

## WMCA Board

<b>Date</b>	13 November 2020
<b>Report title</b>	Financial Monitoring Report 2020/21
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<b>This report has been considered by</b>	Senior Leadership Team - 21 October 2020 Programme Board - 26 October 2020

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

#### WMCA Board is recommended to:

- (1) Note the financial outturn position as at the end of September 2020.
- (2) Note the latest forecast for 2020/21, incorporating the estimated impact of COVID-19 as set out in section 3.
- (3) Note the updated Medium-Term Financial Planning position for the period 2021/22 to 2025/26 as detailed in Section 4.
- (4) Note the final confirmed project allocations made under the Get Britain Building initiative set out in paragraph 8.15.
- (5) Note the Treasury Management Strategy Mid-year update included within Appendix 9.

## **1.0 Purpose**

- 1.1 To provide updates on the Combined Authority's finances as at the end of September 2020 (including the financial implications of Covid-19), the medium-term financial planning process and on the WMCA treasury management activities.

## **2.0 Background - Financial Monitoring**

- 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 The second capital forecast of the year was completed in September and has been reduced to £215.2m, which is £65.3m below the annual budget of £280.5m.
- 2.3 Appendix 1 shows the overall consolidated revenue position for the West Midlands Combined Authority.
- 2.4 The overall year to date position at the end of September shows a £0.417m favourable variance from budget. This consists of a favourable variance within the Transport budget of £0.579m largely due to lower concessionary patronage volumes and RTCC efficiency savings offsetting the Covid-19 impact on advertising revenue and departure charge income.
- 2.5 There is an adverse variance of £0.162m within the Delivery budget largely as a result of lower than budgeted investment income owing to the 0.1% bank rate which has impacted the returns on cash balances.

## **3.0 Forecast Update**

- 3.1 On 24 July 2020 the Combined Authority received an update on the financial impact of COVID-19 in 2020/21 and beyond. Early indications at that time were that there would 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.
- 3.2 On 18 September 2020 the Combined Authority received an update on the forecast in-year impact of COVID-19 in 2020/21, following a detailed reforecast exercise carried out in July 2020, effectively forecasting an improved overall deficit position for the year of £2.0m.

3.3 To recap, the results of the July reforecast are summarised in the following table:

Table 1: Latest Forecast Deficit 2020/21

	Transport	Delivery Budget	Shared Services	TOTAL
<b>Forecast Deficit - 24 July 2020</b>	<b>-8.6</b>	<b>-2.0</b>	<b>-0.5</b>	<b>-11.1</b>
<u>Income changes:</u>				
Improved income forecasts	2.0	0.9	0.1	3.0
Government grant received for subsidised services	1.0	-	-	1.0
Estimated Light Rail Restart Grant up to 31 Oct 2020	0.9	-	-	0.9
Estimated grant for lost sales, fees and charges	0.7	-	-	0.7
<u>Expenditure changes:</u>				
Savings on concessionary travel owing to lower patronage	1.0	-	-	1.0
Metro lifecycle costs rescheduled	0.7	-	-	0.7
Other discretionary expenditure savings	0.7	0.8	0.3	1.8
<b>Latest Forecast Deficit</b>	<b>-1.6</b>	<b>-0.3</b>	<b>-0.1</b>	<b>-2.0</b>

- 3.4 It is important to note that the underlying assumptions used to forecast the latest position in the table above do not reflect the impact of Tier 2 restrictions recently introduced in parts of the region or indeed any further potential restrictions associated with the pandemic. A fully updated forecast position will therefore be provided within the November financial position which will be shared at the next meeting of the Board in January 2021.
- 3.5 It is also important to note that TfWM is continuing to see drops in income and the commercial bus and metro network are still seeing reduced levels of patronage, however, it has been confirmed that the Combined Authority is able to access a package of funding to support a proportion (75% of losses after the first 5% which will not be funded) of the loss of income from fees and charges for services. The claim for the period 1 April 2020 to 31 July 2020 has been submitted and awaiting payment.
- 3.6 The Department for Transport has also indicated that short-term funding for Metro in the form of Light Rail Restart Grant is anticipated to continue until the end of the financial year.
- 3.7 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. The underlying assumptions are changing on a daily basis, leading to movements in the forecast position and will therefore be kept under constant review. WMCA are to an extent protected from the 3 largest ongoing financial pressures in terms of the bus and metro network and loss of sales, fees and charges income for the remainder of the financial year.
- 3.8 The latest forecast therefore sets out the **best assessment at the time of writing** of the forecast impact on WMCA's financial position in 2020/21 including the specific impact of COVID-19 but is clearly subject to constant change. A further detailed reforecast exercise is currently being carried out and will be reported with the November 2020 financial position in the next financial update report to the Board's next meeting in January 2021.

- 3.9 As endorse at the September Board it is proposed that the latest forecast deficit for 2020/21 of £2.0m is met from the one-off use of reserves summarised in the following table:

Table 2: Use of one-off reserves to fund the 2020/21 latest forecast deficit

<b>Use of reserves</b>	<b>£m</b>
COVID-19 earmarked reserves	1.3
Reprioritised earmarked reserves	0.4
Metro earmarked reserves	0.3
<b>Total</b>	<b>2.0</b>

- 3.10 These reserves can only be used once and therefore do not provide a sustainable funding solution. This position has only been achieved by reprioritising existing reserves that cannot now be used to support the efficiency saving projects and workstreams they were originally intended to fund.
- 3.11 The following table summarises the latest reforecast position following the application of one-off earmarked reserves:

Table 3: Latest forecast position 2020/21

	<b>Transport</b>	<b>Delivery Budget</b>	<b>Shared Services</b>	<b>TOTAL</b>
<b>Latest Forecast Deficit</b>	<b>-1.6</b>	<b>-0.3</b>	<b>-0.1</b>	<b>-2.0</b>
Use of COVID-19 Earmarked Reserves	1.2	0.1	-	1.3
Reprioritised earmarked reserves	0.1	0.2	0.1	0.4
Metro earmarked reserves	0.3	-	-	0.3
<b>Latest Forecast / Balanced Budget</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### **4.0 Medium Term Financial Plan Update**

- 4.1 The July 2020 report to WMCA Board documented the work undertaken on WMCA's medium term financial planning processes. This indicated significant financial deficits forecast from 2021/22, onwards mostly driven by the impact that the Coronavirus pandemic was expected to have on income. Since July 2020, work has been undertaken to refine the forward forecasts resulting in a worsening of the position as detailed below:

Portfolio / Area £M	2021/22	2022/23	2023/24	2024/25	2025/26
Transport	(9.6)	(12.1)	(12.0)	(15.6)	(19.9)
Delivery	(4.2)	(4.9)	(5.8)	(6.0)	(6.1)
Mayoral Office	(0.8)	-	-	-	-
Shared Services	0.2	(0.6)	(2.7)	(4.5)	(5.4)
<b>Funding Gap (July WMCA Board)</b>	<b>(14.4)</b>	<b>(17.6)</b>	<b>(20.5)</b>	<b>(26.1)</b>	<b>(31.4)</b>
<b>Latest View</b>	<b>(17.9)</b>	<b>(18.2)</b>	<b>(21.3)</b>	<b>(26.6)</b>	<b>(31.2)</b>
<b>Variance</b>	<b>(3.5)</b>	<b>(0.6)</b>	<b>(0.8)</b>	<b>(0.5)</b>	<b>0.2</b>

- 4.2 Whilst income and expenditure forecasts have been fundamentally reassessed over the last 4 months since July 2020, the variance detailed above is mostly driven by the potential impact on transport provision as a result of the current pandemic and is therefore subject to uncertainty.
- 4.3 Significant work has been undertaken in consultation with WM Mayor and Leaders to reaffirm the plans and priorities WMCA are working towards in light of the financial deficits detailed above and this work has been important in terms of helping to confirm the core deliverables of the WMCA.
- 4.4 Work to reduce the funding deficit is continuing throughout the autumn with a view towards providing a draft balanced budget for 2021/22 for the WMCA Board meeting on 15<sup>th</sup> January. This work will be closely supported by the West Midlands Finance Directors. The key factors which may enable WMCA to close the gap are as follows:
- The extent to which UK Government are able to make good income losses arising from the reduced patronage on the public transport network;
  - An assessment of the financial impact the pandemic will have on the operation of commercial bus services and the subsequent cost to WMCA of subsidising those services in line with access standards;
  - The extent to which WMCA are able to identify efficiencies within current working practices or discretionary expenditure via the Productivity and Efficiencies Board, to contribute towards reducing the funding gap;
  - The extent to which UK Government are able to reimburse WMCA for additional expenditure incurred as a result of the pandemic under the Sales Fees and Charges reimbursement arrangements;
  - The extent to which UK Government are able to commit towards funding the 2021 Mayoral Election in May;
  - The extent to which WMCA are able to realise additional income;
  - The extent to which any subsequent local or national restrictions brought on by the pandemic further worsen the financial forecasts.
- 4.5 As detailed above, it is expected that WMCA will work closely with West Midlands Finance Directors and other key stakeholders with the aim of presenting a draft balanced budget for 2021/22 for approval by WMCA in January 2021 and emerging proposals will be discussed with the Mayor and Leaders at their meeting 13<sup>th</sup> November.

## **5.0 Transport**

- 5.1 The year to date position on the Transport revenue budget as at the end of September 2020 shows an overall favourable variance of £0.579m against budget.
- 5.2 This favourable variance is primarily driven by lower patronage volumes across the English National Concessionary Travel Scheme and Child Concessions reflecting operators continuing to be paid at pre-COVID-19 levels, as well as savings realised during the set-up of the RTCC through prudent purchasing decisions. The full year forecast also reflects government support in the form of Coronavirus Bus Services Support Grant and Light Rail Restart Grant along with favourable staffing variations.
- 5.3 These savings are largely offset by the impact of Covid-19 driving lower than budgeted digital advertising revenue and the implementation of a departure charge holiday until the end of June 2020, aiming to support bus operators during the crisis.

## **6.0 West Midlands Combined Authority Delivery Budget**

- 6.1 Appendix 3 sets out the position on the West Midlands Combined Authority Delivery Budget as at the end of September 2020, showing an adverse variance of £0.162m from budget.
- 6.2 The adverse variance is primarily as a result of a reduction in the bank base rate, which has led to lower than budgeted returns on cash balances.
- 6.3 This adverse variance is partly offset by savings across portfolios as a result of the rescheduling of expenditure as a result of the impact of Covid-19 coupled with staffing variations.

## **7.0 Mayoral Office**

- 7.1 The Mayoral Office shows a favourable variance of £0.049m from Budget as at the end of September 2020 as a result of staffing variations alongside some smaller savings against the travel budget. The full year outturn is expected to be in line with Budget.

## **8.0 Capital Programme**

- 8.1 Appendix 5 sets out the position on the Capital Programme as at the end of September 2020. Actual costs totalled £98.2m, resulting in a favourable variance of £88.5m against a budget of £186.7m. The annual forecast has been reduced in September 2020 to £373.7m, which is £135.9m below the Budget of £509.7m.
- 8.2 The year to date budget variance is contained primarily within Transport (£50.4m), Grants to Local Authorities within the Investment Programme (£19.3m) and Housing (£18.9m).
- 8.3 The Transport Programme has been categorised into five sub programmes. The largest of these is the Investment Programme with a budget of £146.9m, including all the Rail/Sprint & Metro extension schemes. At the end of September, actual costs totalled £42.2m, which was £25.3m below the budget of £67.5m. The main variances at the end of September were contained within the Metro Programme totalling £19.0m. Although delivery schedules are not currently anticipated to be impacted by rephasing of expenditure plans, it's likely that the Covid-19 pandemic will lead to further rescheduling and prioritisation of capital expenditure plans.
- 8.4 The variance against the Metro Wednesbury to Brierley Hill of £10.6m is reflective of Covid-19 restrictions, where utility operators are only responding to emergency works therefore some diversions have not commenced as scheduled. WMCA are working on mitigation measures to overcome this delay and progress diversions where possible.
- 8.5 The Birmingham Eastside extension variance of £5.3m relates to HS2 utility diversions which have not commenced due to the pending final sign off on the development agreement with HS2.
- 8.6 The SPRINT-Hagley Road scheme was favourable by £3.1m. There is an ongoing review of design with Birmingham City Council and a s278 agreement requires a revised Target Cost (TC2) so works have not progressed as quickly as anticipated.
- 8.7 The Metro Network-Comms & Control scheme was £1.6m below budget due to commissioning work proceeding later than anticipated due to Covid-19.

- 8.8 The Commonwealth Games Programme with a budget of £84.8m 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 September 2020, actual costs totalled £13.2m, which was £13.6m below the budget of £26.8m. The main variances of note related to the Sprint A34 Walsall to Birmingham which was below budget (£4.9m), owing to the Covid-19 restrictions impacting on utility diversion works, and the Sprint A45 Birmingham to Airport & Solihull (£5.2m) due mainly to lower than expected progress of utility diversion costs, as a result of temporary Covid-19 restrictions on the highways. 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.
- 8.9 At the end of September 2020, Other Major Programmes actual costs totalled £7.1m, which was £6.7m below the budget of £13.8m. The main variance relates to Connected and Autonomous Vehicles Testbed (CAV) (£1.0m) due to a delay in appointment of the construction contractor, coupled with Covid-19 restrictions. In addition, the Longbridge Connectivity Package (£0.4m) favourable variance reflects construction of the decked car park being broadly complete, with only minor power utility work to complete as a result of Covid-19 restrictions. Final snagging and commissioning work will be completed in Quarter 2 by our main contractor. The A435 Alcester Road Bus priority revitalisation Programme (£1.7m) variance is due to temporary disruption of construction works (expected 3-month timing impact) by the Coronavirus restrictions.
- 8.10 The Minor Works Programme with a budget of £14.7m includes several small schemes. At the end of September 2020, actual costs totalled £2.0m, which was £1.9m below the budget of £4.0m. The main variance is driven by ADEPT Live Lab (£0.5m) as the anticipated costs haven't materialised due to Covid-19 restrictions. Real Time Information Upgrades (£0.4m) represents additional favourable variance as the contract award is now expected to take place in November.
- 8.11 The Grants to Local Authorities Budget of £8.2m relates primarily to the schemes funded within the Transforming Cities Fund. At the end of September 2020, nothing has been spent against a budget of £2.9m as a result of a revised delivery programme.
- 8.12 The Grants to Local Authorities Investment Programme with a budget of £172.8m includes those schemes delivered by Local Authorities as part of the Investment Programme grant arrangements. At the end of September 2020, actual costs totalled £292m, which was £19.3m below the budget of £48.4m. The favourable variance is broadly related to Covid-19 restrictions impacting on the progression of Coventry Station Masterplan (£5.2m), Very Light Rail (£4.1m) and the City of Culture Regeneration (£5.1m). The HS2 - UK Central Interchange (£2.8m) primarily relating to the Roundabout-Over Trace works, has also seen less work undertaken in first quarter due to Covid-19 restrictions.
- 8.13 The Housing Programme with an annual budget of £56.3m includes the WMCA Land Fund, WMCA land remediation funds including the BCLEP managed Land and Property Investment Fund (LPIF). At the end of September 2020, actual costs totalled £4.4m, which was £18.9m below the budget of £23.3m. The variance is primarily contained within the LPIF (£12.9m) due to the Phoenix 10 manufacturing site scheme, where the final agreements and planning application that were expected in April 2020, have now been rescheduled. The WMCA Brownfield Land & Property Development Fund favourable variance (£6.0m) is also due to reduced drawdown as a result of Covid-19 restrictions.

- 8.14 Following a review of the Q2 position, the annual forecast has been reduced to £373.7m, against the annual budget of £509.7m. The main variances are contained within the Transport Programme (£65.3m), the Housing Programme (£20.5m) and the Grants to Local Authorities Investment Programme (£5.9m). Within the Transport Programme, the main variances are contained within the Metro Programme (£20.3m), related to Metro Eastside (£1.2m), Metro Wednesbury Brierley Hill (£11.9m), and Metro Westside (£1.3m) reflecting the up to date position. A further £21.6m of the variance is in the Sprint Programme as utility works expected to complete in September have been re-phased over the rest of the financial year due to the impact of Covid-19. The Rail-Walsall-Wolverhampton (Package 1) Local Enhancements underspend of £2.8m is due to land acquisition costs (Willenhall Land Triple R Site) now projected for April 2021 (from Q2 2020). The main variance within the Housing Programme is contained within the WMCA Brownfield Land & Property Investment Fund (£22.3m), primarily relating to the Phoenix 10 project as set out in paragraph 8.13.

#### Get Britain Building Capital Fund

- 8.15 The WMCA, in consultation with Local Authorities and LEPs, recently assembled a bid into Government for the Get Britain Building Fund resulting in £66m being awarded to the region. WMCA are currently finalising agreements with delivery agencies for the fund. The projects awarded funding under the initiative are confirmed as follows:

<b>Project Name</b>	<b>£m</b>
Precision Health Technology Accelerator	10.9
Very Light Rail Innovation Centre	12.4
Regional WM5G Application Accelerator extension	1.0
Completing the Cultural Capital	6.1
Commonwealth Economic Legacy at Ricoh Arena, Coventry	3.9
University Station	15.1
National Brownfield Land Institute	14.9
VLR Coventry	1.8
<b>Total</b>	<b>65.9</b>

## **9.0 Investment Programme**

- 9.1 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 expenditure is shown at Appendix 6, which reports the gross delivery totals for programmes delivered by both WMCA and other entities (being primarily local authorities).
- 9.2 The 2020/21 year to date cash spend to August 2020 is £148.0m behind the rebased 2020/21 budget, mainly because of the current Coventry UK Central Plus, Metro and UK Central Infrastructure programmes.

- 9.3 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. It should be noted that the impact of COVID-19 on projects within the WMCA Investment Programme is continuously being assessed by the accountable bodies, with each respective delivery entity required to manage the schemes within the funding available to them.
- 9.4 The cost to completion against UK Central HS2 Interchange remains red status due to the funding gap of circa £131 million against the Birmingham International Station redevelopment project.
- 9.5 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.
- 9.6 Appendix 7 details approved funding from the WMCA Investment Programme, which totalled £776.7m as at 30th September 2020 (£768.7m as at 31st August 2020).
- 9.7 In addition to the projects listed at Appendix 7, an application for repayable funding for the UK Battery Industrialisation Centre was approved by WMCA Board on 13 September 2019.

#### Investment Programme Funding

- 9.8 In November 2019, WMCA Board agreed to hold current Investment Programme approvals at the current affordable limit, whilst arrangements to secure additional funding into WMCA are developed and delivered.
- 9.9 Based upon what is available to date, the affordable limit was determined by WMCA Finance Directors to be £801m and endorsed by WMCA Board.
- 9.10 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 UK Central Plus, Sprint Programme; Rail Programme, UK Central Infrastructure Package, UK Central HS2 Interchange, Innovation Programme, Land Reclamation & Remediation and Employment, Education & Skills.

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

- 9.11 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.
- 9.12 SQW have been commissioned by MHCLG to review a selection of projects within the Investment programme and will issue a recommendation in November 2020.
- 9.13 SQW have completed the stakeholder interviews and are finalising the report drafts in consultation with the WMCA Strategic Hub.

### **10.0 Balance Sheet**

- 10.1 Appendix 8 presents the West Midlands Combined Authority Balance Sheet which shows a healthy financial position as at 30 September 2020.

10.2 The decrease in debtors is largely due to grants received and lower trade receivables. In contrast, the increase in short-term creditors/accruals is mainly due to spending on capital projects, namely the Coventry UKC Plus programmes.

10.3 The MHCLG Get Building Fund was received in the month, thereby contributing to the net increase in grants receipts in advance and in cash and short-term deposits.

## 11.0 Administered Funds

Funding Stream	Latest Forecast Grant Award £'000	Spend to date £'000	Purpose
Midlands Connect	7,355	2,122	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
<b>Total</b>	<b>48,611</b>	<b>43,378</b>	

## 12.0 Financial Implications

12.1 The Financial Implications are set out in the report.

## 13.0 Legal implications

13.1 There are no legal implications.

## 14.0 Equalities implications

14.1 There are no equalities implications.

## 15.0 Inclusive Growth Implications

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

## **16.0 Geographical Area of Report's Implications**

16.1 The report encompasses the West Midlands region.

## **17.0 Other Implications**

17.1 There are no other implications

## **18.0 Appendices**

- Appendix 1 – WMCA Consolidated Summary – September 2020
- Appendix 2 – WMCA Transport Revenue Summary - September 2020
- Appendix 3 – WMCA Operational Revenue Summary – September 2020
- Appendix 4 – WMCA Mayor Revenue Summary – September 2020
- Appendix 5 – WMCA Capital Transport Delivery Programme – September 2020
- Appendix 6 – WMCA Investment Programme Summary – August 2020
- Appendix 7 – WMCA Investment Programme Commitments – September 2020
- Appendix 8 – WMCA Balance Sheet – September 2020
- Appendix 9 – WMCA Treasury Management Update

## Appendix 1

### WMCA Consolidated Summary – September 2020

£000's	Year to Date			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
Transport Levy	57,360	57,360	0	114,720	114,720	0
Commonwealth Games	418	909	(491)	1,905	2,157	(252)
Devolution Deal Grants	5,549	6,612	(1,063)	12,106	12,227	(121)
Adult Education Funding	71,736	74,815	(3,079)	128,534	128,534	0
Share of Business Rates	0	2,183	(2,183)	7,500	7,500	0
Constituent Membership	2,322	2,322	0	4,644	4,644	0
Non Constituent Members	213	213	0	425	425	0
Investment Programme	2,701	2,140	561	36,500	36,500	0
Investment Income	617	986	(369)	1,505	1,921	(416)
3rd Party / Other Grant Income	1,029	502	527	1,900	871	1,029
Use of Reserves	0	0	0	5,990	4,053	1,937
<b>Total Funding</b>	<b>141,945</b>	<b>148,042</b>	<b>(6,097)</b>	<b>315,729</b>	<b>313,552</b>	<b>2,177</b>
Transport for West Midlands	57,029	57,606	577	119,979	118,353	(1,626)
Commonwealth Games	418	911	493	1,905	2,157	252
Economy & Innovation	1,416	1,155	(261)	3,309	2,312	(997)
Environment, Energy & HS2	180	172	(8)	345	345	0
Housing and Land	884	1,260	376	1,384	2,521	1,137
Wellbeing	465	472	7	1,110	941	(169)
PSR & Social Economy	543	345	(198)	821	689	(132)
Culture and Digital	82	105	23	210	210	0
Productivity & Skills	76,038	79,927	3,889	138,358	137,715	(643)
Inclusive Communities	32	54	22	118	118	0
Business Support	1,709	1,583	(126)	3,228	3,229	1
Investment Programme	2,753	4,426	1,673	44,155	44,155	0
Mayoral Office	355	404	49	807	807	0
<b>Total Expenditure</b>	<b>141,905</b>	<b>148,419</b>	<b>6,514</b>	<b>315,729</b>	<b>313,552</b>	<b>(2,177)</b>
Transport	331	(248)	579	0	0	0
Delivery	(291)	(129)	(162)	0	0	0
Mayoral Office	0	0	0	0	0	0
<b>Total</b>	<b>40</b>	<b>(377)</b>	<b>417</b>	<b>0</b>	<b>0</b>	<b>0</b>

The year to date position at the end of September shows a £0.417m favourable variance from budget.

This is made up of £0.579m within Transport as a result of lower patronage across ENCTS and Child concessions, additional government grants to fund subsidised bus and Metro, efficiency savings within the RTCC and lower operational costs during Covid-19 alongside staffing variations. This position is offset by significantly reduced advertising revenue and a departure charge holiday designed to support bus operators during the crisis.

This is offset by an adverse variance of £0.162m within the Delivery budget due to lower investment income as a result of a reduction in the bank base rate, partly offset by savings across portfolios as programme expenditure has been rescheduled for later in the year.

In addition, the Adult Education Budget has seen reduced delivery as a result of Covid-19 and new contracts with training providers are starting later than planned.

Lower grant drawdown has been required within Housing & Land due to increased capitalisation of staff costs and savings on external advice. In addition new grants to support Brexit preparations (Economy & Innovation) and Homelessness (PSR & Social Economy), have been reflected in the forecast and have started to be drawn down, and which are offset by the associated increase in expenditure.

## Appendix 2

### Transport for West Midlands year to date revenue position – September 2020

#### Headlines

As at the end of September 2020 there is a £0.579m favourable year to date variance. This is primarily driven by lower bus patronage leading to savings across Concessions budgets along with efficient RTCC purchasing decisions offset by significantly reduced advertising revenue and a departure charge holiday for operators as a result of Covid-19.

#### Key:

- Favourable Variance
- No Variance or Offset by Grant
- Adverse Variance

	SEPTEMBER 2020 YEAR TO DATE			FULL YEAR 2020/21			VARIANCE EXPLANATION(S)
	ACTUAL £000	BUDGET £000	VARIANCE £000	FORECAST £000	BUDGET £000	VARIANCE £000	
<b>TRANSPORT FOR WEST MIDLANDS</b>							
<b>INCOME</b>							
Specific resources:							
Transport Levy	57,360	57,360	0 0%	114,720	114,720	(0) 0%	<span style="color: yellow;">●</span>
Commonwealth Games	418	909	(490) 54%	1,905	2,157	(252) 12%	<span style="color: yellow;">●</span>
Use of Reserves	0	0	0 0%	5,259	3,633	1,626 45%	<span style="color: red;">●</span>
<b>TOTAL INCOME</b>	<b>57,779</b>	<b>58,269</b>	<b>(490) 1%</b>	<b>121,884</b>	<b>120,510</b>	<b>1,374 1%</b>	
<b>EXPENDITURE</b>							
<b>Concessions</b>							
National Bus Concession	24,936	25,499	563 2%	48,938	51,006	2,067 4%	<span style="color: green;">●</span>
Metro / Rail	2,209	2,219	10 0%	4,557	4,575	17 0%	<span style="color: green;">●</span>
Child Concession	2,751	3,640	888 24%	6,579	7,837	1,258 16%	<span style="color: green;">●</span>
<b>Bus Services</b>	<b>29,896</b>	<b>31,358</b>	<b>1,462 84%</b>	<b>60,075</b>	<b>63,417</b>	<b>3,342 44%</b>	<span style="color: red;">●</span>
Bus Stations / Infrastructure	4,070	2,213	(1,857) 84%	6,546	4,542	(2,005) 44%	<span style="color: red;">●</span>
Subsidised Network	5,204	5,204	0 0%	10,409	10,409	(0) 0%	<span style="color: yellow;">●</span>
Accessible Transport	3,263	3,309	46 1%	6,617	6,617	0 0%	<span style="color: yellow;">●</span>
<b>Rail and Metro Services</b>	<b>12,537</b>	<b>10,726</b>	<b>(1,811) 15%</b>	<b>23,572</b>	<b>21,567</b>	<b>(2,005) 15%</b>	<span style="color: red;">●</span>
Metro Services	520	612	91 15%	6,630	2,642	(3,988) 15%	<span style="color: red;">●</span>
Rail Services	1,404	1,339	(65) 5%	2,827	2,805	(22) 1%	<span style="color: red;">●</span>
<b>Integration</b>	<b>1,924</b>	<b>1,951</b>	<b>27 33%</b>	<b>9,457</b>	<b>5,447</b>	<b>(4,010) 11%</b>	<span style="color: green;">●</span>
Safety and Security	410	614	204 33%	1,136	1,274	138 11%	<span style="color: green;">●</span>
Passenger Information	2,774	2,857	83 3%	5,666	5,729	62 1%	<span style="color: green;">●</span>
Sustainable Travel	232	279	47 17%	527	567	40 7%	<span style="color: green;">●</span>
<b>Network Resilience</b>	<b>3,416</b>	<b>3,750</b>	<b>334 40%</b>	<b>7,330</b>	<b>7,570</b>	<b>241 19%</b>	<span style="color: green;">●</span>
Commonwealth Games	418	911	492 54%	1,905	2,157	252 12%	<span style="color: yellow;">●</span>
Business and Democratic Support	1,724	1,773	49 3%	3,723	3,764	41 1%	<span style="color: green;">●</span>
Strategic Development	1,719	1,614	(104) 6%	2,975	3,141	166 5%	<span style="color: green;">●</span>
Transport Governance	63	66	3 5%	133	132	(1) 1%	<span style="color: red;">●</span>
Capital Finance Charges	4,836	4,836	0 0%	10,214	10,214	(0) 0%	<span style="color: yellow;">●</span>
<b>TOTAL EXPENDITURE</b>	<b>57,447</b>	<b>58,517</b>	<b>1,069 2%</b>	<b>121,884</b>	<b>120,510</b>	<b>(1,374) 1%</b>	
<b>NET</b>	<b>331</b>	<b>(248)</b>	<b>579 234%</b>	<b>(0)</b>	<b>(0)</b>	<b>0 15%</b>	

The profile of CWG expenditure has been impacted by Covid-19, as such grant draw down will be lower than budgeted in year. Additional reserves will be utilised to balance the revised full year position.

Forecast spending on concessions reflects the latest patronage and fare reimbursement assumptions.

Loss of bus infrastructure income (bus stations, shelter advertising, IBSS) as a result of Covid-19.

Subsidised bus is currently being supported by the Bus Services Support Grant to help mitigate against the impact of Covid-19.

The award of the DfT Light Rail Restart grant to the end of October assumes a largely breakeven position up until then. However, from that point the forecast assumes revenue will only return to 75% of pre-Covid levels.

Driven by increased CCTV income

Favourable variance driven by efficient purchasing decisions meaning the budgeted contingency for delivery of RTCC is no longer required, alongside staffing variations.

The CWG external advice budget has not been spent as plans and recruitment were updated to account for Covid-19. Fully offset by lower grant draw down.

### Appendix 3

#### West Midlands Combined Authority Delivery Budget – September 2020

FINANCIAL SUMMARY AS AT SEPTEMBER 2020	SEPTEMBER 2020 YEAR TO DATE			FULL YEAR 2020/21			
	ACTUAL £000	BUDGET £000	VARIANCE £000	FORECAST £000	BUDGET £000	VARIANCE £000	
<b>Operational Income</b>							
Mayoral Capacity Funding	0	96	(96)	193	193	0	
Investment Interest Income (1)	565	883	(318)	1,350	1,766	(416)	(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	2,323	2,323	0	4,644	4,644	0	
Contribution - Non constituent members	212	212	0	425	425	0	
Use of Reserves (2)	0	0	0	731	420	311	
<b>Total Income</b>	<b>3,100</b>	<b>3,514</b>	<b>(414)</b>	<b>7,343</b>	<b>7,448</b>	<b>(105)</b>	(2) Additional reserves will be utilised to balance the revised full year position.
Shared Services Recharges to Portfolios	(1,709)	(1,583)	(126)	(3,228)	(3,229)	1	
<b>Total Expenditure</b>	<b>(1,709)</b>	<b>(1,583)</b>	<b>(126)</b>	<b>(3,228)</b>	<b>(3,229)</b>	<b>1</b>	
<b>Operational Income Net Total</b>	<b>1,391</b>	<b>1,931</b>	<b>(540)</b>	<b>4,115</b>	<b>4,219</b>	<b>(104)</b>	
<b>Economy &amp; Innovation</b>							
Other Industrial Strategy Income	25	0	25	0	0	0	
Office of Data Analytics	74	128	(54)	173	257	(84)	
DDCMS - Creative Scale Up	357	325	32	774	650	124	
MHCLG - Brexit Support Preparations (1)	118	0	118	991	0	991	(1) An additional grant to support Brexit preparations has been reflected in the forecast and is beginning to be drawn down, offset by the associated expenditure.
<b>Total Income</b>	<b>574</b>	<b>453</b>	<b>121</b>	<b>1,938</b>	<b>907</b>	<b>1,031</b>	
Funding For Growth	(350)	(350)	0	(700)	(700)	0	
Industrial Strategy (2)	(372)	(232)	(140)	(431)	(465)	34	(2) Adverse YTD variance driven by the commission of PwC to support in establishing a Covid-19 recovery plan for the West Midlands.
Office of Data Analytics	(74)	(128)	54	(173)	(257)	84	
DDCMS - Creative Scale Up	(357)	(325)	(32)	(774)	(650)	(124)	
Economic Intelligence	(145)	(120)	(25)	(240)	(240)	0	
MHCLG - Brexit Support Preparations (1)	(118)	0	(118)	(991)	0	(991)	
<b>Total Expenditure</b>	<b>(1,416)</b>	<b>(1,155)</b>	<b>(261)</b>	<b>(3,309)</b>	<b>(2,312)</b>	<b>(997)</b>	
<b>Economy &amp; Innovation Net Total</b>	<b>(842)</b>	<b>(702)</b>	<b>(140)</b>	<b>(1,371)</b>	<b>(1,405)</b>	<b>34</b>	
<b>Environment &amp; Energy, HS2</b>							
Energy Capital	84	0	84	0	0	0	
<b>Total Income</b>	<b>84</b>	<b>0</b>	<b>84</b>	<b>0</b>	<b>0</b>	<b>0</b>	
Environment (1)	(96)	(172)	76	(345)	(345)	0	(1) Initial plans were disrupted as a result of Covid-19. However revised plans are now in place for delivery of programmes over the remainder of the year.
Energy Capital	(84)	0	(84)	0	0	0	
<b>Total Expenditure</b>	<b>(180)</b>	<b>(172)</b>	<b>(8)</b>	<b>(345)</b>	<b>(345)</b>	<b>0</b>	
<b>Environment &amp; Energy, HS2 Net Total</b>	<b>(96)</b>	<b>(172)</b>	<b>76</b>	<b>(345)</b>	<b>(345)</b>	<b>0</b>	
<b>Housing and Land</b>							
Director of Housing & Regeneration (1)	884	1,260	(376)	1,384	2,521	(1,137)	
<b>Total Income</b>	<b>884</b>	<b>1,260</b>	<b>(376)</b>	<b>1,384</b>	<b>2,521</b>	<b>(1,137)</b>	(1) Increased capitalisation of staff costs and agreed savings on external advice have driven the lower expenditure and in turn the lower grant drawdown. The lower spend has been reflected in the forecast and will allow the grant to be utilised further into future years.
Director of Housing & Regeneration (1)	(884)	(1,260)	376	(1,384)	(2,521)	1,137	
<b>Total Expenditure</b>	<b>(884)</b>	<b>(1,260)</b>	<b>376</b>	<b>(1,384)</b>	<b>(2,521)</b>	<b>1,137</b>	
<b>Housing and Land Net Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Wellbeing</b>							
Other Mental Health Income	0	0	0	21	0	21	
Well Being	9	16	(7)	36	31	5	
IPS Programme (1)	126	42	84	198	83	115	(1) Work & Health Unit grant that was due to end in October 2020 has been extended until March 2022, offset by an associated increase in expenditure.
Fiscal Incentive Programme (2)	136	53	83	195	105	90	
<b>Total Income</b>	<b>271</b>	<b>111</b>	<b>160</b>	<b>450</b>	<b>219</b>	<b>231</b>	
Mental Health Commission (3)	(123)	(282)	159	(522)	(563)	41	(2) Increased drawdown of the grant as the project concludes, offset by the associated increase in expenditure.
Well Being	(80)	(95)	15	(195)	(190)	(5)	
IPS Programme (1)	(126)	(42)	(84)	(198)	(83)	(115)	
Fiscal Incentive Programme (2)	(136)	(53)	(83)	(195)	(105)	(90)	(3) Staffing variations have driven savings year to date.
<b>Total Expenditure</b>	<b>(465)</b>	<b>(472)</b>	<b>7</b>	<b>(1,110)</b>	<b>(941)</b>	<b>(169)</b>	
<b>Wellbeing Net Total</b>	<b>(194)</b>	<b>(361)</b>	<b>167</b>	<b>(660)</b>	<b>(722)</b>	<b>62</b>	

FINANCIAL SUMMARY AS AT SEPTEMBER 2020	SEPTEMBER 2020 YEAR TO DATE			FULL YEAR 2020/21				
	ACTUAL £000	BUDGET £000	VARIANCE £000	FORECAST £000	BUDGET £000	VARIANCE £000		
<b>Public Service Reform &amp; Social Economy</b>								
Other PSR Income	18	20	(2)	33	40	(7)	(1) Additional grant has been awarded and is offset by an associated increase in expenditure.  (2) The favourable variance year to date is driven by staffing variations. However, over the full year it is forecast that these savings will be more than offset by additional workstreams to support the regions system and social economy responses to Covid-19..	
Homelessness (1)	257	20	237	133	39	94		
<b>Total Income</b>	<b>275</b>	<b>40</b>	<b>235</b>	<b>166</b>	<b>79</b>	<b>87</b>		
Public Sector Reform (2)	(263)	(295)	32	(642)	(591)	(51)		
Inclusive Growth	(23)	(30)	7	(46)	(59)	13		
Homelessness (1)	(257)	(20)	(237)	(133)	(39)	(94)		
<b>Total Expenditure</b>	<b>(543)</b>	<b>(345)</b>	<b>(198)</b>	<b>(821)</b>	<b>(689)</b>	<b>(132)</b>		
<b>Public Service Reform &amp; Social Economy Net Total</b>	<b>(268)</b>	<b>(305)</b>	<b>37</b>	<b>(655)</b>	<b>(610)</b>	<b>(45)</b>		
<b>Skills and Productivity</b>								
Productivity and Skills (1)	37	0	37	148	0	148		(1) Additional funding secured for delivery of a Skills Advisory Panel.  (2) Delivery plan revised in light of Covid-19, and reflected in forecast.  (3) Construction Industry Training Board delivery increased in Q1 of this year, thus requiring additional grant drawdown.  (4) Reduced delivery as a result of Covid-19 alongside delays in the commencement of new contracts with training providers.  (5) Delivery plan revised in light of Covid-19, and reflected in the forecast.
Employment Support (2)	648	957	(309)	1,920	2,070	(150)		
Technical Education	32	48	(16)	98	98	0		
Construction Skills (3)	1,139	920	219	1,787	1,576	211		
Adult Education (4)	71,736	74,815	(3,079)	128,534	128,534	0		
Careers	19	46	(27)	48	61	(13)		
Digital Skills (5)	2,092	2,581	(489)	4,622	4,157	465		
Investment Programme (Skills)	115	199	(84)	445	410	35		
<b>Total Income</b>	<b>75,818</b>	<b>79,566</b>	<b>(3,748)</b>	<b>137,602</b>	<b>136,906</b>	<b>696</b>		
Productivity and Skills	(257)	(361)	104	(904)	(809)	(95)		
Employment Support (2)	(648)	(957)	309	(1,920)	(2,070)	150		
Technical Education	(32)	(48)	16	(98)	(98)	0		
Construction Skills (3)	(1,139)	(920)	(219)	(1,787)	(1,576)	(211)		
Adult Education (4)	(71,736)	(74,815)	3,079	(128,534)	(128,534)	0		
Careers	(19)	(46)	27	(48)	(61)	13		
Digital Skills (5)	(2,092)	(2,581)	489	(4,622)	(4,157)	(465)		
Investment Programme (Skills)	(115)	(199)	84	(445)	(410)	(35)		
<b>Total Expenditure</b>	<b>(76,038)</b>	<b>(79,927)</b>	<b>3,889</b>	<b>(138,358)</b>	<b>(137,715)</b>	<b>(643)</b>		
<b>Skills and Productivity Net Total</b>	<b>(220)</b>	<b>(361)</b>	<b>141</b>	<b>(756)</b>	<b>(809)</b>	<b>53</b>		
<b>Culture and Digital</b>								
Culture & Tourism Commission (1)	52	0	52	0	0	0	(1) BFI Creative Clusters Growth Fund secured to fund BFI project, offset by associated expenditure	
<b>Total Income</b>	<b>52</b>	<b>0</b>	<b>52</b>	<b>0</b>	<b>0</b>	<b>0</b>		
Culture & Tourism Commission (1)	(82)	(55)	(27)	(110)	(110)	0		
Digital	0	(50)	50	(100)	(100)	0		
<b>Total Expenditure</b>	<b>(82)</b>	<b>(105)</b>	<b>23</b>	<b>(210)</b>	<b>(210)</b>	<b>0</b>		
<b>Culture and Digital Net Total</b>	<b>(30)</b>	<b>(105)</b>	<b>75</b>	<b>(210)</b>	<b>(210)</b>	<b>0</b>		
<b>Inclusive Communities</b>								
<b>Total Income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		
Youth Combined Authority	(32)	(54)	22	(118)	(118)	0		
<b>Total Expenditure</b>	<b>(32)</b>	<b>(54)</b>	<b>22</b>	<b>(118)</b>	<b>(118)</b>	<b>0</b>		
<b>Inclusive Communities Net Total</b>	<b>(32)</b>	<b>(54)</b>	<b>22</b>	<b>(118)</b>	<b>(118)</b>	<b>0</b>		
<b>Operational Expenditure Net Total</b>	<b>(291)</b>	<b>(129)</b>	<b>(162)</b>	<b>0</b>	<b>0</b>	<b>0</b>		

Appendix 4

West Midlands Combined Authority Mayoral Budget – September 2020

## West Midlands Combined Authority Mayoral Budget - September 2020

	SEPTEMBER 2020 YEAR TO DATE			FULL YEAR 2020/21		
	ACTUAL £000	BUDGET £000	VARIANCE £000	FORECAST £000	BUDGET £000	VARIANCE £000

**MAYORAL OFFICE**

Other Grants	355	404	(49) 12%	807	807	0 0%
<b>TOTAL INCOME</b>	<b>355</b>	<b>404</b>	<b>(49) 12%</b>	<b>807</b>	<b>807</b>	<b>0 0%</b>
Staff Costs	(344)	(377)	33 9%	(734)	(753)	19 3%
IT	(5)	(5)	0 0%	(11)	(10)	(1) 10%
External Advice	0	0	0 0%	(30)	0	(30) 0%
Travel & Subsistence	(1)	(21)	20 95%	(25)	(42)	17 40%
Other Running Costs	(5)	(1)	(4) 400%	(7)	(2)	(5) 250%
<b>TOTAL EXPENDITURE</b>	<b>(355)</b>	<b>(404)</b>	<b>49 12%</b>	<b>(807)</b>	<b>(807)</b>	<b>0 0%</b>
<b>NET</b>	<b>0</b>	<b>0</b>	<b>0 0%</b>	<b>0</b>	<b>0</b>	<b>0 0%</b>

The favourable variance to date is largely due to staffing variations plus some smaller savings against the travel budget. Staffing costs will increase over the remainder of the year as a result of recruitment to vacant posts and costs associated with the temporary cover of roles. Therefore, final outturn is expected to be in line with budget.

## Appendix 5

### West Midlands Combined Authority Transport Delivery Capital Programme – September 2020

	YEAR TO DATE			FULL YEAR		
	ACTUAL £000	BUDGET £000	VARIANCE £000	FORECAST £000	BUDGET £000	VARIANCE £000
Metro	38,311	57,306	18,995	108,890	129,230	20,340
Rail	2,801	5,916	3,115	7,782	13,338	5,556
Sprint	1,113	4,322	3,209	2,662	4,322	1,660
<b>TRANSPORT - INVESTMENT PROGRAMME</b>	<b>42,225</b>	<b>67,544</b>	<b>25,319</b>	<b>119,334</b>	<b>146,890</b>	<b>27,556</b>

#### ACTUAL V BUDGET VARIANCE COMMENTARY

At the end of September 2020, actual expenditure was £25.318m lower than budget. The main variances are contained within the Metro Programme, and relate to the following;

**Metro Wednesbury to Brierley Hill Extension £10.580m.** Due to Covid-19 some utility undertakers were only responding to emergency works therefore some diversions did not commence as scheduled. The Railway Corridor was acquired on 10th July 2020 following prolonged negotiations with Network Rail which has limited construction that has taken place to date. WMCA are working on mitigation measures to overcome this delay and progress diversions where possible. This plan will be worked through in the coming weeks and months.

**Metro Birmingham Eastside £5.343m.** Utilities works relating to HS2 diversions have not commenced as forecast due to final sign-off on the development agreement being delayed with HS2. Billing is expected to catch up in the next few months as work commences. The HS2 spend profile has been re-phased as a result of this change to the Development Agreement.

**SPRINT - Hagley Road £3.140m.** Ongoing review of design with Birmingham Council and agreement for Highway Improvements (S278) requires a revised Target Cost (TC2) so Midland Metro Alliance works have not progressed as anticipated.

**Rail Package 1 Walsall to Wolverhampton Local Enhancements £2.080m.** Darlaston and Willenhall Land Costs £2.25m put back to April 2021.

**Metro Network - Comms & Control £1.556m.** Commissioning work proceeded later than anticipated as a result of Covid-19.

#### FORECAST V BUDGET COMMENTARY

**Metro Birmingham Eastside £1.242m.** The variance is due to utilities re-phasing as a result of the protracted signing of the Development Agreement, which is currently with HS2 for final signature. However, it will not impact the overall project budget or schedule.

**Metro Wednesbury to Brierley Hill Extension £11.921m.** Driven by the impact of the Covid-19 restrictions on the progression of Utility diversion works.

**Rail - Walsall-Wolverhampton (Package 1) £2.791m.** Land acquisition costs (Willenhall Land Triple R Site) now projected for April 2021 put back from April 2020.

**Metro Network - Comms & Control £2.227m** Full year reflection of the YTD variance.

**Metro Westside £1.340m.** Despite the Covid impact the project remains on track to be delivered on time and within the funding envelope by December 2021.

**Metro Network - Wednesbury Depot Upgrades £1.542m.** The project is at the early stages of defining the scope of work, but which was initially impacted by Covid-19.

**Metro Network - Traction Power £1.551.** Midland Metro Alliance cost stack still under discussion for finalisation.

	YEAR TO DATE			FULL YEAR		
	ACTUAL £000	BUDGET £000	VARIANCE £000	FORECAST £000	BUDGET £000	VARIANCE £000
Highway	1,144	3,321	2,177	9,319	12,403	3,084
Other	25	25	0	53	53	0
Rail	4,986	6,248	1,262	21,208	22,013	805
Sprint	7,016	17,210	10,194	28,701	50,302	21,601
<b>TRANSPORT - COMMONWEALTH GAMES</b>	<b>13,171</b>	<b>26,804</b>	<b>13,633</b>	<b>59,281</b>	<b>84,771</b>	<b>25,490</b>

#### ACTUAL V BUDGET VARIANCE COMMENTARY

At the end of September 2020, actual expenditure was £13.631m lower than budget. The main variances are as follows;

**SPRINT-A34 Walsall to Birmingham £4.883m.** Due to lower utility diversion costs owing to the Covid-19 restrictions on the highways during March-June 2020.

**SPRINT A45 Birmingham to Airport & Solihull £5.170m.** Due mainly to lower than expected progress of utility diversion costs, hampered by the temporary Covid-19 restrictions on the highways.

**RTCC - Highway Interventions £1.278m.** Covid-19 has impacted on the progress of work.

#### FORECAST V BUDGET VARIANCE COMMENTARY

**SPRINT A45 Birmingham to Airport & Solihull £13.253m.** As a result of Covid-19 utilities work expected to complete in period 6 are now expected to continue over the rest of the financial year.

**SPRINT A34 Walsall to Birmingham £8.348m.** As a result of Covid-19 utilities work expected to complete in period 6 are now expected to continue over the rest of the financial year.

**RTCC - Highway Interventions £3.036m.** Impacted by Covid-19.

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

	YEAR TO DATE			FULL YEAR		
	ACTUAL £000	BUDGET £000	VARIANCE £000	FORECAST £000	BUDGET £000	VARIANCE £000
Bus	1,049	1,648	599	3,028	3,768	740
Highway	168	3,187	3,019	3,120	5,814	2,694
Other	5,500	7,899	2,399	13,725	14,844	1,119
Rail	426	1,062	636	961	1,480	519
<b>TRANSPORT - OTHER MAJOR PROGRAMMES</b>	<b>7,143</b>	<b>13,796</b>	<b>6,653</b>	<b>20,834</b>	<b>25,906</b>	<b>5,072</b>

**ACTUAL V BUDGET VARIANCE COMMENTARY**

At the end of September 2020, actual expenditure was £6.652m below the budget. The main variances are as follows;

**Connected and Autonomous Vehicles Testbed (CAV) £1.002m.** Due to the delay in appointment of the construction company Siemens. Also the Covid-19 lockdown hasn't enabled the work to be carried out in the time frame. Some of the work has been restarted with the remainder reprofiled over the rest of the year.

**A435 Alcester Road Bus priority revitalisation £1.724m.** Construction works have been temporarily disrupted (expected 3-month timing impact) by the Coronavirus restrictions.

**Longbridge Connectivity Package £0.385m.** The construction of the decked car park is broadly complete. The variance is due to the power utility company starting work late in August as a result of Covid 19. Final snagging and commissioning works to be completed in Quarter 2 by the main contractor.

**Clean Bus Technology Fund £0.403m.** Slow down in the delivery of the programme due to Covid-19. Not anticipated to have an annual impact.

**FORECAST V BUDGET VARIANCE COMMENTARY**

**Future Transport Zone WP3 Transport Network Data £0.841m.** Costs have been transferred into 21/22, as timelines for data collection have been impacted dramatically by Covid-19 travel patterns.

**Snow Hill 3rd Access £0.520m.** The scheme was paused in March-20, in consideration of a wider solution around the public realm.

**Dudley Interchange £0.666m.** As a result of funding uncertainty hasn't yet progressed past the design stage to formal tender.

**A435 Alcester Rd Bus Priority Revitalisation £2.535m.** Formal approval has been pushed back as a result of the pandemic, and as such the work earmarked for Q2 will not now commence until Q4.

	YEAR TO DATE			FULL YEAR		
	ACTUAL £000	BUDGET £000	VARIANCE £000	FORECAST £000	BUDGET £000	VARIANCE £000
Minor Work Programme	2,063	4,012	1,949	13,435	14,718	1,283
<b>TRANSPORT - MINOR WORKS</b>	<b>2,063</b>	<b>4,012</b>	<b>1,949</b>	<b>13,435</b>	<b>14,718</b>	<b>1,283</b>

**ACTUAL V BUDGET VARIANCE COMMENTARY**

At the end of September 2020, actual expenditure was £1.948m below budget.

**ADEPT Live Lab £0.487m.** The anticipated costs in Q1 have not materialised due to Covid-19. Not anticipated to have an annual impact.

**DfT Tackling Nitrogen Dioxide (Wolverhampton MBC) £0.237m.** Slow down in the programme delivery due to COVID19, as social distancing measures have been implemented, whilst still maintaining overall delivery by March 2021.

**Real Time Information Upgrades £0.397m.** Contract award now expected to take place in November following finalisation of the tender documentation.

**FORECAST V BUDGET VARIANCE COMMENTARY**

**Park and Ride Delivery £0.322m.** Majority of the budget has been re-profiled into 21/22 pending a strategic review of sites.

**DfT Tackling Nitrogen Dioxide £0.317m.** As a result of Covid-19 other grants are being utilised this year, enabling the subsidised tendered contracts to be utilised next year.

	YEAR TO DATE			FULL YEAR		
	ACTUAL £000	BUDGET £000	VARIANCE £000	FORECAST £000	BUDGET £000	VARIANCE £000
Grants to Local Authorities	0	2,854	2,854	2,277	8,209	5,932
<b>Total Grants to Local Authorities</b>	<b>0</b>	<b>2,854</b>	<b>2,854</b>	<b>2,277</b>	<b>8,209</b>	<b>5,932</b>

**ACTUAL V BUDGET VARIANCE COMMENTARY**

At the end of September 2020, actual expenditure was £2.854m below budget.

**B4106 Spon End (Coventry CC) £1.692m.** Legal agreements signed later than expected.

**New St/High St/Victoria Sq Public Realm (Birmingham CC) £0.925m.** Due to revised Programme from the Local Authority. The full business case is scheduled for approval in Nov-20, at which point draw down against the grant is expected to begin.

**FORECAST V BUDGET VARIANCE COMMENTARY**

**New St/High St/Victoria Sq. /Public Realm (Birmingham CC) £2.235m.** Reflection of YTD performance.

**B4106 Spon End (Coventry CC) £3.697m.** Reflection of YTD performance.

<b>GRAND TOTAL TRANSPORT PROGRAMME</b>	<b>64,602</b>	<b>115,010</b>	<b>50,408</b>	<b>215,161</b>	<b>280,494</b>	<b>65,333</b>
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**Appendix 5 (continued)**  
**West Midlands Combined Authority Transport Delivery Capital Programme – September 2020**

**Capital Programme Investment Programme Grants to Local Authorities**

	YEAR TO DATE			FULL YEAR		
	ACTUAL £000	BUDGET £000	VARIANCE £000	FORECAST £000	BUDGET £000	VARIANCE £000
Investment Programme (Grants to Local Authorities)	29,158	48,430	19,272	122,776	172,840	50,064
<b>Total Investment Programme Grants to Local Authorities</b>	<b>29,158</b>	<b>48,430</b>	<b>19,272</b>	<b>122,776</b>	<b>172,840</b>	<b>50,064</b>

**ACTUAL V BUDGET VARIANCE COMMENTARY**

At the end of September 2020, actual expenditure was £19.272m below budget. The main variances are as follows;

**Coventry UKC £14.655m**

**Station Masterplan £5.243m.** Reduced progress of onsite construction works and ancillary support work due to Covid-19 restrictions, has meant draw down on WMCA funding has not begun (Local Authorities funding and Prudential borrowing have been utilised in priority to WMCA funding)

**Very Light Rail £4.060m.** The first quarter spending impacted by Covid-19 restrictions, but work has steadily progressed back to capacity following the easing of restrictions May-July.

**UK City of Culture £5.124m.** Due to disruption caused by Covid-19. Spend has been accelerated in August to meet milestones and target dates.

**UK Central**

**HS2 £2.837m.** Work undertaken in first quarter reduced by Covid-19 restrictions, primarily relating to the Roundabout-Over Trace works.

**FORECAST V BUDGET VARIANCE COMMENTARY**

**Very Light Rail £5.125m.** The knock on impact due to the Covid-19 restrictions in Q1.

**City of Culture Regeneration £3.697m.** The knock on impact due to the Covid-19 restrictions in Q1.

**UK Central HS2 Interchange £41.650m.** The knock on impact of Covid-19 restrictions in Q1.

**Housing Capital Programme**

	YEAR TO DATE			FULL YEAR		
	ACTUAL £000	BUDGET £000	VARIANCE £000	FORECAST £000	BUDGET £000	VARIANCE £000
Housing	4,428	23,279	18,851	35,803	56,348	20,545
<b>Total Housing</b>	<b>4,428</b>	<b>23,279</b>	<b>18,851</b>	<b>35,803</b>	<b>56,348</b>	<b>20,545</b>
<b>TOTAL OTHER PORTFOLIOS</b>	<b>33,586</b>	<b>71,709</b>	<b>38,123</b>	<b>158,579</b>	<b>229,188</b>	<b>70,609</b>

**ACTUAL V BUDGET VARIANCE COMMENTARY**

At the end of September 2020, actual expenditure was £18.852m below budget. The main variances are as follows;

**Black Country Land and Property Investment Fund LPIF £12.917m.** Phoenix 10 Manufacturing site scheme. Final agreements and planning application expected in Apr-20, now rescheduled with design works to April-21.

**Brownfield Land and Property fund BLPDF £5.969m.** The main projects include Redsun (£0.915m) awaiting a formal decision notice pushed back to September, Pipe Hall (£0.300m) pushed back to Q3, and Far Gosforth (£0.400m) due to prior year corrections.

**FORECAST V BUDGET VARIANCE COMMENTARY**

**Black Country Land and Property Investment Fund (LPIF) £22.331m.** Reflection of the YTD variances concerning the Phoenix 10 manufacturing site.

**Appendix 6**

WMCA Investment Programme Financial Summary period ending 31st August 2020

**WMCA Investment Programme Financial Summary**

Period Ending 31st August 2020

PROGRAMME	2020 / 2021 YEAR TO DATE			2020 / 2021 FULL YEAR			COST TO COMPLETION					
	ACTUAL	BUDGET	VARIANCE	BUDGET	FORECAST	VARIANCE	PRIOR PERIOD SPEND	2020/21 FORECAST	FUTURE YEARS FORECAST	TOTAL FORECAST OUTTURN	TOTAL BUDGET	VARIANCE
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
COVENTRY UKC PLUS	18,313	45,380	27,067	113,191	101,037	12,155	61,277	101,037	551,415	713,729	704,851	(8,878)
SPRINT PROGRAMME	7,441	16,687	9,246	54,302	50,341	3,962	12,287	50,341	271,845	334,472	334,515	42
RAIL PROGRAMME	2,472	5,420	2,949	13,238	8,621	4,618	8,050	8,621	193,744	210,415	213,015	2,600
METRO PROGRAMME	30,409	49,497	19,087	123,634	107,158	16,476	275,784	107,158	1,281,969	1,664,911	1,664,639	(272)
UK CENTRAL INFRASTRUCTURE PACKAGE	2,764	49,077	46,312	117,784	27,101	90,683	18,299	27,101	1,353,383	1,398,783	1,386,688	(12,095)
UK CENTRAL HS2 INTERCHANGE	4,671	13,342	8,670	74,870	76,270	(1,400)	17,395	76,270	435,898	529,563	529,563	-
CURZON STREET STATION MASTERPLAN	2,154	2,154	-	5,169	5,169	-	7,059	5,169	541,620	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	-
<b>HS2 GROWTH STRATEGY TOTAL</b>	<b>68,224</b>	<b>181,556</b>	<b>113,332</b>	<b>502,188</b>	<b>375,696</b>	<b>126,493</b>	<b>436,975</b>	<b>375,696</b>	<b>4,968,603</b>	<b>5,781,274</b>	<b>5,762,671</b>	<b>(18,603)</b>
COVENTRY CITY CENTRE SOUTH REGENERATION	3,351	3,711	360	19,864	20,439	(575)	27,854	20,439	296,079	344,372	342,938	(1,434)
INNOVATION PROGRAMME	3,146	6,130	2,983	14,601	11,343	3,258	11,703	11,343	171,954	195,000	195,000	-
LAND RECLAMATION AND REMEDIATION	1,881	15,585	13,704	49,727	16,629	33,098	36,708	16,629	146,663	200,000	200,000	-
COMMONWEALTH GAMES 2022	2,187	15,601	13,414	37,442	38,399	(957)	-	38,399	58,035	96,434	72,534	(23,900)
EMPLOYMENT, EDUCATION & SKILLS	93	185	92	444	445	(1)	283	445	19,273	20,000	20,000	-
COLLECTIVE INVESTMENT FUND	8,338	12,438	4,100	54,307	43,104	11,203	43,949	43,104	912,947	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	-
<b>OTHER INVESTMENT PROGRAMME SCHEMES</b>	<b>18,996</b>	<b>53,650</b>	<b>34,653</b>	<b>176,384</b>	<b>130,359</b>	<b>46,026</b>	<b>120,496</b>	<b>130,359</b>	<b>2,923,951</b>	<b>3,174,806</b>	<b>3,149,472</b>	<b>(25,334)</b>
<b>GRAND TOTAL</b>	<b>87,220</b>	<b>235,206</b>	<b>147,986</b>	<b>678,573</b>	<b>506,054</b>	<b>172,518</b>	<b>557,471</b>	<b>506,054</b>	<b>7,892,554</b>	<b>8,956,080</b>	<b>8,912,143</b>	<b>(43,937)</b>

**Appendix 6 (Continued)**

WMCA Investment Programme Financial Commentary for the period ending 31st August 2020

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, Sprint A45 Birmingham to Airport & Solihull and Metro Birmingham Eastside Extension 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 cost to completion against UK Central Interchange remains red status due to the reduced funding gap of circa £131 million against the Birmingham International Station redevelopment project.

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.

For 2020/21, the year to date variance of £148.0 million compared with the 2020/21 programme baseline primarily comprises:

- \*Coventry UKC Plus variance of £27.1 million, including Coventry Station Masterplan (£12.3 million) and Coventry Very Light Rail (£5.1 million);
- \*Metro programme variance of £19.1 million, including Birmingham Eastside Extension (£8.7 million) and Wednesbury to Brierley Hill (£8.4 million);
- \*UK Central Infrastructure Package variance of £46.3 million, across a wide array of projects within the programme.

The above variances are not considered to have an impact on the overall delivery of the projects.

**Appendix 7**

 WMCA Investment Programme Commitment Profile as at 30<sup>th</sup> September 2020

£m	Total Expected Approvals	Approved Commitments	Actual Spend
UK Central HS2 Interchange	398.0	65.4	21.2
UK Central Infrastructure Package	288.0	34.2	12.8
Sprint Programme	217.4	47.0	9.7
Rail Programme	160.1	18.0	10.4
Metro Programme	119.8	119.8	83.5
Coventry Station Masterplan (CSMP)	39.4	39.4	-
Coventry City of Culture Trust (2021)	4.0	4.0	1.9
Coventry UKC Plus - Very Light Rail: 'Transforming Connectivity'	55.0	12.2	6.4
Coventry North Package	21.6	0.2	0.2
Coventry South Package	136.5	7.4	0.3
Wednesbury to Brierley Hill Metro Extension	103.0	103.0	0.0
Coventry UKC Plus - UK City of Culture 2021 Regeneration	31.6	31.6	7.4
<b>SUB TOTAL HS2 GROWTH STRATEGY</b>	<b>1,574.4</b>	<b>482.3</b>	<b>153.9</b>
Coventry City Centre South Regeneration	150.0	150.0	15.0
Innovation Programme	50.0	12.5	5.1
Land Reclamation and Remediation	200.0	103.0	38.6
Commonwealth Games 2022	27.6	27.6	-
Employment, Education & Skills	20.0	1.3	0.4
<b>OTHER INVESTMENT PROGRAMME</b>	<b>447.6</b>	<b>294.4</b>	<b>59.0</b>
<b>TOTAL</b>	<b>2,022.0</b>	<b>776.7</b>	<b>212.9</b>

## Appendix 8

## WMCA Balance Sheet as at 30 September 2020

	30 September 2020 £'000	31 August 2020 £'000	Movement £'000
Property, plant and equipment	452,221	447,965	4,256
Investments	21,436	20,309	1,127
Loan Receivables	18,000	18,000	-
<b>Long-term assets</b>	<b>491,657</b>	<b>486,274</b>	<b>5,383</b>
Debtors	56,203	64,392	(8,189)
Short-term deposits	274,970	257,075	17,895
Cash and bank	870	191	678
<b>Current assets</b>	<b>332,042</b>	<b>321,658</b>	<b>10,384</b>
Loans - interest due	(2,230)	(1,710)	(520)
Short-term creditors/accruals	(89,420)	(83,730)	(5,690)
<b>Current liabilities</b>	<b>(91,650)</b>	<b>(85,440)</b>	<b>(6,210)</b>
<b>Net current assets</b>	<b>240,393</b>	<b>236,219</b>	<b>4,174</b>
Provisions	(2,751)	(2,744)	(7)
PWLB	(113,616)	(113,616)	-
Other loans - Barclays	(10,000)	(10,000)	-
Dudley MBC	(6,427)	(6,427)	-
Grants receipts in advance	(285,909)	(265,040)	(20,869)
<b>Long-term liabilities</b>	<b>(418,703)</b>	<b>(397,827)</b>	<b>(20,876)</b>
<b>Net assets</b>	<b>313,347</b>	<b>324,666</b>	<b>(11,319)</b>
General fund balance	2,338	2,350	(12)
Earmarked reserves	244,911	249,734	(4,823)
Capital grants unapplied reserve	247	247	-
<b>Usable reserves</b>	<b>247,496</b>	<b>252,331</b>	<b>(4,835)</b>
Revaluation reserve	6,521	6,523	(2)
Deferred capital grants account	460,579	456,321	4,258
Capital financing account	(400,753)	(390,013)	(10,740)
Accumulated absences account	(496)	(496)	-
<b>Unusable reserves</b>	<b>65,851</b>	<b>72,335</b>	<b>(6,484)</b>
<b>Total reserves</b>	<b>313,347</b>	<b>324,666</b>	<b>(11,319)</b>

The WMCA Balance Sheet reflects a healthy financial position. Main changes since August reflect TfWM capital spend and work-in-progress funded mainly by grants in advance, resulting in an increase of £4.3m net of depreciation in property, plant and equipment.

The decrease in debtors is largely due to grants received and lower trade receivables. On the other hand, the increase in short-term creditors/accruals were contributed by higher trade payables and capital spend on Coventry UKC Plus schemes. The grants receipts in advance have increased mainly due to the receipt of MHCLG grant for Get Buidling Fund. These factors contributed to the net increase in short-term deposits and cash and bank.

The decrease in usable reserves was driven by the payments for the Adult Education Budget.

## Appendix 9

### Treasury Management Strategy Mid-Year 2020 / 2021

#### 1. Introduction

- 1.1 The report provides an update on the West Midlands Combined Authority Treasury Management Strategy at the 2020/21 mid-year point and is being submitted as a requirement under the CIPFA Treasury Management Code.

#### 2. Treasury Management Mid-Year Review 2020/21

- 2.1 Table 1 shows WMCA borrowing and investments held at 1 April 2020 and 30 September 2020. It shows that net borrowing has decreased by £196.8m mostly as a result of grants being received in advance of need as documented below.

	April 2020 £m	Change	Sept 2020 £m	Notes
Borrowing	(130.2)	0.2	(130.0)	Minor reduction due to repayments against annuity loans.
Investments	78.4	196.6	275.0	Increase due to receipt of grants in advance of need including AEB, Investment Programme and Transforming Cities.
Net	(51.8)	196.8	145.9	

#### 3 Borrowing Activity

- 3.1 Effective cash flow management and the use of grants received in advance have negated any requirement to borrow in the first 6 months of the 2020/21 financial year. The WMCA cash flow forecast is updated daily and latest versions suggest there may be requirement to borrow in quarter 4 of 2020/21 as WMCA and Local Authority / Investment Programme requirements erode WMCA cash balances.

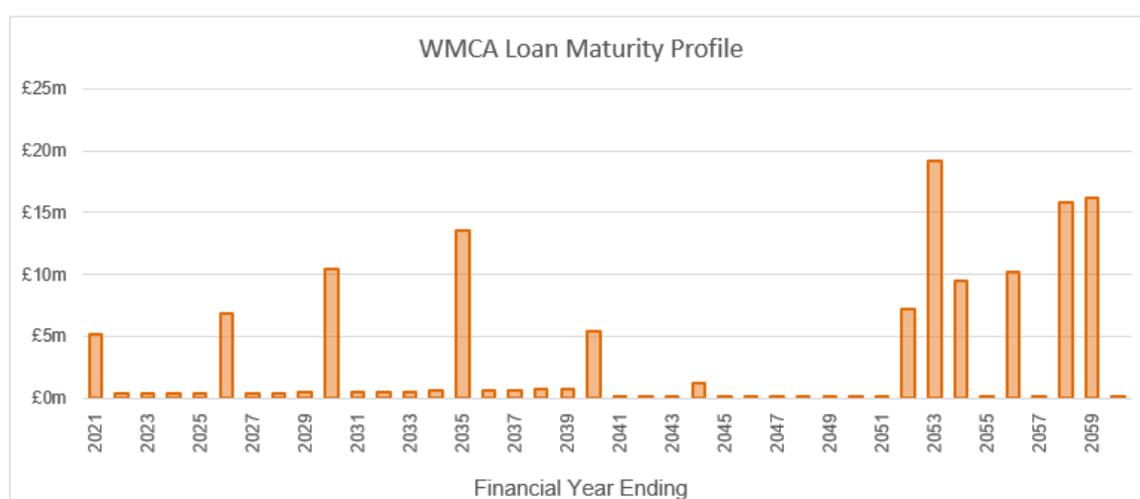
#### 4 Historic Borrowing

- 4.1 The main source of borrowing for WMCA is the Public Works Loan Board (PWLB). The Treasurer of the Authority continues to review the opportunities to reschedule debt and continues to work closely with specialist treasury advisors to explore alternative best value borrowing options. The costs associated with early repayment in current market conditions are too onerous to be beneficial. During 2020/21 there will be one significant maturity of £5m in December together with further minor principal repayments against annuity loans.
- 4.2 Table 2 shows borrowing held at 1<sup>st</sup> April 2020 and 30<sup>th</sup> September 2020. It shows that borrowing has decreased by £156k due to annuity principal repayments during the year.

	Balance at 1 April 2020 £m	Repaid in Year £m	Raised in Year £m	Balance at 30 Sept 2020 £m
PWLB	113.8	0.2	-	113.6
Barclays	10.0	-	-	10.0
Ex WM County Council	6.4	-	-	6.4
<b>Total Long Term Borrowing</b>	<b>130.2</b>	<b>0.2</b>	<b>-</b>	<b>130.0</b>

## 5 Long Term Debt Profile

- 5.1 As detailed in the chart below, WMCA have a £5m maturity during 2020/21 and then the next significant maturity will occur in 2025/26 with sporadic maturities from that point onwards. The maturity profile is important for WMCA to monitor and ensure when new debt is taken out to sufficiently gaps are maintained between maturities to aid cash planning. It is possible that upon maturing, WMCA will need to re-finance the debt but these decisions will be taken at the point of maturity, influenced by available cash levels and prevailing rates of interest.



## 6. Investment Activity

- 6.1 As at the 30<sup>th</sup> September 2020, all short term investments have given a return to the Authority of £0.358m. All treasury management activities undertaken during the year complied fully with Treasury Management Strategy approved by WMCA Board in February 2020. Investments are placed directly with financial institutes, or using various brokers: ICAP, Tradition, Prebon, Martin Brokers, BGC and King & Shaxson. Investments held as at the 30 September 2020 totalled £275m as detailed below:

Counterparty	Interest	Investment	Maturity Date
Birmingham City Council	0.10%	£10.0m	Nov 20
	0.18%	£10.0m	Feb 21
Surrey CC	0.04%	£5.0m	Oct 20
	0.06%	£5.0m	Nov 20
Blackpool	0.04%	£2.0m	Jan 21
City of Bradford District Council	0.10%	£10.0m	Jan 21
Conwy	0.04%	£2.0m	Jan 21
Coventry City Council	0.85%	£20.0m	Oct 20
Kirklees Council Huddersfield	0.08%	£5.0m	Jan 20
London Borough of Havering	0.03%	£5.0m	Oct 20
Lincolnshire	0.04%	£5.0m	Mar 21
Thurrock Council	0.25%	£10.0m	Nov 20
Trafford Council	0.15%	£10.0m	Feb 21
Wokingham Borough Council	0.90%	£10.0m	Oct 20
<b>Sub Total Local Authorities (Interest Average)</b>	<b>0.20%</b>	<b>£109.0m</b>	
DMO (UK Government / HM Treasury)	0.01%	£10.0m	Oct 20
	0.01%	£32.0m	Oct 20
	0.01%	£14.6m	Oct 20
	0.01%	£28.0m	Nov 20
<b>Sub Total UK Government (Interest Average)</b>	<b>0.01%</b>	<b>£84.6m</b>	
Santander (Call Account)	0.03%	£10.0m	Liquid
<b>Sub Total UK Banks (Interest Average)</b>	<b>0.03%</b>	<b>£10.0m</b>	
CCLA	0.08%	£20.0m	Liquid
Federated	0.03%	£20.0m	Liquid
HSBC	0.01%	£20.0m	Liquid
Overnight Balances Invested	0.01%	£11.4m	
<b>Sub Total Money Market (Interest Average)</b>	<b>0.03%</b>	<b>£71.4m</b>	
<b>Total Investments 30 September 2020</b>	<b>0.13%</b>	<b>£275.0m</b>	

- 6.2 The interest rate environment has been severely depressed in recent months. Since the onset of the pandemic and particularly since the initial lock-down measures, interest for short-term, secure investments have remained marginally above zero with investments with HMT offering a negative yield for durations under two weeks and a 'yield' of 0.00% for durations under one month. As such, the total forecast investment income for the second half of 2020/21 are pessimistic and losses in such income are factored into the forecasting and medium term financial plans.
- 6.3 Whilst WMCA are yet to place investments in any products returning 0.0% or negative yields, its ability to avoid doing so in the future will be dependent on market conditions and other external factors. It should be noted that WMCA's priorities when investing surplus cash remain the security, liquidity and yield of those resources, in that order.

## 7 Performance measurement and Treasury Indicators

- 7.1 The WMCA treasury management function participates benchmarking which compares WMCA's treasury management performance with other Local Authorities, to ensure that relative to other local authorities the Authority is achieving a fair investment return without any undue risk. Performance is also regularly reviewed at the monthly Treasury Management Group.
- 7.2 The Treasury Management Strategy approved by WMCA Board in February agreed a number of Treasury Management Indicators which as at the mid-year point have all been complied with as follows:

Indicator	Target	Status
Credit Risk	A Minus	Green
Liquidity Risk	£50m Minimum	Green
Price Risk	< £10m invested longer than 1 year	Green
Refinancing Risk	Under 1year 15% Max 1 to 2 Years 20% Max 2 to 5 years 20% Max 5 to 10 Years 20% Max 10 Years and Over 25% Max	Green

- 7.3 In addition to the above, compliance with the debt limit is confirmed. WMCA debt stands at £130.0m with no new debt being undertaken in the financial year. For clarity, the published operational and authorised limits for debt are £583m and £623m respectively.
- 7.4 In summary, the Section 151 Officer can confirm that all treasury management activities undertaken during the first half year complied fully with the CIPFA Code of Practice and the WMCA Treasury Management Strategy.

## 8 Borrowing Update

- 8.1 WMCA are closely monitoring external debt markets and developing appropriate debt strategies in light of the need to fund the Investment Programme over the Medium Term Financial Plan term. The anticipated debt requirement published within the 2020/21 Treasury Management Strategy were as follows:

2020/21 TM Strategy	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Forecast New Debt	305.0	338.0	100.0	10.0	10.0

- 8.2 Due to significant re-forecasting of the capital programme in 2020/21 as a result of the pandemic, it is likely that the quantum of debt undertaken in 2020/21 will be significantly lower as WMCA will only look to borrow where there is a clear and obvious need; affordability and the "cost of carry" remain important influences on WMCA's borrowing strategy

- 8.3 In October 2019 HM Treasury raised the cost of rate borrowing by 1.0% making it relatively expensive. Market alternatives are available, however the financial strength of individual authorities will be scrutinised by investors and commercial lenders.
- 8.4 The Chancellor's March 2020 Budget statement included significant changes to Public Works Loan Board (PWLB) policy and launched a wide-ranging consultation on the PWLB's future direction. The consultation allowed stakeholders to contribute to developing a system whereby PWLB loans can be made available at improved margins to support qualifying projects. It contained proposals to allow authorities that are not involved in "debt for yield" activity to borrow at lower rates as well as stopping local authorities using PWLB loans to buy commercial assets primarily for yield.
- 8.5 The consultation closed on 31 July 2020 with the announcement and implementation of the revised lending terms expected in the latter part of this calendar year or early next year.
- 8.6 Whilst the outcome of the consultation is pending, WMCA will continue to develop its borrowing strategy to ensure the borrowing arrangements are optimised.
- 8.7 It should be noted that WMCA have access to £100m of discounted borrowing (UK Gilts plus 60 basis points) from PWLB as part of the Local Infrastructure Rate competitive bidding process and further bids for an additional £100m are being evaluated by HM Treasury.

## 9. **Outlook for the remainder of 2020/21**

- 9.1 The scale of the economic shock to demand following the onset of coronavirus, on-going social distancing measures, regional lock downs and reduced fiscal support will mean that the subsequent pace of recovery is limited. Early signs of this are already evident in UK monthly GDP and PMI data, even before the latest restrictions.
- 9.2 This situation will result in central banks maintaining low interest rates for the medium term. In the UK, Brexit is a further complication. The Bank Rate is therefore likely to remain at low levels for a very long time, with a distinct possibility of being cut to zero. Money markets have priced in a chance of negative Bank Rate.
- 9.3 Longer-term investment yields will also remain depressed, anchored by low central bank policy rates, expectations for potentially even lower rates and insipid inflation expectations. There is a chance yields may follow a slightly different path in the medium term, depending on investor perceptions of growth and inflation, or if the UK leaves the EU without a deal.
- 9.4 While the central case is for the Bank Rate to remain unchanged from the current level of 0.1%, further cuts to Bank Rate to zero or even into negative territory cannot be completely ruled out.
- 9.5 Gilt yields which influence the cost of borrowing are expected to remain very low in the medium term. Shorter-term gilt yields are currently negative and will remain

around zero or below until either the Bank of England expressly rules out negative Bank Rate or growth/inflation prospects improve.

- 9.6 Downside risks remain in the near term, as the government dials down its fiscal support measures, reacts to the risk of a further escalation in infection rates and the Brexit transition period comes to an end.