



Audit, Risk & Assurance Committee

Date	18 January 2022
Report title	COVID-19 Revenue and Capital Costs
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Report has been considered by	N/A

Recommendation(s) for action or decision:

Audit, Risk & Assurance Committee is recommended to:

- (1) note the contents of this report.

1.0 Purpose

- 1.1 This report has been prepared to set out the financial implications of COVID-19 on WMCA's revenue and capital monitoring position in 2021/22.

2.0 Background

- 2.1 Although COVID-19 restrictions began to ease during 2021, the COVID-19 pandemic continues to have a detrimental impact on the Combined Authority's finances. The day to day financial position has been and will continue to be closely monitored through the Executive team and in consultation with the Finance and Investments Portfolio Holder. The Chairs of Audit, Risk and Assurance Committee and Overview and Scrutiny Committee will continue to be briefed on actions taken as a result of the crisis as necessary.

2.2 At the time of writing, whilst it is not yet clear what further restrictions will be put in place moving into 2022 with new variants of the virus emerging, there remains potential that further restrictions will continue to impact WMCA's finances for the foreseeable future.

2.3 The most significant financial impacts of the pandemic to date are the loss of commercial revenue within the Transport Portfolio and the impact on delivery of the Transport for West Midlands Capital Programme, although it is not possible to isolate the financial impact of COVID-19 on the Capital Programme with any particular degree of accuracy.

3.0 Revenue impact

3.1 Transport for West Midlands is continuing to see drops in income and the commercial bus and metro network is still seeing reduced levels of patronage, however, the Government has put in place a package of funding to support the loss of commercial revenue and the loss of income from fees and charges for services. This intervention has helped to mitigate losses of commercial revenue as well as losses of transactional income from customer and client receipts such as car parking charges and bus station departure charges.

3.2 Short term Government support for metro operations has been awarded by the Department for Transport in the form of Light Rail Revenue Restart Grant to provide support to enable services to continue and ensuring the short-term financial viability of Midland Metro Limited operations. Grant awarded in 2021/22 to date as at 30 November 2021 amounts to £3.08m, offsetting MML's coronavirus related loss of commercial fare revenue in the year to date.

3.3 Short term Government support for the bus network has also been awarded by the Department for Transport in the form of Coronavirus Bus Services Support Grant which has partially met the costs of additional cleaning regimes and Coronavirus marketing campaigns on the network in 2021/22 to date.

3.4 A summary of the revenue cost impact of the pandemic on WMCA in the 2021/22 financial year is set out in the following table:

COVID-19 Revenue Impact 2021/22 as at 30 November 2021	Revenue Impact £'000	Grant awarded £'000	Net impact £'000
Loss of income			
Car parking fees	179	61	118
Bus station departure charges	246	187	59
Ticketing fees	131	97	34
Information charges	63	47	16
Sub-total	619	392	227
Additional expenses			
Additional cleaning on the transport network	106	87	19
Marketing costs on the network	68	68	-
Office costs and signage at 16 Summer Lane	62	-	62
Meeting room equipment at 16 Summer Lane	135	-	135
Sub-total	371	155	216
Grand total	990	547	443

- 3.5 The office costs and signage at 16 Summer Lane (£62k) includes the purchase of office furniture and redecoration where required as well as general repairs and removals. The costs of signage to reflect the new layout of the building are also included.
- 3.6 The meeting room equipment costs (£135k) include the purchase, installation and service costs for the mounted display equipment and cabling to allow hybrid meetings to take place at 16 Summer Lane as well as the purchase of headsets to facilitate hybrid working.
- 3.7 The overall net impact on revenue in the year of £443k has either been met from savings elsewhere within the Transport Portfolio or alternatively met from existing earmarked reserves.
- 3.8 The latest full year forecast (expected outturn) for 2021/22 as reported to WMCA Board on 14 January 2022 reflects a surplus of £0.699m compared with the approved budget, mainly owing to residual savings on the English National Concessionary Travel Scheme and child concessions.

4.0 Capital Programme impact

- 4.1 There are a number of macro-economic factors which are placing stress on major capital projects both regionally and nationally. These include the Covid-19 pandemic which is disrupting supply chains (affecting the availability / price of materials and labour), BREXIT (also affecting the availability / price of labour) and the global and local demand / competition for resources, which regionally is impacted (for example) by HS2.
- 4.2 All of these macro-economic factor's over-lap contributing to schedule delay and potential increased cost where these matters cannot be contained within the relevant contingency allowances for schemes. It is difficult, however, to quantify a precise number on the impact Covid-19 in isolation will have on WMCA capital programme delivery.
- 4.3 There is then the secondary impact on the Capital Programme where investment is underpinned by forecast, future passenger revenues. Where these projections are seen to be deviating adversely from the pre-pandemic position, or are uncertain, this limits WMCA's ability to make investment decisions with the confidence around affordability.
- 4.4 With respect to cost escalation alone, since the onset of the pandemic, WMCA has undertaken regular desk top assessments to establish the approximate cost any severe disruption and delay to the Capital Programme would have based on whether schemes were in the design / delivery stage and the extent to which they may be exposed to potential issues. This situation is being regularly monitored.
- 4.5 In recent months, there been a number of cost pressures emerging on key projects, including University Station, Perry Bar Station and Westside Metro Extension which have been reported to WMCA Board. WMCA are closely monitoring all other schemes for emerging impacts and expect there will be a requirement in the future for additional funding.
- 4.6 The West Midlands Finance Director Group have been consulted on the risks and are supportive of the assessment made by WMCA that there are likely to be further impacts which will cause a deterioration in the financial resilience of WMCA. To this end, WMCA have been consulting with DfT and Local Authorities to enable use of the City Region

Sustainable Transport Settlement capital funding where these pressures emerge and are unavoidable.

- 4.7 As members are aware, the risk to delivery of WMCA's Investment Programme is monitored in the authority's Financial Monitoring report, Strategic Risk Register (which documents issues such as financial resilience) and monthly Progress reports to WMCA Investment Board. For those projects in the Investment Programme being delivered by local authority partners the WMCA financial contribution is a capped award as part of overall blended project funding with the risk being managed the individual Authority. At this stage No projects are reporting impacts however this will continue to evolve as the long-term implications of COVID-19 play out and Officers will continue to develop the documents through regular review.

5.0 Financial Implications

- 5.1 The financial implications are set out in the report.

6.0 Legal Implications

- 6.1 Not applicable.

7.0 Equalities Implications

- 7.1 Not applicable.

8.0 Inclusive Growth Implications

- 8.1 Not applicable.

9.0 Geographical Area of Report's Implications

- 9.1 Not applicable.

10.0 Other Implications

- 10.1 Not applicable.

11.0 Schedule of background papers

- 11.1 Not applicable