WMCA BOARD

Date	9 November 2018
Report title	Financial Monitoring Report 2018/19
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Report to be / has been considered by	WMCA Programme Board - 26 October 2018

Recommendation(s) for action or decision:

The WMCA Board is recommended to:

(1) Note the financial position as at the end of September 2018.

(2) Note the Authority's mid-year Treasury Management position against the approved strategy.

1.0 Purpose

1.1 To provide an update on West Midlands Combined Authority finances as at the end of September 2018. Including the required mid-year update against the Treasury Management Strategy.

2.0 Background - Financial Monitoring

2.1 This report provides a view at the half way point in the financial year. A summary of the revenue and capital financial positions against the approved budget are attached at appendices 1-5. A summary of the Investment Programme along with current commitments is included in appendices 6 and 7 and the balance sheet position in appendix 8. The Treasury Management strategy mid-year position at 30 September 2018 is included at appendix 9 for noting.

2.2 Appendix 1 shows the overall consolidated revenue position for the West Midlands Combined Authority. The full year position at the end of September shows a £0.964m (£0.858m Aug18) favourable variance from budget largely owing to favourable variances within the Transport and Operational budgets as a result of planned activity being scheduled for later in the year than originally planned. Further details are provided in sections 3 and 4 below.

2.3 There has been no change to the reported full year forecast since last month.

2.4 Appendix 9 provides a mid-year update on WMCA treasury management activities as required by the CIPFA Treasury Management Code. The update provides evidence that that all treasury management activity has been undertaken in line with the strategy as approved by the WMCA Board.

3.0 Transport

3.1 Appendix 2 sets out the position on the Transport Revenue Budget as at the end of September 2018, showing a favourable variance of £0.309m (£0.418m Aug18) against budget to date. The full year forecast position shows an overall saving of £0.041m (£0.041m Aug).

3.2 The year to date position shows that expenditure on travel concessions is £0.854m (£0.520m Aug18) under budget and the FY position shows savings of £1.718m (£1.178m Aug18) due to lower bus patronage than budgeted. The majority of these savings will be used to fund the income foregone as a result of the (12 month) departure charge and roadside information holiday commencing from 1st Oct 2018 within bus services (£1.449m) (£1.449m Aug18).

3.3 Other key variances in the year to date position are favourable variances within passenger information and strategic development owing to the receipt of greater ticketing commission than anticipated and the timing of expenditure when compared with budget. These services are broadly expected to be in line with budget by year end.

3.4 Further areas of pressure incorporated into the full year position largely reflect lower rental income than anticipated for 16 Summer Lane (£0.110m) and upward pressures within various infrastructure budgets such as the cleaning and maintenance contracts.

3.5 Further details are set out in appendix 2.

4.0 West Midlands Combined Authority Operational Budget

4.1 Appendix 3 sets out the position on the West Midlands Combined Authority Operational budget as at the end of September 2018.

4.2 There is a favourable year to date variance of £0.655m (£0.440m Aug18) which is primarily as a result of changes in the planned timing of operational activities across the portfolios. The full year position shows an adverse variance from budget of £0.138m (£0.138m Aug18) following the reforecast.

4.3 The key elements of the £0.655m favourable variance are as follows:

4.4 There is a favourable variance within Health and Wellbeing of £0.268m (£0.224m Aug18). This is largely due to vacant posts within the Health and Wellbeing team, for which recruitment is currently underway. Additionally, some professional services to be commissioned to deliver the Mental Health work streams will be commissioned later than originally planned. This includes developing a housing first service providing intensive mental health support for those with complex needs or who are homeless and supporting people with mental ill health as they prepare to leave prison.

4.5 There is a favourable variance of £0.193m (£0.204m Aug18) within corporate support which includes communications expenditure, primarily owing to the timing of marketing campaigns and events supporting activity across WMCA which are planned to take place later in the year and partly due to vacant posts that have not yet been recruited to, where plans are now in place.

4.6 There is a favourable variance against the Productivity and Skills budget of £0.182m (£0.112m Aug18), with recruitment activity underway to deliver the portfolio's agreed objectives over its 3 year planning period. The Employment Support Pilot is now being delivered and spend has been re-profiled across the 3 year programme to accommodate the revised delivery timetable. There is also a favourable variance on construction skills due to the rescheduling of project activities that will now take place later in the year.

4.7 Partly offsetting these variances is an adverse variance within Economic Growth which has occurred due to additional consultancy support, required across the Industrial Strategy and Office of Data Analytics budgets between July 2018 and March 2019. This has been reflected in the full year forecast along with costs associated with the Environmental portfolio and Economic Portfolio relating to the Local Industrial Strategy (LIS). Income received by other LEP areas is actively being pursued to recover this.

5.0 Mayor's Office

5.1 Mayoral office is roughly breakeven with this forecast remaining until the end of the year. This is being supported by the use of the Mayoral Capacity Fund and a recurrent solution is required to be found.

6.0 Funding and Priorities

6.1 WMCA's overall favourable year to date variance of £0.964m (£0.858m Aug18) primarily comprises £0.309m (£0.418m Aug18) relating to Transport Delivery and £0.655m (£0.440m Aug 18) in respect of the Operational Budget. As the variation on Transport Delivery is primarily a result of planned activities that will take place later in the year, it is currently anticipated that Transport Delivery will outturn in line with the annual budget and within the Operational budget an overspend of £0.138m (£0.138m Aug18) is forecast, relating to consultancy support within Economic Growth and Environmental portfolio. With all portfolios expecting activity to still be complete by year end as set out in the CA business plan.

6.2 Formal approval of a 2% pay award for 2018/19 is still pending. Revenue budgets currently reflect a 1% award with a further 1% adjustment to be processed once the award has been finalised. The impact across all WMCA budgets is c£0.270m.

7.0 Transport Delivery Capital Programme

7.1 Appendix 5 sets out the position on the Capital Programme as at the end of September 2018. Overall there is a favourable variance of £27.9m (£18.4m Aug18) against budget. This is primarily contained within the TfWM Investment Programme (£25.8m) and predominantly relates to Metro extension schemes.

7.2 There is a favourable variance on the Wednesbury to Brierley Hill Metro Extension (£6.2m) which is reflective of ongoing investigation work on retaining walls and structures impacting on preliminary design progression. In addition the Edgbaston Metro Extension (£5.0m) is under spent owing to a statutory traffic order relating to complementary highway works, which needs to be obtained prior to work commencing, and is anticipated to be obtained later in the year. The favourable variance on the Wolverhampton City Centre Metro Extension scheme (£5.0m) reflects re-profiling of detailed design works, and the purchase of the NCP Car Park (£0.8m) which is in progress, but will not conclude until later in the year. The Metro East Birmingham to Solihull Metro Extension (£2.9m) reflects the ongoing completion of surveys and modelling works resulting in the re-profiling of the Transport Works Order request from December 2018 to June 2019. The Metro Centenary Square Extension (£1.8m) is below budget due to lower construction costs arising from re-profiled utility and design works. To compensate, the closure of Paradise Circus from September will facilitate the acceleration of construction costs bringing forward the completion date of the project next year.

7.3 The other Major Schemes Programme is underspent by £0.7m against budget, primarily due to Longbridge Connectivity Package (£0.5m). The pre-construction investigation works is continuing, and the planning application is being submitted in October 2018. As a consequence, the main construction of the Decked Car Park has been rescheduled from September 2018 to March 2019.

7.4 The Minor Works programme shows a favourable variance of £1.1m to budget, spread across the wider Programme. The main underspends include Snow Hill 3rd Access (£0.3m), Network Wide Bus Station Refurbishments (£0.3m), and the Managing Short Trips Programme (£0.3m). Only the Snow Hill 3rd Access has an impact on Annual Forecast, owing to a delay in finalising the construction contract until assurances have been received from Network Rail around infrastructure.

7.5 The Annual Forecast shows a £48.2m (£41.3m Aug18) favourable movement against budget, primarily being a reflection of timing rather than project slippage. The main variance relates to Metro Wednesbury to Brierley Hill Metro Extension scheme (£22.0m), where the Network rail corridor acquisition has been rescheduled to December 2018, in tandem with the Target Cost, leading to a re-profiling of detailed design into 2019/20. In addition there is a favourable variance against the Birmingham Eastside Extension (£11.1m) relating to the 3G Tram contract which has gone out to tender, however negotiations and contract award originally scheduled for February 2019 will now take place in May 2019. The Investment Programme (£4.5m) has been reviewed in September 2018, and reduced following a re-profiling of land acquisition costs specific to the Walsall to Wolverhampton Local enhancements, and cost re-profiling of the Camp Hill Line. The Edgbaston Metro Extension is also under spent (£2.8m) primarily as a result of the ongoing complementary highway works as identified previously. The East Birmingham to Solihull Metro Extension (£2.8m) reflects a reduction owing to ongoing modelling & survey work, resulting in a rescheduling of the Public consultation and the Transport & Works Order submission into Q1 2019/20.

7.6 The forecast changes represent re-profiling of commitments and have no adverse impact on the timescales for overall delivery of schemes.

7.7 Further details are set out in appendix 5.

8.0 Investment Programme

8.1 The financial results for the Investment Programme run one month behind the regular management accounts due to the requirement to consolidate outputs across the Metropolitan area. The August results are shown in Appendix 6.

8.2 The year-to-date cash spend to August 2018 is £30m behind the initial forecast (£27m July18). For the full year 2018/19 the programmes are forecast to be £46m behind initial forecasts. Both the year-to-date and full year variances are primarily due to the Metro programme spend being behind budget (for the full year being £40m of the £46m total variance), associated with those factors outlined in section 7.

8.3 The financial summary continues to highlight an increased forecast against the Wednesbury to Brierley Hill and Birmingham to Solihull Interchange Metro extensions. An exercise is ongoing via the Metro Delivery Board to review and verify the costs to completion for the Metro Programme and the results will be reported early in the new year.

8.5 The cost to completion against UK Central Interchange remain red status due to the funding gap of c.£205m relating to the Birmingham International Station redevelopment project. Funding sources are being progressed by Solihull MBC/Urban Growth Company.

8.6 Appendix 7 details the commitments made against the Investment Programme which totalled £495m to the end of September 2018 (£489m Aug18).

9.0 Balance Sheet

9.1 Appendix 8 presents the West Midlands Combined Authority Balance Sheet which shows a good financial position at the end of September 2018. Main changes reflect Transport for West Midlands capital spend and work-in-progress mainly funded by grants in advance, resulting in the increase in long-term assets.

9.2 The decrease in debtors is largely due to the application of grant funding in respect of the Wednesbury to Brierley Hill and Centenary Square Metro extension schemes. In contrast, the increase in short term creditors is due to payments made for the HS2 and UK Central schemes from the investment programme and the agreed payment profile with operators.

9.3 The decrease in short-term deposits and cash are due to cash outflows in respect of Metro extension schemes.

10.0 Administered Funds

10.1 For the first time in this report a new section on administered funds is now reported.

10.2 WMCA is responsible for managing funds awarded by government and other sources in respect of a number of partnership arrangements as their 'accountable body'. WMCA is accountable body for the following partnership arrangements:

10.3 **Midlands Connect** - which brings together 23 local authorities, 9 LEPs, Birmingham and East Midlands airports, the chambers of commerce from across the Midlands, along with Highways England, HS2 Ltd, Network Rail and the Department for Transport and is the core pillar of the Midlands Engine 'Vision for Growth'. The key objective of the partnership is to determine what transport infrastructure is needed to boost the region's economy. Funding worth £21m over 2 years has been granted by the Department for Transport.

10.4 **Housing First Pilot** – Funding worth £9.6m over 3 years has been granted by MHCLG for WMCA, the seven local authorities, housing providers and homelessness charities in the region to launch a project to help rough sleepers off the streets. The project will offer individuals safe, secure accommodation, alongside intensive support to help them recover from complex health issues such as substance abuse and mental health difficulties.

10.5 **One Public Estate** – funding worth £490,000 has been granted by the Cabinet Office Government Property Unit for WMCA, constituent and non-constituent members and other health and blue light organisations from across the region to secure more from public sector assets through collective action.

10.6 WMCA is also responsible for distributing funds awarded by government to the seven local authorities in the constituent authority area including the following funds:

10.7 **Highways Maintenance Block (£13.1m) Highways Maintenance Incentive Fund (2.7m) and the Pothole Fund (£1.7m)** are all paid to WMCA by Department for Transport (DfT) which are subsequently distributed to all Local Authorities (except Birmingham who have a PFI arrangement) based on a distribution formula decided by DfT.

10.8 **Integrated Transport Block** – funding worth £17.6 m is received by WMCA from DfT. The funding is distributed in line with a locally agreed arrangement with WMCA retaining £4.4m (25%) and the remainder being distributed to the seven Local Authorities based on population. The funding retained by WMCA supports the WMCA Minor Works Capital Programme.

10.9 Future financial reports will include short progress updates against these funds.

11.0 Financial Implications

12.1 There are no Financial Implications.

12.0 Legal implications

12.1 There are no legal implications.

13.0 Equalities implications

13.1 There are no equalities implications.

14.0 Inclusive Growth Implications

14.1 The WMCA Board has asked for the inclusive growth implications of each board paper to be outlined in this section. We are developing a set of materials that will allow officers and partners to do this robustly, which will be reflected in WMCA Board reports from January onwards.

15.0 Geographical Area of Report's Implications

15.1 The report encompasses the West Midlands region.

16.0 Other Implications

16.1 There are no other implications

17.0 Schedule of Background Papers

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

Appendix 1

WMCA Consolidated Summary – September 2018

	SEPTEMBER 2018 YEAR TO DATE			FULL YEAR 2018/19		
	ACTUAL £'000	BUDGET £'000	VARIANCE £'000	FORECAST £'000	BUDGET £'000	VARIANCE £'000
INCOME						
1 - Transport Levy	57,360	57,360	0	114,720	114,720	0
2 - Devolution Deal grant (IP)	36,500	36,500	0	36,500	36,500	0
3 '- Devolution Deal grants - other	842	2,056	(1,214)	5,589	6,116	(527)
4 - Adult Education Funding	89	100	(11)	509	200	309
5 - Business rates growth	2,250	2,250	0	4,500	4,500	0
6 - Grants from Constituent members	2,322	2,322	0	4,644	4,644	0
7 - Grants from Non Constituent members	213	213	0	425	425	0
8 - Investment Income	476	247	229	697	494	203
9 - Use of Reserves	265	350	(85)	(796)	1,767	(2,563)
Total income	100,317	101,398	(1,081)	166,788	169,366	(2,578)
EXPENDITURE						
10 - Transport delivery	56,939	57,248	309	115,680	115,721	41
11 - Operational budget	3,105	5,013	1,908	11,745	11,822	77
12 - Investment Programme Governance	998	1,494	496	2,731	4,659	1,928
13 - Mayoral Office	364	416	52	823	823	0
14 - Financing Costs	37,976	37,256	(720)	35,909	36,341	432
Total expenditure	99,382	101,427	2,045	166,888	169,366	2,478
Net	935	(29)	964	(100)	0	(100)

The year to date position at the end of September shows a favourable variance of £0.964m (£0.858m Aug18) against budget. This is largely due to the timing of recruitment and activity within the Transport Delivery and Operational budgets, where there are net favourable variances of £0.309m (£0.418m Aug18) and £0.655m (£0.440m Aug18) respectively.

The transport position shows a minor favourable movement in the full year position reflecting the expected increase in activity as we move through the year.

The operational budget (11) is currently recruiting to several vacant posts and consultancy support is being commissioned. The latest full year position reflects a £0.138m forecast over spend due to increased activity within the economic growth and environment portfolio, along with a significant increase in planned activity and establishment to the end of the year.

Within the Investment Programme (12) there is a favourable variance against planned expenditure of £0.496m (£0.441m Aug18) owing to planned borrowing not being necessary due to higher cash balances than anticipated. This has also resulted in investment income being higher than anticipated by £0.229m (£0.159m Aug18) (8).

Appendix 2

Transport for West Midlands 2018-19 year to date revenue position – September 2018

	SEPTEMBER 2018 YEAR TO DATE			FULL YEAR 2018/19			
	ACTUAL £'000	BUDGET £'000	VARIANCE £'000	FORECAST £'000	BUDGET £'000	VARIANCE £'000	As at the end of September there is a £0.309m favourable position in-year with a minor favourable position of £0.041m forecast for the full year. Headline explanations for the variances are set out below.
TRANSPORT FOR WEST MIDLANDS							
INCOME							There are no variances to report
Transport Levy	57,360	57,360	0	114,720	114,720	0	
TOTAL INCOME	57,360	57,360	0	114,720	114,720	0	
Concessions							In-year and full year forecast savings due to lower patronage than budgeted with Bus concessionary patronage continuing to reduce across operators. The majority of the saving will be used to fund the income foregone as a result of the 12 month Departure charge and Roadside Information holiday commencing from 1 October 2018.
National Bus Concession	25,258	26,112	853	50,537	52,244	1,708	
Metro / Rail	2,268	2,267	0	4,541	4,542	0	
Child Concession	4,738	4,739	1	9,541	9,552	10	
TOTAL EXPENDITURE CONCESSIONS	32,263	33,118	855	64,619	66,338	1,718	
Bus Services							Full year adverse variance forecast due to the 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.
Bus Stations / Infrastructure	2,531	1,829	(702)	4,958	3,510	(1,448)	
Subsidised Network	4,220	4,205	(14)	8,498	8,498	0	
Tendering / Monitoring	324	328	4	686	683	(4)	
Accessible Transport	3,627	3,629	1	7,259	7,261	2	
TOTAL EXPENDITURE BUS SERVICES	10,702	9,991	(711)	21,401	19,952	(1,449)	
Rail and Metro Services							Favourable year to date position and full year saving due to Metro Concessions contract performance deduction. Adverse full year forecast variance due to a number of costs pressures seen on rates, rents, cleaning and CCTV works.
Metro Services	737	760	23	1,546	1,560	15	
Rail Services	1,040	1,042	1	2,317	2,253	(64)	
TOTAL EXPENDITURE RAIL AND METRO SERVICES	1,777	1,802	25	3,863	3,814	(49)	
Integration							
Safety and Security	316	292	(24)	647	614	(33)	In-year and full year adverse variance due to increased costs for the Safer Travel Policing team.
Passenger Information	2,451	2,518	66	5,222	5,195	(27)	In-year reflects phasing of expenditure compared to budgeted profile and favourable Ticketing Commission income year to date. A minor full year adverse variance is forecast.
Sustainable Travel	92	125	33	255	253	(2)	
TOTAL EXPENDITURE INTEGRATION	2,859	2,934	75	6,124	6,063	(61)	
Other Budgets							
Total Expenditure Network Resilience	379	400	21	829	831	2	
Total Expenditure Business Support Costs	1,651	1,584	(67)	3,395	3,285	(110)	Business Support : In-year adverse and full year adverse forecast variance mostly due to interim resource brought in to cover vacancies and staff turnover in the short term and a lower recovery against the 16 Summer Lane building income target
Total Expenditure Strategic Development	951	1,061	110	2,250	2,240	(11)	Strategic Development : In-year favourable positions reflects some phasing on External Advice activity, with a minor adverse forecast projected for full year
Total Expenditure Elected Members	130	130	1	271	271	0	
Total Expenditure Capital Finance Charges	6,228	6,228	0	11,926	11,929	3	
TOTAL EXPENDITURE	56,939	57,248	309	114,680	114,721	41	
NET	**422**	**113**	**309**	**40**	**(1)**	**41**	

Appendix 3

West Midlands Combined Authority Operational Budget – September 2018

FINANCIAL SUMMARY AS AT SEPTEMBER 2018	SEPTEMBER 2018 YEAR TO DATE ACTUAL £000	SEPTEMBER 2018 YEAR TO DATE BUDGET £000	SEPTEMBER 2018 YEAR TO DATE VARIANCE £000	FULL YEAR 2018/19 FORECAST £000	FULL YEAR 2018/19 BUDGET £000	FULL YEAR 2018/19 VARIANCE £000	As at the end of September 2018, there is a favourable variance of £655k within the Operational Budget. Key variances are explained below:
Contribution - 7 Met Council's	2,322	2,322	0	4,644	4,644	0	There are no significant variances to report.
Non-Constituent Members	188	188	0	375	375	0	
Associate Members / Official Observers	25	25	0	50	50	0	
Investment Income	247	247	0	494	494	0	
Total Income	**2,782**	**2,782**	**0**	**5,563**	**5,563**	**0**	
Economic Growth							The key variances in the Economic Growth portfolio recognise funding being used flexibly across the Portfolio. Funding for growth has a small favourable variance due to a vacant post. The Environment forecast shows costs associated with consultancy support for overall management, along with work associated with air quality. Culture and Tourism shows a favourable variance due to the timing of activity which will take place later in the year than initial budgeted.
Mayoral Capacity Funding	157	234	(77)	388	388	0	
Devo Office of Data Analytics	73	87	(14)	279	200	79	
Total Income	**230**	**321**	**(91)**	**667**	**588**	**79**	
Culture and Tourism Commission	0	(30)	30	(60)	(60)	0	
Funding for Growth	(403)	(440)	37	(785)	(880)	95	
Office of Data Analytics	(74)	(88)	14	(279)	(201)	(78)	
Black Country Economic Intelligence Unit	(91)	(120)	29	(240)	(240)	0	
Industrial Strategy	(186)	(169)	(17)	(468)	(308)	(160)	
Environmental	(14)	0	(14)	(90)	0	(90)	
Total Expenditure	**(768)**	**(847)**	**79**	**(1,922)**	**(1,689)**	**(233)**	
Economic Growth Net Total	**(538)**	**(526)**	**(12)**	**(1,255)**	**(1,101)**	**(154)**	
Public Services Reform							There are no significant variances to report.
Revenue Contributions to / from Third Parties	(3)	50	(53)	100	100	0	
Mayoral Capacity Funding	19	50	(31)	100	100	0	
Total Income	**16**	**100**	**(84)**	**200**	**200**	**0**	
Public Sector Reform	(228)	(245)	17	(490)	(490)	0	
Inclusive growth	(19)	(100)	81	(200)	(200)	0	
WM Fire Service Transition	(8)	0	(8)	0	0	0	
Total Expenditure	**(255)**	**(345)**	**90**	**(690)**	**(690)**	**0**	
Public Service Reform Net Total	**(239)**	**(245)**	**6**	**(490)**	**(490)**	**0**	
Health & Wellbeing							The favourable variance on income relates to a contribution from Public Health England in respect of the Implementation Director post. The favourable year to date variance is anticipated to be recovered by the year end as recruitment is under way and work planned will take place during the remainder of the year.
Revenue Contributions to / from Third Parties	33	0	33	33	0	33	
Total Income	**33**	**0**	**33**	**33**	**0**	**33**	
Mental Health Commission	(14)	(218)	204	(435)	(435)	0	
Well Being	(90)	(121)	31	(275)	(242)	(33)	
Total Expenditure	**(104)**	**(339)**	**235**	**(710)**	**(677)**	**(33)**	
Health & Wellbeing Net Total	**(71)**	**(339)**	**268**	**(677)**	**(677)**	**0**	
Housing & Land							The variances against the Housing and Land budget are off-set by the value of funding applied to the expenditure in year.
Devolution Housing & Land	204	458	(254)	732	1,000	(268)	
Total Income	**204**	**458**	**(254)**	**732**	**1,000**	**(268)**	
WMCA Governance 2015/16	0	0	0	0	0	0	
Housing and Land Commission	(274)	(533)	259	(872)	(1,150)	278	
Total Expenditure	**(274)**	**(533)**	**259**	**(872)**	**(1,150)**	**278**	
Housing & Land Net Total	**(70)**	**(75)**	**5**	**(140)**	**(150)**	**10**	
Skills & Productivity							The Employment Support Pilot is now being delivered and spend has been re-profiled across the 3 year programme to accommodate the revised delivery timetable. There is a favourable variance on Construction Skills again due to the revised timetable for delivery of project activities which will take place later in the year. The Productivity and Skills commission budget favourable variance is as a result of the timing of activity and vacant posts, some of which have been recruited to and staff are due to take up their roles in the coming months.
Devolution Productivity & Skills	228	1,027	(799)	3,345	3,770	(425)	
HS2 Devolution Funding	7	0	7	0	0	0	
Adult Education Funding	89	100	(11)	509	200	309	
Total Income	**324**	**1,127**	**(803)**	**3,854**	**3,970**	**(116)**	
Productivity and Skills Commission	(204)	(398)	194	(464)	(464)	0	
Employment Support Pilot Skills	(51)	(269)	218	(1,404)	(1,829)	425	
HS2 Skills	(7)	(58)	51	(175)	(175)	0	
Gatsby Skills	(35)	(50)	15	(100)	(100)	0	
Construction Skills	(142)	(649)	507	(1,666)	(1,666)	0	
Adult Education	(89)	(89)	0	(509)	(179)	(330)	
Total Expenditure	**(528)**	**(1,513)**	**985**	**(4,318)**	**(4,413)**	**95**	
Skills & Productivity Net Total	**(204)**	**(386)**	**182**	**(464)**	**(443)**	**(21)**	
Leadership							There are no significant variances to report
Revenue Contributions to / from Third Parties	21	0	21	41	0	41	
Total Income	**21**	**0**	**21**	**41**	**0**	**41**	
Leadership	(199)	(191)	(8)	(394)	(381)	(13)	
Total Expenditure	**(199)**	**(191)**	**(8)**	**(394)**	**(381)**	**(13)**	
Leadership Net Total	**(178)**	**(191)**	**13**	**(353)**	**(381)**	**28**	
Corporate Support							The favourable variance relates primarily to scheduling of communications spend relating to marketing campaigns, digital development and events which are anticipated to take place later in the year and vacant posts within support that will be recruited to later in the year. The FY position remains within budget overall.
Mayoral Capacity Funding	12	0	12	12	0	12	
Total Income	**12**	**0**	**12**	**12**	**0**	**12**	
Programme, Policy and Support	(920)	(956)	36	(1,981)	(1,914)	(67)	
Communications	(58)	(203)	145	(353)	(407)	54	
Total Expenditure	**(978)**	**(1,159)**	**181**	**(2,334)**	**(2,321)**	**(13)**	
Corporate Support Net Total	**(966)**	**(1,159)**	**193**	**(2,322)**	**(2,321)**	**(1)**	
TOTAL NET EXPENDITURE	**(2,266)**	**(2,921)**	**655**	**(5,701)**	**(5,563)**	**(138)**	
NET RETURN	**516**	**(139)**	**655**	**(138)**	**0**	**(138)**	
Devolution grants	(748)	(1,905)	1,157	(5,034)	(5,558)	524	
AEB Funding	(89)	(100)	11	(509)	(200)	(309)	
Use of reserves	0	(85)	85	(502)	(502)	0	
NET RETURN PRESENTED IN CONSOLIDATED SUMMARY	**(321)**	**(2,229)**	**1,908**	**(6,183)**	**(6,260)**	**77**	

Appendix 4

West Midlands Combined Authority Mayoral Budget – September 2018

	SEPTEMBER 2018 YEAR TO DATE			FULL YEAR 2018/19		
	ACTUAL £000	BUDGET £000	VARIANCE £000	FORECAST £000	BUDGET £000	VARIANCE £000
MAYORAL OFFICE						
Mayoral Capacity Funding	98	151	(53)	558	558	0
Use of Reserves	265	265	0	265	265	0
TOTAL INCOME	**363**	**416**	**(53)**	**823**	**823**	**0**
Staff Costs	(293)	(351)	58	(662)	(692)	30
Agency Staff	(15)	0	(15)	(1)	0	(1)
IT	0	(5)	5	(10)	(10)	0
Promotions, Information and Initiatives	(1)	0	(1)	0	0	0
Travel & Subsistence	(5)	(20)	15	(40)	(40)	0
Other	(1)	(1)	0	(2)	(2)	0
Direct Recharges	(9)	0	(9)	(29)	0	(29)
Indirect Recharges	(39)	(39)	0	(79)	(79)	0
TOTAL EXPENDITURE	**(363)**	**(416)**	**53**	**(823)**	**(823)**	**0**
NET	**0**	**0**	**0**	**0**	**0**	**0**

As at the end of September 2018 the Mayoral budget has a favourable variance of £0.053m against budgeted expenditure.

The full year position is in line with budget.

Appendix 5 West Midlands Combined Authority Transport Delivery Capital Programme – September 2018

Financial Summary Month Ending September	YEAR TO DATE				FULL YEAR 2018/19			
	ACTUAL £000	BUDGET £000	VARIANCE £000		FORECAST £000	BUDGET £000	VARIANCE £000	
TFWM Directly Delivered Investment Programme Schemes								
HS2 Connectivity Programme:								
Bilston Road Track Replacement Phase 2	(32)	(250)	218		(282)	(250)	(32)	
Sprint Network	(931)	(2,282)	1,351		(3,487)	(5,227)	1,740	
Investment Programme Rail Programme	(2,694)	(3,436)	742		(4,645)	(9,184)	4,539	
Metro Centenary Square Extension	(6,943)	(8,775)	1,832		(17,532)	(17,422)	(110)	
Metro Wolverhampton City Centre Extension	(6,359)	(11,345)	4,986		(13,030)	(13,593)	563	
Metro Edgbaston Extension	(4,966)	(9,956)	4,990		(14,486)	(17,289)	2,803	
Metro Catenary Free	(7)	0	(7)		0	0	0	
Other TFWM Investment Programme Schemes								
Metro Birmingham Eastside Extension	(2,748)	(5,382)	2,634		(11,770)	(22,859)	11,089	
Metro East Birmingham to Solihull Extension	(4,223)	(7,087)	2,864		(10,488)	(13,273)	2,785	
Metro Wednesbury to Brierley Hill Extension	(5,456)	(11,654)	6,198		(12,489)	(34,510)	22,021	
TOTAL TFWM INVESTMENT PROGRAMME	(34,359)	(60,167)	25,808	43%	(88,209)	(133,607)	45,398	34%
TFWM Other Major Schemes								
Longbridge Connectivity Package	(56)	(568)	512		(1,810)	(3,557)	1,747	
Connected and Autonomous Vehicles	(113)	(251)	138		(468)	(1,100)	632	
TOTAL TFWM INVESTMENT PROGRAMME	(169)	(819)	650	79%	(2,278)	(4,657)	2,379	51%
TFWM Minor Works Programme								
TFWM Minor Works Programme	(3,813)	(4,955)	1,142		(13,330)	(13,773)	443	
TOTAL TFWM INVESTMENT PROGRAMME	(3,813)	(4,955)	1,142	23%	(13,330)	(13,773)	443	3%
TFWM Administered Programme								
TFWM Administered Programme	(417)	(709)	292		(3,130)	(3,141)	11	
TOTAL TFWM INVESTMENT PROGRAMME	(417)	(709)	292	41%	(3,130)	(3,141)	11	0%
GRAND TOTAL TFWM CAPITAL PROGRAMME	**(38,758)**	**(66,650)**	**27,892**	**42%**	**(106,947)**	**(155,178)**	**48,231**	**31%**

TFWM Directly Delivered Investment Programme Schemes

Year to Date Variances

At the end of Sept 2018, actual expenditure was £25.8m lower than the budget with the overall variances relating to cash flow reprofiling. An explanation of the main variances is as follows:

The favourable cashflow variance on the Metro Edgbaston Extension (£5.0m) and Centenary Square (£1.8m) is due to the requirement to obtain Statutory Traffic Regulations Orders prior to commencing elements of work and the consequent profiling of activities to achieve the delivery of the scheme within the original timescales.

The favourable cashflow variance for the Wolverhampton City Centre (£5.0m) scheme accommodates changes within the programme plan that are intended to be recovered over the remaining life of the project as they are not on the critical path.

The Metro Birmingham Eastside Extension (£2.6m) variance is reflective of design option reappraisal at the Delta Junction at Bull Steet rescheduling the preliminary design submission back to Q4 18/19.

The Metro East Birmingham to Solihull Metro Extension (£2.9m) variance is reflective of ongoing surveys and modelling works, requiring the reprofiling of the Transport Works Order request from December 2018 to June 2019.

The Metro Wednesbury to Brierley Hill Extension (£6.2m) reflects ongoing investigation work on retaining walls and structures, impacting on preliminary design progression.

The Annual Forecast Variances

Changes have been made since April 2018 to the forecast out-turn which again relate to timing of expenditure rather than being indicative of project slippage. The overall reduction in September (£6.9m) is in the main contained within the Investment Programme (£4.5m) following a Forecast refresh

The main variances are as follows:

The Edgbaston and Centenary Square Metro Extension forecasts have been reduced by £2.7m owing to the complimentary highway works and the 2018/19 impact of the Traffic Regulation Orders as detailed above.

The Birmingham Eastside Extension (£11.1m) and East Birmingham to Solihull Extension forecast revisions (£2.8m) are representative of the full year effect of the cash flow variations to the end of September.

The main variation within the Metro Wednesbury to Brierley Hill Extension (£22.0m) follows the Network rail corridor acquisition which has been reprofiled to December 2018 and rescheduling of survey input data impacting preliminary design progression.

The variances against these Metro extensions represent re-profiling of commitments and have no adverse impact on the timescales for overall delivery.

the Investment Programme (£4.5m) under spend is primarily due to reprofiling of Land acquisition on the Rail-Walsall to Wolverhampton Local Enhancements (£1.7m), and reprofiling of costs on the Rail-Camp Hill Line (£1.2m).

TFWM Other Major Schemes

At the end of September 2018, there was a underspend of £0.650m, the main variance being the Longbridge Connectivity Package. It was originally envisaged that construction of the Decked Car park at Longbridge would have commenced in September, however further ground investigative work is continuing to assess whether piled foundations are required. Planning approval is expected to be concluded in October 2018, with the main construction rescheduled to January 2019.

The Annual Forecast is £2.379m below the Budget, reflecting a reduction of £1.7m in September, entirely due to the rescheduling of the main construction works at Longbridge into Q4 18/19 and 2019/20 as identified above. The CAV project is also below Budget, being cash-flow related following the decision to procure the Highway and Road Traffic control equipment towards the end of Q1 19/20. This has no impact on the delivery of the 2 year programme.

TFWM Minor Works Programme

At the end of September 2018, there was an underspend of £1.142m against budget. The main variances relate to Snow Hill 3rd Access (£0.325m), Network Wide Bus Station Refurbishments (£0.359m) the construction of walking and cycling routes (£0.3m). offset by the development costs for the University Station (£0.469m) which have been underwritten in advance of securing Greater Birmingham & Solihull LEP funding which is awaiting a decision following submission of the Outline Business Case in July 2018.

The Annual Forecast is £0.443m below Budget, primarily reflective of the full year impact of construction rescheduling with regards to Snow Hill 3rd Access (£1.6m) reported in September.

Offsetting this is the ongoing University Station development project (£1.0m). This project is a high priority with a vision to deliver a new station by December 2021, in advance of the Commonwealth Games. The development spend against this scheme is subject to a funding bid with GBS LEP and the cash-flow requirement is being financed by WMCA in advance of the funding decision which is expected to be positive. If this is not the case, additional grant from future years would need to be applied to the spend to date.

TFWM Administered Programme

The main variance relates to rescheduling of Transport Modelling Strategy for the Commonwealth Games. Mobilisation has commenced in July 2018 with some reprofiling into the remaining quarters

Appendix 6

WMCA Investment Programme Financial Summary period ending 31st August 2018

	2018 / 2019 YEAR TO DATE			2018 / 2019 FULL YEAR			COST TO COMPLETION					
	ACTUAL £000	BUDGET £000	VARIANCE £000	BUDGET £000	FORECAST £000	VARIANCE £000	PRIOR PERIOD SPEND £000	2018/19 FORECAST £000	FUTURE YEARS FORECAST £000	TOTAL FORECAST OUTTURN £000	TOTAL BUDGET £000	VARIANCE £000
UK CENTRAL : HS2 INTERCHANGE	3,231	4,171	940	12,718	10,019	2,699	3,947	10,019	590,451	604,417	604,612	195
UK CENTRAL : HS2 INFRASTRUCTURE	1,131	3,113	1,983	16,494	16,532	(38)	2,155	16,532	1,368,063	1,386,750	1,386,543	(207)
CURZON STREET STATION MASTERPLAN	0	600	600	4,406	4,406	0	0	4,406	551,894	556,300	556,300	0
METRO BIRMINGHAM EASTSIDE	2,295	4,029	1,735	22,859	12,751	10,108	6,217	12,751	118,232	137,200	137,200	(0)
METRO BIRMINGHAM TO SOLIHULL INTERCHANGE	3,554	6,162	2,609	13,273	10,488	2,785	4,102	10,488	720,410	735,000	675,000	(60,000)
HS2 WIDER CONNECTIVITY PACKAGE	26,069	46,285	20,216	112,197	97,912	14,286	106,997	97,912	901,435	1,106,344	1,106,303	(41)
BRIERLEY HILL METRO EXTENSION	4,638	7,250	2,612	34,510	12,489	22,021	7,368	12,489	323,743	343,600	310,000	(33,600)
NATIONAL COLLEGE FOR HIGH SPEED RAIL	73	78	5	78	118	(40)	25,431	118	0	25,549	25,509	(40)
HS2 GROWTH STRATEGY PROGRAMME MANAGEMENT	102	99	(2)	239	244	(5)	615	244	2,173	3,032	3,032	0
HIGH SPEED SUPPLY CHAIN & BUSINESS SUPPORT	0	0	0	0	0	-	11,270	0	338,730	350,000	350,000	0
HS2 GROWTH STRATEGY TOTAL	**41,093**	**71,789**	**30,697**	**216,774**	**164,959**	**51,816**	**168,102**	**164,959**	**4,915,131**	**5,248,192**	**5,154,499**	**(93,693)**
COVENTRY UK CENTRAL PLUS CONNECTIVITY	1,043	1,956	912	8,922	7,722	1,200	2,341	7,722	494,067	504,130	504,130	(0)
COVENTRY CITY CENTRE REGENERATION	762	919	157	25,394	25,394	0	5,821	25,394	330,555	361,770	357,770	(4,000)
COLLECTIVE INVESTMENT VEHICLE	2,289	939	(1,350)	20,000	20,000	0	20,785	34,008	945,207	1,000,000	1,000,000	0
LAND RECLAMATION	0	0	0	20,000	27,394	(7,394)	0	27,394	172,606	200,000	200,000	1
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	2,000	2,000	0	0	2,000	18,000	20,000	20,000	0
BUSINESS INNOVATION	0	0	0	5,000	5,000	0	25	5,000	44,975	50,000	50,000	0
OTHER INVESTMENT PROGRAMME SCHEMES	**4,094**	**3,813**	**(280)**	**81,316**	**87,510**	**(6,194)**	**28,972**	**101,518**	**3,349,410**	**3,479,899**	**3,475,900**	**(4,000)**
GRAND TOTAL	**45,186**	**75,603**	**30,416**	**298,090**	**252,468**	**45,622**	**197,074**	**266,476**	**8,264,541**	**8,728,091**	**8,630,399**	**(97,692)**

The financial results for August 2018 are shown above.

In respect of full project costs to completion, the financial summary continues to highlight increased spend against the Wednesbury to Brierley Hill and Birmingham to Solihull Interchange Metro extensions. An exercise is ongoing via the Metro Delivery Board to review and verify the costs to completion for the Metro Programme and the results will be reported in due course.

For 2018/19, the YTD spend to August is £30.4m behind budget. This includes £20.2m relating to the HS2 Connectivity Programme. The key projects making up the HS2 Connectivity element of this variance are: Metro Extensions for Edgbaston (£4.3m), Wolverhampton (£3.5m) and Centenary Square (£1.6m); Coventry Station Masterplan (£6.1m); VLR (£3.2m); and, SPRINT Hagley Road (£1.2m). The remaining YTD underspend includes the following major variances: Metro Birmingham Eastside (£1.7m); Metro East Birmingham to Solihull (£2.6m); Metro Wednesbury to Brierley Hill (£2.6m); and HS2 infrastructure of £2.0m. For the majority of these projects the reasons for the YTD underspends are covered in the full year commentary below, the remaining element being in-year timing differences.

The 2018/19 full year forecast underspend of £51.8m for the HS2 Growth Strategy relates primarily to the following projects:

* UKC HS2 Interchange (£2.7m) - delayed spend relating to the Birmingham International Station redevelopment project, FBC now scheduled for approval in 2020/21 and UGC main focus is on the HS2 Hybrid Act changes;
* Brierley Hill Metro Extension (£22.0m) - the Network Rail corridor acquisition has been rescheduled to December 2018, in tandem with the Target Cost, leading to a re-profiling of detailed design into 2019/20;
* Bham Eastside Metro Extension (£10.1m) - the 3G Tram contract has gone out to tender, however negotiations and contract award originally scheduled for February 2019 will now take place in May 2019;
* East Birmingham to Solihull Metro Extension (£2.8m) - reflects a reduction owing to ongoing modelling & survey work, resulting in a rescheduling of the public consultation and the Transport & Works Order submission into Q1 2019/20; and included in HS2 Connectivity-
* Metro Edgbaston Extension (£5.3m) - primarily as a result of the ongoing complementary highway works;
* Coventry City Centre First (£5.1m) - primarily delay to Ring Road improvements as a result of revised plans to deliver City of Culture;
* Coventry VLR (£3.1m) - delayed vehicle development spend and Dudley retaining wall spend;
* Sprint Hagley Road (£0.7m) - delays in utilities work due to land acquisition.

The other major full year variance to forecast is an over spend regarding Land Reclamation (£7.4m) relating to the timing of grant payments given the pipeline approved in 2017/18 currently awaiting developments progressing and contracts to be prepared.

The cost to completion against UK Central Interchange remains red due to the funding gap of c.£205m relating to the Birmingham International Station redevelopment project. Funding sources are being progressed by UGC.

Appendix 7

WMCA Investment Programme Commitment Profile September 2018

£m	Committed	2018 / 2019		2019 / 20				2020/21	2021/22	2022/23	2023/24	2024/25	Post 2025	TOTAL
		Q3	Q4	Q1	Q2	Q3	Q4							
UKC Interchange	29.8		0.2		175.3			141.7		10.0	41.0			398.0
UKC Infrastructure	12.1	16.5	2.7	2.0	1.5		2.2	43.7	34.2	76.3	96.9			288.0
HS2 Connectivity (Sprint)	4.1		23.5			10.0	48.9	34.8	60.6	30.7				212.7
HS2 Connectivity (Metro)	102.3													102.3
HS2 Connectivity (Rail)	4.0		2.4	0.5	35.9		1.0	21.1	16.4				104.8	186.1
HS2 Connectivity (City Centre First incl. CSMP)	39.4		11.6											51.0
HS2 Connectivity (Coventry VLR)	12.2						9.0	33.8						55.0
HS2 Programme Governance	0.7		2.3											3.0
Wednesbury Brierley Hill Metro				103.0										103.0
SUB TOTAL INVESTMENT PROGRAMME	**204.5**	**16.5**	**42.7**	**105.5**	**212.7**	**10.0**	**61.2**	**275.2**	**111.1**	**117.0**	**137.9**		**104.8**	**1399.1**
Coventry North	0.2						0.4		21.0					21.6
Coventry South	7.4			0.6	0.5		0.7	23.9	26.8		46.7		50.0	156.5
Coventry Regeneration	154.0													154.0
Land Remediation	103.0									97.0				200.0
Business Innovation	0.5	1.0	4.0		3.9			11.4	12.9	16.4				50.0
Employment Education & Skills	0.8						9.0	8.0	2.2					20.0
Commonwealth Games	25.0													25.0
OTHER INVESTMENT PROGRAMME	**290.9**	**1.0**	**4.0**	**0.6**	**4.3**		**10.1**	**43.3**	**62.9**	**113.3**	**46.7**		**50.0**	**627.0**

Approval commitment profile based on September 2018 PMO prioritisation exercise

CUMULATIVE APPROVALS	**495.4**	**512.8**	**559.5**	**665.6**	**882.7**	**892.7**	**963.9**	**1282.4**	**1456.4**	**1686.7**	**1871.3**	**1871.3**	**2026.1**

Appendix 8

WMCA Balance Sheet as at 30 September 2018

	30 September 2018 £'000	31 August 2018 £'000	Movement £'000
Property, plant and equipment	314,934	311,557	3,378
Long-term assets	314,934	311,557	3,378
Debtors	34,119	40,280	(6,160)
Short-term deposits	90,400	95,579	(5,179)
Cash and bank	124	3,519	(3,395)
Current assets	124,643	139,378	(14,734)
Loans - interest due	(1,596)	(1,585)	(11)
Short-term creditors/accruals	(48,801)	(43,643)	(5,158)
Current liabilities	(50,397)	(45,228)	(5,169)
Net current assets	**74,246**	**94,150**	**(19,904)**
Provisions	(6,174)	(6,292)	118
Finance lease liabilities	0	0	-
PWLB	(119,258)	(119,258)	-
Other loans - Barclays	(10,000)	(10,000)	-
Dudley MBC	(7,873)	(7,873)	-
Grants receipts in advance	(62,023)	(68,564)	6,541
Long-term liabilities	(205,328)	(211,987)	6,659
Net assets	**183,851**	**193,719**	**(9,867)**
General fund balance	3,233	3,074	159
Earmarked reserves	121,081	121,210	(129)
Capital grants unapplied reserve	247	247	-
Usable reserves	124,561	124,531	30
Revaluation reserve	6,944	6,945	(1)
Deferred capital grants account	307,989	304,604	3,386
Capital financing account	(255,338)	(242,056)	(13,282)
Accumulated absences account	(305)	(305)	0
Unusable reserves	59,290	69,188	(9,897)
Total reserves	**183,851**	**193,719**	**(9,867)**

The WMCA Balance Sheet reflects a healthy financial position. The main changes since August reflect TfWM capital spend and work-in-progress, resulting in an increase of £3.4m net of depreciation in property, plant and equipment.

The decrease in debtors is largely due to the application of grant funding from DFT in respect of Wednesbury to Brierley Hill and Centenary Square Metro extension schemes.

The increase in short term creditors is due to payments made for the HS2 and UK Central schemes from the investment programme and the agreed payment profile with operators.

The decrease in grants receipts in advance, short-term deposits and cash and bank are due to cashflows in respect of Metro extension schemes.

Appendix 9

Treasury Management Strategy Mid-Year Update 2018/19

1. Introduction

1.1 The report provides an update on the West Midlands Combined Authority treasury management activity at the mid-year point of 2018/19 and is a being submitted as a requirement under the CIPFA Treasury Management Code.

2. Treasury Management Mid-Year Review 2018/19

2.1 Table 1 details all borrowing and investments held at 30th September 2018 showing that net borrowing has decreased by £64.36m, mostly as a result of debt maturities and the receipt of devolution grants.

Table 1: Borrowing and Investments

£M	As at 1 April 2018	Borrowing Repaid / New Investments	As at 30 September 2018	Notes
Borrowing	(160.29)	23.16	(137.13)	Reduction in borrowing due to £1.08m PWLB loan matured April 18, £21.9m PWLB matured July 18, £156k PWLB annuity loan repayments. No new borrowing undertaken.
Investments	49.20	41.20	90.40	The net increase in investments is due to the Devolution Deal grant of £36.5m and other grants received in advance.
Net Borrowing	(111.09)	64.36	(46.73)	

3 Borrowing Activity

3.1 Effective cash flow management and the use of grants received in advance has resulted in no new borrowing being undertaken to date in 2018/19. Current Cash flow forecasts suggest the WMCA will be required to borrow circa £100m later in 2018/19 to fund payments made under the Investment Programme, which is well within the set limits.

4 Historic Borrowing

4.1 The main borrowing source is Public Works Loan Board (PWLB/HM Treasury). WMCA continue to review the opportunities to reschedule debt but the costs associated with early repayment are currently too onerous to be beneficial. Table 2 shows borrowing held as at the end of September 2018.

Table 2 - Outstanding debt as at 30th September 2018

£M	Balance at 1 April 2018	Repaid in Year	Raised in Year	Balance at 30 Sept 2018
PWLB	142.42	(23.16)	-	119.26
Barclays Loan	10.00		-	10.00
Ex WMCC	7.87		-	7.87
Total Long Term Borrowing	160.29	(23.16)	-	137.13

5 Future borrowing / capital programme

5.1 The Combined Authority is currently assembling budgets for 2019/20 as part of a Medium Term Financial Planning (MTFP) process. This includes an assessment of capital expenditure and the associated borrowing requirement over a five year period. The initial assessment is detailed below and will continue to be refined during the financial planning process before formal approval by the Combined Authority before the 1st April 2019.

Table 3: Capital Expenditure and Grants Forecast

£M	2018 / 2019	2019 / 2020	2020 / 2021	2021 / 2022	2022 / 2023	2023 / 2024	TOTAL
Total Expenditure	216.2	450.1	445.2	432.0	400.8	982.2	2,926.5
Funded By :							
Private Sector And 3rd Party	0.6	4.0	8.0	5.4	8.5	197.5	224.0
Department For Transport	27.6	87.2	52.1	26.8	4.1	0.0	197.9
Enterprise Zone	4.5	0.0	35.7	27.5	100.1	19.7	187.5
Integrated Transport Block	8.3	4.8	3.5	0.0	0.0	0.0	16.6
Local Growth Fund	4.4	2.7	3.4	0.0	0.0	0.0	10.5
Local Authority	0.7	2.2	11.4	8.6	0.0	0.0	22.9
Other Project Specific Grants	7.5	8.0	0.0	0.0	0.0	0.0	15.6
Grants To Be Secured	0.0	0.0	0.0	0.0	4.7	178.5	183.2
Transforming Cities Fund	12.5	55.5	74.0	93.2	9.4	0.0	244.7
Total Grants	66.2	164.5	188.0	161.6	126.9	395.7	1,102.8
Internal Funding Requirement	150.1	285.5	257.2	270.5	274.0	586.4	1,823.6

5.2 Whilst the table above shows a significant increase in external debt (as a consequence of the first Devolution Deal Investment Programme) borrowing will only be undertaken where there is an adequate, affordable mechanism in place to re-pay the debt and interest.

5.3 The forecast debt values shown on Table 3 are within the limits set by HM Treasury. It should be noted that WMCA propose to enter into discussions with HM Treasury about revising the limit to ensure West Midlands Fire Service external debt can be integrated into the Combined Authority at an appropriate point.

6 Long Term Debt Profile

6.1 Table 4 shows the debt repayments due. As detailed above, significant repayments have been made during 2018/19 with more modest repayments planned over the medium term. To date, no new borrowing has been undertaken to replace the 2018/19 maturities.

Table 4 - Debt Maturity Profile

£M	Value of Loans Maturing
Repayable 2018/19	24
Repayable Between 2019/20 to 2020/21	12
Repayable Between 2021/22 to 2022/13	3
Repayable Between 2023/24 to 2026/27	5
Repayable Between 2027/28 to 2030/31	12
Repayable Between 2031/32 to 2039/40	23
Repayable Between 2039/40 to 2048/49	11
Repayable Between 2049/50 to 2059/60	70
TOTAL BORROWING	160

6.2 Any new borrowing will depend upon the prevailing interest rates at the time and the forecast cash requirements.

7 Investment Activity

7.1 As at the end of September 2018, all short term investments have given a return to the Authority of £199,086 and the average rate of return is 0.70%. All treasury management activities have complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy.

7.2 Investments are placed directly with finacial instuites, or using brokers (ICAP, Tradition, Prebon, Martin Brokers, BGC and King & Shaxson). Investments held as at the 30th September 2018 are detailed below:

Table 5 - Short Term Investments held as at 30 September 2018

	Interest Rate %	Investment Value £000	Investment type	Maturity date
Close Brothers	0.85	5,000	Fixed	18/03/2018
Close Brothers	0.85	5,000	Fixed	28/02/2018
Goldman's Bank	0.86	10,000	Notice a/c	24/12/2018
Scottish Building Society	0.78	1,000	Fixed	16/11/2018
National Counties Building Society	0.70	1,000	Fixed	02/11/2018
Furness Building Society	0.90	1,000	Fixed	19/10/2018
Stockport MBC	0.60	4,000	Fixed	08/10/2018
London Borough of Barking & Dagenham	0.45	10,000	Fixed	05/10/2018
Buckinghamshire CC	0.80	5,000	Fixed	01/10/2018
Santander	0.50	10,000	Call	N/A
Lloyds	0.65	10,000	Call	N/A
HSBC Bank Plc (MMF)	0.68	18,400	Call	N/A
HSBC overnights	0.45	10,000	Call	N/A
Total		**90,400**		

7.3 In the current environment interest rates have been depressed particularly following the uncertainty of BREXIT. WMCA continue to identify options to increase the yield of its investments, taking into account factors around security and liquidity.

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.

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 30th September 2018 are shown in Table 6. All key prudential indicators are met or complained with.

Table 6 : Summary Prudential Indicators

Measure	Revised Forecast 2018/19	Original Forecast 2018/19	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 receipt of borrowing powers from Government. Movement in revenue due to base including the Mayoral Precept and other small changes.
(a) financing costs	8,258	13,100	
(b) net revenue stream	166,788	172,900	
Percentage	4.95%	7.58%	
Prudence			
Gross borrowing and the capital financing requirement:			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.
Gross Borrowing	237,600	460,220	
Capital Financing Requirement	370,240	507,000	
Capital Expenditure, External Debt and Treasury Management			
Capital Expenditure	216,242	298,400	Deferal 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	
Authorised limit for external debt			
Authorised limit for borrowing	547,000	547,000	
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%	
Upper limit on variable rate exposures	30%	30%	
Investments longer than 364 days Upper Limit	10,000	10,000	

9 Treasury Management Strategy

9.1 The Treasury Management Strategy for 2018/19 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.

10 Outlook for the remainder of 2018/19

10.1 Having raised policy rates in August 2018 to 0.75%, the Bank of England's Monetary Policy Committee (MPC) has maintained expectations of a slow rise in interest rates over the forecast horizon. The MPC has a definite bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. While policymakers are wary of domestic inflationary pressures over the next two years, it is believed that the MPC members consider both that (a) ultra-low interest rates result in other economic problems, and that (b) higher Bank Rate will be a more effective defence should the adverse Brexit risks crystallise and cuts are required.

10.2 Arlingclose's central case is for Bank Rate to rise twice in 2019. The risks are weighted to the downside. The UK economic environment is relatively soft, despite the seemingly strong labour market data. GDP growth recovered somewhat in Q2 2018, but the annual growth rate of 1.2% remains well below the long term average.

10.4 The external view is that the UK economy still faces a challenging outlook as the government continues to negotiate the country's exit from the European Union. Central bank actions and geopolitical risks (such as prospective trade wars) have and will continue to produce significant volatility in financial markets, including bond market.