

Report Title	Merseytravel Financial Performance Report Quarter 2
Portfolio Holder	Liam Robinson, Transport and Air Quality Portfolio Holder
Summary of decision being sought	Note the contents of the report
Is this report exempt?	No
Local Authorities affected	All
Impact and implications of this report	
Financial impact	Yes see paragraph 3
Delegation (s) sought	None
Supporting the Corporate Plan	A Fairer City Region ✓ A Stronger City Region ✓ A Cleaner City Region ✓ A Connected City Region ✓ A Vibrant City Region ✓
Climate Change Implications	No
Equality and Diversity implications	No
Social Value implications	No
Human Resources implications	No
Physical Assets implications	No
Information Technology implications	No
Legal implications	No
Risk and Mitigation	No
Privacy implications	No
Communication and consultation implications	No
Contact Officer(s)	Assistant Director of Finance,
Appendices	Yes
Background Documents	No

LCR TRANSPORT COMMITTEE

Thursday, 10 November 2022

REPORT OF MERSEYTRAVEL

MERSEYTRAVEL FINANCIAL PERFORMANCE REPORT QUARTER 2

1. PURPOSE OF REPORT

This report provides the Members of the Transport Committee with details of Merseytravel's financial performance for the period through to 30 September 2022, together with projected outturn.

2. RECOMMENDATIONS

It is recommended that the Transport Committee note the contents of the report.

3. BACKGROUND

- 3.1. A revenue budget of £117.719m was approved by Merseytravel on 7 February 2022, with a grant provided from the Combined Authority of £91.494m for the operation of transport services and a grant of £21.892m to cover the operational costs associated with the Mersey Tunnels. In addition, a grant of £4.333m was provided from the Combined Authority rail specific reserve to support the Rolling Stock revenue project team costs.
- 3.2. At the Merseytravel meeting on 27 June 2022 a revised capital programme budget of £173.471m was approved. This reflected an increase of £33m which was predominately slippage on existing schemes but also reflected an element of Highways Maintenance and pre development funding allocation from within CRSTS.
- 3.3. Revenue Performance

The table below details revenue expenditure for Merseytravel to 30 September 2022 together with projected outturn spend. A detailed breakdown of revenue expenditure by service area is included at Appendix One.

Table 1 Revenue Expenditure to 30 September 2022

	Full Year Budget £'000	Spend to Period 6 £'000	Full Year Projections £'000	Full Year Variance £'000
Bus	19,366	9,680	19,453	(87)
Ferries	1,061	432	1,107	(46)
Customer Delivery	1,695	722	1,614	81
Hubs	2,237	930	2,216	21
Policy	469	209	425	44
Rail	7,203	3,959	8,063	(860)
Rolling Stock	2,182	423	2,182	0
Corporate Costs	360	63	218	142
Asset Management	7,285	3,502	7,233	52
Concessionary Travel	46,381	23,159	43,581	2,800
Tunnels	17,320	7,637	17,663	(343)
Recharges from LCRCA	7,469	0	7,469	0
Total	113,028	50,716	111,224	1,804

3.4 The main outturn variances arise from a projected overspend on Special Rail Grant payments to Merseyrail Electrics Limited higher than income budgeted due to 2% efficiency (£960k) net of savings on consultancy and staff vacancies and underspend arising from reduced payments for concessionary travel arising predominantly as a consequence of strike action.

3.5 Whilst the overall outturn position is projecting an underspend against the budget, there remain a number of risks around the impact of pay, inflation and bus contract prices such that it is not proposed that any adjustments will be made to the budget to reduce the level of grant flowing from the Combined Authority to Merseytravel. This position will be monitored and reviewed over the next couple of months.

3.6 Capital Expenditure

The table below details the capital programme and expenditure against budget to 30 September 2022. A detailed breakdown of capital expenditure is included at Appendix Two.

Table 2 Capital Expenditure to September 2022 against Budget

	Full Year Budget £'000	Spend to Period 6 £'000	Full Year Projections £'000	Full Year Variance £'000
Bus	17,721	737	17,625	96
Ferries	2,019	291	2,089	(70)
Hubs	1,200	4	1,200	0
Policy	446	58	446	0
IT	514	118	476	38
Rail	73,757	22,902	63,395	10,362
Rolling Stock	67,874	11,936	67,860	14
Smart Ticketing	242	(2)	235	7
Tunnels	18,740	3,237	10,948	7,792
ED Place Central Allocation	2,347	0	347	2,000
Total	184,860	39,281	164,621	20,239

3.7 Expenditure to the end of September 2022 represents 22% of the budgeted spend for the year however based on forecasts of estimated spend until the year end it is projected that 90% of the programme will be delivered by year end.

3.8 Key outturn variances are detailed below:

- Central Executive Director Place allocation – assumes given the significant capital schemes in delivery there will be minimal new capital asks for the second half of the year. Assumes a deliberate strategy of minimising spend with a view to earmarking this money for application in 2023/24;
- Rail – slippage of £5m on Headbolt Lane and £2m on Liverpool Baltic new station schemes into 2023/24;
- Tunnels – original budget contained provision for a Wirral MBC scheme funded by Transforming Cities Fund which was to be delivered by Merseytravel to support the delivery of Wirral's wider regeneration scheme. Due to issues with the highways solution proposed by Wirral, this work can no longer progress and the remaining budget for this scheme of £7.7m is no longer required and will be removed once the change control has been resolved.

3.9 Financial Risks and Reserves Position

Taking account of the proposed application of reserves in support of the revenue and capital proposals for the current financial year, the projected reserves position as at 31 March 2023 is detailed below.

Table 3 Application of Reserves

	Balance at 31 March 2022 £'000	Net In Year Movement £'000	Balance at 31 March 2023 £'000
Capital Reserves	5,763	(1,064)	4,699
Earmarked Reserves	49,036	(2,639)	46,397
Revenue/Working Balances	4,629	0	4,629
Total	59,428	(3,703)	55,725

3.10 A number of key financial risks still face Merseytravel which could necessitate the application of reserves. Key financial risks are detailed below:

- Cost inflation- whilst certain cost pressures were starting to become apparent at the time of setting the budget, inflationary pressures have accelerated. The impact of inflation is impacting on all costs but specifically in respect of bus contracts and utilities. In arriving at outturn estimates budget holders have sought to factor in the impact of known increases however to the extent pressures persist above these estimates there still remains a risk that additional funds may be required.
- Pay award – assumptions for pay award factored into the budget are below the levels being sought by unions as the budget was set prior to the emergence of significant inflationary pressures which is a national issue for all public sector bodies. To the extent that a pay award is agreed that exceeds the provision within the budget, this would create a budget pressure.

3.11 Whilst it is currently forecast that there will be no significant variance on the Bus budget at year end, it is noted that this is an area where there is still a significant degree of uncertainty and there remains a risk that expenditure could increase above budget as a result of the fluidity of the market. This is a national issue which is being faced by local transport authorities across the country. A number of grants in respect of Bus services remain on the Balance Sheet which could be applied to the revenue budget to reduce net cost however in light of the current uncertainty, these have been retained on the Balance Sheet until this position becomes clearer and there is a greater understanding of the position.

3.12 To assist in mitigating against these eventualities impacting negatively on Merseytravel's budget or ability to deliver, specific earmarked reserves have been set aside. These pressures will be monitored throughout the year and action taken as necessary to manage the risk.

4. IMPACT AND IMPLICATIONS

4.1. Financial

Detailed above in this report.

4.2 Supporting the Corporate Plan

In setting the budget consideration has been given to fulfilling the corporate plan and supporting the strategic priorities.

5. CONCLUSION

At the half year point both capital and revenue activities are being contained within existing budgets, and indeed spend at the half way point is in certain service areas below budget. Based on projections through to the end of the year it is likely that both revenue and capital is envisaged to be broadly in line with revised estimates. There are still some pressures on the revenue position which could lead to the forecast position changing however these will be closely monitored over the next six months and duly reported back to Committee.

JOHN FOGARTY
Executive Director - Corporate Services

COUNCILLOR LIAM ROBINSON
Portfolio Holder Transport and Air Quality

Appendices:

- 1 Revenue Expenditure to 30 September 2022
- 2 Capital Expenditure to 30 September 2022

Background Documents:

None