned ahead of budget due to accelerated utility works, A further £1.037m related to **Metro East Birmingham to Solihull Extension**, where preliminary design works were accelerated following the confirmation of advance funding earlier in the year.

Offsetting the above, the **Metro Wolverhampton City Centre Extension** (£2.963m) was behind budget, due to the implementation of a revised construction strategy, which delayed the commencement of construction to facilitate synchronisation with the wider Wolverhampton Interchange Project (includes station and car park). Work commenced in March 2018, and it is anticipated tthe majority of Construction will occur during 18/19. In addition the **Sprint Network** (£1.948m) was behind budget primarily due to a change in delivery approach on the Hagley Road scheme. The **Bilston Road Track Replacement Phase 2** (£1.604m) was completed below budget, fully reflecting the settlement of final accounts.

The out-turn was £1.820m below forecast in March. The main variance relates to **Metro Edgbaston Extension** (£0.851m)where detailed Design works have slipped due to resourcing. In addition, a land purchase at the Hyatt and Five Way roundabout anticipated to complete in March 2018, will not now be completed until May 2018. The **Metro East Birmingham to Solihull Extension Programme** was also behind budget(£0.795m), primarily due to Topological & Design Survey works which have slipped within the current schedule. **Bilston Road Track Replacement Phase 2** was also under budget (£0.763m), following final account settlements.

Offsetting the above, there were minor increases to Forecast across the remainder of the wider Programme.

**TFWM Other Major Schemes**

| | ACTUAL £000 | BUDGET £000 | VARIANCE £000 | | ACTUAL £000 | FORECAST £000 | VARIANCE £000 | |
|---|---|---|---|---|---|---|---|---|
| Birmingham City Centre Metro Extension | 70 | (800) | 870 | | 70 | (785) | 855 | |
| Birmingham Interchange | 14 | 0 | 14 | | 14 | 14 | 0 | |
| Longbridge Connectivity Package | (2,181) | (2,000) | (181) | | (2,181) | (1,978) | (203) | |
| Connected and Autonomous Vehicles | (3) | 0 | (3) | | (3) | 0 | (3) | |
| TOTAL TFWM INVESTMENT PROGRAMME | (2,100) | (2,800) | 700 | 25% | (2,100) | (2,749) | 649 | 24% |

The Other Major Schemes Programme out-turn was £0.676m behind budget, primarily due the **Birmingham City Centre Metro Extension** (£0.870m), where prior year Construction estimates have been released. Offsetting this, are further costs relating to **Longbridge Connectivity Package** (£0.181m), where approval has been received to Construct the Decked Car Park above the original Budget.

The CAV project is a £4.5m two year initative and as such, will be shown against the Major Scheme programme. Minor start up costs only were incurred in 2017/18.

The out-turn concluded £0.652m below Forecast primarily due to the variances highlighted above.

**TFWM Minor Works Programme**

| | ACTUAL £000 | BUDGET £000 | VARIANCE £000 | | ACTUAL £000 | FORECAST £000 | VARIANCE £000 | |
|---|---|---|---|---|---|---|---|---|
| TFWM Minor Works Programme | (5,628) | (5,342) | (286) | | (5,628) | (5,797) | 169 | |
| TOTAL TFWM INVESTMENT PROGRAMME | (5,628) | (5,342) | (286) | 5% | (5,628) | (5,797) | 169 | 3% |

The Programme out-turn was £0.262m ahead of budget.

The main variance related to the **Managing Short Trips Programme** (£1.287m), due entirely to acceleration of the two year Programme. Work only commenced in November but has progressed well against the original Programme. In addition compensation events arising from knotweed clearance resulted in an overspend of £0.142m relating to **North Walsall Cutting**.

Offsetting the increases identified above, the most notable underspend relates to **Network Wide Park and Ride Expansions** (£0.193m), owing to a fundamental Strategic review of the Programme. The **Digital Advertising Panels** (£0.151m) were also under spent due to a rescheduling of Shelter refurbishment / replacement work to end of March. The **Asset Management System** (£0.117m) had the main delivery contract terminated in 2017/18 due to performance issues. In addition, **Bradley Lane Park & Ride** (£0.114m) was under budget , pending a decision to proceed with the main redevelopment works into 18/19. Also **Park & Ride Upgrades** (£0.108m) were underspent, as the new Franchise commitment has undertaken to deliver cycling facilities at rail stations, obviating the need for this budget .

The out-turn concluded £0.166m below budget, the majority of which were only minor.

**TFWM Administered Programme**

| | ACTUAL £000 | BUDGET £000 | VARIANCE £000 | | ACTUAL £000 | FORECAST £000 | VARIANCE £000 | |
|---|---|---|---|---|---|---|---|---|
| TFWM Administered Programme | (6,300) | (6,583) | 283 | | (6,300) | (6,491) | 191 | |
| TOTAL TFWM INVESTMENT PROGRAMME | (6,300) | (6,583) | 283 | 4% | (6,300) | (6,491) | 191 | 3% |
| **GRAND TOTAL TFWM CAPITAL PROGRAMME** | **(67,330)** | **(67,520)** | **190** | 0% | **(67,330)** | **(70,159)** | **2,829** | 4% |

The Programme spend out-turn was £0.283m behind budget, primarily due to the **National Productivity Programme (NPIF £0.161m).** The original budget included an element of over programming but savings have been achieved against that value to reduce the requirement to support the programme using local resources..

The out-turn concluded £0.191m below Forecast, and primarily related to the variance highlighted above, where savings were higher than anticipated.

Appendix 6

# WMCA Investment Programme Financial Summary

## Period Ending 31st March 2018

| | 2017 / 2018 BUDGET VARIANCE | | | 2017 / 2018 FORECAST VARIANCE | | | COST TO COMPLETION | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | ACTUAL | BUDGET | VARIANCE | ACTUAL | FORECAST | VARIANCE | PRIOR YEAR ACTUAL | 2017/18 ACTUAL | FUTURE YEARS FORECAST | TOTAL FORECAST OUTTURN | TOTAL BUDGET | VARIANCE |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| UK CENTRAL : HS2 INTERCHANGE | 1,965 | 2,016 | 51 | 1,965 | 2,040 | 75 | 1,982 | 1,965 | 600,656 | 604,603 | 1,019,937 | 415,334 |
| UK CENTRAL : HS2 INFRASTRUCTURE | 1,404 | 4,387 | 2,983 | 1,404 | 2,513 | 1,109 | 751 | 1,404 | 632,192 | 634,347 | 648,648 | 14,301 |
| CURZON STREET STATION MASTERPLAN | 0 | 1,000 | 1,000 | 0 | 1,000 | 1,000 | 0 | 0 | 556,200 | 556,200 | 556,000 | (200) |
| METRO BIRMINGHAM EASTSIDE | 1,760 | 1,678 | (82) | 1,760 | 2,033 | 273 | 4,457 | 1,760 | 130,983 | 137,200 | 137,200 | 0 |
| METRO BIRMINGHAM INTERCHANGE | 3,061 | 2,026 | (1,035) | 3,061 | 3,856 | 795 | 1,041 | 3,061 | 730,898 | 735,000 | 675,000 | (60,000) |
| HS2 WIDER CONNECTIVITY PACKAGE | 50,268 | 68,187 | 17,918 | 50,268 | 55,430 | 5,162 | 56,729 | 50,268 | 995,468 | 1,102,465 | 1,070,624 | (31,841) |
| BRIERLEY HILL METRO EXTENSION | 5,347 | 2,133 | (3,214) | 5,347 | 5,017 | (330) | 2,021 | 5,347 | 336,232 | 343,600 | 310,000 | (33,600) |
| NATIONAL COLLEGE FOR HIGH SPEED RAIL | 9,409 | 8,687 | (722) | 9,409 | 9,985 | 576 | 16,022 | 9,409 | 78 | 25,509 | 25,233 | (774) |
| HS2 GROWTH STRATEGY PROGRAMME MANAGEMENT | 311 | 594 | 283 | 311 | 417 | 106 | 304 | 311 | 2,409 | 3,024 | 4,400 | 1,376 |
| HIGH SPEED SUPPLY CHAIN & BUSINESS SUPPORT | 400 | 25,748 | 25,348 | 400 | 25,748 | 25,348 | 10,870 | 400 | 338,730 | 350,000 | 350,000 | 0 |
| **HS2 Growth Strategy Total** | **73,925** | **116,456** | **42,531** | **73,925** | **108,039** | **34,114** | **94,177** | **73,925** | **4,323,846** | **4,491,948** | **4,797,043** | **304,597** |
| COVENTRY UK CENTRAL PLUS CONNECTIVITY | 1,887 | 3,217 | 1,330 | 1,887 | 2,746 | 859 | 454 | 1,887 | 468,459 | 470,800 | 472,350 | 1,550 |
| COVENTRY CITY CENTRE REGENERATION | 5,357 | 7,842 | 2,485 | 5,357 | 6,498 | 1,141 | 464 | 5,357 | 352,380 | 358,201 | 359,311 | 1,110 |
| COLLECTIVE INVESTMENT VEHICLE | 17,196 | 20,000 | 2,804 | 17,196 | 20,000 | 2,804 | 3,589 | 17,196 | 979,215 | 1,000,000 | 1,000,000 | 0 |
| LAND RECLAMATION | 0 | 20,000 | 20,000 | 0 | 20,000 | 20,000 | 0 | 0 | 200,000 | 200,000 | 200,000 | 0 |
| COMMONWEALTH GAMES | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 25,000 | 25,000 | 25,000 | 0 |
| DEVOLVED TRANSPORT INVESTMENT | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,299,000 | 1,299,000 | 1,299,000 | 0 |
| EZ EXPANSION EXCLUDING CURZON | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 20,000 | 20,000 | 20,000 | 0 |
| EMPLOYMENT EDUCATON & SKILLS | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 20,000 | 20,000 | 20,000 | 0 |
| BUSINESS INNOVATION | 25 | 25 | 0 | 25 | 25 | 0 | 0 | 25 | 49,975 | 50,000 | 50,000 | 0 |
| **OTHER INVESTMENT PROGRAMME SCHEMES** | **24,465** | **51,084** | **26,619** | **24,465** | **49,269** | **24,804** | **4,507** | **24,465** | **3,414,029** | **3,443,001** | **3,445,661** | **2,660** |
| **GRAND TOTAL** | **98,390** | **167,540** | **69,151** | **98,390** | **157,308** | **58,918** | **98,684** | **98,390** | **7,737,875** | **7,934,949** | **8,242,704** | **307,257** |

PROJECT RAG

Spend to the end of 2017/2018 is £69.1m behind budget mostly due to the deferal of payments relating to Land Remediation and an underspend against the HS2 supply chain Support relating to Private Sector leverage which has proved difficult to verify. Both budget allocations for 2017/18 were set as a high level aspitarion of spend before the work-streams were fully scoped. The Land Remediation programme is making good progress with firm commitments being made and expected draw downs due to occur in early 2018/19. Work to quantify the Private Sector match funding against the HS2 Supply Chain work-stream will continue into 2018/19.

The remaining variances are consistent with previous reports where the Wolverhampton Interchange Station / Car Park works within the HS2 Connectivity Package caused by the delays in the procurement of the main contractor and underspends to budget were encountered against UK Central Infrastructure due to a delayed start to land acquisition and construction works. These variances were offset by acceleration of the Metro Programmes for Brierley Hill and the extension to Interchange Station (Solihull) where development has been advanced.

The UK Central Interchange completion cost has been restated to exclude projects not directly managed and sponsored by Solihull MBC and UGC. Previous financial returns have included a number of investment projects relating to the Interchange Hub zone, as set out in the published UGC Growth & Infrastructure Plan, but which are not directly managed by SMBC/UGC. These projects included an element of HS2 direct investment in the Interchange Station, car park and Automated People Mover (APM). The UK Central Interchange RAG status is reported as red reflecting the position regarding the £205m matched funding element of the Birmingham International Station (CEF) redevelopment proposal which is not secured. This funding represents 71% of the forecast cost of this project (£287m). The balance of the Interchange programme, including the remainder of the CEF project, is primarily funded by WMCA.

The UK Central Infrastructure scheme programme continues to show a reduction against the initial budget as activities and funding are aligned to programmes. Previous financial returns have included projects set out in the published UGC Growth & Infrastructure Plan.

The forecast out-turn for the Birmingham to Interchange and Brierley Hill Metro Extensions continue to exceed the original budget as a result of the inclusion of optimism bias into the initial business case estimates. No new funding has been identified to cover these variances.

The 2018 Devo II announcement confirmed the DCLG/DfT funding for the Brierley Hill Metro extension and therefore the RAG status has moved to green. The RAG status remains red for the Birmingham to Interchange Metro extension because Government funding has not been confirmed. WMCA are working with project stakeholders to identify a funding strategy for this project.

Within the HS2 Connectivity Package, the Wolverhampton Interchange Station / Car Park scheme is now forecasting an additional £30.0m of cost which has emerged as part of the procurement activity to be funded by WMCA (50%) and the City of Wolverhampton (50%).

Appendix 7

# WMCA Investment Programme Commitments (as at 31 March 2018)

| Scheme (£000) | Total Expected WMCA Funding Into Programme | WMCA Funding Approved to be Released | FORECAST FORWARD PLAN OF INVESTMENT PROGRAMME APPROVALS | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 2018/19 | | | | | | 2019/20 | | | | Post 2019/20 | | | | | Timescale to be Confirmed |
| | | | April | May | June | July to September | October to December | January to March | April to June | July to September | October to December | January to March | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | |
| **Approved Investment WMCA Management Board & Assurance Framework:** | | | | | | | | | | | | | | | | | | |
| UK Central Interchange | 397,600 | 20,041 | 9,270 | | | | | | 250,200 | | | 118,089 | | | | | | |
| UK Central Infrastructure | 288,440 | 13,159 | | | | | | | 275,281 | | | | | | | | | |
| HS2 Connectivity Package | 486,740 | 145,992 | | | | 20,533 | 102,870 | | 49,710 | | 64,240 | | 76,795 | 26,600 | | | | |
| Brierley Hill Metro Extension | 103,000 | 17,600 | | | | | 85,400 | | | | | | | | | | | |
| Programme Governance | 3,023 | 721 | | 277 | | | | | 281 | | | | 284 | 286 | 289 | 292 | 593 | |
| Coventry City Centre Regeneration | 149,954 | 149,954 | | | | | | | | | | | | | | | | |
| Coventry UK Central North | 22,700 | 200 | | | | | | 3,861 | | | | | 18,639 | | | | | |
| Coventry UK Central South | 156,500 | 800 | | | 1,325 | 500 | | 8,000 | 33,225 | | | 2,675 | 52,200 | 43,875 | 13,900 | | | |
| Land Remediation Funds | 200,000 | 87,854 | | 5,186 | 5,000 | 5,000 | | | | | | | | 32,500 | 32,460 | 32,000 | | |
| Business Innovation | 50,000 | 472 | | | | | 250 | | 3,825 | | | | 11,383 | 12,884 | 11,383 | 5,000 | 4,804 | |
| Commonwealth Games | 25,000 | 25,000 | | | | | | | | | | | | | | | | |
| **Sub Total - Approvals to Date and Forecast Based on Approved SOCs** | **1,882,957** | **461,792** | **9,270** | **5,463** | **6,325** | **26,033** | **188,520** | **11,861** | **612,522** | | **64,240** | **120,764** | **159,301** | **116,145** | **58,032** | **37,292** | **5,397** | |
| **Projects Yet to Enter Assurance Process:** | | | | | | | | | | | | | | | | | | |
| HS2 Connectivity Package | 119,305 | 15,985 | | | | | | | | | | | | | | | | 103,320 |
| Employment Education & Skills | 20,000 | - | | | | | | | | | | | | | | | | 20,000 |
| **Sub Total - Projects Yet to Enter Assurance** | **139,305** | **15,985** | | | | | | | | | | | | | | | | **123,320** |
| **Total Potential Commitment Against Devolution Grant** | **2,022,262** | **477,777** | **9,270** | **5,463** | **6,325** | **26,033** | **188,520** | **11,861** | **612,522** | | **64,240** | **120,764** | **159,301** | **116,145** | **58,032** | **37,292** | **5,397** | **123,320** |
| **Cumulative WMCA Approvals** | | **477,777** | **487,047** | **492,510** | **498,835** | **524,868** | **713,388** | **725,249** | **1,337,771** | **1,337,771** | **1,402,011** | **1,522,775** | **1,682,076** | **1,798,221** | **1,856,254** | **1,893,546** | **1,898,942** | **2,022,262** |
| **Devolution Deal 1 Capital Funding Available** | | | | | | | | **748,000** | | | | | | | | | | |
| **Temporary funding approval pending receipt of other grants:** | | | | | | | | | | | | | | | | | | |
| East Birmingham to Solihull Metro extension | 12,000 | 10,200 | | | | | | | | | | | | | | | | |
| Metro - Eastside Extension (HS2 Curzon Tram Stop) | 18,500 | 18,500 | | | | | | | | | | | | | | | | |
| **Sub Total - Projects Yet to Enter Assurance** | **30,500** | **28,700** | | | | | | | | | | | | | | | | |

## APPENDIX 8

# WMCA Balance Sheet as at 31 March 2018

| | 31 March 2018 £'000 | 28 February 2018 £'000 | Movement £'000 |
|---|---|---|---|
| Property, plant and equipment | 294,722 | 291,688 | 3,034 |
| **Long-term assets** | 294,722 | 291,688 | 3,034 |
| Debtors | 37,124 | 31,033 | 6,091 |
| Short-term deposits | 49,200 | 53,200 | (4,000) |
| Cash and bank | 54 | 169 | (114) |
| **Current assets** | 86,378 | 84,402 | 1,977 |
| Loans - interest due | (2,244) | (2,158) | (86) |
| Short-term creditors/accruals | (41,013) | (44,689) | 3,676 |
| **Current liabilities** | (43,257) | (46,847) | 3,590 |
| **Net current assets** | **43,121** | **37,554** | **5,567** |
| Provisions | (6,548) | (6,894) | 346 |
| Finance lease liabilities | - | (992) | 992 |
| PWLB | (142,417) | (142,417) | - |
| Other loans - Barclays | (10,000) | (10,000) | - |
| Dudley MBC | (7,873) | (8,499) | 626 |
| Grants receipts in advance | (11,843) | (12,431) | 588 |
| **Long-term liabilities** | (178,681) | (181,233) | 2,552 |
| **Net assets** | **159,163** | **148,010** | **11,153** |
| General fund balance | 2,295 | 7,815 | (5,520) |
| Earmarked reserves | 82,356 | 82,749 | (393) |
| Capital grants unapplied reserve | 247 | 247 | - |
| **Usable reserves** | 84,898 | 90,811 | (5,913) |
| Revaluation reserve | 6,953 | 7,147 | (194) |
| Deferred capital grants account | 287,769 | 284,523 | 3,246 |
| Capital financing account | (220,152) | (234,471) | 14,319 |
| Accumulated absences account | (305) | - | (305) |
| **Unusable reserves** | 74,265 | 57,199 | 17,066 |
| **Total reserves** | **159,163** | **148,010** | **11,153** |

The WMCA Balance Sheet reflects a healthy financial position. Main changes since February reflect TfWM capital spend and work-in-progress funded mainly by grants in advance, resulting in an increase of £3.034m net of depreciation in property, plant and equipment.

The increase in debtors is mainly due to accrued grant income from DfT in relation to the Metro Wednesbury to Brierley Hill extension scheme. The decrease in short-term deposits and cash is largely due to the payment of claims on the Managing Short Trips (MST) schemes and advance payment for free concessions.

The decrease in short-term creditors/accruals is largely due to downward revision of capital accrual for the Coventry City Centre regeneration scheme, NPIF and the MST schemes resulting from the claims payment mentioned above.

The decrease in the finance lease liabilities and the grants receipts in advance is largely due to write-off of the prepaid element of the tram lease following its termination and the DfT Challenge Fund Q4 claims accrual respectively.

The overall decrease in the usable reserves was due to the payments for HS2, UK Central and Coventry City Centre regeneration scheme funded from the Gainshare contribution offset by the Business Rates Growth due from DfT, along with the set aside of the previously reported surplus approved within the 2018/19 budget.

## APPENDIX 9

**Treasury Management Outturn 2017/18**

## 1. Introduction

1.1 The report provides an update on the West Midlands Combined Authority Treasury Management Outturn 2017 / 18 and is a being submitted as a requirement under the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code.

## 2. Treasury Management Outturn 2017 / 18

2.1 Table 1 shows WMCA borrowing and investments held at 1st April 2017 and 31st March 2018. It shows that net borrowing has decreased by £4.93m mostly as a result of debt maturity and repayment of £5.93m.

**Table 1: Borrowing and Investments**

| | 1st April 2017 £m | Borrowing Repaid / New Investments £m | 31st March 2018 £m | Notes |
|---|---|---|---|---|
| Borrowing | (166.22) | 5.93 | (160.29) | Reduction in borrowing due to £5m PWLB loan matured Dec 17, £302k PWLB annuity loan repayments, and £626k Dudley Debt annual principal repayment. No new borrowing undertaken. |
| Investments | 50.20 | (1.00) | 49.20 | |
| **Net Borrowin** | **(116.02)** | **4.93** | **(111.09)** | |

## 3 Borrowing Activity

3.1 Effective cash flow management and the use of grants received in advance have minimised borrowing. As a result no new borrowing was undertaken in 2017/18 to meet financing requirements. Current forecasts suggest the WMCA will be required to borrow in 2018 / 2019 as Investment Programme delivery intensifies.

## 4 Historic Borrowing

4.1 The main borrowing sources are Public Works Loan Board (PWLB / HM Treasury) and money markets. The Treasurer of the Authority continues to review the opportunities to reschedule debt. The costs associated with early repayment have been too onerous to be beneficial. During 2017/18 there has been one PWLB maturity of £5m in December 2017, and some principal repayable during the year on annuity loans. WMCC (West Midlands County Council) annual principal repayment of £626k was made in March 2018.

4.2 Table 2 shows borrowing held at 1st April 2017 and 31st March 2018. It shows that borrowing has decreased by £5.93m due principal repayments during the year.

| **Table 2 - Outstanding debt as at 31st March 2018** | | | | |
|---|---|---|---|---|
| | **Balance at 1st April 2017 £000** | **Repaid in Year £000** | **Raised in Year £000** | **Balance at 31st March 2018 £000** |
| PWLB | 147,719 | - 5,302 | - | **142,417** |
| Barclays Loan | 10,000 | | - | **10,000** |
| Ex WMCC | 8,499 | - 626 | - | **7,873** |
| **Total Long Term Borrowing** | **166,218** | **- 5,928** | **-** | **160,290** |

4.3 The cost of servicing the £160.290m debt was £9.855m during 2017 / 18 (as summarised below in table 3) which equates to an average annual rate of 5.93%. As noted in paragraph 4.1 this reflects the level of historic debt taken out when interest rates were higher.

| **Table 3 - Cost of Borrowing** | |
|---|---|
| **Debt Source** | **Interest Paid 2017 / 2018 £000** |
| PWLB | 8,939 |
| Barclays Loan | 403 |
| Ex WMCC | 513 |
| **TOTAL** | **9,855** |

## 5. Future borrowing / capital programme

5.1 Table 4 below identifies the funding requirements for the next 3 years as detailed within the approved Treasury Management Strategy. It is expected there will be a need to fund projects from borrowing up to £262 million in 2018/19 with the actual debt taken out being subject to the available cash resources of the West Midlands Combined Authority.

Table 4 : Capital Expenditure and Grants Forecast

| | FORECAST | | | |
|---|---|---|---|---|
| | 2018 / 19 £000 | 2019 / 20 £000 | 2020 / 21 £000 | TOTAL £000 |
| FORECAST EXPENDITURE: | | | | |
| WMCA Delivered Capital Programmes including Investment Programme | 213,141 | 221,151 | 245,192 | 756,722 |
| Externally Delivered Investment Programme Schemes Funded by WMCA | 105,961 | 90,071 | 142,843 | 350,657 |
| **TOTAL FORECAST EXPENDITURE** | **319,102** | **311,222** | **388,034** | **1,107,380** |
| FUNDED BY | | | | |
| Department or Transport | 32,127 | 100,423 | 131,330 | 297,289 |
| Other Major Public Sector Bodies | 5,100 | 7,400 | 16,200 | 28,700 |
| Private Sector | 6,722 | 6,928 | 9,893 | 24,201 |
| Integrated Transport Block (DfT) | 4,795 | 5,186 | 4,471 | 19,278 |
| Local Growth Fund (LEP) | 4,271 | 610 | - | 9,521 |
| Enterprise Zone | - | 82 | 790 | 872 |
| Local Growth Fund (LEP MST Programme) | 3,755 | - | - | 4,255 |
| ATOC Grant | - | - | - | 121 |
| **TOTAL EXTERNAL FUNDING** | **56,769** | **120,629** | **162,683** | **384,236** |
| **INTERNAL FUNDING REQUIREMENT** | **262,333** | **190,593** | **225,351** | **723,144** |

5.2 In addition, debt repayments from maturing loans of £24m are due in 2018/19 and £12m between 2019/20 and 2020/21. As the Authority manages its cash balances to minimise in year borrowing for capital investment it is likely these maturing loans will have to be rescheduled.

## 6 Long Term Debt Profile

6.1 It can be seen from table 5 significant debt repayments are due between 2018 and 2020. These borrowings are likely to need replacing and given historically low long term interest rates, WMCA are monitoring when might be the optimal time to undertake replacement borrowings. The debt maturity profile of the loans show that after 2020 the next major repayments do not occur until 2034.

**Table 5 - Debt Maturity Profile**

| | Value of Loans Maturing £m |
|---|---|
| Repayable 2018/19 | 24 |
| RepayableBetween2019/20 to 2020/21 | 12 |
| RepayableBetween2021/22 to 2022/13 | 3 |
| RepayableBetween2023/24 to 2026/27 | 5 |
| RepayableBetween2027/28 to 2030/31 | 12 |
| RepayableBetween2031/32 to 2039/40 | 23 |
| RepayableBetween2039/40 to 2048/49 | 11 |
| RepayableBetween2049/50 to 2059/60 | 70 |
| **TOTAL BORROWING** | **160** |

6.2 As stated above any new borrowing will depend upon the prevailing interest rates at the time, and the forecast cash requirements, as to whether it should be short term or long term.

## 7 Investment Activity

7.1 As at the 31st March 2018, all short term investments have given a return to the Authority of £289,303.69 in 2017/18, and an average rate of 0.55%.

7.2 All treasury management activities undertaken during 2017/18 complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy. Investments are placed directly with financial institutions or using various brokers: ICAP, Tradition, Prebon, Martin Brokers, Bernard Gerald Cantor (BGC) and King & Shaxson. Investments held as at the 31st March 2018 were as set in Table 7 below:

**Table 7 - Short Term Investments held as at 31 March 2018**

| | Interest Rate % | Investment Value £000 | Investment type | Maturity date |
|---|---|---|---|---|
| National Counties Building Society | 0.57 | 1,000 | Fixed | 20/04/2018 |
| Scottish Building Society | 0.60 | 1,000 | Fixed | 02/05/2018 |
| Leeds City Council | 0.48 | 10,000 | Fixed | 24/05/2018 |
| Goldman's Bank | 0.92 | 5,000 | Notice A/c | 10/08/2018 |
| Close Brothers | 0.75 | 5,000 | Fixed | 17/09/2018 |
| Furness Building Society | 0.90 | 1,000 | Fixed | 19/10/2018 |
| Santander | 0.55 | 10,000 | Call | |
| HSBC Bank Plc (MMF) | 0.42 | 10,000 | Call | |
| HSBC overnights | 0.35 | 6,200 | Call | |
| **Total** | | **49,200** | | |

## 8 Performance measurement and Prudential Indicators

8.1 The WMCA treasury management function participates in a local benchmarking group which compares WMCA's treasury management performance with other local authorities, to ensure that relative to other local authorities the Authority is achieving a fair investment return without any undue risk. Performance is also regularly reviewed at the monthly Treasury Management Group.

8.2 One of the key requirements in the CIPFA Code of Practice on Treasury Management is the formal introduction of performance measurement relating to investments, debt and capital financing activities. The Prudential Indicators as at 31st March 2018 are shown in Appendix A. All key prudential indicators for the year were within the boundaries set by the Authority's approved Treasury Management Strategy.

## 9 Treasury Management Strategy

9.1 The Treasury Management Strategy for 2017 / 18 has been underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practise on Treasury Management. Treasury Management is defined as:

*"The management of local authority's investment and cash flows, its banking, money market and capital transactions; effective control of risk associated with those activates; and the pursuit of optimum performance consistent with those risks."*

9.2 The Treasury Management Strategy is reviewed regularly and amended throughout the year to reflect changes in the financial markets and the economic climate.

# Appendix A : Summary Prudential Indicators

| | 2017 / 2018 | | | 2018 / 2019 TM Strategy | | | |
|---|---|---|---|---|---|---|---|
| | Actual £000 | Previous Forecast £000 | Treasury Strategy £000 | 2018/19 Forecast £000 | 2019/20 Forecast £000 | 2020/21 Forecast £000 | Notes |
| **Affordability** | | | | | | | |
| Ratio of financing costs to net revenue stream: | | | | | | | Financing costs are at lower than expected levels due to effective cash management enabling WMCA to avoid additional borrowing requirements. Increases in financing costs are driven by the need to fund the Investment Programme and the projected receipt of borrowing powers from Government. Net revenue streams include assumptions for Business Rates income. |
| (a) financing costs | 9,855 | 9,695 | 15,109 | 13,100 | 19,200 | 24,800 | |
| (b) net revenue stream | 166,142 | 161,200 | 158,042 | 172,900 | 178,000 | 177,500 | |
| Percentage | 5.93% | 6.01% | 9.56% | 7.58% | 10.79% | 13.97% | |
| **Prudence** | | | | | | | |
| Gross borrowing and the capital financing requirement: | | | | | | | As detailed above, gross borrowing in 17/18 was lower than budgeted but is expected to increase as the Investment Programme delivery intensifies. The Capital Financing Requirement remains within expected tolerances. |
| Gross Borrowing | 160,289 | 205,093 | 229,858 | 460,220 | 636,340 | 856,444 | |
| Capital Financing Requirement (Gross borrowing in year 2018/19 must not exceed year CFR in 2020/21) | 220,552 | 251,563 | 256,085 | 507,000 | 683,400 | 903,900 | |
| **Capital Expenditure, External Debt and Treasury Management** | | | | | | | |
| Capital Expenditure | 73,790 | 71,310 | 171,211 | 298,400 | 302,800 | 397,100 | Capital expenditure is expected to increase as the Investment Programme delivery intensifies. |
| Operational boundary for external debt | | | | | | | The Operational and Authorised limits set parameters around WMCA borrowing ceiling and are contained within the approved Treasury Management Strategy for the year. These levels are within the boundaries of the agreement WMCA have agreed with HM Treasury in relation to the debt cap. The practical policies, procedures and administration of the Authority's Treasury function and management of borrowing is fully set out in the approved TMS for the year and is compliant with the CIPFA code of practice. |
| Operational boundary for borrowing | 243,289 | 205,093 | 312,305 | 460,200 | 636,300 | 856,400 | |
| Authorised limit for external debt | | | | | | | |
| Authorised limit for borrowing | 243,289 | 205,093 | 312,305 | 547,000 | 783,300 | 1,042,000 | |
| Interest rate exposures | | | | | | | The upper limits detailed exist to protect WMCA from over exposure to variable rate limits and long term secure investments. The upper limit on investments over 364 days has been increased to allow more flexibility in Treasury Management practices as the scope of the WMCA Treasury function increases following the first devolution deal. |
| Upper limit on fixed rate exposures | 100% | 100% | 100% | 100% | 100% | 100% | |
| Upper limit on variable rate exposures | 30% | 30% | 30% | 30% | 30% | 30% | |
| Investments longer than 364 days | | | | | | | |
| Upper limit | 8,000 | 8,000 | 8,000 | 10,000 | 10,000 | 10,000 | |