

# LIVERPOOL CITY REGION COMBINED AUTHORITY

To: The Metro Mayor and Members of the Combined Authority

Meeting: 6 December 2019

Authority/Authorities Affected: All

EXEMPT/CONFIDENTIAL ITEM: No

## REPORT OF THE DIRECTOR OF CORPORATE SERVICES

### LIVERPOOL CITY REGION COMBINED AUTHORITY QUARTER 2 FINANCIAL PERFORMANCE REPORT 2019-20

#### 1. PURPOSE OF REPORT

The purpose of this report is to provide members of the Liverpool City Region Combined Authority with a financial update for the revenue and capital activity for the period April to 30 September 2019 and an update on its treasury management activity.

#### 2. RECOMMENDATIONS

It is recommended that the Liverpool City Region Combined Authority:

- (a) Note the revenue position for the Combined Authority for the period to 30 September 2019;
- (b) Approve the revised budget and the increase in the non precepted budget of £3.224m reflecting the transfer of budgets from Merseytravel to the Combined Authority and the corresponding reduction in the Merseytravel operating grant of £3.224m, as detailed in table 1;
- (c) Approve the reduction in the Mersey Tunnels operating grant and the corresponding reduction in the utilisation of reserves of £0.076m as detailed in table 1;
- (d) Approve OLEV funding of £6.5m to support the deployment of a hydrogen refueller and hydrogen buses as detailed at 4.2.10;
- (e) Note the capital position for the Combined Authority for the period to 30 September 2019;
- (f) Note the mid year treasury management strategy statement; and
- (g) Approve the updated Prudential Indicators.

### **3. BACKGROUND**

- 3.1 The Combined Authority approved a revenue budget of £239.08m for 2019-20 at its meeting of 1 February 2019. As part of the revenue budget, the CA approved a grant of £93.9m to Merseytravel to support the discharge of its transport related responsibilities. A separate grant of £23.73m to support the operation of the Mersey Tunnels was approved. The transport related costs of the CA were funded through the Transport Levy and income from Tunnel tolls.
- 3.2 The quarter one report detailed an increase of £0.31m to the Allowed Budget to take account of slippage on key mayoral priorities. This increased the budget to £239.39m.
- 3.3 The Combined Authority has delegated detailed financial and performance monitoring with respect to transport activities to the Transport Committee, however all strategic financial decisions remain with the Combined Authority.
- 3.4 In addition to the transport related activities of the CA, an initial revenue budget of £11.77m, increasing to £12.08m (as detailed at 3.2) was approved to support the operation of the non transport related activity of the Combined Authority. As part of its funding arrangements, the Combined Authority approved a Mayoral Precept of £7.675m to support the costs of operating the Mayoral Combined Authority. The balance of funding for CA running costs was met through a combination of grants and reserves.
- 3.5 The financial performance of the Combined Authority is shown in Section 4 of this report.

### **4. FINANCIAL PERFORMANCE**

#### **4.1 Revenue Performance**

- 4.1.1 The table below provides an overview of the Combined Authority's revised revenue budget showing movements from quarter one reporting.

Table 1 – Liverpool City Region Combined Authority Revised Budget Statement to 30 September 2019.

	<b>Revised Budget June 2019 £'000</b>	<b>Revised Budget September 2019 £'000</b>	<b>Variance £'000</b>
Mayoral Precepted Costs	7,675	7,675	0
CA Non Precepted Costs	4,405	7,629	3,224
Merseytravel Operating Grant	93,916	90,692	(3,224)
Mersey Tunnels Operating Grant	23,734	23,658	(76)
Capital Financing Costs	21,892	21,892	0
Halton Transport Grant	3,148	3,148	0
Special Rail Grant	75,993	75,993	0
Rolling Stock Project Costs	8,620	8,620	0
<b>Total Revenue Cost</b>	<b>239,383</b>	<b>239,307</b>	<b>(76)</b>
<b>Funded by:</b>			
Mayoral Precept	(7,675)	(7,675)	0
Transport Levy	(95,400)	(95,400)	0
Halton Differential Levy	(3,148)	(3,148)	0
Tunnels Tolls Income	(39,597)	(39,597)	0
Use of Gainshare Revenue	(2,348)	(2,348)	0
Application of Reserves	(14,222)	(14,146)	76
Special Rail Grant	(75,993)	(75,993)	0
Mayoral Capacity Grant	(1,000)	(1,000)	0
<b>Total Income</b>	<b>(239,383)</b>	<b>(239,307)</b>	<b>76</b>
<b>Net Budget Requirement</b>	<b>0</b>	<b>0</b>	<b>0</b>

4.1.2 Overall the revised revenue budget for the Combined Authority remains balanced however there is an increase in the CA non-precepted costs of £3.224m offset by a reduction in the Merseytravel Operating Grant. This adjustment reflects the transfer of directorate support staff budgets, and policy, corporate communications and marketing budgets to the CA from Merseytravel. In addition, there is a minimal reduction of £0.076m to the Mersey Tunnels Operating Grant reflecting adjustments to rechargeable services budgets. This adjustment has resulted in a corresponding reduction in the utilisation of reserves. A breakdown of the Merseytravel revenue budget is provided at Appendix A for Members information.

4.1.3 The table below provides a more detailed analysis of the revised budget and phased spend for the Combined Authority to the end of September 2019.

Table 2 – Liverpool City Region Budget and Spend to Date to 30 September 2019

	<b>Revised Budget £'000</b>	<b>Phased Budget £'000</b>	<b>Spend to Date £'000</b>	<b>Variance to date £'000</b>
CA Running Costs	12,620	6,300	6,108	192
Mayoral Priority Spend	2,684	1,325	1,321	4
Merseytravel Operating Grant	90,692	45,346	45,346	0
Mersey Tunnels Operating Grant	23,658	11,829	11,829	0
Capital Financing Costs	21,892	9,555	8,846	709
Halton Transport Grant	3,148	1,574	1,574	0
Special Rail Grant	75,993	37,997	37,997	0
Rolling Stock Project Costs	8,620	4,310	2,366	1,944
<b>Total Revenue Cost</b>	<b>239,307</b>	<b>118,236</b>	<b>115,387</b>	<b>2,849</b>
Funded by:				
Mayoral Precept	(7,675)	(3,838)	(3,838)	0
Transport Levy	(95,400)	(47,700)	(47,700)	0
Halton Differential Levy	(3,148)	(1,574)	(1,574)	0
Tunnels Tolls Income	(39,597)	(19,799)	(20,357)	558
Gainshare Revenue Funding	(2,348)	(1,174)	(1,174)	0
Application of Reserves	(14,146)	(5,652)	(2,245)	(3,407)
Special Rail Grant	(75,993)	(37,999)	(37,999)	0
Mayoral Capacity Grant	(1,000)	(500)	(500)	0
<b>Total Income</b>	<b>(239,307)</b>	<b>(118,236)</b>	<b>(115,387)</b>	<b>(2,849)</b>
<b>Net Budget Requirement</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

4.1.4 The table below provides a more detailed breakdown of the revenue spend against budget for the Combined Authority's running costs.

Table 3 – Combined Authority Running Costs Budget and Spend to Date to 30 September 2019

	<b>Revised Budget £'000</b>	<b>Budget to date £'000</b>	<b>Spend to date £'000</b>	<b>Variance £'000</b>
Mayoral & Chief Exec Office	888	419	415	4
Communications & Stakeholder Engagement	3,037	1,889	1,814	75
Policy & Commissioning	3,258	1,386	1,230	156
Programmes & Projects	167	0	0	0
Employment and Skills	630	333	394	(61)
Households into Work	496	335	330	5
Commercial Development & Investment	1,887	840	871	(30)
Corporate Services	2,257	1,098	1,055	43
Transport: Bus Alternative Service Delivery	500	500	500	0
<b>CA Running Costs</b>	<b>13,120</b>	<b>6,800</b>	<b>6,608</b>	<b>192</b>
Mayoral Priorities Fund	2,184	825	821	4
<b>Total Running Costs</b>	<b>15,304</b>	<b>7,625</b>	<b>7,430</b>	<b>196</b>

4.1.5 At the end of quarter two the revenue budget for the CA is showing a positive variance of £2.849m. The underspend on capital finance costs has arisen as a consequence of the Authority being able to defer the need to undertake external borrowing at this point in the year and as such has avoided an element of debt servicing that it would have otherwise anticipated incurring. The underspend on CA running costs is largely driven by a small number of vacancies held across the organisation, which it is forecast will reduce as the year progresses and these posts are filled. Tunnel Tolls income is slightly ahead of budget at this point in the year, arising from ancillary income streams generated by the service. The underspend on Rolling Stock arises from three main areas; firstly reduced spend against projected NNLNNG lines on the budget as a result of less industrial action to date than anticipated, secondly prudent assumptions regarding pension top up payments and finally avoiding incurring interest payments as a consequence of external interest having not yet been incurred.

4.1.6 Under the Combined Authority Finance Order (2017), the Authority can raise funding through a Mayoral Precept to cover certain costs associated with the operation of the Mayoral Combined Authority. These costs are in effect a sub set of the totality of the CA revenue budget and as detailed at 3.4; a precept of £7.6m was approved for the financial year 2019/20. The table below details the budget for the Mayoral Combined Authority costs, together with spend to date.

Table 4 – Mayoral Combined Authority Running Costs Budget and Spend to Date to 30 September 2019

Cost Centre	Budget 19/20	Budget to date	Spend to Date	Variance
	£000	£000	£000	£000
<b>Direct Mayoral Costs</b>				
Cost of Mayor and Mayor's/Chief Exec Support Office	651	325	295	30
<b>Specified Programme Costs</b>				
Tidal Energy Project	951	500	498	2
Digital Connectivity Project	266	72	69	3
Mayoral Transport Priorities	780	546	547	(1)
Wirral Borough of Culture Award	300	207	207	0
<b>Total Specified Programme Costs</b>	<b>2,297</b>	<b>1,325</b>	<b>1,321</b>	<b>4</b>
<b>Direct Service Costs</b>				
Policy & Future Devolution	1,622	611	590	21
Employment & Skills	408	281	280	1
Housing & Spatial Planning	246	123	114	9
Commercial Development	708	354	367	(13)
<b>Total Direct Service Costs</b>	<b>2,985</b>	<b>1,369</b>	<b>1,351</b>	<b>18</b>
<b>Corporate Management Costs</b>				
Chief Executive's Office	124	107	106	1
Corporate Services	877	512	509	3
Communication and Engagement	741	286	280	6
<b>Total Corporate Management Costs</b>	<b>1,742</b>	<b>905</b>	<b>895</b>	<b>10</b>
<b>Total Cost to be met by Precept</b>	<b>7,675</b>	<b>3,924</b>	<b>3,862</b>	<b>62</b>

## 4.2 Capital Spend

4.2.1 The Combined Authority approved a capital programme of £297.85m at its meeting on 1 February 2019. The programme approved for the year incorporated all planned expenditure on schemes funded through the Strategic Investment Fund which comprises schemes delivered by constituent local authorities, third parties Merseytravel and includes the following elements:

- (a) Local growth deal schemes;
- (b) Transforming cities;
- (c) Integrated transport block, pothole funding and highways maintenance;
- (d) Rolling stock replacement project;
- (e) Mersey Tunnels renewal and maintenance; and
- (f) Small scale transport schemes delivered directly by Merseytravel.

4.2.2 Local Growth funds have been received by the Local Enterprise Partnership (LEP) on the back of successful bids for these funds with the Combined Authority fulfilling the Accountable Body role for these funds. To date bids have been made and received against three rounds of Local Growth Fund allocations with funding provided for specific thematic areas. Whilst a significant proportion of the Local Growth Fund 1 funds have been committed, with the agreement of the LEP, uncommitted Local Growth Fund funds form part of the Strategic Investment Fund to be invested in accordance with its assurance framework.

4.2.3 In addition to LGF and Gain Share funding, the Combined Authority has been awarded £134m Transforming Cities Funding (TCF) over the period 2018/19 to 2021/22. Members will be aware from previous reports that the government, to support improved productivity through investment in public and sustainable transport, has provided this funding directly to the CA.

4.2.4 The table below provides an overview of the revised capital programme for the Combined Authority, together with spend to date and projected outturn for the year.

Table 5 – Capital Monitoring to 30 September 2019

<b>Scheme</b>	<b>Revised Budget</b>	<b>Spend to date</b>	<b>Projected Outturn</b>	<b>Projected (Over)/ Underspend</b>
	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
LGF 1	51.6	14.0	55.3	(3.7)
LGF 2	7.0	4.3	6.1	0.9
LGF 3	37.1	8.9	30.3	6.8
Gainshare Capital	13.0	2.5	12.0	1.0
Transport Single Pot	26.5	26.5	26.5	0
Transforming Cities	21.5	0.1	21.5	0
Merseytravel Capital Programme	169.0	45.7	126.2	42.8
Adjustment for Merseytravel Schemes funded by the CA	(1.7)	(1.1)	(1.9)	0.2
<b>Total</b>	<b>324.0</b>	<b>100.9</b>	<b>276.0</b>	<b>48.0</b>

- 4.2.5 The table above incorporates all schemes that have either commenced or are anticipated to commence and spend during the current year and are based on the approved spend profiles. To the extent that there may have been change controls requesting rephasing that have not been approved, these are not reflected in the figures above. Included in the above are a number of SIF schemes that have not yet reached grant funding approval. An adjustment is made to account for Merseytravel schemes funded by the CA to avoid double counting expenditure. A more detailed analysis at a scheme level is included at Appendix B.
- 4.2.6 The projected underspend on the Merseytravel capital programme is largely explained by delays in the Rolling Stock Programme. This is due to a Force Majeure event with one of Stadler's suppliers, which means that some payment milestones have slipped and will now occur in 2020/21 rather than 2019/20.
- 4.2.7 The Combined Authority has also approved the following schemes which are not expected to commence and spend in the current financial year, but will progress during 2020-21.

Table 6 Approved schemes commencing 2020/21

<b>Scheme</b>	<b>Provisional Allocation £'m</b>
Tower Road	3,000
Sandon Global	2,000
Strand 4 - Hugh Baird	477
Strand 4 -Wirral Met	385
Strand 4 - Southport College	489
Strand 4 - Riverside	486
Strand 4 - SK College	761
Strand 4 - COLC	902
Shakespeare Playhouse	10,550
Cruise Liner	20,000
Parkside Road	23,800
Town Centres	6,000
Brexit Fund	15,000
Flexible Growth Fund	20,000
Createch Scale Up	336
MTC Project in a Box SIF2039	9,240
Eureka!	6,642
Inward Investment Fund	4,500
Ferries	30,300
Cycling & Walking	4,830
<b>Total Capital Schemes</b>	<b>159,698</b>

4.2.8 In addition to the above, the Combined Authority has provided initial approval to a number of schemes to progress through to Outline Business case or Full Business Case. Whilst these schemes have not received full approval to proceed to GFA, there is, nonetheless, an assumption that these will progress through and thus there are commitments to fund. The table below details these funding commitments. Providing for these schemes in this way does not in anyway commit the Combined Authority to approving the scheme, nor does it pre-determine the outcome of the assurance framework process.

Table 7 Schemes progressing through to CA Approval

<b>Scheme</b>	<b>Provisional Allocation £'m</b>
Strand 1 - Southport College	1,980
Strand 1 - LJMU	3,329
Strand 1 - COLC	1,446
Strand 1 - Sefton MBC	995
Strand 1 - Rotunda College	1,306
Strand 1 - Riverside	2,000
Strand 5 - Hugh Baird	125
Strand 5 - Wirral Met	167
Strand 5 - Southport College	167
Strand 5 - Riverside College	167
Strand 5 - SK College	167
Strand 5 - COLC	167
Kirkby Town Centre	2,750
Strand 2 Wirral Met	358
Strand 5 Hugh Baird	42
Project Violet	3,750
Kirkby Town Centre	7,750
Vymoma	6,000
Strand 2 AVCT	446
Strand 2 NWCS	260
Strand 2 Engineering College	315
Strand 2 Myerscough	389
Strand 2 Halton MBC	443
Strand 2 LJMU	295
Strand 2 Merseyside Youth Association	460
Strand 2 Greenbank	484
Strand 3 - Engineering College	180
Strand 3 -St Helens Chamber	93
Strand 3 - NWCS	52
Strand 3 - Wirral Met	279
Strand 3 - Myerscough	61
Strand 3 - Halton BC	256
Strand 3 - NWTC	500
Strand 3 - Merseyside Youth Association	166
Strand 3 - Riverside	359



<b>Scheme</b>	<b>Provisional Allocation £'m</b>
Festival Gardens	9,900
Access For All	7,500
Smart Ticketing = Phase 1	1,390
Smart Ticketing = Phase 2	3,200
Hydrogen Bus Project	10,000
Rolling Stock Enhancement (TCIS)	16,200
Rolling Stock Enhancement ( IPEMU)	3,500
<b>Total Capital Schemes</b>	<b>89,394</b>

4.2.9 As these schemes progress through the approval process and to Grant Funding Agreement, more detailed spend profiles will be provided.

4.2.10 The CA has submitted a successful bid for £6.4m of OLEV funding to support a hydrogen bus and refueller project. This project is to deploy a fleet of 25 hydrogen buses to operate in the Liverpool City Region. The OLEV funding is secured subject to offer letter signature.

#### 4.3 Treasury Management Mid Year Report

##### Context

4.3.1 In accordance with the CIPFA Code of Practice for Treasury Management in Public Services, the Combined Authority is required to produce an interim report which provides a review of the Treasury Management Strategy Statement and Annual Investment Strategy, together with an update on investments and borrowing and a review of its Treasury Limits and Prudential Indicators.

4.3.2 The Combined Authority's Treasury Management Strategy was approved at its meeting on 1 February 2019. At the mid-point in the year it is felt pertinent to provide the Authority with an update on progress against the original approved strategy.

4.3.3 The interim report has been prepared in accordance with CIPFA's Code of Practice on Treasury Management and covers the following:

- (a) an update on interest rates;
- (b) a review of treasury management strategy statement and annual investment strategy;
- (c) an update on current investments and borrowing profiles; and
- (d) a review of compliance with Treasury Limits and Prudential Indicators for 2019-20 together with forward estimates.

#### 4.4 Interest Rates Forecasts

4.4.1 The Authority's treasury advisors, Link Asset Services have provided the following forecast for interest rates.

Table 8 – Forecasts for Interest Rates

Link Asset Services Interest Rate View											
	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25
3 Month LIBID	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20
6 Month LIBID	0.80	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40
12 Month LIBID	1.00	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60
5yr PWLB Rate	1.20	1.30	1.50	1.60	1.70	1.70	1.80	1.90	2.00	2.00	2.10
10yr PWLB Rate	1.50	1.60	1.80	1.90	2.00	2.00	2.10	2.20	2.30	2.30	2.40
25yr PWLB Rate	2.10	2.30	2.40	2.50	2.60	2.70	2.70	2.80	2.90	3.00	3.00
50yr PWLB Rate	2.00	2.20	2.30	2.40	2.50	2.60	2.60	2.70	2.80	2.90	2.90

4.4.2 At the time of writing the treasury management strategy, the forecast for interest rates was that rates would increase gradually from 0.75% to 1.00% by June 2019, reaching 2.00% by March 2022. This forecast was contingent on the strength of GDP growth, inflationary pressures and perhaps most prominently of all the speed and orderliness of the UK's exit from the European Union. Changes in the political environment with an impending general election on 12 December and a lack of clarity over the shape of any Brexit deal has led to the MPC voting to maintain the Bank Rate at 0.75%. As a consequence of this uncertainty, Link have revised their interest rate forecasts down with the base assumption being that rates will be held for longer and the pace of increases to Bank Rate will be much more gradual.

4.4.3 It is Link's view that the overall balance of risk to economic growth in the UK is probably on the downside due to weight of uncertainty over Brexit, as well as the softening global economic picture.

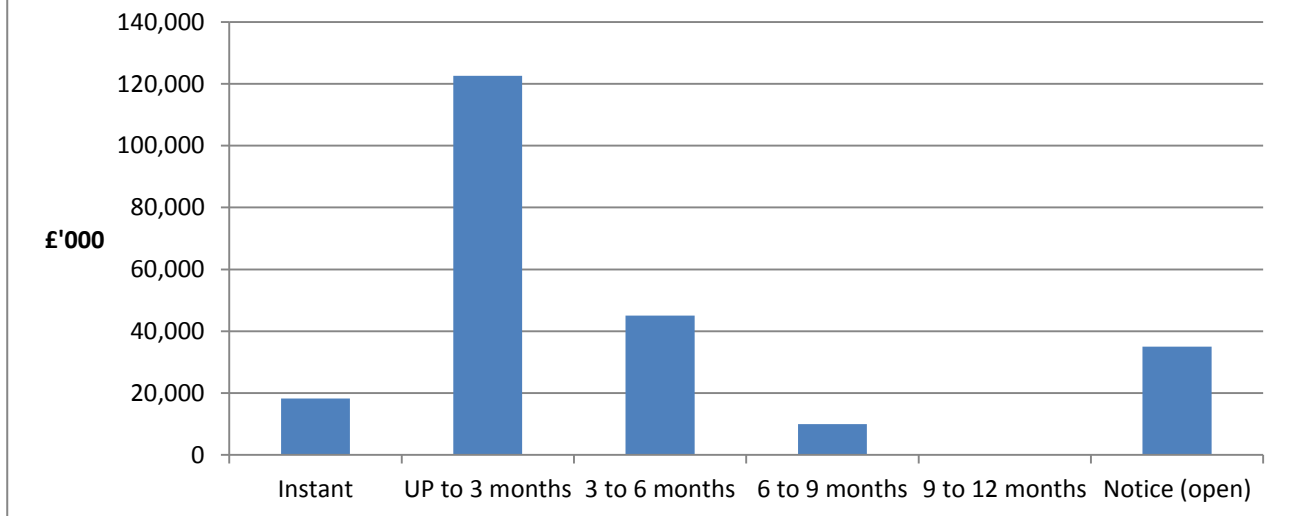
#### 4.5 Treasury Management Strategy and Annual Investment Strategy Update

The Treasury Management Strategy Statement, which includes the Annual Investment Strategy, was considered and approved by the Combined Authority at its meeting on 1 February 2019. The Investment Strategy outlined the Authority's investment priorities which can be summarised as achieving the best return available on fund whilst maintaining the security of capital and liquidity of investments.

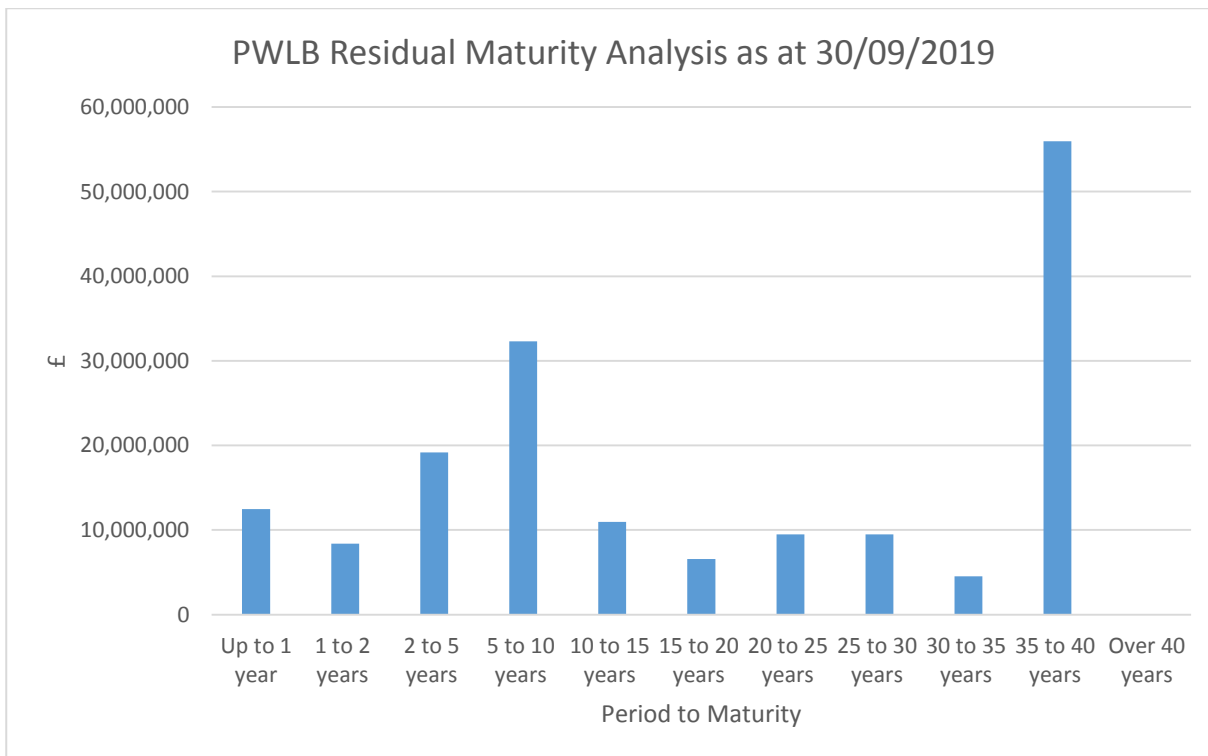
#### 4.6 Investments

4.6.1 As at 30 September 2019, the Combined Authority held investments and cash balances of £231m (£277m at 30 September 2018). The chart below details the maturity profile of the Combined Authority's investments.

## Maturity profile of investment portfolio at September 2019



- 4.6.2 At the mid-point of the year, cash holdings have reduced from the same point in 2018-19. A reduction in cash holdings has been anticipated in previous reports and reflects a realigning of income profiles and expenditure. In previous years the funding received for Local Growth Fund and Gain Share has been in excess of the expenditure on the associated projects due to the front loading of funding. The reversal of this trend will see cash levels decrease and it is forecast that cash holdings will fall further before the end of the year.
- 4.6.3 There is the potential for the Rolling Stock project to have a significant impact on the cash levels at the year end. Whilst the Authority has been able to defer the need for external borrowing thus far there is an expectation that external borrowing will be undertaken before the end of the year to ensure that there is sufficient funding to meet all capital requirements and secondly to allow the Authority to secure funding through the European Investment Bank.
- 4.6.4. Despite the limited availability of high quality counterparties and continued subdued rates of return available within the market, the Authority's weighted average rate of return is 0.94% compared with 0.85% in 2018-19. Whilst the Authority has continued to maintain a good level of return commensurate with its key investment priorities of security and liquidity, whilst Bank Rate is forecast to increase slowly, it is not anticipated that the fundamentals of the market will change before the end of the year. It is therefore envisaged that returns on investments will remain subdued for some time.
- 4.7 Borrowing
- 4.7.1 As at 30 September 2019, the Combined Authority has outstanding debt of £161.05m together with £14.88m debt transferred on the abolition of the former Merseyside County Council. The chart below shows the profile of residual maturities for external debt (excluding transferred debt).



4.7.2 Based on its capital financing requirement, the Authority has an underlying need to borrow: based on the capital programme for the next three years, it is envisaged that significant borrowing will be undertaken which will reduce the under borrowed position. Interest rates and trends will be monitored closely to ensure that any borrowing is secured at the optimal point. As detailed at 4.6.3 the Rolling Stock project presents the Authority with an absolute need to borrow before the end of the financial year.

4.7.3 The Authority has a strategy of running down cash balances in lieu of new borrowing to help minimise credit risk. This borrowing strategy is considered to still be fit for purpose. On 9 October 2019, HM Treasury used secondary legislative powers to increase PWLB borrowing rates by 100 Base Points, thus taking borrowing rates back to 2018 levels. The 1% increase in borrowing rates was implemented in response to concerns about the levels of borrowing being undertaken by councils and the impact of this on the national statutory debt levels. With the changes that have been introduced to the PWLB rates structure, EIB borrowing offers a competitive option for funding.

4.7.4 As part of its treasury management activity, the Authority will consider any options to restructure its debt portfolio to improve the profile or cash flow associated with debt servicing. In the current climate and with the current structure of Public Works Loan Board interest rates, there have been no viable debt restructuring opportunities.

#### 4.8 Treasury Limits and Prudential Indicators

It is a statutory duty under Section 3 of the Local Government Act 2003 for local government bodies to determine and keep under review how much they can afford to borrow. The Combined Authority's Treasury Limits and Prudential Indicators were outlined in the approved Treasury Management Strategy. During the year the Combined Authority has operated within these limits. A copy of the current and

latest projected Treasury Limits and Prudential Indicators are shown in Table 9 below. Revisions have been made to the estimates to take account of anticipated level of capital expenditure over the medium term.

Table 9 – Capital Prudential and Treasury Indicators 2019/20 -2022-23

<b>Indicator</b>	<b>Description</b>	<b>19/20 Forward Estimate</b>	<b>20/21 Forward Estimate</b>	<b>21/22 Forward Estimate</b>	<b>22/23 Forward Estimate</b>
Capital Spend (£m)	Proposed capital spend to which the Authority plans to commit	324.00	262.58	42.98	50.00
In year Requirement	Additional borrowing requirement for capital expenditure	154.32	109.42	26.51	12.50
Capital Financing Requirement (£m)	This is the aggregation of historic and cumulative capital expenditure which has yet to be paid for through either capital or revenue resources	435.38	537.23	543.61	536.28
Ratio Financing Cost to Income Stream	Identified the impact and trend of revenue costs of capital financing decisions on the revenue budget	25.89%	30.18%	43.58%	42.55%
Net Borrowing Requirement (£m)	Represents the net investments or borrowing requirement based on the debt and investments held	70.41	59.59	48.77	37.95
Authorised Limit for Borrowing (£m)	Represents the absolute limit of borrowing that could be raised and afforded in the short term however this is likely to be unsustainable in the long term	435.38	537.23	543.61	536.28
Operational Limit for Borrowing (£m)	Represents the level beyond which debt is not normally expected to exceed	355.89	423.94	425.16	416.78
Upper Limit for Fixed Interest Rate Exposure	These limits seek to ensure that the Authority does not expose itself to an inappropriate level of interest rate risk	100.00%	100.00%	100.00%	100.00%
Upper Limit for Variable Interest Rate Exposure		30.00%	30.00%	30.00%	30.00%
Gross Debt and the CFR (£m)	This indicator can highlight where an authority may be borrowing in advance of need	264.97	377.64	394.84	398.33

## **5. RESOURCE IMPLICATIONS**

### **5.1 Financial**

The financial implications of the report are detailed above.

### **5.2 Human Resources**

None as a direct result of this report.

### **5.3 Physical Assets**

None as a direct result of this report.

### **5.4 Information Technology**

None as a direct result of this report.

## **6. RISKS AND MITIGATION**

None as a direct result of this report.

## **7. EQUALITY AND DIVERSITY IMPLICATIONS**

None as a direct result of this report.

## **8. COMMUNICATION ISSUES**

None as a direct result of this report

## **9. CONCLUSION**

The Liverpool City Region Combined Authority is performing within its budget allocation for 2019/20. At the end of the second quarter there is a small underspend against the budget however based on the quantum of the budget this is not deemed material and it is not envisaged that this will impact on the organisation's delivery during the year.

JOHN FOGARTY  
Director of Corporate Services

Contact Officer(s):

Sarah Johnston, Assistant Director of Finance (0151 330 1015)

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Appendices:

Appendix A – Merseytravel Revenue Spend to Quarter Two

Appendix B – Quarter Two Capital Monitoring

Background Documents: None attached