

WMCA Board

Date	24 July 2020
Report title	Financial Monitoring Report 2020/21
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This report has been considered by	Senior Leadership Team - 8 July 2020 West Midlands Finance Directors - 16 July 2020 Programme Board

Recommendation(s) for action or decision:

WMCA Board is recommended to:

- (1) Note the financial outturn position as at the end of May 2020.
- (2) Note the latest high-level forecast for 2020/21, incorporating the estimated impact of COVID-19.
- (3) Note the key actions to mitigate the impact of COVID-19 in 2020/21 and bring the forecast position back within budget by September 2020, as set out in paragraph 7.8.
- (4) Note the updated Medium-Term Financial Planning position for the period 2021/22 to 2025/26.
- (5) Note the key actions to mitigate the Medium-Term position, as set out in paragraph 8.10.
- (6) Note the potential impact on the availability of capital resources to fund the existing approved Transport Capital programme as set out in paragraph 11.1.

1.0 Purpose

- 1.1 To provide an update on West Midlands Combined Authority finances as at the end of May 2020 and an assessment of the financial impact of COVID-19 on West Midlands Combined Authority's finances in the 2020/21 financial year.
- 1.2 To note urgent actions being undertaken by WMCA to mitigate the financial impact of COVID-19 in 2020/21.
- 1.3 The report also provides an update on the impact of Covid-19 on the latest Medium-Term Financial Plan which was noted by West Midlands Combined Authority Board on 14 February 2020 along with proposed actions to mitigate the medium-term position.

2.0 Background - Financial Monitoring Year to 31 May 2020

- 2.1 A summary of both the revenue and capital spend against the approved budget are attached as appendices 1-5. A summary of the Investment Programme along with current commitments is included in appendices 6 and 7.
- 2.2 Appendix 1 shows the overall consolidated revenue position for the West Midlands Combined Authority. The overall year to date position at the end of May shows a £0.155m adverse variance from budget. This consists of an adverse variance within the Transport budget of £0.132m largely due to the impact of COVID-19, driving lower advertising revenue and departure charge income.
- 2.3 There is additional adverse variance of £0.023m within the Delivery budget as a result of lower investment income received reflecting the reduction in the bank base rate as a result of the current economic climate.

3.0 Transport

- 3.1 Appendix 2 sets out the position on the Transport revenue budget as at the end of May 2020, showing an adverse variance of £0.132m from budget.
- 3.2 This adverse variance is primarily as a result of the Covid-19 lockdown driving lower transport related income than anticipated in the budget.
- 3.3 The reduction in income is partly offset by savings against the normal level of operational costs alongside an additional government grant towards the costs of Subsidised Bus and staffing variations, particularly within RTCC.

4.0 West Midlands Combined Authority Delivery Budget

- 4.1 Appendix 3 sets out the position on the West Midlands Combined Authority Delivery Budget as at the end of May 2020, showing an adverse variance of £0.023m from budget.
- 4.2 The adverse variance is primarily as a result of reduced investment income receipts as a result of a reduction in the bank base rate in the current economic climate.
- 4.3 This adverse variance is partly offset by savings across the majority of the portfolios as expenditure related to the delivery of activity programmes has been rescheduled to later in the year as a result of the impact of Covid-19.

5.0 Mayoral Office

5.1 The Mayoral Office is in line with budget.

6.0 Financial and Economic Context

- 6.1 The global impact of COVID-19 has been seismic, with the UK facing its biggest challenge since the end of the Second World War. The pandemic has led to an unprecedented impact on West Midlands Combined Authority's financial position in 2020/21 and beyond.
- 6.2 West Midlands Combined Authority has a crucial role to play in responding to the challenges presented by COVID-19, alongside public sector partners in the West Midlands region. Not only has the pandemic had an immediate impact on the health and wellbeing of our citizens in the region, but it has also had a profound impact on the economy of the region and the financial sustainability of local businesses and public sector bodies.
- 6.3 This report therefore also seeks to build up a picture of the impact on West Midlands Combined Authority's finances in 2020/21 and beyond; looking at the immediate cost of responding to the crisis; the longer term costs of supporting the region as it moves into recovery phase and the significant loss of revenue streams which would have otherwise helped to sustain local delivery of essential core services.
- 6.4 It examines the profound financial impact alongside the critical role that local government has played in managing the crisis and crucially, the unique role West Midlands Combined Authority and Transport for West Midlands will play in delivering an effective and sustainable recovery.
- 6.5 The unprecedented financial impact is also set against the backdrop of a number of years of austerity which followed the worldwide economic downturn in 2008. The financial impact after the long period of austerity will, without further funding and other flexibilities, leave the sector facing huge financial challenges.
- 6.6 Further, significant uncertainties remain around the deferral of proposed reforms to the Business Rates Retention system and the timing of the Fairer Funding Review, adversely impacting the sector's ability to forecast the potential financial impacts of these reforms with any degree of accuracy.
- 6.7 In response to the crisis, the Ministry of Housing, Communities and Local Government (MHCLG) has committed three tranches of additional funding totalling around £3.7 billion for local authorities across England to help authorities respond to coronavirus, to ensure financial sustainability for the future.
- 6.8 However, Mayoral Combined Authorities were not able to access these tranches of funding and at the time of writing, clarity is urgently being sought on the element of the third; the recently announced support package which could potentially mean that all relevant revenue losses, over and above the first 5% of planned income from sales, fees and charges, will be compensated for at a rate of 75p in every pound. An update will be provided should MHCLG confirm either way MCA ability to access this option.

- 6.9 The government had also indicated it may consider further technical measures that may help alleviate the adverse financial position, including allowing the potential capitalisation of unfunded COVID-19 deficits, although this approach clearly relies on the availability of equally scarce capital resources. West Midlands Combined Authority has already stretched its scarce capital resources to accommodate its ambitious capital spending plans and a funding gap already exists within the Transport Capital Programme as set out in paragraph 11.1, therefore the impact of any new technical measures allowing COVID-19 deficits to be funded from capital resources is anticipated to be negligible. Officers will continue to lobby for further government support over the coming days, weeks and months.
- 6.10 Some of the largest UK local authorities have said they may have to issue a Section 114 notice, unless the government agrees to provide further support. Section 114 notices are issued in England when an authority cannot achieve a balanced budget. Further details are set out in the following paragraphs.

Section 114 Notice

- 6.11 Section 114 of the Local Government Finance Act 1988 sets out the obligations of the Authority's statutory Section 151 Officer (the Finance Director) when an authority cannot achieve a balanced budget. If spending is likely to exceed available resources, the Finance Director must issue a notice under Section 114 of the Local Government Finance Act 1988 which would effectively lead to a freeze on spending.
- 6.12 Concerns have been raised across the sector in recent weeks indicating that some local authorities will find themselves having to issue a Section 114 Notice as a consequence of COVID-19.
- 6.13 The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued modified guidance to allow authorities under budgetary pressure due to COVID-19 the time and space to explore alternatives to freezing spending via a Section 114 notice.
- 6.14 The guidance also acknowledges these are unprecedented circumstances and the usual mitigating actions required to balance an authority's budget following the issuing of a section 114 notice would damage the coronavirus response required by Government from local authorities.
- 6.15 The temporary modifications to guidance proposed by CIPFA would mean that it should not normally be necessary for Section 114 notices to be issued while informal discussions with government are in progress.
- 6.16 The institute is proposing two specific modifications:
- At the earliest possible stage, a Chief Finance Officer should make informal confidential contact with MHCLG to advise of financial concerns and a possible forthcoming S.114 requirement.
 - The Chief Finance Officer should communicate the potential unbalanced budget position due to COVID-19 to MHCLG at the same time as providing a potential S.114 scenario report to the WMCA Board and the external auditor.
- 6.17 Whilst the position set out in this report presents an extremely serious challenge, due to the mitigating actions proposed in sections 7 and 8, it is the view of the Finance Director that a Section 114 notice is not required at the current time although this will be kept under constant review.

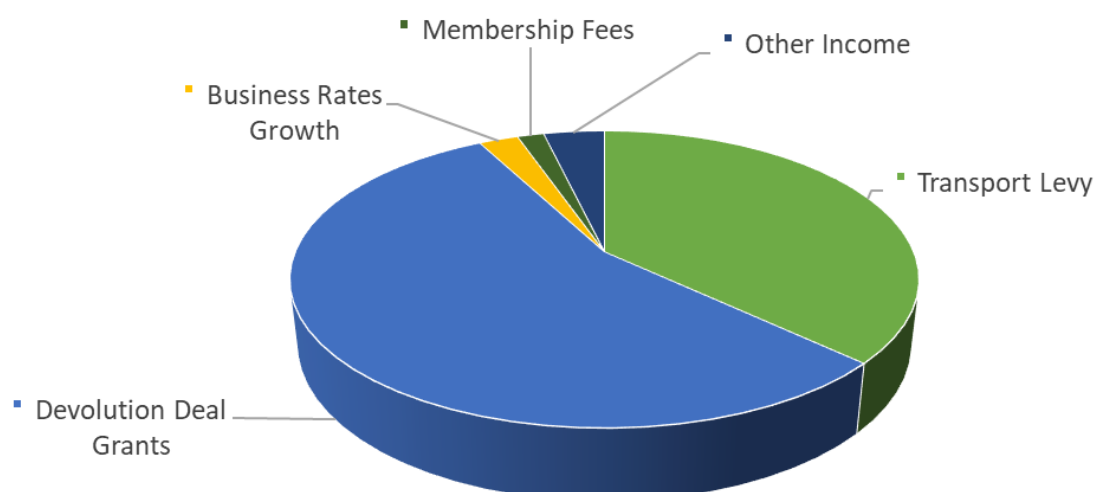
- 6.18 Local Authorities were also asked, in their COVID-19 cost returns to MHCLG, to estimate the amount of reserves available to support the financial pressures faced in 2020/21. West Midlands Combined Authority's response to meeting the serious challenges in its budgetary position will inevitably include the limited use of earmarked reserves and identifying efficiency savings in year, however, these limited resources can only be used once as a short-term solution, and do not therefore represent a sustainable funding solution.
- 6.19 Further, the General Fund balance not earmarked for specific purposes is lower than recommended and will not offer a sustainable solution.
- 6.20 It is important to note that as a result of the anticipated level of cash balances, issues with liquidity are not anticipated in the medium-term. Cash balances are projected to be low in the medium-term as the need to borrow means surplus cash will be used to minimise the cost of borrowing. Investment income from grants received will be used to support the Delivery budget to ensure no cross-subsidy of the Investment Programme. Following the pandemic, investments are secure and therefore the low risk appetite leads to lower investment income returns.
- 6.21 West Midlands Combined Authority's existing revenue funding sources are set out in the following table as further background:

Table 1: WMCA Revenue Budget Funding Sources 2020/21

	£m	%
Transport Levy	114.7	36.9
Devolution Deal Grants	171.9	55.3
Business Rates Growth	7.5	2.4
Membership Fees	5.1	1.6
Other Income	11.6	3.7
Sub Total	310.8	100.0

- 6.22 As can be seen in the table above, West Midlands Combined Authority's 2020/21 net revenue budget is primarily funded via the transport levy (36.9%) and devolution deal grants (55.3%), supplemented by business rates growth (2.4%), membership fees (1.6%) and other miscellaneous income (3.7%).

Figure 1: WMCA Revenue Budget Funding Sources 2020/21



6.23 Set against this background of limited sustainable funding sources and the ever shifting financial and economic context as a result of the crisis, it has been extremely challenging to forecast the forward financial position with any degree of confidence. The position will clearly change as the full extent of the crisis emerges over the coming months and will be kept under constant review.

7.0 2020/21 Forecast

7.1 The first detailed re-forecast of the year will take place during July 2020; early indications are that there will be an adverse movement of around £11.1m when compared with the revenue budget for 2020/21, primarily driven by transport related income drops as a consequence of COVID-19 and the restrictions introduced to limit the spread of the virus.

7.2 It is important to note that at this stage, assumptions around additional costs and lost revenue streams do not reflect a second wave or any renewal of restrictions because of increased COVID-19 cases or an increased R number.

7.3 It is also important to note that given the inherent uncertainty around the significant number of constantly changing assumptions that underly the latest forecast position for 2020/21, the forecast clearly only represents a best estimate at this point in time. The underlying assumptions are changing on a daily basis, leading to movements in the forecast position and will therefore be kept under constant review.

7.4 Table 2 therefore sets out the **best assessment at this point in time**, of the forecast impact on WMCA's financial position in 2020/21 including the specific impact of Covid-19:

Table 2: Estimated in Year Variations to Full Year Budget 2020/21

	2020/21 (£m)		
	Non-Covid	Covid	Total
Metro Life Cycle Costs	-2.2		
Concessions	1.6		
Child Concessions	1.0		
RTCC Contingency	0.4		
Departure Charges	-0.2		
Advertising Revenue		-2.0	
Investment in Bus Shelters		-0.2	
Subsidised Bus		-1.1	
Metro		-4.4	
Departure Charges		-0.6	
Swift		-0.5	
Ticketing		-0.4	
TOTAL TRANSPORT	0.6	-9.2	-8.6
Commercial Investment Income	-0.7		
Investment Income		-0.5	
Industrial Strategy		-0.4	
Office of Data Analytics		-0.3	
Culture & Digital		-0.1	
TOTAL DELIVERY	-0.7	-1.3	-2.0
Comms	-0.1		
HR&OD	-0.2		
Strategic Hub		-0.2	
TOTAL SHARED SERVICES	-0.3	-0.2	-0.5
GRAND TOTAL	-0.4	-10.7	-11.1

- 7.5 The Department for Transport (DfT) has confirmed short-term funding for Metro in the form of Light Rail Restart Grant, intended to provide financial support to enable services to continue whilst needing to implement social distancing measures. The grant which is based on estimated service levels and ramp up profiles is currently subject to further confirmation but is estimated to provide £3.7 million worth of support for Metro for the period up to 3 August 2020. The profound impact on Metro in 2020/21 is shown net of DfT grant in the table.
- 7.6 Given the current environment and the need to ease restrictions in a cautious and planned manner, the forecast anticipates that income will continue to be impacted for some months, albeit at a gradually lower level. The reintroduction of Bus Station Departure Charges and the gradual resumption of social and business activities will start to generate income although the scale will depend on how quickly normal activity resumes.
- 7.7 It is essential that further government funding for MCA's is forthcoming over the amount compensated to 3 Aug for Metro operations. The anticipated adverse financial impact in 2020/21 will be difficult to accommodate within existing available resources without further government support given limited flexibilities in the sources of funding available to the Authority in the form of ring-fenced grants and our local authority funders own financial positions.
- 7.8 The following urgent mitigating actions are now being implemented with immediate effect, to bring the forecast position back within the 2020/21 budget as quickly as possible and by the Combined Authority Board meeting in September 2020 at the latest:

In the context of the WMCA Business Transformation Programme:

- 1. Review staffing and recruitment activity.**
- 2. Conducting a detailed review of all discretionary spending to generate in-year savings led by the Productivity and Efficiencies Board.**
- 3. Reviewing and reprioritising balance sheet reserves and provisions to re-purpose or release one-off resources to support the in-year position.**

- 7.9 Potential flexibilities being considered by the government, aimed at capitalising the revenue impacts of the crisis are not currently recommended owing to the existing pressures on the Capital programme as set out in section 11.
- 7.10 At the end of 2019/20, an earmarked reserve of £1.2m was created from in year savings to help in mitigating the impact of COVID-19 on the Transport Portfolio position in 2020/21 and £0.1m for the wider Combined Authority as set in the Financial Outturn Report that was considered by West Midlands Combined Authority Board on 5 June 2020.
- 7.11 The proposed solution therefore fully utilises this one-off COVID-19 reserve to partially mitigate the forecast deficit in 2020/21, but as a one-off reserve contribution, this does not represent a sustainable solution for resolving future years deficits.
- 7.12 Should any further government support be forthcoming in the meantime; this will be taken into account, effectively reducing the forecast savings requirement.
- 7.13 As previously stated, the assumptions underlying the estimated forecast position are changing on a daily basis, leading to continuous movements in the forecast position and will therefore be kept under constant review. This coupled with the uncertainty in regard to any government support makes the position almost impossible to predict with any level of confidence.
- 7.14 A further update reflecting the detailed reforecast exercise which is currently being completed and the financial impacts of the urgent mitigating actions set out above to bring the forecast back within the 2020/21 budget will be provided in September's Financial Monitoring Report to the Board. The report will also include an up to date position on the availability of further central government support measures, which remain uncertain at this time.

8.0 Medium Term Financial Plan Update

- 8.1 The wide-ranging impacts of the national and local response to the pandemic affect many of the assumptions underlying the current Medium-Term Financial Plan (MTFP). At this stage it is clear that the MTFP will need to be continuously reviewed and reset but this will be an iterative process as further information emerges.
- 8.2 The following table sets out the base MTFP position as noted by West Midlands Combined Authority Board on 14 February 2020:

Table 3: WMCA Medium Term Financial Plan 2020/21 to 2024/25

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m	£m	£m
Transport Levy	114.7	114.7	114.7	114.7	114.7	119.7
Devolution Deal Grants	126.5	172.0	167.3	162.6	162.6	162.6
Business Rates Growth	6.0	7.5	9.0	10.5	12.0	13.5
Constituent Membership	4.6	4.6	4.6	4.6	4.6	4.6
Non Constituent Members	0.4	0.4	0.4	0.4	0.4	0.4
Investment Income	1.7	1.8	1.8	1.9	2.1	2.3
Mayoral Precept	0.0	0.0	7.2	7.3	7.4	7.5
3rd Party Income/Other	0.5	0.4	1.9	2.5	2.5	2.6
Commonwealth Games	0.0	1.4	1.4	0.6	0.0	0.0
Use of Reserves	2.1	4.4	0.0	0.0	0.0	0.0
Unsecured Funding	0.0	3.6	1.0	1.0	1.0	1.0
Total Funding	256.6	310.8	309.4	306.2	307.4	314.3
Transport for West Midlands	115.7	119.8	122.8	123.7	128.5	136.0
WMCA Delivery Budget	97.7	142.6	141.0	137.3	137.6	137.8
Investment Programme	42.5	44.0	51.9	53.4	55.0	56.6
Mayoral Office	0.8	0.8	0.9	0.9	0.9	1.0
Mayoral Election	0.0	3.6	1.0	1.0	1.0	1.0
Total Expenditure	256.6	310.8	317.5	316.4	323.0	332.4
Net Expenditure	0.0	0.0	-8.1	-10.2	-15.6	-18.1

- 8.3 A preliminary high-level exercise to update the Medium-Term Financial Plan position has been carried out to establish a refreshed medium-term position with the aim of identifying emerging pressures and opportunities in respect of COVID-19 at the earliest opportunity, although the position will clearly need to be kept under constant review.
- 8.4 This base position has now been updated to reflect the latest available information including the profound impact of COVID-19 and is set out in the following table:

Table 4: WMCA Medium Term Financial Plan 2020/21 to 2025/26

£m	Budget	Forecast	MTFP				
	20/21	21/22	22/23	23/24	24/25	25/26	
Transport Levy	114.7	114.7	114.7	114.7	114.7	114.7	114.7
Commonwealth Games	2.2	2.2	3.8	20.7	-	-	-
Devolution Deal Grants	12.2	12.2	3.3	1.4	0.1	0.1	0.1
Adult Education Funding	128.5	128.5	128.8	128.8	128.8	128.8	128.8
Share of Business Rates	7.5	7.5	9.0	10.5	12.0	13.5	15.0
Constituent Membership	4.6	4.6	4.6	4.6	4.6	4.6	4.6
Non Constituent Members	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Investment Programme	36.5	36.5	36.5	36.5	36.5	36.5	36.5
Investment Income	1.9	1.2	0.9	0.9	0.9	0.9	0.9
3rd Party / Other Grant Income	0.9	0.9	-	-	-	-	-
Use of Reserves	4.4	4.4	-	-	-	-	-
Precept	-	-	-	7.3	7.4	7.5	7.6
Unsecured Election Funding	-	-	3.6	1.0	1.0	1.0	1.0
Total Funding	313.9	313.2	305.8	327.0	306.5	308.1	309.7
Transport for West Midlands	118.4	117.9	118.9	120.9	123.3	126.4	130.2
Commonwealth Games	2.2	2.2	3.8	20.7	-	-	-
Economy & Innovation	1.7	1.7	2.0	2.0	1.9	1.9	1.9
Environment, Energy & HS2	0.3	0.3	0.9	0.9	0.9	1.0	1.0
Housing and Land	2.5	2.5	1.3	1.3	1.3	1.3	1.3
Wellbeing	0.9	0.9	0.9	0.9	0.9	0.9	1.0
PSR & Social Economy	0.7	0.7	1.3	1.3	1.3	1.4	1.4
Culture and Digital	0.9	0.9	0.1	0.1	0.1	0.1	0.1
Productivity & Skills	137.7	137.7	131.4	130.0	129.6	129.6	129.7
Inclusive Communities	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Business Support	3.9	3.9	3.6	3.6	3.6	3.6	3.6
Delivery Budget	148.8	148.8	141.6	140.2	139.8	139.9	140.1
Investment Programme	44.2	44.2	45.7	53.6	55.2	56.8	58.3
Mayoral Office	0.8	0.8	0.8	0.9	0.9	0.9	0.9
Mayoral Election	-	-	3.6	1.0	1.0	1.0	1.0
Shared Services	(0.4)	(0.1)	(0.4)	0.4	2.5	4.3	5.2
Total Expenditure	313.9	313.7	314.0	337.7	322.7	329.3	335.7
Net Expenditure (pre Covid-19)	-	(0.5)	(8.2)	(10.7)	(16.2)	(21.2)	(26.0)
Net Expenditure (post Covid-19)	-	(11.1)	(14.4)	(17.6)	(20.5)	(26.1)	(31.4)
Transport	-	(8.6)	(9.6)	(12.1)	(12.0)	(15.6)	(19.9)
Delivery	-	(2.0)	(4.2)	(4.9)	(5.8)	(6.0)	(6.1)
Mayoral Office	-	-	(0.8)	-	-	-	-
Shared Services	-	(0.5)	0.2	(0.6)	(2.7)	(4.5)	(5.4)
Total Surplus / (Deficit)	-	(11.1)	(14.4)	(17.6)	(20.5)	(26.1)	(31.4)

8.5 As well as the funding gap of £11.1m already identified in 2020/21 as set out in section 7 of this report, the refreshed indicative Medium-Term Financial Plan position reflects a funding gap of an estimated £14.4m in 2021/22, rising to around £31.4m by 2025/26.

8.6 The MTFP position set out in the table above includes the latest assessment of the impact of COVID-19 on future year's budgets and assumes a cash flat funding requirement from Constituent Authorities in respect of their contributions to the West Midlands Combined Authority Transport and Delivery budgets. Whilst this currently represents the planning assumption, it is acknowledged that this creates a further potential financial risk specifically with regard to inflationary increases, pay and legislative changes and demand as a result of COVID-19. The impact of these risks will be kept under continuous review over the coming weeks and months.

- 8.7 Assumptions have been made around pay increases although essentially pay awards negotiated as part of the appropriate collective agreements will be applicable from the appropriate date.
- 8.8 Assumptions have also been made around price rises and the Consumer Prices Index along with changes in patronage and fares. Clearly any variation in pay or prices for 2020/21 will need to be managed within the available resources. These clearly may change significantly over the medium term meaning a cash flat local funding position will not be achievable without changes to policy.
- 8.9 The serious and unprecedented nature of these levels of funding gaps in the forward position cannot be underestimated, therefore, the position will continue to be developed and refined over the summer period alongside the mitigating actions already set out for 2020/21 in paragraph 7.8.
- 8.10 Four further actions are also being to mitigate the medium-term position from 2021/22 to 2025/26 as follows:
- 1. A fundamental rebase and reset of the MTFP position following an assessment of the financial impact of the mitigating actions aiming to bring the 2020/21 forecast within budget as set out in paragraph 7.8.**
 - 2. Review of existing funding mechanisms including the levels of Constituent and Non-Constituent member contributions.**
 - 3. Continue to lobby the government for a sustainable funding solution.**
 - 4. A portfolio policy review in August by Leaders to determine the region's priority options with which to target potentially limited resources.**
- 8.11 An update will be provided in the Financial Report that will be considered by West Midlands Combined Authority Board in September 2020 along with an update on the government's commitment to further devolution in England which is hoped will provide a more sustainable funding solution for Mayoral Combined Authorities.

9.0 Transport Delivery Capital Programme

- 9.1 Appendix 5 sets out the position on the Capital Programme as at the end of May 2020. Actual costs totalled £34.6m, resulting in a favourable variance of £16.4m against a budget of £51.0m.
- 9.2 The year to-date budget variance is contained primarily within Transport £12.6m, Grants to Local Authorities Investment Programme £2.7m and Housing £1.2m.
- 9.3 The Transport Programme has been categorised into five sub programmes. The largest of these is the Investment Programme with a budget of £146.5m (28%), including all the Rail/Sprint & Metro extension schemes. At the end of May, actual costs totalled £10.9m, which was £8.5m below the budget of £19.3m. The main variances at the end of May were contained within the Metro Programme totalling £7.2m.

- 9.4 The variance against the Metro Wednesbury to Brierley Hill of £3.4m is reflective of Covid-19 restrictions, where utility operators are only responding to emergency works therefore some diversions have not commenced as scheduled. Work is still progressing to acquire land and therefore limited construction has taken place during the month. WMCA are working on mitigation measures to overcome this delay and progress diversions where possible.
- 9.5 The Birmingham Eastside extension variance of £1.2m relating to HS2 Utility diversions which have not commenced due to prolonged final sign off on the development agreement delayed with HS2, expected in June 2020, with work to catch up in the next couple of months. The MMA are in the process of preparing the revised Target Cost (TC1) and are awaiting formal instruction to initiate detailed design works, with an acceleration in the coming months once formal instruction has been made.
- 9.6 The Commonwealth Games Programme with a budget of £79.9m (15%) includes all the schemes (SPRINT, Perry Barr & University Rail Stations, and Games) scheduled to be delivered in advance of the Games in July and August 2022. At the end of May 2020, actual costs totalled £3.9m, which was £3.3m below the budget of £7.2m. The main variance of note related to the Sprint A45 Birmingham to Airport & Solihull (£1.6m) due mainly to lower than expected progress of utility diversion costs, as a result of temporary Covid-19 restrictions on the highways. The Sprint A34 Walsall to Birmingham was also below budget (£1.3m), owing to the Covid-19 restrictions impacting on utility diversion works. Both projects have received approval to commence phase one works, receiving WMCA Board approval to submission of Final Business Case to DfT in March 2020.
- 9.7 The Grants to Local Authorities Investment Programme with a budget of £193.1m (37%) includes those schemes delivered by Local Authorities as part of the Investment Programme grant arrangements. At the end of May 2020, actual costs totalled £11.1m, which was £2.7m below the budget of £13.8m. The main favourable variance related to the HS2 - UK Central Interchange (£2.7m) due to rescheduling and the impact of Covid-19 restrictions, specifically Wildlife Ways (£1.4m) and Accelerated Housing Delivery - Utilising Solihull assets (£1.2m).
- 9.8 The Housing Programme with an annual budget of £66.3m (12.5%) includes the WMCA Land Fund, WMCA land remediation funds including the BCLEP managed Land and Property Investment Fund (LPIF). At the end of May 2020, actual costs totalled £5.1m, which was £1.2m below the budget of £6.3m. The variance is primarily contained within the WMCA Brownfield Land & Property Development Fund (£0.5m), where the drawdown of funding for the Redsun Development (£1.4m) and Cavendish House (£0.1m) expected in May 2020 has been reprofiled due to Covid-19.
- 9.9 The above narrative reflects in year progress and all projects remain confident in their ability to deliver to overall schemes deadlines.

10.0 Investment Programme

- 10.1 The financial summary for the Investment Programme is shown at Appendix 6 detailing the gross delivery totals for programmes delivered by both WMCA and Local Authorities.
- 10.2 In respect of full project costs to completion, the financial summary has been adjusted to reflect the revised budget based on the 2020/21 programme baseline in conjunction Local Authority project sponsors. It should be noted that the impact of Covid-19 on projects within the WMCA Investment Programme is currently being assessed by the Local Authorities, with each respective delivery organisation required to manage the schemes within the funding available to them.

- 10.3 The project budgets for the Sprint A34 Walsall to Birmingham and Sprint A45 Birmingham to Airport & Solihull schemes have been revised, as approved by the WMCA Board on 14 February 2020.
- 10.4 The Coventry UKC Plus programme is showing a variance of £8.1m between the gross total forecast outturn and total gross budgeted outturn. This is because of changes to estimated delivery costs for the A46 Stoneleigh Junction and Coventry City of Culture 2021 projects with this cost pressure being managed by Coventry City Council as sponsor.
- 10.5 The cost to completion against UK Central Interchange remains red status due to the funding gap of circa £131 million against the Birmingham International Station redevelopment project.
- 10.6 The Sprint programme is red status because of the A34 Walsall to Birmingham and A45 Birmingham to Airport and Solihull projects. Phase 1 of these projects were approved by WMCA Board on 14th February 2020. Discussions to confirm the funding package for the second delivery phase of these projects are continuing.
- 10.7 Appendix 7 details the commitments made against the Investment Programme which totalled £768.9m to the end of April 2020 (£775.0m March 2020). The movement observed is caused by the reimbursement of metro programme cash flow funding from approved grant funding. This is consistent with expectations as at 8 November 2019, when WMCA Board agreed to hold approvals at the current affordable limit of £801 million.
- 10.8 The commitments against Metro cash-flow funding for the East Birmingham to Solihull project is reported while the project secures permanent funding.
- 10.9 In addition to the projects listed at Appendix 7, an application for repayable funding for the UK Battery Industrialisation Centre was approved on 13 September 2019 by WMCA Board.

Investment Programme Funding

- 10.10 In November 2019, WMCA Board agreed to hold current Investment Programme approvals within an affordable limit as determined by WMCA Finance Directors at £801m, following the funding required to support the overall programme being lower than anticipated. Arrangements to secure additional funding into WMCA for this Investment Programme are currently being developed in consultation with the Mayor and Metropolitan Leaders including ongoing discussions with government regarding the uncertainty of the previously anticipated business rates growth retention and other appropriate fiscal settlements.
- 10.11 As such, a number of programmes for which the full extent of the funding required is not yet secure are amber status whilst these issues are being resolved. Specifically, these programmes include Coventry UKC Plus, Sprint Programme; Rail Programme, UK Central Infrastructure Package, UK Central HS2 Interchange, Innovation Programme, Land Reclamation & Remediation and Employment, Education & Skills.
- 10.12 The region also submitted its £3.3bn WM Regeneration Proposal to government in June which included funding asks for those Investment Programme schemes key to the economic regeneration of the region.

Independent Evaluation of Local Growth Interventions ('Devolution Deal Gateway Review')

- 10.13 Five-yearly gateway review periods formed part of the Devolution Deal agreement in 2016. The 2020/21 financial year is the fifth and final year of the first gateway review period.
- 10.14 A meeting was held between WMCA Finance directors and SQW on 20th February 2020 to discuss the draft evaluation plan for the West Midlands.
- 10.15 The schemes subject to the assessment were discussed, as well as a plan to conclude the review. A baseline report is expected in Summer 2020, with the ultimate aim of providing a recommendation in November 2020.

11.0 Capital Resources

- 11.1 An exercise has been carried out to assess the availability of existing capital resources to fund the Authority's approved Capital Delivery Programme reflecting latest estimates of cost pressures. The best estimate of the existing shortfall in funding for the existing approved programme as a result of pre-COVID-19 cost pressures, amounts to approximately £103.2m at this point in time which presents a significant risk to delivery. It is also now estimated that the financial impact of COVID-19 disruption to the Transport Capital Programme could lead to a potential additional cost pressures of up to £93.0m. The aggregate pressures on the existing approved programme therefore lead to a potential overall shortfall of around £196.2m.
- 11.2 Clearly, many of the projects are not yet on site. The risk of accommodating emerging overspends increases where there is a visible presence on site. There is limited resilience within existing capital resources to meet any additional costs should any of the schemes incur additional overspends when on site and no contingency funds are available to support any cost overruns.
- 11.3 The availability of overall capital resources to fund the approved Transport Capital Programme will be kept under constant review in the light of the emerging picture and the availability of additional government funding although further actions to prioritise capital spending plans within the available funding envelope cannot currently be ruled out in the short term.
- 11.4 Additionally, the existing approved Investment Programme utilises borrowing power generated by the £36.5m a year Gainshare Devolution Deal grant for a 30-year period, leading to a current cap on approvals of £801m. The cap was introduced as a result of the assumptions underlying the original Investment Programme not coming to fruition, such as the raising of a Mayoral precept and the uncertainty around the availability of Business Rates growth in the region as a result of the reform of the Business Rates Retention system and therefore offers limited flexibility for transferring funds between schemes in the short and medium term.

12.0 Administered Funds

Funding Stream	2020/21 Latest Forecast Grant Award £'000	2020/21 Spend to date £'000	Purpose
Midlands Connect	7,355	743	Work is continuing on delivering the Midlands Engine 'Vision for Growth'.
Housing First Pilot	9,600	9,600	WMCA are the accountable body for this grant award that has now been paid to Birmingham City Council to develop work streams to help rough sleepers off the streets
One Public Estate	926	926	It was agreed by WMCA Board that WMCA would assume accountable body status for this grant award, that is delivering various projects that secure more from public sector assets through collective action. Sandwell MBC are in the process of transferring the funds to WMCA.
Highways Maintenance Block	13,112	13,112	Distributed to the 7 Mets. excluding Birmingham City Council which has separate PFI arrangements, to deliver programmed highways maintenance works in line with the conditions of the grant award
Integrated Transport Block	17,618	17,618	Supporting delivery of the 7 Mets. Capital Programmes & WMCA's Minor Works Capital Programme
Total	48,611	41,999	

13.0 Financial Implications

13.1 The Financial Implications are set out in the report.

14.0 Legal implications

14.1 The legal implications are set out in the report.

15.0 Equalities implications

15.1 There are no equalities implications.

16.0 Inclusive Growth Implications

16.1 The WMCA budget includes implications of inclusive growth in the region.

17.0 Geographical Area of Report's Implications

17.1 The report encompasses the West Midlands region.

18.0 Appendices

- Appendix 1 – WMCA Consolidated Summary – May 2020
- Appendix 2 – WMCA Transport Revenue Summary - May 2020
- Appendix 3 – WMCA Operational Revenue Summary – May 2020
- Appendix 4 – WMCA Mayor Revenue Summary – May 2020
- Appendix 5 – WMCA Capital Transport Delivery Programme – May 2020
- Appendix 6 – WMCA Investment Programme Summary
- Appendix 7 – WMCA Investment Programme Commitments – April 2020

Appendix 1

WMCA Consolidated Summary – May 2020

£000's	Year to Date			Full Year Budget
	Actual	Budget	Variance	
Transport Levy	19,120	19,120	0	114,720
Commonwealth Games	100	274	(174)	2,157
Devolution Deal Grants	1,940	2,174	(234)	12,227
Adult Education Funding	26,568	27,964	(1,396)	128,534
Share of Business Rates	0	0	0	7,500
Constituent Membership	774	774	0	4,644
Non Constituent Members	71	71	0	425
Investment Programme	845	1,436	(591)	36,500
Investment Income	206	322	(116)	1,921
3rd Party / Other Grant Income	263	175	88	871
Use of Reserves	0	0	0	4,379
Total Funding	49,887	52,310	(2,423)	313,878
Transport for West Midlands	19,054	18,922	(132)	118,353
Commonwealth Games	100	274	174	2,157
Economy & Innovation	346	313	(33)	1,875
Environment, Energy & HS2	33	81	48	488
Housing and Land	332	420	88	2,521
Wellbeing	175	157	(18)	941
PSR & Social Economy	56	109	53	650
Culture and Digital	120	143	23	860
Productivity & Skills	28,192	29,650	1,458	137,715
Inclusive Communities	13	20	7	157
Business Support	488	458	(30)	3,199
Investment Programme	862	1,464	602	44,155
Mayoral Office	105	135	30	807
Total Expenditure	49,877	52,145	2,269	313,878
Transport	66	198	(132)	0
Operational	(56)	(33)	(23)	0
Mayoral Office	0	0	0	0
Total	10	165	(155)	0

The year to date position at the end of May shows a £0.155m adverse variance from budget.

This is made up of £0.132m within Transport as a result of lower advertising revenue and a departure charges income, partly offset by additional government grants to fund subsidised bus and lower operational costs during Covid-19.

The remainder of the adverse variance is £0.023m within the Delivery budgets due to lower investment income receipts as a result of a reduction of the bank rate in the current economic climate.

Appendix 2

Transport for West Midlands year to date revenue position – May 2020

	MAY 2020 YEAR TO DATE			FULL YEAR 2020/21	VARIANCE EXPLANATION(S)
	ACTUAL £000	BUDGET £000	VARIANCE £000	BUDGET £000	
TRANSPORT FOR WEST MIDLANDS					
INCOME					
Specific resources:					
Transport Levy	19,120	19,120	0%	114,720	
Commonwealth Games	100	274	174	2,157	
Use of Reserves			0%	3,633	
TOTAL INCOME	19,220	19,394	174 1%	120,510	
EXPENDITURE					
Concessions					
National Bus Concession	8,410	8,419	9	50,998	
Metro / Rail	736	739	3	4,575	
Child Concession	1,209	1,218	9	7,836	
	10,356	10,376	20	63,409	
Bus Services					
Bus Stations / Infrastructure	1,316	735	(581)	4,571	Loss of bus infrastructure income (bus stations, shelter advertising, IBSS)
Subsidised Network	1,536	1,735	199	10,409	Savings due to reduced payment to operators for non-operational subsidised bus services. This will be offset against future increased costs as a result of capacity issues in relation to bus social distancing
Accessible Transport	1,090	1,103	13	6,617	
	3,941	3,572	(369)	21,597	
Rail and Metro Services					
Metro Services	209	203	(6)	2,643	
Rail Services	525	442	(83)	2,806	Adverse due to the timing of expenditure that can be funded in future periods and the loss of P&R car parking income.
	734	645	(89)	5,449	
Integration					
Safety and Security	216	204	(12)	1,276	
Passenger Information	671	859	188	5,677	Favourable due to the timing of ticketing payments offset by overspends in relation to lower commission received, commercial card processing, and rechargeable customer intelligence work.
Sustainable Travel	92	92	0%	569	
	979	1,155	177	7,522	
Network Resilience	308	510	202	3,111	Due to staffing variations, lower external advice activity compared to profile and lower IT costs.
Commonwealth Games	100	274	174	2,157	
Business and Democratic Support	559	573	14	3,764	
Strategic Development	593	508	(86)	3,155	Due to the timing of EU Projects income and expenditure.
Transport Governance	21	22	1	132	
Capital Finance Charges	1,564	1,560	(3)	10,214	
TOTAL EXPENDITURE	19,154	19,197	43 0%	120,510	
NET	66	198	(132) 67%	()	

Appendix 3

West Midlands Combined Authority Delivery Budget – May 2020

FINANCIAL SUMMARY AS AT MAY 2020	MAY 2020 YEAR TO DATE			FULL YEAR 2020/21	
	ACTUAL £000	BUDGET £000	VARIANCE £000	BUDGET £000	
Operational Income					
Investment Interest Income (1)	188	294	(106)	1,766	(1) The bank base rate was substantially lowered as a result of Covid-19, and which has resulted in approximately a £50k a month reduction in investment income.
Contribution - 7 Met Council's	774	774	0	4,644	
Mayoral Capacity Funding	0	32	(32)	193	
Contribution - Non constituent members	71	71	0	425	
Use of Reserves	0	0	0	746	
Total Income	1,033	1,171	(138)	7,774	
Corporate Support Recharges to Portfolios	(488)	(458)	(30)	(3,199)	
Total Expenditure	(488)	(458)	(30)	(3,199)	
Operational Income Net Total	545	713	(168)	4,575	
Economy & Innovation					
Office of Data Analytics	24	43	(19)	257	(1) The adverse variance is driven by the delivery of the State of the Region report. In light of Covid-19, the revised outputs of the Economic Intelligence team will be agreed this month.
Total Income	24	43	(19)	257	
West Midland Growth Company	(117)	(117)	0	(700)	
Industrial Strategy	(31)	(54)	23	(322)	
Office of Data Analytics	(24)	(43)	19	(257)	
Economic Intelligence (1)	(141)	(40)	(101)	(240)	
Strategic Hub	(33)	(59)	26	(356)	
Total Expenditure	(346)	(313)	(33)	(1,875)	
Economy & Innovation Net Total	(322)	(270)	(52)	(1,618)	
Environment & Energy, HS2					
Total Income	0	0	0	0	(1) As a result of Covid-19 disrupting plans nothing has yet been spent on external advice. However revised plans are now in place for delivery of programmes over the remainder of the year.
Environment (1)	(15)	(57)	42	(345)	
HS2 Growth Strategy	(18)	(24)	6	(143)	
Total Expenditure	(33)	(81)	48	(488)	
Environment & Energy, HS2 Net Total	(33)	(81)	48	(488)	
Housing and Land					
Housing and Land Commission (1)	326	420	(94)	2,521	(1) Staffing variations and agreed savings on external advice have driven the lower expenditure and in turn the lower grant drawdown.
Total Income	326	420	(94)	2,521	
Housing and Land Commission (1)	(332)	(420)	88	(2,521)	
Total Expenditure	(332)	(420)	88	(2,521)	
Housing and Land Net Total	(6)	0	(6)	0	
Wellbeing					
Other Mental Health Income	21	0	21	0	
Well Being	0	5	(5)	31	
IPS Programme	51	14	37	83	
Fiscal Incentive Programme	26	18	8	105	
Total Income	98	37	61	219	
Mental Health Commission	(72)	(93)	21	(563)	
Well Being	(26)	(32)	6	(190)	
IPS Programme	(51)	(14)	(37)	(83)	
Fiscal Incentive Programme	(26)	(18)	(8)	(105)	
Total Expenditure	(175)	(157)	(18)	(941)	
Wellbeing Net Total	(77)	(120)	43	(722)	

FINANCIAL SUMMARY AS AT MAY 2020	MAY 2020 YEAR TO DATE			FULL YEAR 2020/21	
	ACTUAL £000	BUDGET £000	VARIANCE £000	BUDGET £000	
Public Service Reform & Social Economy					
Other PSR Income	0	7	(7)	40	(1) Favourable variance primarily driven by staffing variations. Further variance driven by lower spend on external advice as a result of Covid-19. However, these planned activities will now be carried out later in the year.
Total Income	0	7	(7)	40	
Public Sector Reform (1)	(56)	(99)	43	(591)	
Inclusive growth	0	(10)	10	(59)	
Total Expenditure	(56)	(109)	53	(650)	
Public Service Reform & Social Economy Net Total	(56)	(102)	46	(610)	
Skills and Productivity					
Productivity and Skills	16	0	16	0	(1) Delivery plan revised in light of Covid-19, though the overall spend for the year is expected to remain the same.
Employment Support (1)	183	302	(119)	2,070	
Investment Programme (Skills)	31	76	(45)	410	
Technical Education	11	24	(13)	98	(2) Reduced delivery as a result of Covid-19 alongside delays in the commencement of new contracts with training providers.
Construction Skills	498	545	(47)	1,576	
Adult Education (2)	26,568	27,964	(1,396)	128,534	
Careers	0	15	(15)	61	
Digital Skills (3)	800	599	201	4,157	
Total Income	28,107	29,525	(1,418)	136,906	(3) Delivery plan revised in light of Covid-19, though the overall spend for the year is expected to remain the same.
Productivity and Skills	(101)	(125)	24	(809)	
Employment Support (1)	(183)	(302)	119	(2,070)	
Investment Programme (Skills)	(31)	(76)	45	(410)	
Technical Education	(11)	(24)	13	(98)	
Construction Skills	(498)	(545)	47	(1,576)	
Adult Education (2)	(26,568)	(27,964)	1,396	(128,534)	
Careers	0	(15)	15	(61)	
Digital Skills (3)	(800)	(599)	(201)	(4,157)	
Total Expenditure	(28,192)	(29,650)	1,458	(137,715)	
Skills and Productivity Net Total	(85)	(125)	40	(809)	
Culture and Digital					
DDCMS - Creative Scale Up	105	108	(3)	650	
Total Income	105	108	(3)	650	
Digital	0	(17)	17	(100)	
Culture and Tourism Commission	(12)	(18)	6	(110)	
DDCMS - Creative Scale Up	(108)	(108)	0	(650)	
Total Expenditure	(120)	(143)	23	(860)	
Culture and Digital Net Total	(15)	(35)	20	(210)	
Inclusive Communities					
Veterans Mental Health & Homelessness	6	7	(1)	39	
Total Income	6	7	(1)	39	
Youth Combined Authority	(7)	(13)	6	(118)	
Veterans Mental Health & Homelessness	(6)	(7)	1	(39)	
Total Expenditure	(13)	(20)	7	(157)	
Inclusive Communities Net Total	(7)	(13)	6	(118)	
Operational Income Net Total	(56)	(33)	(23)	0	

Appendix 4

West Midlands Combined Authority Mayoral Budget – May 2020

	MAY 2020 YEAR TO DATE			FULL YEAR 2020/21
	ACTUAL £000	BUDGET £000	VARIANCE £000	BUDGET £000
MAYORAL OFFICE				
Other Grants	105	135	(30) 22%	807
TOTAL INCOME	105	135	(30) 22%	807
Staff Costs	(100)	(125)	25 20%	(753)
IT	(2)	(2)	0 0%	(10)
Travel & Subsistence	0	(7)	7 100%	(42)
Other Running Costs	(3)	(1)	(2) 200%	(2)
TOTAL EXPENDITURE	(105)	(135)	30 22%	(807)
NET	0	0	0 0%	0

Appendix 5

West Midlands Combined Authority Transport Delivery Capital Programme – May 2020

	YEAR TO DATE			FULL YEAR
	ACTUAL £000	BUDGET £000	VARIANCE £000	BUDGET £000
Metro	9,640	16,884	7,244	128,970
Rail	876	1,070	194	13,338
Sprint	367	1,387	1,020	4,200
TRANSPORT - INVESTMENT PROGRAMME	10,883	19,341	8,458	146,508

ACTUAL V BUDGET VARIANCE COMMENTARY

At the end of May 2020, actual expenditure was £8.458m lower than budget. The main variances are contained within the Metro Programme, and relate to the following;

Metro Wednesbury to Brierley Hill Extension £3.378m. Due to Covid-19 some utility undertakers are only responding to emergency works therefore some diversions have not commenced as scheduled. Work is still progressing to acquire land and therefore limited construction has taken place during the month. WMCA are working on mitigation measures to overcome this delay and progress diversions where possible.

Birmingham Eastside £1.237m. Utilities work relating to HS2 diversions have not commenced due to final sign off on the development agreement delayed with HS2, expected in June 2020, with work to catch up in the next couple of months. The MMA are in the process of preparing the revised TC1, and are awaiting formal instruction to initiate detailed design works, with an acceleration in the coming months once formal instruction has been made.

Centenary Square / Edgbaston £0.946m. Due to Covid-19, construction activity has been slower than anticipated, but work is expected to catch up in the coming months, with no change to the project schedule and delivery of scheme by December 2021.

	YEAR TO DATE			FULL YEAR
	ACTUAL £000	BUDGET £000	VARIANCE £000	BUDGET £000
Highway	167	605	438	13,167
Rail	1,685	1,666	(19)	16,545
Sprint	2,092	4,943	2,851	50,202
TRANSPORT - COMMONWEALTH GAMES	3,944	7,214	3,270	79,914

ACTUAL V BUDGET VARIANCE COMMENTARY

At the end of May 2020, actual expenditure was £3.270m lower than budget. The main variances are as follows;

SPRINT A45 Birmingham to Airport & Solihull (£1.585m) due mainly to lower than expected progress of utility diversion costs, hampered by the temporary Covid-19 restrictions on the highways.

SPRINT-A34 Walsall to Birmingham (£1.264m) due also to lower utility diversion costs owing to the Covid-19 restrictions on the highways.

RTCC - Design & Layout £0.341m paused pending approval of an alternative solution to refit a new data room on 6th floor Summer Lane, completion due in 20/21.

Appendix 5 (continued)
West Midlands Combined Authority Transport Delivery Capital Programme – May 2020

	YEAR TO DATE			FULL YEAR
	ACTUAL £000	BUDGET £000	VARIANCE £000	BUDGET £000
Bus	325	508	183	4,368
Highway	59	307	248	5,864
Other	2,194	2,718	524	12,853
Rail	399	383	(16)	1,480
TRANSPORT - OTHER MAJOR PROGRAMMES	2,977	3,916	939	24,565

ACTUAL V BUDGET VARIANCE COMMENTARY

At the end of May 2020, actual expenditure was £0.939m below the budget . The main variances are as follows;

Connected and Autonomous Vehicles Testbed (CAV) £0.796m due to an extended period of the construction procurement, coupled with the disruption of the Covid-19 restrictions.

A435 Alcester Road Bus priority revitalisation (£0.261m). Construction works have been temporarily disrupted (expected 3-month timing impact) by the Coronavirus restrictions.

Clean Bus Technology Fund (£0.132m.) Slow down in programme delivery due to Covid-19, as social distancing measures have been implemented .

Offset by:

5G (£0.240m) over Budget. The overspend relates to WMCA Sensory Infrastructure costs which are to be reclaimed from DCMS, pending finalisation of a Grant agreement between WMCA and 5G.

Future Transport Zone - Enhanced Ticket Platform (£0.186m) Acceleration of software development costs in advance of budget to facilitate automated payments at Longbridge Park & Ride .

	YEAR TO DATE			FULL YEAR
	ACTUAL £000	BUDGET £000	VARIANCE £000	BUDGET £000
Minor Work Programme	581	488	(93)	9,359
TRANSPORT - MINOR WORKS	581	488	(93)	9,359

ACTUAL V BUDGET VARIANCE COMMENTARY

At the end of May 2020, actual expenditure was £0.093m above the budget. There are only minor variances at this time

	YEAR TO DATE			FULL YEAR
	ACTUAL £000	BUDGET £000	VARIANCE £000	BUDGET £000
Grants to Local Authorities	0	0	0	8,209
Total Grants to Local Authorities	0	0	0	8,209

ACTUAL V BUDGET VARIANCE COMMENTARY

At the end of May 2020, there was as no actual expenditure.

GRAND TOTAL TRANSPORT PROGRAMME	18,385	30,959	12,574	268,555
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Appendix 5 (continued)
West Midlands Combined Authority Transport Delivery Capital Programme – May 2020

	YEAR TO DATE			FULL YEAR
	ACTUAL £000	BUDGET £000	VARIANCE £000	BUDGET £000
Investment Programme (Grants to Local Authorities)	11,076	13,773	2,697	193,052
Total Investment Programme Grants to Local Authorities	11,076	13,773	2,697	193,052

ACTUAL V BUDGET VARIANCE COMMENTARY

At the end of May 2020, actual expenditure was £2.697m below budget . The main variances are as follows;

HS2 - UK Central Interchange £2.668m due to an overestimation of March costs, and the impact of Covid-19 restrictions, specifically Wildlife Ways (£1.4m) and Accelerated Housing Delivery - Utilising Solihull assets (£1.2m).

	YEAR TO DATE			FULL YEAR
	ACTUAL £000	BUDGET £000	VARIANCE £000	BUDGET £000
Housing	5,099	6,262	1,163	66,296
Total Housing	5,099	6,262	1,163	66,296
TOTAL OTHER PORTFOLIOS	16,175	20,035	3,860	259,348

ACTUAL V BUDGET VARIANCE COMMENTARY

At the end of May 2020, actual expenditure was £1.163m below budget. The main variances are as follows;

Land Fund - Icknield Port Phase 2 (£0.431m)The expected draw down of funding in May 2020 relating to Urban Splash was lower than expected.

Black Country Land and Property Investment Fund (£0.549m). The draw down of funding relating to Redsun Projects (£0.457m) and Cavendish House (£0.118m).expected in May 2020 has been reprofiled due to Covid-19.

GRAND TOTAL	34,560	50,994	16,434	527,903
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Appendix 6
WMCA Investment Programme Financial Summary

PROGRAMME	2020 / 2021 FULL YEAR			COST TO COMPLETION					
	BUDGET (2020/21 Baseline)	FORECAST	VARIANCE	PRIOR PERIOD SPEND	2019/20 SPEND	FUTURE YEARS FORECAST	TOTAL FORECAST OUTTURN	TOTAL BUDGET (2020/21 Baseline)	VARIANCE
	£000	£000	£000	£000	£000	£000	£000	£000	£000
COVENTRY UKC PLUS	113,191	113,191	-	23,425	37,946	651,600	712,971	704,851	(8,120)
SPRINT PROGRAMME	54,302	54,302	-	4,385	7,902	322,228	334,515	334,515	-
RAIL PROGRAMME	13,238	13,238	-	4,129	3,921	204,965	213,015	213,015	-
METRO PROGRAMME	118,792	118,792	-	190,447	84,972	1,317,740	1,593,159	1,593,159	-
UK CENTRAL INFRASTRUCTURE PACKAGE	117,784	117,784	-	9,330	8,969	1,368,388	1,386,688	1,386,688	-
UK CENTRAL HS2 INTERCHANGE	74,870	74,870	-	12,305	5,091	512,167	529,563	529,563	-
CURZON STREET STATION MASTERPLAN	5,169	5,169	-	3,155	3,904	546,789	553,848	553,848	-
NATIONAL COLLEGE FOR HIGH SPEED RAIL	-	-	-	25,553	-	-	25,553	25,553	-
HIGH SPEED SUPPLY CHAIN & BUSINESS SUPPORT	-	-	-	11,270	-	338,730	350,000	350,000	-
HS2 GROWTH STRATEGY TOTAL	497,346	497,346	-	283,999	152,705	5,262,606	5,699,311	5,691,191	(8,120)
COVENTRY CITY CENTRE SOUTH REGENERATION	19,864	19,864	-	23,046	4,795	315,098	342,938	342,938	-
INNOVATION PROGRAMME	14,601	14,601	-	2,660	9,574	182,765	195,000	195,000	-
LAND RECLAMATION AND REMEDIATION	49,727	49,727	-	7,194	19,565	173,240	200,000	200,000	-
COMMONWEALTH GAMES 2022	37,442	37,442	-	-	-	72,534	72,534	72,534	-
EMPLOYMENT, EDUCATION & SKILLS	444	444	-	48	234	19,717	20,000	20,000	-
COLLECTIVE INVESTMENT FUND	54,307	54,307	-	39,147	4,802	956,051	1,000,000	1,000,000	-
DEVOLVED TRANSPORT INVESTMENT	-	-	-	-	-	1,299,000	1,299,000	1,299,000	-
EZ EXPANSION EXCLUDING CURZON STREET	-	-	-	-	-	20,000	20,000	20,000	-
OTHER INVESTMENT PROGRAMME SCHEMES	176,384	176,384	-	72,096	38,971	3,038,405	3,149,472	3,149,472	-
GRAND TOTAL	673,730	673,730	-	356,095	191,677	8,301,011	8,848,783	8,840,663	(8,120)

In respect of full project costs to completion, the financial summary has been adjusted to reflect the revised budget based on the 2020/21 programme baseline. The project budgets for the Sprint A34 Walsall to Birmingham and Sprint A45 Birmingham to Airport & Solihull schemes have been revised, as approved by the WMCA Board on 14 February 2020. In quarter 1 of 2019/20, the UK Central HS2 Interchange programme was revised in respect of the HS2 Parallel Design process. A change request was submitted through the WMCA assurance framework and approved in July 2019. The budget has been adjusted to reflect the revised UK Central HS2 Interchange programme.

The Coventry UKC Plus programme is showing a variance of £8.1m between the total forecast outturn and total budgeted outturn. This is because of changes to estimated delivery costs for the A46 Stoneleigh Junction and Coventry City of Culture 2021 projects, this cost pressure is being managed by Coventry City Council as the Sponsor Authority.

The Sprint programme is red status because of the A34 Walsall to Birmingham and A45 Birmingham to Airport & Solihull projects, for which discussions to confirm the funding package for the second delivery phase of these projects are continuing.

At the WMCA Board meeting on 8th November 2019, the WMCA Board agreed to hold Investment Programme approvals at the current affordable limit of £801 million. As a consequence, programmes that are funded from the Investment Programme beyond the current affordable limit are amber status.

Appendix 7

WMCA Investment Programme Commitment Profile as at 30th April 2020

£m	Total Expected Approvals	Approved Commitments	Actual Spend
UK Central HS2 Interchange	398.0	51.9	16.5
UK Central Infrastructure Package	288.0	31.6	11.6
Sprint Programme	217.4	47.0	7.4
Rail Programme	151.8	18.0	7.9
Metro Programme	130.7	130.7	57.8
Coventry City Centre First incl. Coventry Station Masterplan	43.4	43.4	1.3
Coventry UKC Plus - Very Light Rail: 'Transforming Connectivity'	55.0	12.2	5.5
Coventry North Package	21.6	0.2	0.0
Coventry South Package	136.5	7.4	0.3
Wednesbury to Brierley Hill Metro Extension	103.0	103.0	-
Coventry UKC Plus - UK City of Culture 2021 Regeneration	31.6	31.6	3.4
SUB TOTAL HS2 GROWTH STRATEGY	1,577.0	477.1	111.7
Coventry City Centre South Regeneration	150.0	150.0	11.8
Innovation Programme	50.0	12.5	6.7
Land Reclamation and Remediation	200.0	103.0	26.8
Commonwealth Games 2022	25.0	25.0	-
Employment, Education & Skills	20.0	1.3	0.3
OTHER INVESTMENT PROGRAMME	445.0	291.8	45.5
TOTAL	2,022.0	768.9	157.2