



WEST MIDLANDS
COMBINED AUTHORITY

Board Meeting

Date	17 March 2017
Report title	Financial Monitoring 2016/17
Cabinet Member Portfolio Lead	Councillor Izzi Seccombe – Finance & Investments
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Report to be/has been considered by	WMCA Management Board - 16 February 2017 WMCA Programme Board - 17 February 2017

Recommendation(s) for action or decision:

The Combined Authority Board is recommended to:

1. Note the current financial position to the end of January 2017.

1.0 Purpose

1.1 To provide an update of the WMCA finances as at the end of January 2017.

2.0 Financial Monitoring

- 2.1 Summary of the revenue and capital budgets to the end of January 2017 are attached at appendices 1 and 2. A summary Balance sheet and a summary of the Investment Programme is also included in appendices 3 and 4.
- 2.2 A re-forecasting exercise has taken place during January 2017. The transport revenue statements shows an overall forecast deficit of £0.782m for the full year this represents savings of £0.157m compared with budget.
- 2.3 Key movements from budget remain a reduction in concessionary expenditure offset by a reduction in advertising revenue, as previously reported. In addition, there are increased Infrastructure costs as a result of new contracts that have been renewed during the year and other upward pressures across various budgets. Specific commentary is included in appendix 1.
- 2.4 Within operational expenditure the increase in net spend above that planned to achieve the full year forecast has increased to £0.9m. This is largely due to a forecast increase in the External Advice budget where there are key pieces of work due to take place within the Strategy team in the next two months.
- 2.5 Additionally, the marketing budget is showing a significant underspend due to the re-profiling of expenditure where a significant proportion (25%) of the budget is now forecast to take place in the last 2 months of the year.
- 2.6 Also shown in appendix 1 is the latest position of the WMCA governance budget. A reforecasting exercise was undertaken in January 2017 across all workstreams resulting in a forecast underspend of £230,000 by year end with specific commentary in appendix 1.
- 2.7 Transport major schemes under development are 28% behind budget which is mainly as a result of delays to works on the Centenary Square, Edgbaston and Wolverhampton metro extensions relating to utility / ground works and land acquisitions.
- 2.8 Within other major projects there is an in year overspend on the Birmingham City Centre scheme relating to final safety works and the final account with the contractor.
- 2.9 The minor works programme is 19% behind budget mainly relating to development work for park and ride and Dudley Bus Station development and the programme of Bus Shelter Improvements.
- 2.10 With nothing specific to highlight, the WMCA balance sheet as at 31 January 2017 is reported at appendix 3.
- 2.11 The 2016/17 WMCA Investment Programme as at 31 December 2016 is attached at Appendix 4. This is one month behind as the process gives Districts two weeks post month

end to supply their latest claim and forecast figures. Of the £26.0m spend year to date, £2.0m is WMCA funding. A variance commentary is included in the appendix.

3.0 Legal implications

3.1 There are no legal implications.

4.0 Equalities implications

4.1 There are no equalities implications

5.0 Appendices

- Appendix 1 – WMCA Revenue Summary – January 2017
- Appendix 2 – WMCA Transport Capital Programme - January 2017
- Appendix 3 - WMCA Balance Sheet as at 31 January 2017
- Appendix 4 – WMCA Investment Programme January 2017

Appendix 1

West Midlands Combined Authority Revenue Report January 2017

OVERALL REVENUE BUDGET STATUS GREEN	January 2017 Year to Date			Full Year 2016/17			Commentary
	Actual £'000	Budget £'000	Variance £'000	Forecast £'000	Budget £'000	Variance £'000	
INCOME							
Transport Levy	104,025	104,025		124,830	124,830		
Total Income	104,025	104,025		124,830	124,830		
EXPENDITURE							
Concessions							
National Bus Concession	44,580	44,791	211	53,352	53,633	280	There is a favourable YTD variance of £1.130m and FY £1.717m within the concessions budget due to a better rate being agreed with NX and also due to lower patronage.
Metro / Rail	3,511	3,511		4,213	4,213	()	
Child Concession	8,559	9,478	919	9,986	11,425	1,439	
Passes and Permits	125	110	(15)	165	171	7	
	56,775	57,890	1,115	67,716	69,442	1,726	
Bus Services							
Bus Stations / Infrastructure	3,077	2,388	(689)	4,085	2,931	(1,154)	The adverse variance within bus services is largely due to a reduction in advertising income YTD (£0.525m) FY (£0.675m) as a result of a new contract. Additionally a new cleaning contract has also resulted in price increases FY (£0.114m) and shelter repairs (£0.171m).
Subsidised Network	6,337	6,315	(22)	7,624	7,558	(66)	
Tendering / Monitoring	731	821	91	946	986	40	
Accessible Transport	6,304	6,307	3	7,567	7,568	1	
	16,449	15,832	(617)	20,221	19,043	(1,178)	
Rail Services							
Metro	838	730	(108)	1,005	876	(129)	Metro adverse variance has largely occurred due to unbudgeted stray current monitoring and trams storage legal fees £0.088m
Rail Enhancements							
Car Park and Ride	908	855	(53)	1,152	1,059	(94)	Car park and ride adverse FY variance has occurred due to increased demands on the infrastructure budget.
West Midlands Rail	491	453	(38)	587	580	(8)	
Bromsgrove Rail Station	236	425	189	283	510	227	Bromsgrove rail station favourable variance has occurred due to receiving more income from the DFT than initially budgeted.
	2,473	2,463	(9)	3,028	3,024	(4)	
Integration							
Safety and Security	894	902	9	1,072	1,073	1	FY Adverse variance within passenger information has occurred as a result of additional staff being required within the customer intelligence and customer services team, due to swift demand and also the opening of the metro extension. This is offset by a favourable within the WMTIS budget £0.048m, which is no longer in existence.
Passenger Information	4,412	4,365	(47)	5,386	5,209	(177)	
Sustainable Travel	(57)	(54)	3	(67)	(65)	2	
	5,249	5,213	(35)	6,391	6,218	(174)	
Business Support Costs	2,684	2,694	11	3,449	3,273	(176)	FY adverse variance due in the main to lower capitalisation of staff costs and higher staff recruitment costs.
Policy and Strategy and Elected Member Services	1,368	1,637	269	1,813	1,975	162	Favourable variance largely due to vacant posts YTD £0.201m and FY £0.217m offset by an adverse variance on external advice due to additional strategy work relating to transport planning and E network resilience.
Finance Charges							
Finance Costs	13,531	13,292	(238)	16,141	15,922	(220)	FY and YTD variance due to reorganisation costs offset by savings against loan interest due to no borrowings taking place.
Deregulation Pension Costs	5,706	5,727	21	6,853	6,873	20	
Transport Development	19,237	19,020	(217)	22,994	22,794	(200)	
Total Expenditure	104,233	104,749	516	125,612	125,769	157	
Net	(208)	(724)	516	(782)	(939)	157	

Key forecast movements are: further savings against the child concession budget £0.439m, as a result of reasons outlined above. This is offset by increases in infrastructure costs across a number of budgets totalling c£0.250m.
In addition there has been an increase in forecasted external advice costs of £0.104m, largely relating to transport planning and e-network resilience work which is forecast to take place by the end of the year.

This report is PUBLIC
[NOT PROTECTIVELY MARKED]

West Midlands Combined Authority Governance Budget - January 2017

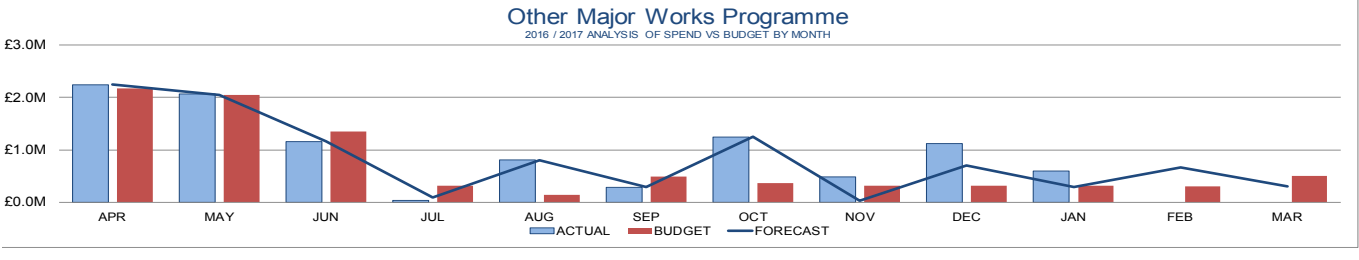
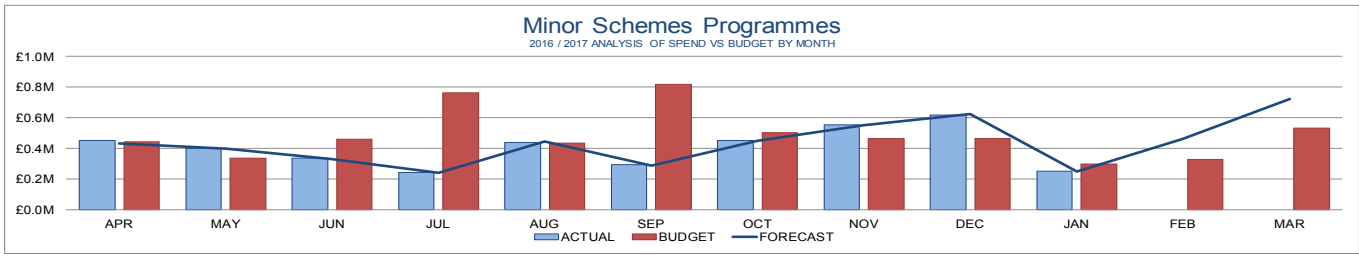
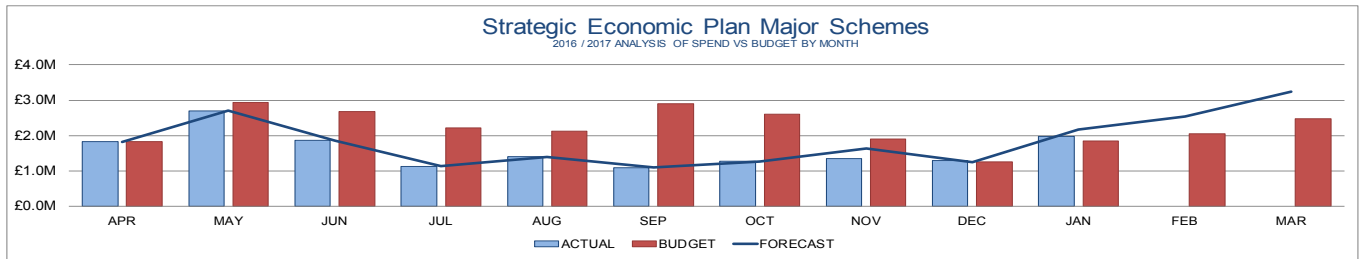
FINANCIAL SUMMARY AS AT JANUARY 2017	JANUARY 2017 YEAR TO DATE			FULL YEAR 2016/17			OVERALL WMCA GOVERNANCE BUDGET STATUS GREEN
	ACTUAL	BUDGET	VARIANCE	FORECAST	BUDGET	VARIANCE	
	£000	£000	£000	£000	£000	£000	
2015/16 Contributions	492	0	492	492	492	0	<p>A reforecasting exercise has taken place during January and the revised position now shows an expected surplus of £0.230m for the full year.</p> <p>A contribution towards Midlands Engine of £0.160m has been included in the revised forecast. In addition there is a forecast over-spend of £0.040m within the Land Commission budget largely relating to publicity / launch costs.</p> <p>Expenditure to date within the PSR budget reflects staff costs largely relating to a Strategy Lead and an Information Sharing / Research Lead. In addition there are consultancy costs relating to Information Sharing and the Innovation Fund. The forecast under-spend of £0.111m will be carried forward to 2017/18.</p> <p>Also the majority of the Productivity and Skills budget will now be carried forward to next financial year with only £0.030m expected to be spent in year.</p> <p>The forecast for the Mental Health portfolio shows a minor under-spend in the full year. Expenditure to date reflects expected contract spend and expenses for commission members.</p> <p>The Skills budget of £101k was intended to fund a Regional Skills Lead which will not now be appointed to. There are further savings within the Program/Policy/Governance budget relating to the Programme Office team based in Wolverhampton where the majority of staff have now returned to substantive roles. There also forecast savings of £73k within the Communications budget largely relating to stakeholder engagement.</p>
Contribution - 7 Met Council's	1,765	1,349	416	1,750	2,004	(254)	
Non-Constituent Members	350	167	183	375	250	125	
Associate Members / Official Observers	29	37	(8)	50	50	0	
2016/17 Contributions	2,144	1,553	591	2,175	2,304	(129)	
Collective Investment Fund	(276)	(233)	(43)	(350)	(350)	0	
Communications	(66)	(180)	114	(225)	(299)	74	
Culture and Tourism	(6)	0	(6)	(20)	(20)	0	
Housing & Land Commission	(239)	(167)	(72)	(357)	(317)	(40)	
Mental Health Commission	(158)	0	(158)	(174)	(223)	49	
Midlands Engine Contribution	0	0	0	(160)	0	(160)	
Productivity & Skills Commission	0	0	0	(30)	(150)	120	
Program/Policy/Governance	(350)	(413)	63	(597)	(646)	49	
Public Sector Reform	(247)	(333)	86	(389)	(500)	111	
Skills	0	(67)	67	0	(101)	101	
Transport	(67)	(160)	93	(135)	(190)	55	
Total Expenditure	(1,409)	(1,553)	144	(2,437)	(2,796)	359	
TOTAL RETURN	1,227	0	1,227	230	0	230	

Appendix 2



West Midlands Combined Authority Transport Delivery Capital Programme - January 2017

FINANCIAL SUMMARY AS AT JANUARY 2017	JANUARY YEAR TO DATE			FULL YEAR 2016/17			OVERALL PROGRAMME STATUS GREEN
	ACTUAL £000	BUDGET £000	VARIANCE £000	FORECAST £000	BUDGET £000	VARIANCE £000	
STRATEGIC ECONOMIC PLAN MAJOR SCHEMES							
Longbridge Connectivity Package	(9)	(250)	241	(10)	(250)	240	Longbridge Connectivity is currently progressing slowly whilst options are being evaluated.
Hagley Road Sprint	(212)	(399)	187	(670)	(432)	(238)	Hagley Rd Sprint is behind schedule but due to exceed budget due to impending Utility works
A45 Sprint	(168)	(263)	95	(248)	(276)	28	Metro Centenary Sq is expected to be 3% behind budget by March due to deferred Land and Utility costs.
Metro Centenary Square Extension	(4,976)	(5,628)	652	(6,167)	(6,561)	394	Birmingham Eastside Metro is expected to be 12% behind budget due to slippage in early design work
Metro Birmingham Eastside Extension	(2,112)	(2,583)	471	(2,606)	(2,976)	370	Wolverhampton Metro is expected to be 20% behind budget due to land acquisitions.
Metro Wolverhampton City Centre Extension	(2,285)	(3,055)	770	(3,094)	(3,846)	752	Edgbaston Metro is expected to be significantly behind budget (37%) due to delays in obtaining permissions to commence utility works.
Metro Edgbaston Extension	(3,716)	(6,911)	3,195	(5,090)	(8,087)	2,997	The Managing Short Trips Programme is currently behind schedule but expected to be on budget by year end.
District Delivered - Managing Short Trips (BC LEP)	(2,469)	(3,198)	729	(4,375)	(4,380)	5	
SUB TOTAL - SEP SCHEMES	(15,947)	(22,287)	6,340	(22,260)	(26,808)	4,548	
OTHER MAJOR PROGRAMMES							
Better Bus Area Programme	(276)	(276)	0	(283)	(283)	0	
Smart Networks Smarter Choices (LSTF 1)	(156)	0	(156)	(144)	0	(144)	Birmingham Metro Extension reflects the anticipated cost of the project although discussions are ongoing re: the final account on the scheme.
Birmingham City Centre Metro Extension	(5,893)	(4,652)	(1,241)	(5,517)	(4,833)	(684)	
Metro Wednesbury to Brierley Hill Extension	(979)	(1,190)	211	(1,384)	(1,500)	116	Bromsgrove Station forecast details the expected additional cost relating to the London Midland fees for the bringing into use of the station.
Metro East Birmingham to Solihull Extension	(540)	(1,183)	643	(879)	(1,500)	621	
Bromsgrove Station	(578)	(380)	(198)	(579)	(380)	(199)	
Bilston Road Track Replacement	(25)	0	(25)	(423)	0	(423)	Bilston Road Track project relates to the early work design required for the larger track replacement works.
Metro Catenary Free	(158)	(158)	0	(158)	(158)	0	
SUB TOTAL - OTHER MAJOR SCHEMES	(8,605)	(7,839)	(766)	(9,367)	(8,654)	(713)	
GRAND TOTAL MAJOR SCHEMES	(24,552)	(30,126)	5,574	(31,627)	(35,462)	3,835	
MINOR PROGRAMMES							
Minor Works Programme Total	(4,048)	(5,000)	952	(5,198)	(5,861)	663	The minor works programme is expected to be 11% behind budget by the end of the year due to delays in progressing schemes including Bradley Lane Park and Ride, Shelter Improvement Programme, Dudley Bus Station and the Park & Ride Expansion Programme.
FULL PROGRAMME GRAND TOTAL	(28,600)	(35,126)	6,526	(36,825)	(41,323)	4,498	



Appendix 3

WMCA Balance Sheet as at 31 January 2017

	31 January 2017 £'000	31 December 2016 £'000	Movement £'000
Property, plant and equipment	247,538	248,961	(1,423)
Long-term assets	247,538	248,961	(1,423)
Debtors	32,482	35,458	(2,976)
Short -term deposits	45,300	36,000	9,300
Cash and bank	117	1,033	(916)
Current assets	77,899	72,491	5,408
Loans - interest due	(1,965)	(2,184)	219
Short-term creditors/accruals	(33,649)	(32,154)	(1,495)
Current liabilities	(35,614)	(34,338)	(1,276)
Net current assets	42,285	38,153	4,132
Provisions	(6,683)	(6,655)	(28)
Finance lease liabilities	(2,675)	(2,675)	-
PWLB	(147,719)	(147,849)	130
Other loans - Barclays	(10,000)	(10,000)	-
Dudley MBC	(9,068)	(9,068)	-
Grants receipts in advance	(16,911)	(13,299)	(3,612)
Long-term liabilities	(193,056)	(189,546)	(3,510)
Net assets	96,767	97,568	(801)
General fund balance	3,539	2,001	1,538
Earmarked reserves	48,270	48,773	(503)
Capital grants unapplied reserve	247	247	-
Usable reserves	52,056	51,021	1,035
Revaluation reserve	7,362	7,363	(1)
Deferred capital grants account	240,163	241,585	(1,422)
Capital financing account	(202,814)	(202,401)	(413)
Unusable reserves	44,711	46,547	(1,836)
Total reserves	96,767	97,568	(801)

The WMCA Balance Sheet reflects a healthy financial position. Main changes since December reflect TfWM capital spend and work-in-progress funded mainly by grants in advance. The increase in deposits is due to the residual balance of Highways Maintenance Challenge Fund and levy received at the end of the month.

Investment Programme Summary Financials

Period Ending 31st January 2017

OVERALL PROGRAMME STATUS GREEN	PROJECT RAG	YEAR TO DATE			CURRENT YEAR			COST TO COMPLETION		
		ACTUAL	BUDGET	VARIANCE	BUDGET	FORECAST	VARIANCE	BASELINE	LATEST	VARIANCE
		£M	£M	£M	£M	£M	£M	£M	£M	£M
HS2 - UK Central Hub Growth & Infrastructure Plan Investment		1.9	2.8	0.9	3.7	3.6	0.1	1,621.7	1,621.7	0.0
HS2 Curzon Street Station Masterplan		0.0	0.0	0.0	0.0	0.1	(0.1)	610.0	556.5	53.5
HS2 - Eastside (Adderley St to Digbeth Metro)		2.1	2.6	0.5	3.2	2.6	0.6	137.2	137.2	0.0
HS2 - Metro Birmingham Interchange		0.5	1.2	0.6	1.0	0.9	0.1	675.0	735.0	(60.0)
HS2 Wider Connectivity Package excluding Metro Birmingham Interchange		11.3	19.1	7.7	19.6	15.3	4.4	1,257.0	1,257.0	0.0
Brierley Hill Metro Extension		1.0	1.2	0.2	1.6	1.4	0.2	310.0	310.0	0.0
<i>High Speed Supply Chain & Business Support</i>		0.0	0.0	0.0	7.0	7.0	0.0	350.0	350.0	350.0
Employment, Education & Skills - HS2 College		10.5	10.0	(0.5)	12.9	13.7	(0.8)	28.5	24.6	3.9
Programme Management		0.2	0.2	0.0	0.3	0.3	TBC	4.4	4.4	0.0
HS2 Growth Strategy Total		27.6	37.1	9.5	49.3	44.8	4.5	4,993.9	4,996.4	347.5
Coventry UK Central Plus Connectivity		3.1	2.9	(0.2)	3.9	4.4	0.5	370.0	370.0	0.0
Coventry City Centre Regeneration		0.4	0.2	(0.2)	0.3	0.4	0.1	150.0	151.2	(1.2)
Collective Investment Vehicle		0.0	0.0	0.0	4.4	4.4	0.0	1,000.0	1,000.0	0.0
Land Reclamation		0.0	0.0	0.0	0.0	0.0	0.0	200.0	200.0	0.0
<i>Devolved Transport Investment</i>		TBC	TBC	TBC	TBC	TBC	TBC	1,299.0	1,299.0	0.0
<i>E2 Expansion Excluding Curzon</i>		TBC	TBC	TBC	TBC	TBC	TBC	20.0	20.0	0.0
<i>Business Innovation</i>		TBC	TBC	TBC	TBC	TBC	TBC	50.0	50.0	0.0
West Midlands Revolving Housing Fund		TBC	TBC	TBC	TBC	TBC	TBC	500.0	0.0	500.0
OTHER INVESTMENT PROGRAMME SCHEMES		3.5	3.1	(0.3)	8.6	9.3	0.7	3,589.0	3,090.2	498.8
GRAND TOTAL		31.1	40.3	9.2	57.9	54.2	5.2	8,582.9	8,086.6	846.3

Analysis of Year to Date Funding	Year to Date £m
WM Combined Authority	2.0
Department for Business	10.4
LEP Local Growth Fund	6.3
Enterprise Zone	5.0
Department for Transport	5.4
EU Grants	0.3
Local Authorities	1.6
TOTAL	31.1

Commentary on Significant Variances as at 31st January

During January 2017 £5m was spent against the overall HS2 Growth Strategy Programme (HS2 College £2.9m, Connectivity Package £1.5m and £0.6m other schemes).

The year to date variance of £9.2m is mostly attributable to variances against the HS2 Connectivity Package in relation to utilities and land acquisition issues within the Birmingham City Centre (Centenary Square /Edgbaston) and Wolverhampton Metro schemes.

The 2016/2017 position on the Programme shows spend broadly in line with expectations, with some minor slippage against the HS2 Connectivity Package due to the issues detailed above. It should be noted that WMCA Board approved the re-prioritised HS2 Connectivity Package on 17th February 2017.

There remains a forecast £60m over-spend against the Metro to Birmingham Airport due to the inclusion of optimism bias within the estimates, which is expected to be reduced downwards as the project detail is refined.

The Curzon St Station Masterplan is forecasting a £53.5m decrease from the baseline value contained within the Devo Deal documentation to DCLG following the disaggregation of costs associated with the East Birmingham Metro Extension.

The revised UKC value was approved by HS2 Delivery Board in February 2017 and will be submitted for approval by WMCA. Whilst the scope and value of works has increased (by £231m), the WMCA financial contribution is unchanged.