



Transport Delivery Committee

Date	5 November 2018
Report title	Financial Monitoring Report
Accountable Director	Sean Pearce Director of Finance Tel 0121 214 7936 Email - Sean.Pearce@wmca.org.uk
Accountable employee(s)	Linda Horne, Head of Finance & Business Planning Tel 0121 214 7508 Email Linda.Horne@wmca.org.uk
Report to be/has been considered by	Lead Member Cllr Pervez Akhtar

Recommendation(s) for action or decision:

The Transport Delivery Committee is recommended to:

1. Note that the year to date net revenue expenditure outturn for 2018/19 shows a favourable variance of £309,000 compared to budget and a full year favourable forecast variance of £41,000.
2. Note that total capital expenditure to the end of September 2018 for the overall transport programme is £38.8 million, within the year to date budget.
3. Note that the treasury indicators are within expected range and there are no issues to highlight.

1.0 Purpose

- 1.1 This report sets out the financial position as at the end of September and is the third report for the 2018/19 financial year. The content relates to the financial position of the Combined Authority's Transport Delivery Revenue and Capital Budgets. The report consists of the following Sections:

Section A Summary TFWM Revenue Budget

Section B Summary TFWM Capital Budget

Section C Treasury Management Indicators

SECTION A

2.0 Summary Revenue Position

2.1 Overall as at the end of September 2018 there is a net favourable in-year variance against budget of £309,000. Following the first re-forecast of the year there is a favourable full year position of £41,000 against budget. There has been no change to the full year forecast from that previously reported.

2.2 Year to Date and Full Year Variances

The variances of note are:-

- **Concessions:** £833,000 favourable in-year and projected £1.718m favourable against full year forecast. As previously reported this is mainly due to lower Bus concessionary patronage than budgeted. The majority of the saving will be used to fund the income foregone as a result of the agreed 12 month Departure charge and Roadside Information holiday that commenced from 1 October 2018.
- **Bus Services:** £711,000 adverse in-year and projected £1.448m favourable against full year forecast. As previously reported the full year forecast is due to income foregone as a result of the agreed introduction of the 12 month Departure charge and Roadside Information holiday commencing from 1 October 2018. The income foregone from this will be funded from savings on Concessions.
- **Integration:** £75,000 favourable in-year and projected £61,000 adverse against full year forecast. The in-year position is largely due to phasing of expenditure compared to budgeted profile within Passenger Information and Sustainable Travel and favourable Ticketing Commission income year to date. The full year forecast position is mainly due to increased costs for the Safer Travel Policing team and some minor costs relating to Passenger Information.
- **Strategic Development:** £110,000 favourable in-year and projected £11,000 adverse against full year forecast. As previously reported this reflects some in-year phasing on External Advice activity with a re-profiling of it undertaken to take place later in the year.
- **Business Support Costs:** £67,000 adverse in-year and projected £110,000 adverse against full year forecast. This is mainly due to lower recovery against the 16 Summer Lane building income target and some minor phasing on support related costs.

2.3 It should be noted that there will likely be emerging cost pressures relating to various TFWM activities and initiatives for the remainder of this year that will alter the current forecast position and these will be reported in subsequent financial report updates through the year. The second full forecast of the year will be undertaken during November and reported to the 7 January 2019 TDC meeting.

	ACTUAL £000	BUDGET £000	VARIANCE £000		FORECAST £000	BUDGET £000	VARIANCE £000
TRANSPORT FOR WEST MIDLANDS							
INCOME							
Transport Levy	57,360	57,360	0%		114,720	114,720	0%
TOTAL INCOME	57,360	57,360	0%		114,720	114,720	0%
EXPENDITURE							
Concessions							
National Bus Concession	25,258	26,112	853 3%		50,537	52,244	1,708 3%
Metro / Rail	2,268	2,267	0%		4,541	4,542	0%
Child Concession	4,738	4,739	1 0%		9,541	9,552	10 0%
	32,263	33,118	855		64,619	66,338	1,718
Bus Services							
Bus Stations / Infrastructure	2,531	1,829	(702) 38%		4,958	3,510	(1,448) 41%
Subsidised Network	4,220	4,205	(14) 0%		8,498	8,498	() 0%
Tendering / Monitoring	324	328	4 1%		686	683	(4) 1%
Accessible Transport	3,627	3,629	1 0%		7,259	7,261	2 0%
	10,702	9,991	(711)		21,401	19,952	(1,449)
Rail and Metro Services							
Metro Services	737	760	23 3%		1,546	1,560	15 1%
Rail Services	1,040	1,042	1 0%		2,317	2,253	(64) 3%
	1,777	1,802	25		3,863	3,814	(49)
Integration							
Safety and Security	316	292	(24) 8%		647	614	(33) 5%
Passenger Information	2,451	2,518	66 3%		5,222	5,195	(27) 1%
Sustainable Travel	92	125	33 27%		255	253	(2) 1%
	2,859	2,934	75		6,124	6,063	(61)
Network Resilience	379	400	21 5%		829	831	2 0%
Business Support Costs	1,651	1,584	(67) 4%		3,395	3,285	(110) 3%
Strategic Development	951	1,061	110 10%		2,250	2,240	(11) 0%
Elected Members	130	130	1 1%		271	271	0%
Capital Finance Charges	6,228	6,228	0%		11,926	11,929	3 0%
TOTAL EXPENDITURE	56,939	57,248	309 1%		114,680	114,721	42 0%
NET	422	113	309		40	(1)	41

SECTION B

3.0 Summary Position TfWM Capital Budget

3.1 The overall TfWM Capital Programme expenditure was £38.8m (42%) below the budget of £66.6m at the end of September 2018 with the variance primarily contained within the Investment Programme portfolio. The Other Major Schemes were £0.7m below the budget of £0.8m. The Minor Works Programme was £1.1m (23%) below the budget of £5.0m and the Administered Programme was £0.3m below the Budget of £0.7m.

The Annual Forecast is now £107m (31%) favourable to budget, the majority of the variance contained within the Investment Programme.

	ACTUAL VS BUDGET			FULL YEAR 2018/19		
	ACTUAL £000	BUDGET £000	VARIANCE £000	BUDGET £000	FORECAST £000	VARIANCE £000
TfWM Delivered Investment Programme Schemes	34,360	60,167	25,807 43%	133,607	88,209	45,398 51%
TfWM Other Major Schemes	169	819	650 79%	4,657	2,278	2,379 104%
TfWM Minor Works Programme	3,812	4,954	1,142 23%	13,773	13,328	445 3%
TfWM Administered Programme	417	709	292 41%	3,141	3,130	11 0%
TOTAL	38,758	66,649	27,891 42%	155,178	106,945	48,233 45%

3.2 The TfWM Delivered Investment Programme portfolio contains schemes which feature in the WMCA Devolution Deal Investment Programme to be delivered by TfWM. These schemes are all, to some extent, funded from the West Midlands Combined Authority Devolution Deal funding arrangements.

3.3 Investment Programme scheme expenditure at the end of September totalled £34.4m which was £25.8m (42%) below the year to date budget. The variance was spread evenly across the Metro schemes, the most significant being Metro Wednesbury to Brierley Hill Extension (£6.2m), which is reflective of ongoing survey work impacting on detailed design activities. The transfer of a Network Rail corridor to the WMCA which will allow initial site works to be progressed has been rescheduled to December 2018. The Metro Edgbaston Extension (£5.0m) is also below budget due to a Programme of Highway works being rescheduled awaiting award of a Transport and Works Act Order. In addition, land purchases are currently being finalised in conjunction with the Sprint Hagley Road scheme. The Metro Wolverhampton City Centre Extension (£5.0m) is also below budget due to rescheduling of the project to align with the Wolverhampton Interchange Programme station reconstruction works.

Other favourable variances are attributable to the Metro East Birmingham to Solihull Extension (£2.9m) due to a rescheduling of survey and modelling works, impacting on the submission of an application for a Transport & Works Act Order from December 2018 to June 2019. The Metro Birmingham Eastside scheme is below budget (£2.6m), primarily due to design options being reconsidered with respect to the Delta Junction at Bull Street. The Metro Centenary Square extension is also favourable to budget (£1.8m), however construction work is being advanced following the complete closure of Paradise Circus from September 2018, which will mitigate delays caused by the late handover of the Paradise circus worksite allowing the project to open on time in 2019.

- 3.4 Spend against the TfWM Other Major Scheme programme totalled £0.2m, which was £0.7m below the budget of £0.8m at the end of September 2018. The main variance relates to Longbridge Connectivity Package (£0.5m) where pre-construction investigative works is continuing and a final planning application is due to be submitted in October. Construction has been rescheduled to commence in January 2019.
- 3.5 Spend against the TfWM Minor Works programme totalled £3.8m, which was £1.1m behind the budget of £5.0m at the end of September 2018. The main variances are contained within the Sustainable Travel Programme (£0.7m), Asset Renewal/Replacement Programme (£0.5m) and Transforming Bus Travel Programme (£0.4m)) explained in further detail in section 3.11.
- 3.6 Spend against the TfWM Administered Programme was £0.4m, which was £0.3m below the budget of £0.7m.
- 3.7 The Annual Forecast is £48.2m (31%) below the budget of £155.2m. The main variance is contained within the delivered Investment Programme Schemes, relating to the Metro Extensions highlighted previously. Within here, the primary variance is contained within the Metro Wednesbury to Brierley Hill Extension, and relates to a rescheduling of preliminary design owing to survey and site investigation works, and the re-profiling of a Network Rail corridor acquisition to December 2018.

TfWM Delivered Investment Programme Schemes

TfWM Delivered Investment Programme Schemes	ACTUAL VS BUDGET			FULL YEAR 2018/19		
	ACTUAL £000	BUDGET £000	VARIANCE £000	BUDGET £000	FORECAST £000	VARIANCE £000
<u>HS2 Connectivity Programme:</u>						
Bilston Road Track Replacement Phase 2	32	250	218	250	282	(32)
Rail Investment	2,704	3,436	732	9,184	4,645	4,539
Rail Project Development	(9)	0	9	0	0	0
Sprint Network	931	2,282	1,351	5,227	3,487	1,740
Metro Centenary Square Extension	6,943	8,775	1,832	17,422	17,532	(110)
Metro Wolverhampton City Centre Extension	6,359	11,345	4,986	13,593	13,030	563
Metro Edgbaston Extension	4,966	9,956	4,990	17,289	14,486	2,803
Metro Catenary Free	7	0	(7)	0	0	0
<u>Other TfWM Investment Programme Schemes</u>						
Metro Birmingham Eastside Extension	2,748	5,382	2,634	22,859	11,770	11,089
Metro East Birmingham to Solihull Extension	4,223	7,087	2,864	13,273	10,488	2,785
Metro Wednesbury to Brierley Hill Extension	5,456	11,654	6,198	34,510	12,489	22,021
TOTAL	34,360	60,167	25,807 43%	133,607	88,209	45,398 34%

- 3.8 Expenditure against TfWM delivered Investment Programme schemes totalled £34.4m at the end of September 2018 which was £25.8m below the budget of £60.2m. The main contributors to the favourable variance were as follows:

- Wednesbury to Brierley Hill Metro Extension (£6.198m) due to a rescheduling of survey work, impacting on preliminary design activities and the submission of an initial Target Cost for the scheme. Negotiation over the transfer of the corridor from

Network Rail to WMCA is progressing and is forecast to complete in December 2018 allowing site works to commence.

- Edgbaston Metro Extension (£4.990m) The programme of highway works has been rescheduled awaiting finalisation of statutory traffic orders. Land purchases are currently being finalised in conjunction with the Sprint Hagley Road scheme.
- Wolverhampton Metro Extension (£4.986m) due to rescheduling of the design and construction activities to align with the wider Wolverhampton Interchange Programme Construction works on Pipers row have commenced, and will accelerate to complete by end of December 2018. Discussions are ongoing regarding the NCP Car Park purchase (£0.8m) expected to conclude towards the end of Q4 2018/19.
- East Birmingham to Solihull Metro Extension (£2.864m), due to a rescheduling of survey and modelling works, impacting on the submission of a transport works order from December 2018 to June 2019.
- Metro Birmingham Eastside (£2.634m) due to consideration and further review of design options with respect to the Delta Junction at Bull Street

3.9 The Investment Programme Schemes Annual Forecast has been reduced by £45.4m against the Budget. The main contributors to the variance are as follows:

- Wednesbury to Brierley Hill Metro Extension (£22.021m) as identified previously. The variance is not expected to influence the completion date for the scheme.
- Birmingham Eastside Extension (£11.089m) primarily due to rescheduling of 3G Tram Contract. Negotiations and contract award originally envisaged for February 2019, have been rescheduled to May 2019. The variance is not expected to influence the completion date for the scheme.
- Investment Programme (£4.539m) due to a reprofiling of land acquisition on the Rail-Walsall to Wolverhampton Line, and cost reprofiling of the Rail-Camp Hill Line. The variance is not expected to influence the completion date for the scheme.
- Edgbaston Metro Extension (£2.803m) as identified previously. The variance is not expected to influence the completion date for the scheme.

The favourable Annual variances have no impact on the delivery dates of the individual Programmes.

Other Major Works

TfWM Other Major Schemes	ACTUAL VS BUDGET			FULL YEAR 2018/19		
	ACTUAL £000	BUDGET £000	VARIANCE £000	BUDGET £000	FORECAST £000	VARIANCE £000
Longbridge Connectivity Package	56	568	512	3,557	1,810	1,747
Connected and Autonomous Vehicles	113	251	138	1,100	468	632
TOTAL	169	819	650 79%	4,657	2,278	2,379 104%

- 3.10 Spend against the Other Major Works Programme to the end of September was £0.7m below budget. The main variance relates to Longbridge Connectivity Package where pre construction investigative works is continuing and a final planning application is due to be submitted in October 2018. Construction has been rescheduled to commence in January 2019.
- 3.11 The Annual Forecast has been reduced by £2.379m, in the main relating to Longbridge Connectivity Package, due to the rescheduling of the main construction costs into 2019/20. In addition the Connected and Autonomous Vehicle (CAV) project is below budget following the rescheduling of Highway and Road Traffic control equipment procurement from March 2019 to Q1 2019/20, following a review with key stakeholders. This has no impact on the overall delivery of the 2 year programme.

Minor Schemes Programme

TFWM Minor Works Programme	ACTUAL VS BUDGET			FULL YEAR 2018/19		
	ACTUAL £000	BUDGET £000	VARIANCE £000	BUDGET £000	FORECAST £000	VARIANCE £000
On Street Infrastructure	259	282	23	565	537	28
Bus Stations & Interchange	247	606	359	1,013	1,013	0
Other	1	0	(1)	0	1	(1)
Bus / Rail Park & Ride	121	208	87	457	396	61
Total Asset Renewal / Replacement	628	1,096	468	2,035	1,947	88
Park and Ride	81	117	36	2,389	2,204	185
Total Metro Minor Works	81	117	36	2,389	2,204	185
Other	3	48	45	415	416	(1)
Rail Stations	610	82	(528)	254	1,741	(1,487)
Bus Stations & Interchange	119	69	(50)	211	211	0
Sustainable Travel	10	0	(10)	0	0	0
Total Project Development	742	199	(543)	880	2,368	(1,488)
Cycling & Walking	158	542	384	2,830	1,050	1,780
LSTF Programme	0	12	12	24	24	0
MST Programme	1,448	1,745	297	2,431	2,436	(5)
Total Sustainable Travel	1,606	2,299	693	5,285	3,510	1,775
ICT Programme	10	15	5	15	15	0
ICT Programme	(1)	0	1	0	0	0
Other Corporate Systems	2	24	22	100	100	0
Total Systems	11	39	28	115	115	0
Swift	10	25	15	40	40	0
Total Ticketing	10	25	15	40	40	0
Bus Stations & Interchange	1	0	(1)	0	0	0
Highway & Reliability Improvements	556	832	276	2,170	2,276	(106)
On Street Infrastructure	170	293	123	805	814	(9)
Total Transforming Bus Travel	727	1,125	398	2,975	3,090	(115)
Park & Ride	4	30	(26)	30	30	0
Total Transforming Rail Travel	4	30	(26)	30	30	0
Interchange Signage	3	24	21	24	24	0
Total Wayfinding / Signage / Public Realm	3	24	21	24	24	0
GRAND TOTAL	3,812	4,954	1,142	13,773	13,328	445

3.11 The Minor Scheme Programme spend to the end of September 2018 was £1.142m below the budget of £4.954m. The main variance relates to the following:

- Sustainable Travel (£0.693m) The main variance relates to Snow Hill 3rd Access, within the Cycling & Walking Programme. The contract to construct the direct connectivity between St Chads tram stop and Snow Hill Rail station is being finalised pending assurances sought from Network Rail around infrastructure ownership. As a result the majority of the main construction has been rescheduled into 2019/20. The Managing Short Trips Programme (£0.297m) delivering walking and cycle routes on canal towpaths is also under spent. The 2017/18 schemes were completed in May 2018, paving the way for commencement of the 2018/19 programme of work in July 2018 with delivery of all routes expected during Q4 2018/19

- Asset Renewals / Replacement (£0.468m) The main variance relates to Network Wide Bus Station Refurbishments where the Walsall mid-life flooring refurbishment has undergone strategic review, which has led to minor rescheduling.
- Transforming Bus Travel (£0.398m) The main variance relates to Clean Bus Technology Fund 2017-19 where one of the Operators has withdrawn from the Programme. A plan is in place to seek new Operators by the end of October 2018.

Offsetting the favourable variances, is the following;

- Project Development (£0.543m) the main variance relates to University Station where project development costs are being underwritten in support of an outline business case submitted in July 2018 to secure initial funding of £2m with Greater Birmingham & Solihull LEP, leading to full project cost funding of £10m. Until the funding has been secured, this is shown as an overspend to budget, reflective of the £1.5m adverse annual variance.

Administered Schemes Programme

TFWM Administered Programme	ACTUAL VS BUDGET			FULL YEAR 2018/19		
	ACTUAL £000	BUDGET £000	VARIANCE £000	BUDGET £000	FORECAST £000	VARIANCE £000
TFWM Administered Programme	417	709	292 ^{41%}	3,141	3,130	11 ^{0%}

3.12 The TfWM Administered Programme spend at the end of September 2018 was £0.3m below the budget of £0.7m. The main variance relates to transport modelling work associated with the Commonwealth Games public transport strategy with further acceleration to come over the next few months. There is no impact on the Annual Forecast.

SECTION C

4.0 Summary Treasury Indicators

4.1 Appendix 1 below details the Treasury Management out-turn highlights and sets out the forecast for the coming years as per the agreed Treasury Management Strategy. It should be noted that overall borrowings and investments are within the expected ranges.

5.0 Financial Implications

5.1 Detailed within above report

6.0 Equalities implications

6.1 None as a result of recommendations in this report

7.0 Inclusive Growth Implications

7.1 None as a result of recommendations in this report

8.0 Other Implications

8.1 None as a result of recommendations in this report

9.0 Schedule of Background Papers

9.1 All relevant information related to the recommendations is contained within this report.

APPENDIX 1 : SUMMARY PRUDENTIAL INDICATORS

Measure	Revised Forecast 2018/19	Treasury Management Strategy (£000)			Notes
		2018/19 Forecast	2019/20 Forecast	2020/21 Forecast	
Affordability					
Ratio of financing costs to net revenue stream:					
(a) financing costs	8,258	13,100	19,200	24,800	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 receipt of borrowing powers from Government. Movement in revenue due to base including the Mayoral Precept and other small changes.
(b) net revenue stream	166,788	172,900	178,000	177,500	
Percentage	4.95%	7.58%	10.79%	13.97%	
Prudence					
Gross borrowing and the capital financing requirement:					
Gross Borrowing	237,600	460,220	636,340	856,444	As detailed above, gross borrowing is currently lower than budgeted but is expected to increase as the Investment Programme delivery intensifies. The Capital Financing Requirement remains within expected tolerances.
Capital Financing Requirement	370,240	507,000	683,400	903,900	
Capital Expenditure, External Debt and Treasury Management					
Capital Expenditure	216,242	298,400	302,800	397,100	Deferral of project spend against Investment Programme Sponsored Schemes and the Metro Delivery Programme
Operational boundary for external debt					The Operational and Authorised limits set parameters around WMCA borrowing ceiling. These levels are within the boundaries of the agreement WMCA have agreed with HM Treasury in relation to the debt cap.
Operational boundary for borrowing	460,200	460,200	636,300	856,400	
Authorised limit for external debt					
Authorised limit for borrowing	547,000	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%	
Upper limit on variable rate exposures	30%	30%	30%	30%	
Investments longer than 364 days Upper Limit	10,000	10,000	10,000	10,000	