

Public Document Pack



West Midlands
Combined Authority

WMCA Board

Date: Friday 26 July 2019

Time: 11.00 am **Public meeting** Yes

Venue: Council Chamber, Birmingham City Council, Victoria Square, Birmingham, B1 1BB

Membership

Constituent Members

Andy Street (Chair)
Councillor Bob Sleigh (Vice-Chair)

Councillor Adrian Andrew
Councillor Peter Bilson
Councillor Mike Bird
Councillor Ian Brookfield
Councillor Ian Courts
Councillor Yvonne Davies
Councillor George Duggins
Councillor Patrick Harley
Councillor Brigid Jones
Councillor Abdul Khan
Councillor Syeda Khatun
Councillor Ian Ward
Councillor Qadar Zada

Appointing Authority

Mayor of the West Midlands Combined Authority
Solihull Metropolitan Borough Council

Walsall Metropolitan Borough Council
City of Wolverhampton Council
Walsall Metropolitan Borough Council
City of Wolverhampton Council
Solihull Metropolitan Borough Council
Sandwell Metropolitan Borough Council
Coventry City Council
Dudley Metropolitan Borough Council
Birmingham City Council
Coventry City Council
Sandwell Metropolitan Borough Council
Birmingham City Council
Dudley Metropolitan Borough Council

Non-Constituent Members

Councillor George Adamson
Jonathan Browning

Councillor Shaun Davies
Councillor Matthew Dormer
Councillor David Hitchiner
Councillor David Humphreys
Councillor Julie Jackson
Councillor Tony Jefferson
Councillor Sebastian Lowe
Councillor Peter Nutting
Councillor Jeremy Oates
Tim Pile

Councillor Izzi Seccombe
Stewart Towe

Cannock Chase District Council
Coventry & Warwickshire Local Enterprise Partnership
Telford & Wrekin Council
Redditch Borough Council
Herefordshire Council
North Warwickshire Borough Council
Nuneaton & Bedworth Borough Council
Stratford-on-Avon District Council
Rugby Borough Council
Shropshire Council
Tamworth Borough Council
Greater Birmingham & Solihull Local Enterprise Partnership
Warwickshire County Council
Black Country Local Enterprise Partnership

Observers Awaiting Membership

Graham Wynn

The Marches Local Enterprise Partnership

Co-Opted Member

Lee Barron

Midlands Trades Union Congress

Observer Members

Councillor Greg Brackenridge

West Midlands Fire Authority

David Jamieson

West Midlands Police & Crime Commissioner

Quorum for this meeting shall be at least one member from five separate Constituent councils

If you have any queries about this meeting, please contact:

Contact Dan Essex, Governance Services Manager
Telephone 0121 214 7505
Email dan.essex@wmca.org.uk

AGENDA

| No. | Item | Presenting | Pages |
|---|--|--------------------------|---------------|
| Items of Public Business | | | |
| 1. | Apologies for Absence | Chair | None |
| 2. | Declarations of Interest Members are reminded of the need to declare any disclosable pecuniary interests they have in an item being discussed during the course of the meeting. In addition, the receipt of any gift or hospitality should be declared where the value of it was thought to have exceeded £25 (gifts) or £40 (hospitality). | Chair | None |
| 3. | Chair's Remarks (if any) | Chair | None |
| 4. | Minutes - 28 June 2019 | Chair | 1 - 8 |
| 5. | Forward Plan | Chair | 9 - 14 |
| Governance | | | |
| 6. | Appointment of Chair of Overview & Scrutiny Committee | Chair / Tim Martin | Verbal Report |
| Finance | | | |
| 7. | Financial Monitoring Report 2019/20 | Councillor Bob Sleigh | 15 - 30 |
| Environment, Energy & HS2 | | | |
| 8. | Recommendation of a Carbon Reduction Target for the WMCA Area | Councillor Ian Courts | 31 - 60 |
| Public Service Reform & Social Economy | | | |
| 9. | Boosting the Social Economy in the West Midlands | Councillor Yvonne Davies | 61 - 100 |
| Minutes | | | |
| 10. | Investment Board - 3 June 2019 | Councillor Bob Sleigh | 101 - 106 |
| 11. | Audit, Risk & Assurance Committee - 21 June 2019 | David Lane | 107 - 112 |
| 12. | Investment Board - 24 June 2019 | Councillor Bob Sleigh | 113 - 118 |

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|-----------------------------|---|--------------------------|-----------|
| 13. | Transport Delivery Committee - 24 June 2019 | Councillor Kath Hartley | 119 - 124 |
| 14. | Overview & Scrutiny Committee - 15 July 2019 | Councillor Lisa Trickett | 125 - 130 |
| 15. | Exclusion of the Public and Press [In accordance with s100(A) of the Local Government Act 1972, the public and press be excluded from the meeting for the following item(s) of business as it is likely to involve the disclosure of exempt information as specified in paragraph 3 of the Act.] | Chair | None |
| Finance | | | |
| 16. | Midland Metro Limited - Fare Change Proposals | Councillor Bob Sleigh | 131 - 140 |
| Date of Next Meeting | | | |
| 17. | Friday 13 September 2019 at 11.00am | Chair | None |

Agenda Item 4



**West Midlands
Combined Authority**

WMCA Board

Friday 28 June 2019 at 11.45 am

Minutes

Constituent Members

| | |
|------------------------------------|---|
| Andy Street (Chair) | Mayor of the West Midlands Combined Authority |
| Councillor Bob Sleigh (Vice-Chair) | Solihull Metropolitan Borough Council |
| Councillor Adrian Andrew | Walsall Metropolitan Borough Council |
| Councillor Ian Brookfield | City of Wolverhampton Council |
| Councillor Ian Courts | Solihull Metropolitan Borough Council |
| Councillor Yvonne Davies | Sandwell Metropolitan Borough Council |
| Councillor George Duggins | Coventry City Council |
| Councillor Brigid Jones | Birmingham City Council |
| Councillor Ian Ward | Birmingham City Council |

Non-Constituent Members

| | |
|-------------------------------|--|
| Councillor Matthew Dormer | Redditch Borough Council |
| Sean Farnell | Coventry & Warwickshire Local Enterprise Partnership |
| Councillor Julie Jackson | Nuneaton & Bedworth Borough Council |
| Councillor Tony Jefferson | Stratford-on-Avon District Council |
| Councillor Jeremy Oates | Tamworth Borough Council |
| Councillor Alex Phillips | Shropshire Council |
| Tim Pile | Greater Birmingham & Solihull Local Enterprise Partnership |
| Councillor Jill Simpson-Vince | Rugby Borough Council |

Co-Opted Member

| | |
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| Rob Johnston | Midlands Trades Union Congress |
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Observer Members

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| West Midlands Fire Authority |
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In Attendance

| | |
|----------------------------|--------------------------------------|
| Councillor Peter Fowler | Overview & Scrutiny Committee |
| Councillor Kath Hartley | Transport Delivery Committee |
| Councillor Peter Hughes | Overview & Scrutiny Committee |
| Councillor David Thain | Redditch Borough Council |
| Councillor Richard Worrall | Walsall Metropolitan Borough Council |

- | Item No. | Title |
|-----------------|--|
| 1. | Apologies for Absence Apologies for absence were received from Lee Barron (Midlands TUC), Councillor Mike Bird (Walsall), Jonathan Browning (Coventry & Warwickshire LEP), Councillor Patrick Harley (Dudley), Councillor David Humphreys (North Warwickshire), David Jamieson (Police & Crime Commissioner), Councillor Sebastian Lowe (Rugby), Councillor Peter Nutting (Shropshire), Councillor Izzi Seccombe (Warwickshire) and Stewart Towe (Black Country LEP). |
| 2. | Chair's Remarks (a) Kevin O'Keefe, Dudley Metropolitan Borough Council The Chair welcomed Kevin O'Keefe, recently appointed Chief Executive of Dudley Metropolitan Borough Council, to his first meeting. (b) West Midlands Fire & Rescue Service The Chair congratulated West Midlands Fire & Rescue Service on its recent 'good' assessment by HM Inspectorate of Constabulary and Fire & Rescue Services. |
| 3. | Minutes - 24 May 2019 The minutes of the meeting held on 24 May 2019 were agreed as a correct record. |
| 4. | Forward Plan The forward plan of items to be reported to future meetings was noted. |
| 5. | Appointment of WMCA Boards and Committees etc 2019/20 The board considered a report from Tim Martin, Head of Governance, Clerk and Monitoring Officer, setting out the appointments made by constituent, non-constituent and observer member authorities to the WMCA Board and its committees/sub-boards for 2019/20. The report also set out the timetable of meetings for the forthcoming year and the appointments made by the Mayor for the positions of Deputy Mayor and Portfolio Leads. |
| | Resolved: (1) The members nominated by constituent, non-constituent and observer member authorities, as updated at the meeting, to sit on the WMCA Board and its committees/sub-boards be noted. (2) Jonathan Browning be appointed Chair of the Strategic Economic Development Board, Councillor Kath Hartley be appointed Chair of the Transport Delivery Committee and a decision on the appointment of the Chair of Overview & Scrutiny Committee be deferred until the next meeting on 26 July 2019. (3) The appointments made by the Mayor to the positions of Deputy Mayor and Portfolio Leads be noted. (4) The timetable of meetings for 2019/20 be agreed. |

- (5) Authority be delegated to the Monitoring Officer to approve any subsequent minor changes to the individual appointments made to boards/committees.

6. Annual Planning and Performance: WMCA Annual Plan 2019/20 and State of the Region Analysis 2019

The board considered a report from Julia Goldsworthy, Director of Strategy, setting out a suite of three documents focussed on the priorities and performance of the WMCA and the wider West Midlands region:

- Review of Annual Plan 2018/19 - summarising the delivery and progress made against the actions, activity and outcomes in the past 12 months.
- State of the Region 2019 - summarising the region's performance against a range of economic health and growth indicators.
- Annual Plan 2019/20 - summarising the focus and activity for the current year against each of the priority portfolios.

Councillor Ian Courts welcomed the report, noting that the data contained within it showed that the region was making significant progress in many areas when compared to other UK regions outside of London.

Resolved:

- (1) The review of the West Midlands Combined Authority Annual Plan 2018/19 be noted.
- (2) The key findings from the 'West Midlands State of the Region Report 2019' be noted.
- (3) The WMCA Annual Plan 2019/20 be approved and endorsed, and authority was delegated to the Director of Strategy in consultation with the Mayor, to make any final amendments that took into account the decisions taken in respect of the other reports on the agenda for the WMCA Board on 28 June.

7. Overview & Scrutiny Committee - Annual Report

The board considered a report from Tim Martin, Head of Governance, Clerk and Monitoring Officer, setting out the annual report of the Overview & Scrutiny Committee that highlighted the key achievements of the committee during 2018/19.

Councillor Peter Hughes, chair of the committee during 2018/19, expressed his thanks for all the support members and officers had given to the scrutiny process during the last 12 months and noted a number of key scrutiny reviews that had been undertaken that he considered to have improved the policy outcomes of the WMCA and therefore benefitted the residents of the region. The Chair noted that Councillor Peter Hughes was not a member of the committee for the upcoming year and expressed his personal thanks for the public service he had given to the WMCA, noting particularly that he had left scrutiny within the WMCA in a significantly more robust and established position than when he became chair of the committee in 2016.

Resolved:

The Overview & Scrutiny Committee 2018/19 annual report be noted.

8. Governance of West Midlands Fire & Rescue Service - Update

The board considered a report from Henry Kippin, Director of Public Service Reform, Tim Martin, Head of Governance, Clerk and Monitoring Officer, and Karen Gowreesunker, Clerk to the West Midlands Fire & Rescue Authority, providing an update on the position of the proposed transfer of governance of the West Midlands Fire & Rescue Authority to the Mayoral WMCA.

In order for the transfer of the governance of the West Midlands Fire & Rescue Service to the WMCA to go ahead, it required a unanimous agreement amongst the constituent councils and the WMCA itself to be given to the Home Office. However, a number of constituent councils had indicated that they would not provide consent because certain constitutional safeguards were not intended to be included within the proposed Statutory Order.

Members of the board thanked officers from the West Midlands Fire & Rescue Service and the WMCA for the significant work they had put into this workstream.

Resolved:

- (1) It be noted that there was not agreement amongst constituent councils to provide consent to the Statutory Order; and
- (2) It be noted that as a result, the Draft Statutory Order would not be laid before Parliament.

9. West Midlands Local Industrial Strategy – Implementation

The board considered a report from Julia Goldsworthy, Director of Strategy, summarising the proposed approach to the implementation of the West Midlands Local Industrial Strategy.

The Local Industrial Strategy identified four major new economic strands where the region had existing business and research strengths that would provide significant future opportunities. It also identified the actions that would be needed to help businesses deliver the opportunities that had been

identified and the barriers that were required to be overcome.

Tim Pile welcomed the report, noting that over 1,000 businesses had been consulted during its preparation. He indicated that the region's Local Enterprise Partnerships were ready to help deliver the strategy

Resolved:

- (1) The proposed approach to implementation of the West Midlands Industrial Strategy be endorsed, and authority be delegated for the WMCA and the three LEPs to secure resource and progress delivery according to the approach set out in the report.
- (2) A further report be received in the autumn once the outcome of the Comprehensive Spending Review was clear.

10. Environment Portfolio – Re-fresh and Forward Plan

The board considered a report from Henry Kippin, Director of Public Service Reform, and Simon Slater, Head of Environment, setting out the escalating scale of the issue posed by climate change and the economic, social and public service implications for the region.

The report set out a proposed work programme that built on the foundations of the work undertaken by the WMCA to date to focus on four interrelated areas: clean growth, clean air, nature gain and leading by local example, setting out where investment may be leveraged in via the Local Industrial Strategy and within the Comprehensive Spending Review process.

The board also received a presentation from Georgie Nott, Katie Riley, Annika Scourse, Aaron Smith and Olivia Wainwright from Birmingham Youth Strike 4 Climate setting out the concerns of the group and stressing the importance of implementing realistic, effective and smart changes to tackle climate change. Councillor Ian Courts expressed his thanks for the presentation, noting the importance of the challenge facing the region. Councillor Ian Ward committed Birmingham City Council to work with the WMCA and other local authorities across the region to achieve the necessary changes that were required, whilst stressing the importance of ensuring that proposals did not unfairly disadvantage communities already faced with higher levels of deprivation.

Resolved:

- (1) The position statement, evidence base for change and proposed next steps outlined in the report be noted.
- (2) The evidence base provided to support the negotiation of a regional carbon reduction target be noted.
- (3) A 'climate emergency' requiring urgent action be declared, and it be agreed to receive a further report at the next meeting on 26 July 2019 with a proposed regional target for carbon reduction and a report to a meeting in the autumn setting out a practical action plan for delivery.

- (3) The proposed next step to begin a rapid programme of engagement to develop a collaborative action plan which brought the region together in both headline targets and practical actions on the ground be endorsed.
- (4) Member council officers be asked to support the development of this work as part of a collective re-fresh of the environmental portfolio and greater regional momentum on next steps.

11. Coventry City Centre First – City of Culture

The board considered a report from Jo Shore, Head of Public Realm at Coventry City Council, seeking £31.6m WMCA devolution deal funding to help deliver the infrastructure programme required to prepare Coventry for the UK City of Culture 2021 and subsequent legacy.

The Coventry City Centre First – City of Culture programme was a programme of works that had been developed to target five specific areas of Coventry's city centre in readiness for it hosting the City of Culture in 2021, as well as some Commonwealth Games events in 2022. It was intended to maximise the benefits of these two events to create lasting legacies for the city and wider region.

Councillor George Duggins welcomed the report, noting the particularly significant role it would have in helping Coventry deliver the City of Culture programme.

Resolved:

The award of £31.6m Devolution Deal funding to Coventry City Centre First - City of Culture programme be approved. This application included a change control of funds of £11.6m from previously approved schemes and an additional £20m which was proposed to be moved from the Walsgrave and Binley development schemes.

12. West Midlands Homelessness Taskforce - Update and Forward Plan

The board considered a report from Henry Kippin, Director of Public Service Reform, and Neelam Sunder, Project Manager Homelessness Taskforce, on the purpose, work programme and progress to date of the West Midlands Homelessness Taskforce, along with plans of the taskforce to strengthen the underlying partnership sitting behind it.

The West Midlands Homelessness Task Force comprised senior officers from the seven constituent councils along with other public and voluntary sector agencies, representatives of the business community, housing associations and others to build a collaborative programme and shared vision as to how best to tackle homelessness. It established a number of task groups to look at issues affecting rough sleepers, children and families, young people and older singles, identifying objectives that should be built into the mainstream strategies of public services. The board heard from Jean Templeton, Chair of the Homelessness Task Force, on the important work it was undertaking to embed systemic change to design out homelessness

from public services.

Councillor Ian Ward welcomed the work being undertaken, but stressed the magnitude of the homelessness problem across the region and the difficulty local authorities had in effectively addressing this within the budget constraints they were experiencing. He was particularly concerned that many of the most vulnerable residents were living in accommodation that was not regulated by local authorities and wished to see more focus being given to how this could be addressed.

Resolved:

- (1) The update on the work of the West Midlands Homelessness Taskforce and its basis in cross-regional collaboration to support the statutory role of local authorities be noted.
- (2) The Taskforce's proposed forward plan, including specific actions to add value around five key priority areas incorporating welfare reform, housing affordability, support for Housing First and public service collaboration, be endorsed.
- (3) The provision of oversight and accountability for the Taskforce within the mainstream portfolio arrangements of the WMCA, and via the scrutiny and support of the Members Advisory Group, be agreed.

13. Vision for Bus Next Steps

The board considered a report from Pete Bond, Director of Integrated Network Services at Transport for West Midlands, setting out the next stages of development following the approval of the Vision for Bus strategy in November 2018.

The Vision for Bus strategy set out a clear vision of what the West Midlands required from its bus network, setting out nine objectives it wished to see delivered to achieve this. The Vision also proposed further work to be undertaken to assess the powers available to Mayoral Combined Authorities through the Bus Services Act 2017 relating to advanced quality partnership schemes, enhanced partnerships and franchising.

The report set out the work that was proposed in respect of delivering an ultra-low emission bus fleet and the best mechanism to ensure the timely delivery of the first two Sprint schemes ahead of the Commonwealth Games in 2022.

Resolved:

- (1) The development of an Outline Business Case to assess powers within the Bus Services Act 2017 to help improve bus services in the West Midlands be approved.
- (2) A commitment for a minimum Euro VI bus fleet by April 2021 to improve air quality in the area of the West Midlands Combined Authority, subject to funding, be endorsed.

- (3) The level of investment secured for improving bus emissions standards and partnership working undertaken to date be noted.
- (4) The proposed benefits of using an Enhanced Partnership for the delivery of Sprint in readiness for the Commonwealth Games and why this was the most suitable option for delivery of Sprint be noted.
- (5) Approval be given for Transport for West Midlands to give notice of the intention to prepare an Enhanced Partnership Plan and accompanying Enhanced Partnership Schemes as set out in section 138F of the Bus Services Act 2017.
- (6) Authority be delegated to the Transport Delivery Committee to oversee the development and subsequent 'making' of the Enhanced Partnership Plan and Schemes.

14. Friday 26 July 2019 at 11.00am

The date of the next meeting was noted.

The meeting ended at 1.25 pm.



WEST MIDLANDS COMBINED AUTHORITY FORWARD PLAN: SEPTEMBER 2019 - MAY 2020

| Title of Report | Description of Purpose | Date of Meeting | Key Decision (Y/N) | Lead Portfolio Holder | Lead Officer | Confidential | Category |
|---|--|-------------------|--------------------|-----------------------|--------------------------------|--------------|----------------------|
| 5G Delivery Plan Update | To consider an update on 5G matters. | 13 September 2019 | No | Cllr Patrick Harley | Henry Kippin | No | Culture & Digital |
| Financial Monitoring 2019/20 | To review the latest budget monitoring position. | 13 September 2019 | No | Cllr Bob Sleigh | Linda Horne | No | Finance |
| Violence Prevention Strategy | To approve the strategy. | 13 September 2019 | Yes | TBC | Henry Kippin/ Jonathan Jardine | No | Policy |
| Public Service Reform White Paper | To consider a report on the latest Public Service Reform developments. | 13 September 2019 | No | Cllr Yvonne Davies | Henry Kippin | No | PSR & Social Economy |
| Social Economy Taskforce Recommendations | To consider a response to the recommendations of the Social Economy Taskforce. | 13 September 2019 | Yes | Cllr Yvonne Davies | Henry Kippin | No | PSR & Social Economy |



| Title of Report | Description of Purpose | Date of Meeting | Key Decision (Y/N) | Lead Portfolio Holder | Lead Officer | Confidential | Category |
|---|---|-------------------|--------------------|-----------------------|--------------|--------------|---------------------------|
| Commonwealth Games Transport Plan | To approve the transport plan. | 13 September 2019 | Yes | Cllr Ian Ward | Laura Shoaf | No | Transport |
| Women's Concessionary Travel Scheme Pass | To provide an update on the implementation of changes to the scheme. | 13 September 2019 | No | Cllr Ian Ward | Laura Shoaf | No | Transport |
| Childhood Obesity Strategy | To agree a strategy to tackle childhood obesity. | 13 September 2019 | Yes | Cllr Izzi Seccombe | Sean Russell | No | Wellbeing |
| Financial Monitoring 2019/20 | To review the latest budget monitoring position. | 8 November 2019 | No | Cllr Bob Sleigh | Linda Horne | No | Finance |
| Carbon Reduction Action Plan | To agree an action plan to achieve the WMCA's regional carbon reduction target. | 8 November 2019 | Yes | Cllr Ian Courts | Henry Kippin | No | Environment, Energy & HS2 |



| Title of Report | Description of Purpose | Date of Meeting | Key Decision (Y/N) | Lead Portfolio Holder | Lead Officer | Confidential | Category |
|--|---|-----------------|--------------------|-----------------------|-------------------|--------------|---------------------------|
| Low Emissions Strategy | To approve the strategy. | 8 November 2019 | Yes | Cllr Ian Courts | Simon Slater | No | Environment, Energy & HS2 |
| Local Industrial Strategy Implementation | To consider a report on the implementation of the LIS following the outcome of the Spending Review. | 8 November 2019 | No | Cllr Ian Brookfield | Julia Goldsworthy | No | Economy & Innovation |
| Walsall, Willenhall and Darlaston New Railway Stations | To approve compulsory purchase orders for these new railway stations. | 8 November 2019 | Yes | Cllr Ian Ward | Laura Shoaf | Yes | Transport |
| Moseley, Kings Heath and Hazelwell New Railway Stations | To approve compulsory purchase orders for these new railway stations. | 8 November 2019 | Yes | Cllr Ian Ward | Laura Shoaf | Yes | Transport |
| ULEV Strategy & Delivery Vehicle | To consider a report on ultra-low emission vehicles. | 8 November 2019 | Yes | Cllr Ian Ward | Laura Shoaf | No | Transport |



| Title of Report | Description of Purpose | Date of Meeting | Key Decision (Y/N) | Lead Portfolio Holder | Lead Officer | Confidential | Category |
|---|--|------------------|--------------------|-----------------------|--------------|--------------|-----------|
| Financial Monitoring 2019/20 | To review the latest budget monitoring position. | 10 January 2020 | No | Cllr Bob Sleigh | Linda Horne | No | Finance |
| Draft Budget 2020/21 | To consider draft proposals for the WMCA's 2020/21 budget. | 10 January 2020 | No | Cllr Bob Sleigh | Linda Horne | No | Finance |
| Sprint Routes – Approval of Full Business Case | To consider the full business case for the proposed Sprint routes. | 10 January 2019 | Yes | Cllr Ian Ward | Laura Shoaf | No | Transport |
| Financial Monitoring 2019/20 | To review the latest budget monitoring position. | 14 February 2020 | No | Cllr Bob Sleigh | Linda Horne | No | Finance |
| Final Budget 2020/21 | To agree with WMCA's 2020/21 budget. | 14 February 2020 | Yes | Cllr Bob Sleigh | Linda Horne | No | Finance |



| Title of Report | Description of Purpose | Date of Meeting | Key Decision (Y/N) | Lead Portfolio Holder | Lead Officer | Confidential | Category |
|-------------------------------------|--|-----------------|--------------------|-----------------------|--------------|--------------|----------|
| Financial Monitoring 2019/20 | To review the latest budget monitoring position. | 20 March 2020 | No | Cllr Bob Sleigh | Linda Horne | No | Finance |

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WMCA Board

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| Date | 26 July 2019 |
| Report title | Financial Monitoring Report 2019/20 |
| Portfolio Lead | Finance - Councillor Bob Sleigh |
| Accountable Chief Executive | Deborah Cadman, West Midlands Combined Authority email: deborah.cadman@wmca.org.uk tel: (0121) 214 7552 |
| Accountable Employee | Linda Horne, Director of Finance email: linda.horne@wmca.org.uk tel: (0121) 214 7508 |
| Report to be / has been considered by | Programme Board - 12 July 2019 |

Recommendation(s) for action or decision:

WMCA Board is recommended to:

- (1) Note the financial position as at the end of May 2019;
- (2) Confirm the decision to place on hold the development of a West Midlands wide Business Rates Supplement as set out in Section 10;
- (3) Approve the approach agreed with constituent authority Finance Directors relating to the approach towards Business Rates Growth for 2019/20, also set out in Section 10;
- (4) Approve authority to be delegated to the Finance Director in respect of Adult Education Budget payments to providers as set out in Section 11.

1.0 Purpose

- 1.1 To provide an update on West Midlands Combined Authority finances as at the end of May 2019.

2.0 Background - Financial Monitoring

- 2.1 A summary of 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 Appendix 1 shows the overall consolidated revenue position for the West Midlands Combined Authority, note that budgets have been reallocated to reflect the new portfolio structure. The year to date position at the end of May shows a £0.036m favourable variance from budget. The forecast position remains unchanged at this early stage in the year, the first reforecast will be undertaken during July following June quarter. Further details are provided in sections 3 and 4 below.
- 2.3 The 2018/19 annual statutory accounts preparation and external audit process is now complete. A report was presented to Audit, Risk & Assurance Committee on 21 June recommending approval of West Midlands Combined Authority's 2018/19 annual statutory accounts, subject to the resolution of an outstanding pension query and noting Grant Thornton's proposal to issue an unqualified audit opinion on the accounts.

3.0 Transport

- 3.1 Appendix 2 sets out the year to date position on the Transport revenue budget as at the end of May 2019, showing a favourable variance of £0.089m from budget. This is made up of minor variances across a number of budgets. Further details are set out in Appendix 2.

4.0 West Midlands Combined Authority Operational Budget

- 4.1 Appendix 3 sets out the year to date position on the West Midlands Combined Authority Operational Budget as at the end of May 2019. Note that budgets have been reallocated to reflect reporting under the newly created portfolios.
- 4.2 There is a minor adverse year to date variance of £0.053m from budget effectively meaning that the year to date position is broadly in line with budget.

5.0 Mayor's Office

- 5.1 The Mayoral Office year to date position is broadly in line with budget.

6.0 Transport Delivery Capital Programme

- 6.1 Appendix 5 sets out the position on the Capital Programme as at the end of May 2019. Actual costs totalled £19.2m, resulting in a favourable variance of £9.1m against a budget of £28.2m. The variance is spread evenly across the three Programmes, identified as the Transport Programme, Investment Grants held by the Local Authorities, and Housing / Public Sector Reform.

- 6.2 The Transport Programme has been categorised into five sub programmes. The largest of these is the Investment Programme with a Budget of £128.9m, including all of the Rail / Sprint & Metro Extension Schemes. The main variances at the end of May 2019 are contained within the Investment Programme totalling £3.2m. The Metro Centenary Square Extension (£1.2m) variance is due to rescheduled progression of engine works construction, with a knock on impact to construction of a substation. The Wednesbury to Brierley Hill Extension (£0.6m) favourable variance is due to site investigative works at the Delta Junction.
- 6.3 The Commonwealth Games Programme includes all of the schemes (SPRINT, Perry Barr & University Rail Stations, and Games) scheduled to be delivered in advance of the Games in July and August 2022. There are only minor variances at this early stage of the year.
- 6.4 Other Major Schemes includes construction of the decked car park with respect to the Longbridge Connectivity Package and the Snow Hill Third Access. There are only minor variances at this early stage of the year.
- 6.5 The Minor Works Programme includes a large number of small schemes, all broadly in line with budget at this stage of the year. The Grants to Local Authorities includes the schemes funded by the DfT Transforming Cities Fund, which are in the process of being allocated to schemes.
- 6.6 Within the Investment Programme, grants have been allocated to Coventry (£34.5m) and Solihull (£23.7m) Local Authorities. On the Coventry schemes, there is a favourable variance of £2.1m, in the main relating to the Coventry City Centre South Regeneration scheme, due to planning works rescheduled from April to July 2019. On the Solihull schemes, there has been a substantial revision of the HS2 Interchange Programmes, leading to rescheduling of works at Birmingham International Station works.

- 6.7 The Housing Programme with an Annual Budget of £51.5m includes the Black Country Land and Property Investment Fund (LPIF) for projects which support the re-use of brownfield land and buildings and delivery of supporting infrastructure within the region. The variance at the end of May 2019 is due to timing of activity.

7.0 Investment Programme

- 7.1 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 April results are shown in Appendix 6.
- 7.2 The year to date cash spend to April 2019 is £8.4m behind the rebased 2019/20 forecast. The variance is primarily due to the Coventry UKC+ programme (£2.7m) and the Metro programme (£2.6m).
- 7.3 In respect of full project costs to completion, the financial summary has been adjusted to reflect the revised project budget for the Wednesbury to Brierley Hill Metro Extension, as approved by the WMCA Board on 22 March 2019.
- 7.4 The Metro programme is red status because of the current funding gap against the East Birmingham to Solihull project. The cost to completion against UK Central Interchange remains red status due to the funding gap of circa £205m against the Birmingham International Station redevelopment project.

- 7.5 It should be noted that the costs to date against the East Birmingham to North Solihull Metro extension and the Birmingham Eastside Metro Extension continue to be incurred in line with the arrangement by WMCA to cash-flow these projects in advance of them securing permanent funding
- 7.6 The Rail programme budget reflects the Package 1 (Willenhall & Darlaston), Package 2 (Moseley, Kings Heath, Hazelwell), Snow Hill Lines and Sutton Coldfield Interchange and City Link schemes.
- 7.7 Appendix 7 details the commitments made against the Investment Programme which totalled £633.2m to the end of May 2019 (£631.5m April 2019).
- 7.8 During March 2019, the WMCA Mayor and WMCA Leaders agreed a set six of strategies to help address the funding challenge facing the Investment Programme. The background to this concerned the need for WMCA to operate within a capped funding level of £766 million for the Investment Programme due to the locally sourced income to support the programme (Business Rates Growth, Business Rates Supplement and Mayoral Precept) not being adequately secure. This subsequently restricts WMCA being able to fully commit to the borrowing required to realise the £2 billion of WMCA investment expected to be funded by those revenue streams.
- 7.9 The work against the six strategies was co-ordinated through the WMCA Finance Director group and has now concluded. This resulted in the £766 million cap being extended to £801 million which will allow WMCA to enter into a marginally higher level of commitments than previously expected.
- 7.10 Following the work undertaken against the strategies, the point at which the WMCA are expecting to reach the ceiling of approvals has extended from June 2019 to November / December 2019.
- 7.11 The direction received from WMCA Portfolio Leads and the Mayor in relation to funding challenge was that during the extended period, business cases for funding should continue through the Assurance Process until September. During this period work will continue to identify commercial opportunities to enable any viable schemes to be funded with a lower degree of WMCA support. The WMCA bid into the Comprehensive Spending Review (CSR) will be finalised during this time.
- 7.12 WMCA have committed to competing the work pertaining to the CSR during the summer and a further update will be provided to WMCA Finance Directors in August 2019 and the Mayor, WMCA Leaders and the Investment Board in September 2019.

8.0 Balance Sheet

- 8.1 A balance sheet for the first quarter will be provided in June's financial report.

9.0 Administered Funds

| Funding Stream | 2019/20 Latest Forecast Grant Award £'000 | 2019/20 Spend to date £'000 | Purpose |
|----------------------------|---|-----------------------------|---|
| Midlands Connect | 7,817 | 1,304 | 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 Mts. 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 Mts. Capital Programmes & WMCA's Minor Works Capital Programme |
| Total | 49,073 | 42,560 | |

10.0 Business Rates Update

- 10.1 A substantial element of Investment Programme funding was originally expected to be raised through the Combined Authority having access to funding derived from local business. Updates against the Business Rates Supplement and Business Rates Growth positions are detailed below.

Business Rates Supplement

- 10.2 The plan for WMCA to implement an incremental business rates increase (at the time in 2016, referred to as a Mayoral Infrastructure Supplement) was a key component of WMCA's original funding strategy to enable the £8 billion Investment Programme to be funded. This was originally expected to yield circa £34m per annum and allow approximately £600 million of capital investment in the region to be purchased. The charge was expected to affect all medium to large businesses within the constituent area occupying properties with a rateable value of £50,000 or more. This charge was expected to effectively result in a 4% (2 pence in the pound before the multiplier) increase in annual business rates bills for affected businesses. At the time of the election in 2017, Government provided WMCA with Business Rates Supplement powers, which, whilst similar to the proposed Mayoral Infrastructure Supplement, contained the requirement to win a ballot of those effected businesses before implementing the charge.

- 10.3 Whilst WMCA have looked to develop the specific criteria which may underpin any proposal, discussions with The Mayor and Portfolio Lead Members have resulted in any further development of the Business Rates Supplement being placed on hold. This follows WMCA obtaining and acting upon feedback from potentially effected businesses during a soft consultation phase; the message from which was consistent with national sentiment from business and recent media reporting around the business rates system.
- 10.4 Whilst an assumption about a supplement on business rates was a key assumption driving the Investment Programme funding model, the decision does not affect WMCA's ability to meet the commitments to fund schemes that have already been agreed, but the ability for WMCA to meet the full value of commitments originally envisaged in the Investment Programme will be dependent upon WMCA being able to identify alternative funding streams of an equivalent value.

Business Rates Growth

- 10.5 Business Rates Growth is another of the four pillars of income which supports the borrowing necessary to fund the Investment Programme. The Combined Authority and Local Authority Finance Directors are working together to define and deliver a long term sustainable Business Rates Growth mechanism to fund the Investment Programme in light of the national changes to the business rates retention system from 2020/21. Initial conversations between Finance Directors, the Combined Authority and Central Government have already commenced in this regard.
- 10.6 Whilst a more permanent solution is being developed, local agreement has been provisionally obtained to a continuation of the existing formula which incrementally increases the amount due to the Combined Authority each year by £1.5 million. This is considered to be the most pragmatic solution and is fully supported by Finance Directors.
- 10.7 On this basis, the business rates share due to the Combined Authority for 2019/20 totals £6.0 million and will be shared across the Constituent Authorities pro-rata to the rateable value of each district, giving the following values:

| Local Authority | 2019/20 BR Growth Attributable to the Combined Authority |
|-----------------|--|
| Birmingham | £2,613,600.00 |
| Coventry | £738,000.00 |
| Dudley | £537,600.00 |
| Sandwell | £599,400.00 |
| Solihull | £620,400.00 |
| Walsall | £441,000.00 |
| Wolverhampton | £450,000.00 |
| TOTAL | £6,000,000.00 |

11.0 Delegation of Authority for Adult Education Budget

- 11.1 Following the approved procurement strategy the Adult Education Budget (AEB) for 2019/20 has now been allocated to providers per the table below:

| | 2019/20 Academic Year | 2019/20 | | 2020/21 | |
|---|-----------------------------|-------------------|-------------------|-----------|-----------|
| | | WMCA | WMCA | Financial | Financial |
| | | £ | £ | Year | Year |
| Baseline grant to FE Colleges and LAs | 91,395,632 | 57,259,363 | 34,136,269 | | |
| FE College and LA growth cases | 5,825,000 | 3,649,363 | 2,175,638 | | |
| In year funding - out of area, redundancy responses, gaps | 2,244,547 | 1,406,209 | 838,338 | | |
| Contracts awarded through procurement | 24,840,000 | 15,562,260 | 9,277,740 | | |
| | 124,305,179 | 77,877,195 | 46,427,984 | | |

- 11.2 Last year, over 400 organisations were delivering AEB provision across the region, with very little collaboration or links with local organisations. We have reduced that significantly to fewer than 100 organisations, all of whom are committed to working locally. 73% of next year's (19/20) AEB will be delivered through local colleges and local authorities, with 83% delivered through prime organisations based in the West Midlands. Again, this compares to the previous year, where 30% was delivered through organisations not based in the West Midlands.
- 11.3 All providers will be required to work closely with the Local Authority and other key local partners, to improve the focus and impact of local provision and enable greater progression for learners. This will be critical to making sure that the funding delivers more for local residents. Across the region, we have also seen a significant increase in the level of technical courses planned for delivery – for example, we have more than doubled the amount of Level 3 delivery in key sectors of construction, digital, engineering and business services. This will be critical to helping our residents respond to the challenges of the workplace and is, again, a welcome departure from national policy.
- 11.4 Payments to grant providers will be made on profile as determined by the Education and Skills Funding Agency (ESFA) with payments to contracts awarded through procurement being paid either on profile or actual delivery (depending on the risk profile) and to the agreed monthly timetable. These payments will be made outside of the purchase order approval system, therefore authority is sought for all monthly payments to be made in line with the process below:
- Payment files prepared for approval – Finance Business Partner
 - Productivity and Skills to approve payment files – Director of Productivity and Skills, Head of Skills Delivery or Head of Productivity and Skills
 - Payments via BACs approved – Finance Director (Section 151 officer).

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 – May 2019
- Appendix 2 – WMCA Transport Revenue Summary - May 2019
- Appendix 3 – WMCA Operational Revenue Summary – May 2019
- Appendix 4 – WMCA Mayor Revenue Summary – May 2019
- Appendix 5 – WMCA Capital Transport Delivery Programme – May 2019
- Appendix 6 – WMCA Investment Programme Summary – April 2019
- Appendix 7 – WMCA Investment Programme Commitments – May 2019

Appendix 1

WMCA Consolidated Summary – May 2019

| | May 2019 YEAR TO DATE | | | FULL YEAR 2019/20 | | |
|--|-----------------------|-----------------|-------------------|-------------------|-----------------|-------------------|
| | ACTUAL £'000 | BUDGET £'000 | VARIANCE £'000 | FORECAST £'000 | BUDGET £'000 | VARIANCE £'000 |
| INCOME | | | | | | |
| General (un-ringfenced) resources: | | | | | | |
| 1 - Transport Levy | 19,120 | 19,120 | 0 | 114,720 | 114,720 | 0 |
| 2 - Devolution Deal grant (IP) | 36,500 | 36,500 | 0 | 36,500 | 36,500 | 0 |
| 3a Devolution Deal grants - Operational | 530 | 1,262 | (732) | 10,357 | 10,357 | 0 |
| 3b Devolution Deal grants - Mayoral | 102 | 134 | (32) | 804 | 804 | 0 |
| 4 - Adult Education Funding | 49 | 131 | (82) | 78,713 | 78,713 | 0 |
| 5 - Health & Wellbeing - other grants | 410 | 161 | 249 | 964 | 964 | 0 |
| 6 - 5G Income | (31) | 0 | (31) | 0 | 0 | 0 |
| 7 - Other Operational Income | 61 | 67 | (6) | 621 | 621 | 0 |
| 8 - Business rates growth | 1,000 | 1,000 | 0 | 6,000 | 6,000 | 0 |
| 9 - Grants from Constituent members | 774 | 774 | 0 | 4,644 | 4,644 | 0 |
| 10 - Grants from Non Constituent members | 71 | 71 | 0 | 425 | 425 | 0 |
| 11 - Investment Income | 282 | 282 | 0 | 1,694 | 1,694 | 0 |
| Total income | 58,868 | 59,502 | (634) | 255,442 | 255,442 | 0 |
| EXPENDITURE | | | | | | |
| Operating expenditure: | | | | | | |
| 11 - Transport delivery | 18,742 | 18,831 | 89 | 114,720 | 114,720 | 0 |
| 12 - Economy & Innovation | 241 | 280 | 39 | 1,684 | 1,684 | 0 |
| 13 - Environment & Energy, HS2 | 32 | 40 | 8 | 242 | 242 | 0 |
| 14 - Housing and Land | 130 | 392 | 262 | 2,351 | 2,351 | 0 |
| 15 - Health and Wellbeing | 471 | 239 | (232) | 1,651 | 1,651 | 0 |
| 16 - Public Service Reform & Social Economy | 88 | 81 | (7) | 838 | 838 | 0 |
| 17 - Culture and Digital | (24) | 28 | 52 | 110 | 110 | 0 |
| 18 - Skills and Productivity | 649 | 1,091 | 442 | 87,159 | 87,159 | 0 |
| 19 - Corporate Support Recharges to Portfolios | 572 | 557 | (15) | 3,380 | 3,380 | 0 |
| 20 - Investment Programme | 1,030 | 1,423 | 393 | 11,290 | 11,290 | 0 |
| 21 - Mayoral Office | 102 | 134 | 32 | 804 | 804 | 0 |
| 22 - Financing Costs | 36,470 | 36,077 | (393) | 31,213 | 31,213 | 0 |
| Total expenditure | 58,503 | 59,173 | 670 | 255,442 | 255,442 | 0 |
| Net | 365 | 329 | 36 | 0 | 0 | 0 |
| Made up as follows: | | | | | | |
| Transport Delivery | 378 | 289 | 89 | 0 | 0 | 0 |
| Operational Budget | (13) | 40 | (53) | 0 | 0 | 0 |
| Investment Programme | 0 | 0 | 0 | 0 | 0 | 0 |
| Mayoral Office | 0 | 0 | 0 | 0 | 0 | 0 |
| Net | 365 | 329 | 36 | 0 | 0 | 0 |

At the end of May 2019 the year to date position shows a favourable variance of (£0.036m). There is a favourable variance within transport £0.089m due to timing of activity. This is offset by a minor adverse variance within the Operational Budget (£0.053m).

The forecast position remain unchanged at this stage of the year.

Appendix 2

Transport for West Midlands year to date revenue position – May 2019

| | MAY 2019 YEAR TO DATE | | | FULL YEAR 2018/19 | | | VARIANCE EXPLANATION(S) As at the end of May 2019-20 there is a £0.089m favourable year-to-date variance. At this early stage of the year there are only minor variances within the Transport budgets. |
|--|-----------------------|----------------|------------------|-------------------|----------------|------------------|---|
| | ACTUAL £000 | BUDGET £000 | VARIANCE £000 | FORECAST £000 | BUDGET £000 | VARIANCE £000 | |
| | | | | | | | |
| TRANSPORT FOR WEST MIDLANDS | | | | | | | |
| INCOME | | | | | | | |
| Specific resources: | | | | | | | |
| Transport Levy | 19,120 | 19,120 | 0% | 114,720 | 114,720 | 0% | |
| TOTAL INCOME | 19,120 | 19,120 | 0% | 114,720 | 114,720 | 0% | |
| EXPENDITURE | | | | | | | |
| Concessions | | | | | | | |
| National Bus Concession | 8,535 | 8,523 | (11) 0% | 51,184 | 51,184 | 0% | |
| Metro / Rail | 755 | 761 | 6 1% | 4,578 | 4,578 | 0% | |
| Child Concession | 1,240 | 1,269 | 28 2% | 7,643 | 7,643 | 0% | |
| Bus Services | | | | | | | |
| Bus Stations / Infrastructure | 10,530 | 10,553 | 23 | 63,404 | 63,404 | 0% | |
| Subsidised Network | 658 | 676 | 19 3% | 3,994 | 3,994 | 0% | |
| Tendering / Monitoring | 1,546 | 1,548 | 3 0% | 9,379 | 9,379 | 0% | |
| Accessible Transport | 122 | 127 | 4 3% | 788 | 788 | 0% | |
| | 1,209 | 1,209 | 0% | 7,259 | 7,259 | 0% | |
| Rail and Metro Services | | | | | | | |
| Metro Services | 3,535 | 3,560 | 25 | 21,419 | 21,419 | 0% | |
| Rail Services | 212 | 219 | 8 3% | 1,609 | 1,609 | 0% | |
| | 336 | 352 | 15 4% | 2,267 | 2,267 | 0% | |
| Integration | | | | | | | |
| Safety and Security | 548 | 571 | 23 | 3,875 | 3,875 | 0% | |
| Passenger Information | 150 | 171 | 21 12% | 1,031 | 1,031 | 0% | |
| Sustainable Travel | 800 | 827 | 26 3% | 5,062 | 5,062 | 0% | |
| | 53 | 59 | 6 10% | 378 | 378 | 0% | |
| Network Resilience | | | | | | | |
| | 1,003 | 1,056 | 53 | 6,471 | 6,471 | 0% | |
| Business Support Costs | | | | | | | |
| | 190 | 173 | (17) 10% | 1,788 | 1,788 | 0% | |
| Strategic Development | | | | | | | |
| | 547 | 524 | (23) 4% | 3,534 | 3,534 | 0% | |
| Elected Members | | | | | | | |
| | 368 | 353 | (15) 4% | 2,412 | 2,412 | 0% | |
| Corporate & Democratic Core | | | | | | | |
| | 41 | 63 | 22 35% | 391 | 391 | 0% | |
| Capital Finance Charges | | | | | | | |
| | 1,980 | 1,977 | (3) 0% | 11,425 | 11,425 | 0% | |
| TOTAL EXPENDITURE | 18,742 | 18,831 | 89 0% | 114,720 | 114,720 | 0% | |
| NET | 378 | 289 | 89 31% | 0 | 0 | 0% | |

Appendix 3

West Midlands Combined Authority Operational Budget – May 2019

| FINANCIAL SUMMARY AS AT MAY 2019 | MAY 2019 YEAR TO DATE | | | FULL YEAR 2019/20 | | | As at the end of May 2019, there is an adverse variance of £53k within the operational budget. Also to note the budget has been reallocated to reflect the new reporting portfolios. |
|---|-----------------------|----------------|------------------|-------------------|----------------|------------------|--|
| | ACTUAL £000 | BUDGET £000 | VARIANCE £000 | FORECAST £000 | BUDGET £000 | VARIANCE £000 | |
| Operational Income | | | | | | | |
| Investment Interest Income | 282 | 282 | 0 | 1,694 | 1,694 | 0 | |
| Contribution - 7 Met Council's | 774 | 774 | 0 | 4,644 | 4,644 | 0 | |
| Contribution - Non constituent members | 71 | 71 | 0 | 425 | 425 | 0 | |
| Total Income | 1,127 | 1,127 | 0 | 6,763 | 6,763 | 0 | |
| Corporate Support Recharges to Portfolios | (572) | (557) | (15) | (3,380) | (3,380) | 0 | |
| Total Expenditure | (572) | (557) | (15) | (3,380) | (3,380) | 0 | |
| Operational Income Net Total | 555 | 570 | (15) | 3,383 | 3,383 | 0 | |
| Economy & Innovation | | | | | | | |
| Other Industrial Strategy Income | 14 | 49 | (35) | 296 | 296 | 0 | |
| Funding for Growth | 0 | 0 | 0 | 0 | 0 | 0 | |
| Office of Data Analytics | 8 | 47 | (39) | 284 | 284 | 0 | |
| Total Income | 22 | 96 | (74) | 580 | 580 | 0 | |
| Funding for Growth | (122) | (116) | (6) | (700) | (700) | 0 | |
| Industrial Strategy | (14) | (50) | 36 | (298) | (298) | 0 | |
| Office of Data Analytics | (8) | (47) | 39 | (284) | (284) | 0 | |
| Black Country Economic Intelligence Unit | (40) | (40) | 0 | (240) | (240) | 0 | |
| MHCLG - Brexit Support Preparations | 0 | 0 | 0 | 0 | 0 | 0 | |
| Director of Strategy | (57) | (27) | (30) | (162) | (162) | 0 | |
| Total Expenditure | (241) | (280) | 39 | (1,684) | (1,684) | 0 | |
| Economy & Innovation Net Total | (219) | (184) | (35) | (1,104) | (1,104) | 0 | |
| Environment & Energy, HS2 | | | | | | | |
| Environment | (32) | (40) | 8 | (242) | (242) | 0 | |
| Total Expenditure | (32) | (40) | 8 | (242) | (242) | 0 | |
| Environment & Energy, HS2 Net Total | (32) | (40) | 8 | (242) | (242) | 0 | |
| Housing and Land | | | | | | | |
| Housing and Land Commission | 105 | 367 | (262) | 2,201 | 2,201 | 0 | |
| Total Income | 105 | 367 | (262) | 2,201 | 2,201 | 0 | |
| Housing and Land Commission | (130) | (392) | 262 | (2,351) | (2,351) | 0 | |
| Total Expenditure | (130) | (392) | 262 | (2,351) | (2,351) | 0 | |
| Housing and Land Net Total | (25) | (25) | 0 | (150) | (150) | 0 | |
| Wellbeing | | | | | | | |
| Other Mental Health Income | 6 | 0 | 6 | 0 | 0 | 0 | |
| Well Being | 0 | 0 | 0 | 0 | 0 | 0 | |
| IPS Programme | 43 | 24 | 19 | 144 | 144 | 0 | |
| Fiscal Incentive Programme | 367 | 137 | 230 | 820 | 820 | 0 | |
| Total Income | 416 | 161 | 255 | 964 | 964 | 0 | |
| Mental Health Commission | (45) | (62) | 17 | (498) | (498) | 0 | |
| Well Being | (16) | (12) | (4) | (161) | (161) | 0 | |
| IPS Programme | (43) | (24) | (19) | (144) | (144) | 0 | |
| Fiscal Incentive Programme | (367) | (141) | (226) | (848) | (848) | 0 | |
| Total Expenditure | (471) | (239) | (232) | (1,651) | (1,651) | 0 | |
| Wellbeing Net Total | (55) | (78) | 23 | (687) | (687) | 0 | |
| Public Service Reform & Social Economy | | | | | | | |
| Membership Fee Income | 72 | 81 | (9) | 523 | 523 | 0 | |
| Mayoral Capacity Funding | 0 | 0 | 0 | 100 | 100 | 0 | |
| Other PSR Income | 0 | 0 | 0 | 215 | 215 | 0 | |
| Total Income | 72 | 81 | (9) | 838 | 838 | 0 | |
| Public Sector Reform | (83) | (71) | (12) | (778) | (778) | 0 | |
| Inclusive growth | 11 | (10) | 21 | (60) | (60) | 0 | |
| Total Expenditure | (72) | (81) | 9 | (838) | (838) | 0 | |
| Public Service Reform & Social Economy Net Total | 0 | 0 | 0 | 0 | 0 | 0 | |

| FINANCIAL SUMMARY AS AT MAY 2019 | MAY 2019 YEAR TO DATE | | | FULL YEAR 2019/20 | | | |
|--|-----------------------|----------------|------------------|-------------------|-----------------|------------------|--|
| | ACTUAL £000 | BUDGET £000 | VARIANCE £000 | FORECAST £000 | BUDGET £000 | VARIANCE £000 | |
| Skills and Productivity | | | | | | | |
| Employment Support Pilot Skills | 143 | 443 | (300) | 2,278 | 2,278 | 0 | |
| Investment Programme (Skills) | 35 | 34 | 1 | 206 | 206 | 0 | |
| Gatsby Skills | 6 | 17 | (11) | 100 | 100 | 0 | |
| Construction Skills | 243 | 82 | 161 | 3,556 | 3,556 | 0 | |
| Adult Education | 49 | 131 | (82) | 78,713 | 78,713 | 0 | |
| Career Learning Pilot | 0 | 0 | 0 | 0 | 0 | 0 | |
| Digital Skills | 14 | 290 | (276) | 1,741 | 1,741 | 0 | |
| Total Income | 490 | 997 | (507) | 86,594 | 86,594 | 0 | |
| Productivity and Skills Commission | (160) | (94) | (66) | (565) | (565) | 0 | |
| Employment Support Pilot Skills | (143) | (443) | 300 | (2,278) | (2,278) | 0 | |
| Investment Programme (Skills) | (14) | (34) | 20 | (206) | (206) | 0 | |
| Gatsby Skills | (6) | (17) | 11 | (100) | (100) | 0 | |
| Construction Skills | (243) | (82) | (161) | (3,556) | (3,556) | 0 | |
| Adult Education | (49) | (131) | 82 | (78,713) | (78,713) | 0 | |
| Careers | (21) | 0 | (21) | 0 | 0 | 0 | |
| Career Learning Pilot | 0 | 0 | 0 | 0 | 0 | 0 | |
| Digital Skills | (13) | (290) | 277 | (1,741) | (1,741) | 0 | |
| Total Expenditure | (649) | (1,091) | 442 | (87,159) | (87,159) | 0 | |
| Skills and Productivity Net Total | (159) | (94) | (65) | (565) | (565) | 0 | |
| Culture and Digital | | | | | | | |
| 5G Network | (31) | 0 | (31) | 0 | 0 | 0 | |
| Total Income | (31) | 0 | (31) | 0 | 0 | 0 | |
| 5G Network | 31 | 0 | 31 | 0 | 0 | 0 | |
| Culture and Tourism Commission | (7) | (28) | 21 | (110) | (110) | 0 | |
| Total Expenditure | 24 | (28) | 52 | (110) | (110) | 0 | |
| Culture and Digital Net Total | (7) | (28) | 21 | (110) | (110) | 0 | |
| Operational Income Net Total | (13) | 40 | (53) | 0 | 0 | 0 | |

Appendix 4

West Midlands Combined Authority Mayoral Budget – May 2019

| | MAY 2019 YEAR TO DATE | | | FULL YEAR 2018/19 | | |
|--------------------------|-----------------------|----------------|------------------|-------------------|----------------|------------------|
| | ACTUAL £000 | BUDGET £000 | VARIANCE £000 | FORECAST £000 | BUDGET £000 | VARIANCE £000 |
| | MAYORAL OFFICE | | | | | |
| Other Grants | 100 | 134 | (34) 25% | 804 | 804 | 0 0% |
| Use of Reserves | 25 | 0 | 25 0% | 0 | 0 | 0 0% |
| TOTAL INCOME | 125 | 134 | (9) 7% | 804 | 804 | 0 0% |
| Staff Costs | (100) | (125) | 25 20% | (751) | (751) | 0 0% |
| External Advice | 0 | (2) | 2 100% | (10) | (10) | 0 0% |
| Travel & Subsistence | (25) | 0 | (25) 0% | 0 | 0 | 0 0% |
| Other | 0 | (7) | 7 100% | (41) | (41) | 0 0% |
| TOTAL EXPENDITURE | (125) | (134) | 9 7% | (804) | (804) | 0 0% |
| NET | 0 | 0 | 0 0% | 0 | 0 | 0 0% |

At the end of May 2019 the Mayor's office budget is largely in line with budget.

Appendix 5 West Midlands Combined Authority Transport Delivery Capital Programme – May 2019

| Financial Summary Month Ending May | YEAR TO DATE | | | FULL YEAR | | | |
|------------------------------------|--------------|-------------|---------------|-------------|---------------|---------------|-------------------------|
| | ACTUAL £000 | BUDGET £000 | VARIANCE £000 | BUDGET £000 | FORECAST £000 | VARIANCE £000 | Explanation of variance |

TRANSPORT PORTFOLIO CAPITAL PROGRAMME

| | | | | | | | |
|------------------------------------|----------|----------|-------|-----------|-----------|------|---|
| Investment Programme | (11,303) | (14,304) | 3,001 | (115,537) | (115,537) | 0 | Actual v Budget variances |
| Metro | (456) | (370) | (86) | (6,214) | (6,214) | 0 | Metro Centenary Square (£1.2m) owing to a reprofiling of engine works and redesign of a substation. |
| Rail | (63) | (338) | 275 | (7,172) | (7,172) | 0 | Metro Wednesbury to Brierley Hill Extension (£0.6m) due to slower than anticipated progression of site investigative works at the Delta Junction |
| Sprint | | | | | | | |
| CWG Programme | (64) | (69) | 5 | (1,786) | (1,786) | 0 | Actual v Budget variances |
| Highway | (45) | (60) | 15 | (98) | (98) | 0 | At the end of May 2019, actual expenditure was £0.321m lower than budget. At this early stage of the year, the variances are only minor. |
| Other | (472) | (539) | 67 | (2,622) | (2,622) | 0 | |
| Rail | (189) | (422) | 233 | (17,275) | (17,275) | 0 | |
| Other Major Programmes | (277) | (280) | 3 | (5,710) | (5,710) | 0 | Actual v Budget variances |
| Bus | 97 | (81) | 178 | (3,776) | (3,776) | 0 | At the end of May 2019, actual expenditure was £0.337m lower than budget. At this early stage of the year, the variances are only minor. |
| Highway | (387) | (331) | (56) | (3,777) | (3,777) | 0 | |
| Other | (47) | (259) | 212 | (7,396) | (7,378) | (18) | |
| Minor Work Programme | (394) | (455) | 61 | (8,694) | (8,700) | 6 | Actual v Budget variances |
| Grants to Local Authorities | (14) | (14) | 0 | (10,592) | (10,580) | (12) | At the end of May 2019, actual expenditure was £0.061m lower than budget. At this early stage of the year, the variances are only minor. |
| TOTAL TRANSPORT PROGRAMME | (13,614) | (17,522) | 3,908 | (190,649) | (190,625) | (24) | |

OTHER PORTFOLIOS CAPITAL PROGRAMME

| | | | | | | | |
|---|----------|----------|-------|-----------|-----------|------|---|
| Investment Programme (Grants to Local Authorities) | (4,139) | (7,621) | 3,482 | (58,209) | (58,209) | 0 | Actual v Budget variances |
| Housing | (1,405) | (3,092) | 1,687 | (51,550) | (51,550) | 0 | HS2 - UK Central Interchange (£1.4m) A substantial revision of the HS2 Interchange schemes has led to a reprofiling of the Birmingham International Station works. |
| TOTAL OTHER PORTFOLIOS CAPITAL | (5,544) | (10,713) | 5,169 | (109,759) | (109,759) | 0 | Coventry City Centre South Regeneration (£1.0m) due to a deferral of planning works from April 2019 to July 2019. |
| GRAND TOTAL | (19,158) | (28,235) | 9,077 | (300,408) | (300,384) | (24) | Variance due to LPIF (Black Country Consortium) £1.6m where a reprofiling of budget is being conducted. |

Appendix 6

WMCA Investment Programme Financial Summary period ending 30th April 2019

| | 2019 / 2020 YEAR TO DATE | | | 2019 / 2020 FULL YEAR | | | COST TO COMPLETION | | | | | |
|--|--------------------------|-------------|------------|-----------------------|--------------|-------------|--------------------|------------------|-----------------------|------------------------|--------------|----------|
| | ACTUAL | BUDGET | VARIANCE | BUDGET | FORECAST | VARIANCE | PRIOR PERIOD SPEND | 2019/20 FORECAST | FUTURE YEARS FORECAST | TOTAL FORECAST OUTTURN | TOTAL BUDGET | VARIANCE |
| | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| COVENTRY UKC+ | 1.0 | 3.7 | 2.7 | 67.8 | 64.0 | 3.9 | 23 | 64 | 607 | 695 | 695 | - |
| SPRINT PROGRAMME | 0.8 | 0.8 | - | 24.6 | 24.6 | - | 4 | 25 | 268 | 297 | 297 | - |
| RAIL PROGRAMME | 0.3 | 0.3 | - | 9.2 | 9.2 | - | 4 | 9 | 173 | 186 | 186 | - |
| METRO | 6.7 | 9.3 | 2.6 | 128.3 | 128.3 | (0.0) | 190 | 128 | 1,271 | 1,590 | 1,590 | - |
| UK CENTRAL INFRASTRUCTURE | 1.4 | 1.4 | - | 19.0 | 19.0 | - | 9 | 19 | 1,358 | 1,387 | 1,387 | - |
| UK CENTRAL HS2 INTERCHANGE | 0.1 | 1.4 | 1.3 | 12.5 | 12.5 | - | 12 | 12 | 580 | 604 | 604 | - |
| CURZON STREET STATION MASTERPLAN | 0.0 | 0.0 | - | 3.9 | 3.9 | - | 3 | 4 | 547 | 554 | 554 | - |
| NATIONAL COLLEGE FOR HIGH SPEED RAIL | - | - | - | - | - | - | 26 | - | - | 26 | 26 | - |
| HIGH SPEED SUPPLY CHAIN & BUSINESS SUPPORT | - | - | - | - | - | - | 11 | - | 339 | 350 | 350 | - |
| HS2 GROWTH STRATEGY TOTAL | 10.3 | 17.0 | 6.6 | 265.3 | 261.4 | 3.9 | 284 | 261 | 5,143 | 5,688 | 5,688 | - |
| COVENTRY CITY CENTRE REGENERATION | (0.3) | 0.5 | 0.8 | 7.0 | 6.9 | 0.0 | 23 | 7 | 343 | 373 | 373 | - |
| INNOVATION | 2.0 | 2.0 | (0.0) | 23.9 | 23.9 | (0.0) | 3 | 24 | 168 | 195 | 195 | - |
| LAND RECLAMATION AND REMEDIATION | - | 0.9 | 0.9 | 52.8 | 52.1 | 0.7 | 7 | 52 | 141 | 200 | 200 | - |
| COMMONWEALTH GAMES | 0.8 | 0.8 | - | 10.0 | 10.0 | - | - | 10 | 15 | 25 | 25 | - |
| EMPLOYMENT EDUCATION & SKILLS | 0.0 | 0.2 | 0.2 | 2.1 | 0.1 | 2.0 | 0 | 0 | 20 | 20 | 20 | - |
| COLLECTIVE INVESTMENT VEHICLE | 0.9 | 0.9 | - | 59.5 | 56.1 | 3.4 | 39 | 56 | 905 | 1,000 | 1,000 | - |
| DEVOLVED TRANSPORT INVESTMENT | - | - | - | - | - | - | - | - | 1,299 | 1,299 | 1,299 | - |
| EZ EXPANSION EXCLUDING CURZON | - | - | - | - | - | - | - | - | 20 | 20 | 20 | - |
| OTHER INVESTMENT PROGRAMME SCHEMES | 3.5 | 5.3 | 1.8 | 155.3 | 149.2 | 6.1 | 72 | 149 | 2,911 | 3,132 | 3,132 | - |
| GRAND TOTAL | 13.8 | 22.3 | 8.4 | 420.6 | 410.7 | 10.0 | 356 | 411 | 8,054 | 8,820 | 8,820 | - |

The financial results for April 2019 are shown above.

In respect of full project costs to completion, the financial summary has been adjusted to reflect the revised budget based on the 2019/20 programme baseline. The project budget for the Wednesbury to Brierley Hill Metro Extension has been revised, as approved by the WMCA Board on 22 March 2019. The Metro programme is red status because of the current funding gap against the East Birmingham to Solihull project. The cost to completion against UK Central Interchange remains red status due to the funding gap of circa £205m against the Birmingham International Station redevelopment project.

The Rail programme budget reflects the Package 1 (Willenhall & Darlaston), Package 2 (Moseley, Kings Heath, Hazelwell), Snow Hill Lines and Sutton Coldfield Interchange and City Link schemes.

For 2019/20, the YTD spend to April is £8.4m behind budget. This includes the significant variances set out below:

- * Metro programme underspend of £2.6m, including Birmingham Eastside Extension (£1.1m);
- * Coventry UKC+ programme is £2.7m behind budget, including Coventry City Centre First (£2.0m); and
- * UK Central Interchange - £1.3m behind budget.

The 2019/20 full year forecast underspend of £3.9m for the HS2 Growth Strategy relates primarily to the following Coventry UKC+ projects:

- * Coventry City Centre First (£6.7m underspend); and
- * Coventry South (£3.0m overspend) - A46 Link Road Phase 1.

The other major full year variances to forecast are:

- * A favourable variance of £2.0m in respect of Employment, Education & Skills, primarily due to timing of expenditure
- * £3.4m favourable in respect of the Collective Investment Vehicle.

Appendix 7 : Investment Programme Commitment Profile

| £m | Actual Spend (To April 19) | Approved Commitments | Expected Approvals (Updated May 2019) | | | | | | | | TOTAL APPROVALS |
|---------------------------------------|-------------------------------|--|---------------------------------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------------|
| | | | Jun-19 | Q2 19/20 | Q3 19/20 | Q4 19/20 | 2020/21 | 2021/22 | 2022/23 | Post 2023 | |
| UKC Interchange | 11.5 | 29.8 | | | 16.7 | 17.5 | 177.5 | | | 156.5 | 409.5 |
| UKC Infrastructure | 8.3 | 28.3 | 2.5 | 8.6 | 2.2 | 2.1 | 37.3 | 34.3 | 76.4 | 96.2 | 296.2 |
| Sprint Programme | 1.4 | 21.0 | | | 5.6 | 34.8 | 67.2 | 60.6 | | 31.1 | 221.7 |
| Metro Programme | 37.5 | 101.3 | | | | 18.5 | | | | | 157.3 |
| Rail Programme | 4.2 | 6.0 | (0.6) | 13.4 | | | 99.3 | | | 41.9 | 164.2 |
| City Centre First incl. CSMP | - | 39.4 | | 4.0 | | | | | | | 43.4 |
| Coventry VLR | 0.6 | 12.2 | | 7.8 | | | 35.0 | | | | 55.6 |
| Coventry North | 0.0 | 0.2 | | | 0.2 | 0.2 | | 21.0 | | | 21.6 |
| Coventry South | 0.1 | 7.4 | | | 1.5 | | 24.2 | 26.8 | | 76.7 | 136.5 |
| Wednesbury Brierley Hill Metro | - | 103.0 | | | | | | | | | 103.0 |
| SUB TOTAL INVESTMENT PROGRAMME | 63.7 | 348.7 | 1.9 | 33.7 | 26.0 | 73.1 | 440.5 | 142.7 | 76.4 | 402.4 | 1,609.1 |
| Coventry Regeneration | 7.2 | 149.9 | | | | | | | | | 157.1 |
| Coventry City of Culture | - | 31.6 | | | | | | | | | 31.6 |
| Land Remediation | 7.2 | 103.0 | | | | | | | | 97.0 | 207.2 |
| Business Innovation | 2.4 | 5.8 | 3.0 | 3.8 | | | 15.0 | 15.0 | 7.5 | | 52.4 |
| Employment Education & Skills | 0.0 | 0.8 | | | | | 17.0 | 2.2 | | | 20.0 |
| Commonwealth Games | 0.8 | 25.0 | | | | | | | | | 25.8 |
| OTHER INVESTMENT PROGRAMME | 17.6 | 284.6 | 34.6 | 3.8 | | | 32.0 | 17.2 | 104.4 | | 494.2 |
| TOTAL | 81.3 | Approval commitment profile based on PMO forward planning exercise | | | | | | | | | |
| CUMULATIVE APPROVALS | | 633.2 | 669.7 | 707.2 | 733.3 | 806.4 | 1,278.9 | 1,438.8 | 1,619.6 | 2,022.0 | |

NOTE : WMCA commitment limit currently expected to be £801 million



WMCA Board

| | |
|--------------------------------------|--|
| Date | 26 July 2018 |
| Report title | Recommendation of a Carbon Reduction Target for the WMCA Area |
| Portfolio Lead | Environment, Energy & HS2 - Councillor Ian Courts |
| Accountable Chief Executive | Deborah Cadman, West Midlands Combined Authority email: deborah.cadman@wmca.org.uk tel: (0121) 214 7200 |
| Accountable Employee | Henry Kippin, Director of Public Service Reform email: henry.kippin@wmca.org.uk tel: (0121) 214 7880 Simon Slater, Head of Environment email: simon.slater@wmca.org.uk tel: (0121) 214 7804 |
| Report has been considered by | WMCA Environment Advisory and Delivery Group Local Authorities Workshop - 6 June 2019 Programme Board - 12 July 2019 |

Recommendation(s) for action or decision:

The WMCA Board is recommended to:

- (1) Set a West Midlands target of net-zero emissions no later than 2041, with interim targets based on a 2018 baseline of 36% reduction by 2022, and 69% reduction by 2027, supported by the corresponding carbon budgets outlined in Section 3.

- (2) Note the estimated financial cost of this transition as 1-2% of GDP – which is estimated at £40 billion for the West Midlands over the period to 2041, and that bringing the target forward ahead of 2041 would require additional investment.
- (3) Commit to an inclusive transition which protects marginalised communities, maximises support for West Midlands businesses, and helps individuals to change their own behaviours.
- (4) Note that a Carbon Reduction Action Plan will be brought back to the WMCA Board in Autumn 2019.
- (5) Note that proposals for additional funding will be submitted to the Government ahead of the November 2019 Budget or Comprehensive Spending Review to accelerate the West Midlands carbon transition.

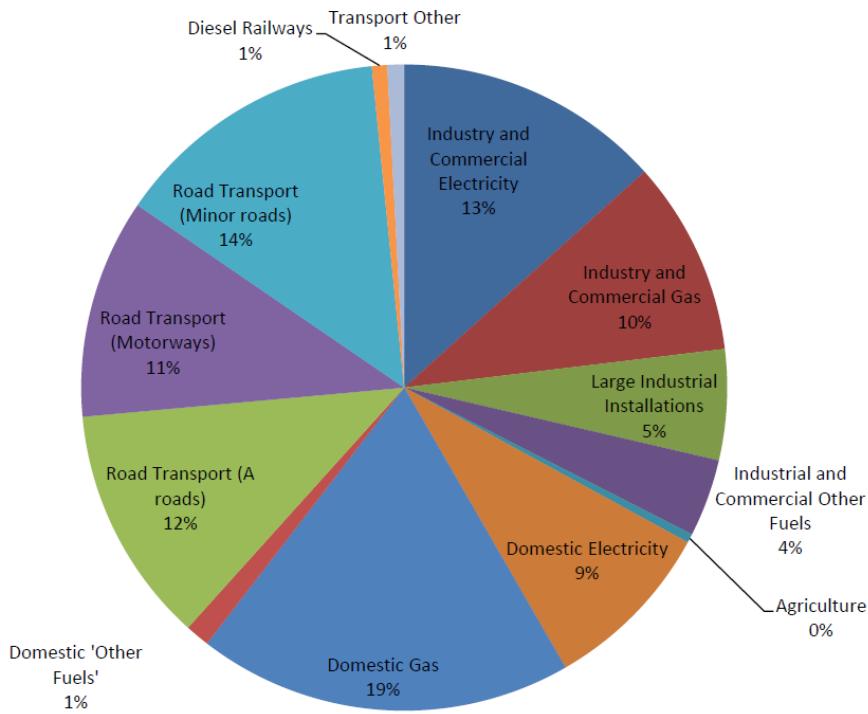
1.0 Purpose

- 1.1 This paper represents the first action agreed by the WMCA Board following its endorsement of an Environment Portfolio re-fresh at June 2019 Board. This is:
 - a) To present a firm recommendation of a headline CO2 reduction target for the West Midlands area;
 - b) To show the underlying independent evidence base for proposing this;
 - c) To highlight some of the key implications – including the impact on local areas, and the vehicles through which we propose to deliver the investments that will be needed – recognising that a substantial action plan will be brought to Board in Autumn 2019.
- 1.2 At its June 2019 Board, WMCA members declared a ‘Climate Emergency’: a recognition of the scale of the problem of climate change, and a demonstration of the Board’s intent around the need for a full and just transition to more sustainable growth. The Board was equally firm on the need for any transition plan to be robust, deliverable and clear-eyed about the scale of additional investment and support that will be needed. Important points – supported across the Board as a whole – were made about our responsibility to protect the most vulnerable. It committed ensuring that economic transition does not come at the expense of those already marginalised from the benefits of regional growth.
- 1.3 The implications of climate change affect all sectors of our economy, and will impact profoundly on our personal behaviour and the things that are desirable and acceptable within our social and working lives. The framing of a CO2 target for the region is thus an important signal – but only one part of a suite of interventions and investments that we must undertake collectively deliver our leadership responsibilities in this space.
- 1.4 As a region we have the chance to turn the scale of this challenge into an opportunity – using our Industrial Strategy, collective ability to influence transport, housing and commercial practice, and through making a clear case for the investment and central government support that will be needed. We must take great care to ensure that we are not damaging our economic progress or levels of employment – and indeed the opportunities for citizens to live, train and work in the region that drive our strategic economic plans.
- 1.5 This paper proposes a regional target – within which individual local authorities and areas will set (and indeed already have set) their own ambitions. The WMCA regional ambition is thus presented here with the intention of supporting members to move as fast as possible, and to help create the supporting infrastructure for them to do this.

2.0 Background

- 2.1 The West Midlands originally set a carbon reduction target as part of its Strategic Economic Plan (SEP) in 2016 – citing a 40% reduction on 2010 levels by 2030, which was consistent with UK Climate Act target at that time. Monitoring is provided annually by Sustainability West Midlands. The latest figures, based on 2017 data (released in early July) show that we are on the way to achieving this target – with a 21.8% reduction since 2010.
- 2.2 In 2018, a progress report for the UN Paris Agreement set out a more urgent target to reduce the level of extra global heating by 1.5 degrees – requiring a more aggressive reduction in greenhouses gases and a need for stronger collective action over the short term. In practice, it has meant that most existing estimates of what will be required to achieve sustainability fall short of what experts believe will now be needed.
- 2.3 In the UK – as in other countries – we have seen a heightened response to the climate change imperative, which has manifest as specific pledges from some cities and city-regions, from a number of local authorities, and of course from the public at large. For example:
 - The UK Climate Change Committee published its recommendation of a nationwide ‘net zero’ reduction target of 2050. This was adopted into legislation in June 2019.
 - As of 4th July, over 115 local councils in the UK have declared a ‘climate emergency’, with 71 setting a target for net zero emissions by 2030 – although this varies according to whether based on council operations or a wider area.
 - Greater Manchester and Liverpool city regions have committed to net zero targets of 2038 and 2040 respectively – basing their calculations on a similar source of independent analysis and advice to that developed for the West Midlands (and presented below).
 - In the West Midlands region, a number of authorities have made public commitments. For example, Birmingham City Council has endorsed an aspiration to achieve net zero CO₂ by 2030 in a way that protects communities and employment. Warwick District Council has pledged to become a net zero organisation by 2025. Most other authorities have pledged to bring forward plans based on a local evidence base and an analysis of the progress of their existing initiatives to date.
 - Citizens, civil society and particularly young people – many of whom feel the existential threat of climate change so acutely – continue to press for action. In June the WMCA Board heard from a group of Birmingham Climate Strike activists who articulated very well the need for their voices to be heard, and for established institutions across the sectors to respond.

2016 CO₂ Emissions (21 MtCO₂) for WMCA Area



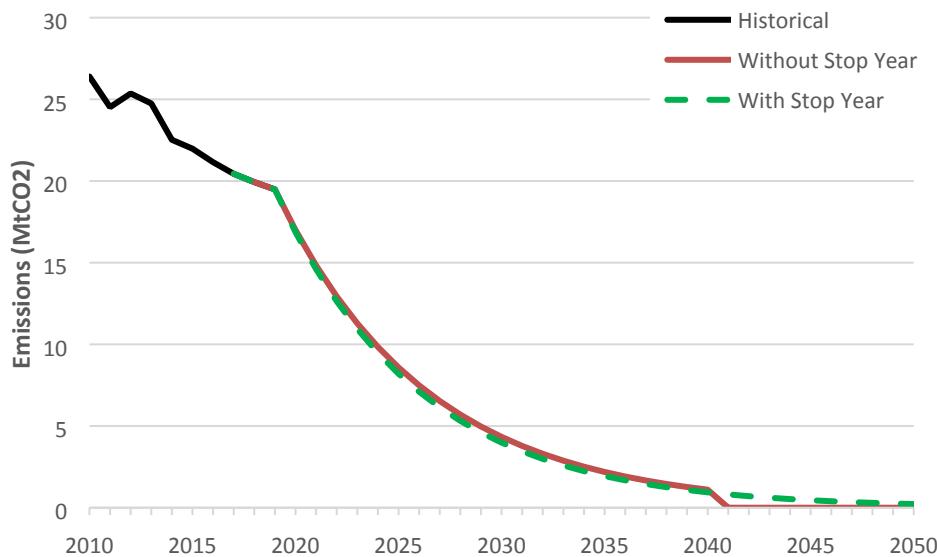
Note: Sectoral split of 2016 CO₂ emissions for WMCA Area from BEIS statistics – showing a relatively even split between commercial/industrial, domestic and transport sector emissions. Source: WMCA use of Tyndall Centre research, July 2019

2.4 The WMCA Commissioned the Tyndall Centre for Climate Change (who are industry leaders in this space) to provide recommendations to the region so that, within the shifting context described above, we have a firm basis on which to make a lasting commitment. Their recommendations, which have been subject to initial testing with local authority environmental officers and members of the WMCA Environment Delivery and Advisory Group, are as follows:

- The WMCA 3-LEP region should reach net zero carbon emissions by no later than 2041. This is the minimum progress required to contribute our part to the Paris Agreement.
- The appropriate ‘carbon budget’ for the region – the net amount we can emit within the above period if we follow this recommendation – is 126 megatonnes (MtCO₂).
- At our current progress rate of reduction, the carbon budget left to use between 2020 and 2041 would be used up within six years.
- This means that to meet the 2041 ambition, we will need to reduce our emissions annually by 13% from 2020.
- Our current annual reduction rate for the WMCA area (based on latest figures which are 2016-17) is 3.8%, with individual local authority areas varying from 1-8%.

- If individual local authorities are minded to declare earlier targets than 2041, this would need to be accompanied by a concomitant reduction in their overall carbon budget.

Energy CO₂ only emissions pathways (2010-2050) for WMCA premised on the recommended carbon budget



Note – options are stop year so zero emissions by 2041, or 5% emissions by 2041 and this continuing to reduce afterwards. Both approaches are compatible with the Paris agreement requirements. Our recommendation is a stop year by 2041.

- 2.5 The implications of this are clear. We have made very good progress as a region – but this needs to be accelerated. The impact of this will be different within different local authority and economic geographies – but all will need support and meaningful investment to amplify their efforts. The implications of failure – both within the region and at a national and international level – is an acceleration of the negative impacts of climate change, and a further entrenching of the inequalities that already exist within our economy.

3.0 The Proposal

- 3.1 Our proposal is therefore that the WMCA Board is asked to:

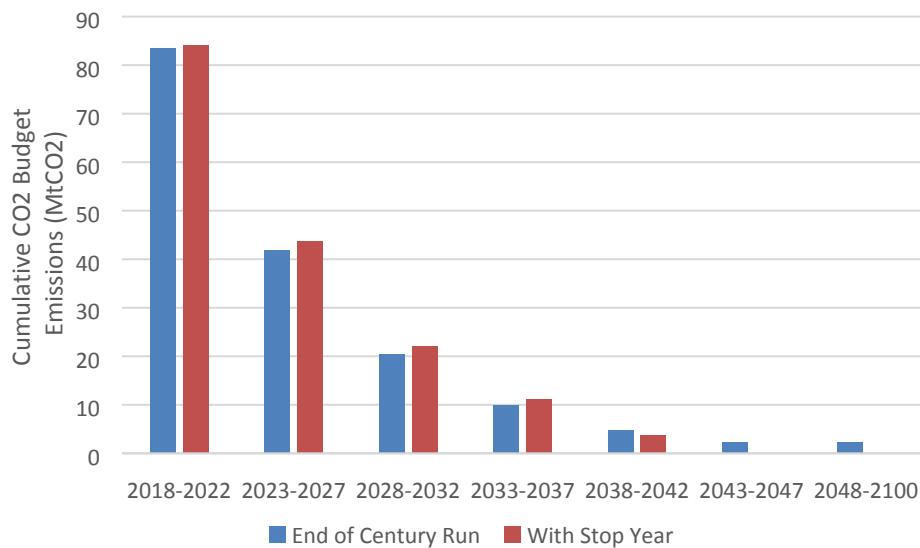
1. Agree the 2041 net zero CO₂ target outlined above, noting the implications for our cumulative carbon budget as a region, and attendant emissions reduction commitments (as a whole-region and within individual local authority areas).
2. Recognise that progress in the next seven years is particularly critical. This is the period during which major reductions will need to be made, and within which the most substantial support and investment will be required. The CO₂ reduction ‘curve’ set out below (and within the attached Tyndall Centre report) makes this clear.
3. Commit to a transition which explicitly takes into account the experience of communities already marginalised from economic growth; and commits to protecting them during this transition. This reinforces the WMCA Board’s existing commitment to economic growth that is as inclusive and sustainable as possible.

4. Commit to supporting our businesses to make the transition, including via our regional response to the clean growth opportunities set out in the Local Industrial Strategy and through close work with our LEPs.
 5. Monitor and support progress with support from the Tyndall Centre and Sustainability West Midlands, including aligning with five-year budget cycles required under the UK Climate Change Act.
- 3.2 The methodology for the above recommendation is consistent with international norms, and is outlined in detail within the independent report attached. As the indicative table below shows, certain sources of emissions (such as shipping and aviation) are not included in the WMCA target and considered at a national level. That said, our efforts as a region will be part of a national and international effort within which all major sources of emissions (and means of ameliorating their effects) will need to be addressed.
- 3.3 The 2041 target being proposed is for the region as a whole. Within this overarching framework, there will be different local areas and authorities that want to move at different paces. The reduction curve will, in reality, be less linear than the graph below suggests. Our commitment as a whole Combined Authority area should be to support each of our partners through this transition in the best way possible; learn from and adapt with each other; and make sure we are continually reviewing our progress and actions in light of evolving science, progress and local need.

Summary of the scope of emissions included in the WMCA carbon budget. ‘Direct CO₂’ refers to CO₂ from non-power station fossil fuel combustion (e.g. natural gas, oil, coal, petrol and diesel).

| Source of Emissions | Relation to WMCA Carbon Budget |
|--|--|
| International and Domestic Aviation CO ₂ | UK national budget |
| Shipping CO ₂ | UK national budget |
| Electricity use (all sectors within WMCA area) CO ₂ | WMCA carbon budget - Consumption based (Scope2) |
| Land transport - direct CO ₂ | WMCA carbon budget – fuel use allocated to WMCA in BEIS data based on DfT model. Electricity emissions associated with electric train use in WMCA are incorporated into the commercial and industrial electricity set in the BEIS data. |
| Commercial and industrial energy use - direct CO ₂ | WMCA carbon budget |
| Domestic energy use - direct CO ₂ | WMCA carbon budget |
| Imported goods | Not included in WMCA budget |
| Land Use, Land Use Change, and Forestry (LULUCF) CO ₂ – emissions and removal of CO ₂ by forestry and land use and land use change | Not included in WMCA budget – separate recommendation made |
| Non-CO ₂ greenhouse gas emissions | Not included in WMCA budget – separate recommendation made |

Cumulative CO₂ emissions per budget period for End of Century and Stop Year projections



(Sources: Tyndall Centre for Climate Research, June 2019)

Illustrative interim target linked to end of last full calendar year of next Mayoral Term

| 5 Year Regional Carbon Budget – Target Year 2041. (Calendar Years Aligned with UK Climate Change Act 5 year cycle) | Regional Progress Milestones within West Midlands Mayoral Term (May 2020-2024) |
|--|---|
| 2018-2022 – 84.2 mt CO2 within 3 LEP geography | Milestone 1: Dec 2022 = 2018-22 – 84.2mt CO2 or less used. |
| 2023 -2027 – 43.7 mt CO2 within 3 LEP geography | Milestone 2: Dec 2023 = 2023 – 8.74mt CO2 or less used. Milestone 2 and Interim Target: Dec 2023 = 2018-2023 – 92.94mt or less CO2 used = 36% reduction in CO2 emissions 2020 to 2023 |

Notes: Interim target based on: 20% of 2023-27 budget used and added to Milestone 1. Rate of reduction based on target average required 13% per year from 2020. There is also currently a lag of 1.5 years of translating and modelling national CO2 figures to local and regional figures, therefore results on interim target may not be known until July 2025.

(Source: WMCA use of Tyndall Research, July 2019)

4.0 The Costs and Benefits

4.1 The national costs and benefits of achieving net zero.

The UK Climate Change Committee (CCC) has estimated the resource costs required from the economy to reach the national UK target of net zero by 2050 are around 1-2% of GDP annually over the next 30 years, or “8 months delayed growth” by 2050.

- 4.2 The way these costs fall across different sectors is uneven. For example up to 2030 there will be higher upfront costs in some renewable energy construction, energy and resource savings initiatives, electric car, battery manufacturing and infrastructure. These costs would be offset by lower running and fuel costs. This means that changes in these areas could actually reduce the cost to the economy over the medium term so that, after 2030, we would hope that innovation would have driven down capital costs further. The more difficult areas are in treating existing buildings, decarbonising particular energy generation or industrial uses, aviation, and technology to extract and store CO2 from the atmosphere.

- 4.3 The CCC has assessed the impact on competitiveness to business – suggesting that the major costs are limited to those in high energy and resource use industries or high exposure to export markets, and therefore the Government needs to continue to set out a set of policies and support over time to help these industries implement the changes required. Over time this could be offset by a rapidly shrinking number of locations and markets for high energy users to re-locate to, and a rapidly growing global market place for lower carbon products and services, estimated at an annual level of \$1.6 – 3.8 trillion on average until 2050.
- 4.4 The CCC has also acknowledged the wider benefits (known as ‘co-benefits’) to the economy of implementing the carbon reduction measures. The strongest of these are from the shift from cars to clean public transport, reduction in congestion, cleaner air, and improved diet, and health from more comfortable homes, and improved greener spaces. These annual benefits have not been factored in to CCC headline research, but when done so suggest a reduction in the overall GDP cost of change by 1.5%, to an actual increase GDP by 2% after 2050. Modal shift of 5% of car use to other modes alone is estimated to generate 0.5% benefits of GDP annually.
- 4.5 Let us not, however, underestimate the scale of the change that is needed here - nor the need for substantial government support to help regions like the West Midlands (and the UK as a whole) undertake the capital investments and transition costs that we know will be needed. Our region has undergone real positive economic change over recent years, but is unequal and suffers from high levels of poverty and economic marginalisation. Inevitably, our ability to hit interim and medium-term CO₂ reduction targets – and do this in a way that protects the most vulnerable in society - will be contingent on a level of support concomitant to the scale of the challenge.

5.0 The regional costs and benefits of achieving net zero.

- 5.1 The proposed regional target is 10 years earlier than the UK Government one, and reflects the fact that many of the national issues such as aviation, shipping and decarbonising the energy supply, and developing carbon extraction technology are not within the regional or local remit, and therefore the majority of these costs will be covered and allocated at national level. Therefore it is estimated that the resource costs and level of investment to the WMCA area to achieve the target will still be at the level of 1-2% of regional GDP annually between 2020-2041. In total this is at least £40 billion.
- 5.2 The West Midlands has the highest concentration of manufacturing in the UK – so we also need to ensure that nationally the Government sets out clear policies and support to help this transition in our region, and to offset potential changes in employment types and the economic disruption of transition. As region that has one of the highest levels of fuel poverty in the UK, we also need to secure the longer term investment we need to address our existing housing stock, generate new jobs and innovation for new finance and delivery models. This is the subject of a number of existing proposals being developed via Energy Capital, the region’s LEPs and the WMCA.

- 5.3 We also stand to gain the most as a region if we are able to – and supported to – effectively manage the transition. For example:
- i. Resource costs for the region represent on average 5 times that of staffing costs for UK manufacturing, meaning that there are strong productivity gains from continued energy and resource efficiency.
 - ii. Our existing Industrial Strategy shows the economic opportunities we have based on global strengths of mobility, construction, design and energy – and the link between zero-carbon transition and clean, low carbon growth will only intensify over the coming years.
 - iii. The local approach to generating and managing industrial and domestic energy, promoted by the Energy Capital devolution deal, offers further cost saving and benefits.
 - iv. TfWM’s ongoing work to effect a modal shift to clean and efficient public transport and active travel addresses medium term carbon reduction goals as well as shorter term concerns over clean air and congestion.
 - v. The region stands to gain from positioning over time as a clean growth region which can offer quality of life, health benefits and a new generation of skills and jobs which reflect the spirit our Industrial Revolutionary roots for a different age.

- 5.4 We will, as a whole-region, continue to push for the devolution of powers and funding that will be needed to accelerate delivery. We should continue to work with other regions (and with the UK’s ‘core’ and ‘key’ cities groupings) to push for the national policy enablers that will allow us all to collectively succeed to meet our various sub-national and national targets.

6.0 Next steps

- 6.1 We have committed to reverting to WMCA Board in the Autumn with a detailed plan and a pipeline of investments that can support the goals set out in this paper, set out in four distinct areas:
1. **CLEAN GROWTH** – focusing on carbon reduction, green business growth, waste reduction and economic inclusion which benefits marginalised communities. This will be delivered through our Industrial Strategy implementation and the development of a cross-regional ‘Clean Growth Challenge’ which will creative incentives for innovation to drive clean growth.
 2. **CLEAN AIR** – focusing on an improvement in air quality across the region, working closely with local authority partners and supporting improvements in clean transport, enabling lower emissions (e.g. via electric charging), and creating incentives for citizens and businesses to change behaviours and lifestyles.

3. **NATURE GAIN** – focusing on growing and improving ‘natural capital’ the quality of our waterways, green spaces, public realm, biodiversity and resilience to the effects of climate change. This could include the launching of a ‘year of green action’ to promote focused investment in priority areas, and social action to promote and protect our natural assets.¹
 4. **LEADING BY LOCAL EXAMPLE** – focusing on our own assets, performance and the extent to which we, as anchor institutions in this region, are living up to the values we espouse for others. This might include focused action on issues like single-use plastics and waste, supported by targeted investment where we are able to generate it.
- 6.2 We are now working hard alongside LEP and local authority colleagues to ensure that our flagship investment proposals – via the Industrial Strategy, Energy Capital, any future Spending Review, post-EU structural funding and for inward investment into strategic industries – are aligned with the goals described above. None of this will be easy or straightforward. Key sources of emissions include our homes (35%), transport (32%), and industry, commercial, and the public sector (33%) – implying major action across transport, planning, waste, procurement and business support. We will need the support of the whole Board – and the expertise within our local authorities, LEPs, businesses and civil society – to make this transition a reality.

7.0 Wider WMCA / Geographic Implications

- 7.1 The activity proposed here will support the delivery of the SEP and Local Industrial Strategy goals which are relevant across the three-LEP geography of the WMCA. The Tyndall Centre analysis is conducted across a three-LEP geography (see appendix). The future environment plan to deliver this target should offer something to all of the WMCA authorities and partners, and will reflect their input and priorities.

8.0 Financial Implications

- 8.1 The longer term financial implications of adaption to climate change are still not yet fully understood – though we know they will be substantial. The CCC estimates that the annual costs of meeting net-zero emissions are between 1-2% of GDP in 2050. An extrapolated figure for the region is provided in section 5.1 above. The region alone cannot bear the costs of transition within a context of local government austerity – making the investment case built by this portfolio (and its links with economy, transport and housing) absolutely critical. These investments are inevitably part of a whole-system transition in which each organisation across the public, private and social sectors will need to play a part. The specific financial implications of our actions via the WMCA will be brought forward along with the action plan in Autumn.

¹ See for example <https://www.theguardian.com/environment/2019/jul/04/planting-billions-trees-best-tackle-climate-crisis-scientists-canopy-emissions>

9.0 Legal Implications

- 9.1 As a public authority the WMCA is affected by the implications of environmental legislation in all its activities. Furthermore, there are environmental implications in all the functional activities of the Combined Authority and many of those areas will be affected by specific environmental legislation and controls. The environmental portfolio demonstrates how the authority both responds to those requirements and contributes to regional leadership in partnership with constituent and non-constituent authorities in the authority's area.
- 9.2 Where specific power is required to authorise actions which are not otherwise explicitly provided within the existing functions of the Authority, the WMCA has a functional power of competence under s113A of the Local Democracy, economic development and Construction Act 2009 to undertake actions which are related to or incidental to the performance of its functions.

10.0 Equalities and Inclusive Growth Implications

- 10.1 The equalities implications of this paper – and the activities it proposes – should create net positive effects in terms of the impacts on citizens and communities. We will seek support for ‘just transition’ (deliberately mitigating the cost of changes for those least able to bear it), and will seek to embed environmental goals as part of an overall approach to economic growth that is more inclusive. We will use the WMCA’s Inclusive Growth Framework to assess these impacts, and work with civil society to ensure that the range of voices across the region are heard within this work.

Appendices

See attached separately ‘

Setting Climate Change Commitments for West Midlands Combined Authority Area: Quantifying the Implications of the United Nations Paris Agreement on Climate Change for West Midlands Combined Authority, Tyndall Centre for Climate Change Research, June 2019.

Setting Climate Change Commitments for West Midlands Combined Authority Area:

**Quantifying the Implications of the United Nations Paris Agreement
on Climate Change for West Midlands Combined Authority**

| | |
|----------------------------|---|
| Client: | West Midlands Combined Authority (Dr Simon Slater) |
| Document Reference: | WMCA |
| Version: | FINAL |
| Date: | 29 June 2019 |
| Prepared by: | Dr Jaise Kuriakose, Dr Chris Jones, Prof Kevin Anderson, Dr John Broderick & Prof Carly McLachlan |

NB: All views contained with this report are attributable solely to the authors and do not necessarily reflect those of researchers within the wider Tyndall Centre.

Key Messages

This report presents climate change targets for West Midlands Combined Authority (WMCA)¹ that are derived from the commitments enshrined in the Paris Agreement [1], informed by the latest science on climate change [2] and defined in terms of science based carbon setting [3]. The report provides WMCA with budgets for carbon dioxide (CO₂) emissions from the energy system for 2020 to 2100.

The carbon budgets in this report are based on translating the “well below 2 °C and pursuing 1.5 °C” global temperature target and equity principals in the Paris Agreement to a national UK carbon budget [3]. The UK budget is then split between sub-national areas using different allocation regimes [4]. Aviation and shipping emissions remain within the national UK carbon budget and are not scaled down to sub-national budgets. Land Use, Land Use Change and Forestry (LULUCF) and non-CO₂ emissions are considered separately to the energy CO₂ budget in this report.

Based on our analysis, for WMCA to make its ‘fair’ contribution towards the Paris Climate Change Agreement, WMCA needs to:

- 1) Stay within a cumulative carbon dioxide emissions budget of 126 million tonnes (MtCO₂) for the period of 2020 to 2100.** At 2016 CO₂ emission levels², the WMCA would use this entire budget within 6 years.
- 2) Initiate an immediate programme of CO₂ mitigation to deliver annual cuts in emissions averaging 13% to deliver a Paris aligned carbon budget.** These annual reductions in emissions require national and local action and would be part of a wider collaboration with local authorities in the region.
- 3) Reach zero or near zero carbon no later than 2041.** This report provides two CO₂ reduction pathways which both stay within the recommended 126 MtCO₂ carbon budget; 1) with a long term decay in residual emissions at a consistent percentage reduction rate over time, 2) emissions dropping to zero following the point at which 95% of the budget has been used.

¹ WMCA area comprising of the geography of the Black Country, Coventry and Warwickshire, and Greater Birmingham and Solihull Local Enterprise Partnerships. This made up of the unitary and district councils of Walsall, Wolverhampton, Sandwell, Dudley, Birmingham, Solihull, Cannock Chase, East Staffordshire, Lichfield, Wyre Forest, Bromsgrove, Redditch, Tamworth, Coventry, North Warwickshire, Nuneaton and Bedworth, Rugby, Stratford Upon Avon and Warwick.

² Based on WMCA’s 2016 CO₂ emissions (excluding aviation, shipping, process CO₂ emissions from cement production and those from LULUCF).

1. Introduction

This report presents advisory climate change targets for the WMCA to make its fair contribution to meeting the objectives of the United Nations Paris Agreement on Climate Change. The latest scientific consensus on climate change in the Intergovernmental Panel on Climate Change (IPCC) Special Report on 1.5 °C [2] is used as the starting point for setting sub-national carbon budgets [3, 4] that quantify the maximum carbon dioxide (CO₂) associated with energy use in WMCA area that can be emitted to meet this commitment. This report translates this commitment into; 1) a long-term carbon budget for WMCA; 2) a sequence of recommended five-year carbon budgets; 3) a date of effective zero carbon for the region.

The United Nations Framework Convention on Climate Change (UNFCCC) Paris Agreement commits the global community to take action to “*hold the increase in global average temperature to well below 2 °C above pre-industrial levels and pursue efforts to limit the temperature increase to 1.5 °C*” [1]. Cumulative emissions of CO₂ from human activity are the principal driver of long-term global warming³. It is the relationship between CO₂ and global temperatures which means that staying within a given temperature threshold requires that only a certain total quantity of CO₂ is released to the atmosphere. This is the global carbon budget.

In addition to setting global average temperature targets, the UNFCCC process also includes foundational principals of common but differentiated responsibility [1]. This informs the fair (equitable) distribution of global emissions between nations at different stages of economic development. Industrialised nations are expected to show leadership towards a low carbon future, while it is acknowledged that a greater total share of future emissions will be associated with other countries as they develop (though their emissions per capita will remain low). Any subdivision of the global carbon budget must therefore account for the development needs of what the Paris Agreement refers to as “developing country Parties” in setting a fair/equitable national or sub-national carbon budget.

The carbon budgets presented here apply to CO₂ emissions from the energy system only. Although all greenhouse gas (GHG) emissions, such as methane and other forcing agents, such as aircraft contrails, affect the rate of climate change, long term warming is mainly driven by CO₂ emissions [5]. Furthermore the physical or chemical properties of each GHG vary, with different life-times causing warming in different ways, and with subsequent, and often large, uncertainties in their accounting [6]. As such the global carbon budgets in the Intergovernmental Panel on Climate Change (IPCC) Special Report on 1.5 °C (SR1.5) [2], relate to CO₂-only emissions. In this report we have discussed non-CO₂ emissions and CO₂ emissions associated with land use, land use change and forestry separately.

³ This is due to the near-linear relationship between cumulative CO₂ emissions and temperature is the result of various feedback processes and logarithmic relationship between atmospheric CO₂ concentrations and radiative forcing, as well as the changes in the airborne fraction of CO₂ emissions [18].

1.2 Wider UK Policy Context

The UK Climate Change Act 2008 legislates a commitment to at least an 80% reduction in greenhouse gas emissions by 2050 from 1990 levels, with five yearly carbon budgets to set actions and review progress [7]. However, the level of these budgets is not aligned to the Paris Agreement (Box 2 of [4]).

This report presents climate change targets that go beyond the ambition of the 2008 Climate Change Act, the current recommendations of the UK Government's advisory body the Committee on Climate Change (CCC) [8], and therefore likely beyond the Government's commitment to legislate for a net zero carbon target of 2050.⁴ This is primarily due to two key differences between our approach and that of the CCC to date:

- a) The equity principles of the Paris Agreement and wider UNFCCC process are explicitly and quantitatively applied. Our approach allocates a smaller share of the global carbon budget to the 'developed country Parties', such as the UK, relative to 'developing country Parties'. This approach is also distinct in including global 'overheads' for land use, land use change and forests (LULUCF) and cement production related to development.
- b) Carbon removals via negative emissions technologies (NETs) are not included. The CCC include a significant role for NETs such as bioenergy carbon capture and storage and direct air capture in their analysis. Doing so increases the size of a carbon budget compatible with a given global temperature target. However carbon removal technologies are at a very early stage of development and whether they can be successfully deployed at sufficient scale is highly uncertain. While they are an important technology to develop, it is a major risk to prematurely adopt a carbon budget that allows for additional CO₂ on the basis that future generations will be in a position to deploy planetary-scale NETs. ***These sub-national carbon budgets are therefore more precautionary than the current advice from the Committee on Climate Change.***

We regard our UK carbon budget to be at the upper end of the range that is aligned with the Paris Agreement's objectives. Early results from the latest Earth system models suggest that the climate may be more sensitive to greenhouse gases than previously thought implying a smaller global carbon budget is required [9]. In addition, assuming that developing countries will, on aggregate, implement rapid emissions reduction measures in line with a 2025 peak year is far from certain. ***Therefore, we recommend that these sub-national budgets are taken as reflective of the minimum commitment required to deliver on the Paris Agreement.***

⁴ The carbon budget associated with the 2050 net zero target is not public at the time of writing, however the Committee on Climate Change's inclusion of significant role for carbon removal technologies by 2050 in their approach [8] in particular is likely to result in a larger UK carbon budget than assumed here.

2. Method

The Setting City Area Targets and Trajectories for Emissions Reduction (SCATTER) project [4] commissioned by the Department for Business Energy and Industrial Strategy (BEIS) developed a methodology for Local Authorities to set carbon emissions targets that are consistent with United Nations Paris Climate Agreement. This report uses the SCATTER methodology with revised global carbon budgets, based on the latest IPCC Special Report on 1.5 °C and updated CO₂ emissions datasets, to downscale global carbon budgets to the WMCA area. This methodology has been successfully piloted with Greater Manchester Combined Authority and is being made available nationally to support all local authorities and groupings of local authorities.

Step 1: A global carbon budget of 900 GtCO₂ is taken from the Intergovernmental Panel on Climate Change (IPCC) Special Report on 1.5°C [2]. This global carbon budget represents the latest IPCC estimate of the quantity of CO₂ that can be emitted and still be consistent with keeping global temperatures well below 2°C with some chance of stabilising at 1.5 °C. This budget assumes no reliance on carbon removal technologies.

Step 2: A ‘global overhead’ deduction is made for process emissions arising from cement production (60 GtCO₂) [10]⁵. Cement is assumed to be a necessity for development [5]. We also assume that there is no *net* deforestation at a global level (2020 to 2100) so none of the global carbon budget is allocated to this sector. This will require a significant global effort to rapidly reduce deforestation and significantly improve forestry management as well as increase rates of reforestation and potentially afforestation.

Step 3: A share of the global carbon budget is allocated to “developing country parties” assuming a trajectory for those countries from current emissions to a peak in 2025 then increasing mitigation towards zero emissions by around 2050. The remaining budget is allocated to “developed country parties” which includes the UK [11]. This approach of considering developing countries first, is guided by the stipulation of equity within the Paris Agreement (and its earlier forebears, from Kyoto onwards)[11].

Step 4: The UK is apportioned a share of the ‘developed country Parties’ budget after Step 3 to provide a national carbon budget. The apportionment is made according to “grandfathering”⁶ of emissions for the period with most recent available data (2011 to 2016).

Step 5: Aviation and shipping emissions deducted. Assumptions and estimates are made about the level of future emissions from aviation, shipping and military transport for the UK. These emissions are then deducted from the national budgets as a ‘national overhead’ to derive final UK energy only carbon budgets. Emissions from aviation including military aircraft are assumed to be static out to 2030, followed by a linear reduction to complete decarbonisation by 2075. The total CO₂ emissions of this path are >25% lower than DfT central forecast (no third runway at Heathrow) followed by reduction to zero by 2075. Shipping emissions are based on Walsh et al [12] ‘big world’ scenario out to 2050 followed by full decarbonisation from this sector by 2075. These aviation and shipping emissions (1,518 MtCO₂) are then deducted as a ‘national overhead’ from the UK budget to derive the final carbon budgets for the UK, from which local authority budgets are subsequently derived [4]. The budgets provided are therefore aligned with “well

⁵ Based on IEA’s ambitious 2 degree scenario on process CO₂ for the period 2020-2050, subsequently extrapolating to zero by 2075

⁶ Grandfathering is based on the average proportion of CO₂ emissions from each Party in recent years.

below 2 °C and pursuing 1.5 °C” provided that aviation and shipping emissions do not exceed the pathway assumed in our analysis [4]. Failure to hold aviation and shipping emissions within the outlined allocation will reduce the carbon budget for UK regions, including for WMCA area.

Step 6: WMCA is apportioned a part of the remaining UK carbon budget. Our recommended budget is based on sub-national allocation through ‘grandfathering’. A grandfathering approach allocates carbon budgets on the basis of recent emissions data. Data for recent annual CO₂ emissions in WMCA area [13] (2011-2016) is averaged and compared to averaged data for the whole UK [14] over the same period. The carbon budget (2020-2100) for WMCA is then apportioned based on WMCA’s average proportion of UK CO₂ emissions for the 2011-2016 period.

Step 7: Carbon emission pathways and year of carbon neutrality. The carbon budgets for WMCA are related to a set of illustrative emission pathways. These pathways show annual CO₂ emissions from energy use in WMCA and how these emissions reduce over time to stay within the budget. The energy-only CO₂ emissions for 5-yearly interim carbon budget periods are calculated in line with the framework set out in the UK Climate Change Act (2018). The combination of a Paris Agreement based carbon budget and the projected emissions pathways enable a zero carbon year for WMCA to be derived. The zero carbon year is defined here as the point at which WMCA’s annual average carbon dioxide emissions fall below a threshold level of 0.9 MtCO₂ (i.e. over 96% lower than 2015 levels). The threshold year relates to less than 5% of the total carbon budget remains as residual CO₂ emissions out to the end of the century. CO₂ emissions in the carbon budget include emissions from fossil combustion within the region and a share of the emissions from national electricity generation (relative to the WMCA area end-use electricity demand).

Table 1: Summary of the scope of emissions included in the WMCA carbon budget. ‘Direct CO₂’ refers to CO₂ from non-power station fossil fuel combustion (e.g. natural gas, oil, coal, petrol and diesel).

| Source of Emissions | Relation to WMCA Carbon Budget |
|--|--|
| International and Domestic Aviation CO ₂ | UK national budget |
| Shipping CO ₂ | UK national budget |
| Electricity use (all sectors within WMCA area) CO ₂ | WMCA carbon budget - Consumption based (Scope2) |
| Land transport - direct CO ₂ | WMCA carbon budget – fuel use allocated to WMCA in BEIS data based on DfT model [14] Electricity emissions associated with electric train use in WMCA are incorporated into the commercial and industrial electricity set in the BEIS data. |
| Commercial and industrial energy use - direct CO ₂ | WMCA carbon budget |
| Domestic energy use - direct CO ₂ | WMCA carbon budget |
| Imported goods | Not included in WMCA budget |
| LULUCF CO ₂ – (emissions and removal of CO ₂ by forestry and land use and land use change) | Not included in WMCA budget – separate recommendation made |
| Non-CO ₂ greenhouse gas emissions | Not included in WMCA budget – separate recommendation made |

2.1 Baseline Emissions for WMCA

Based on the statistics provided by BEIS the energy only CO₂ emissions for the WMCA area in 2016 are shown in Figure 1. Electricity emissions associated with electric trains are incorporated into the commercial and industrial electricity set in the BEIS data. This data offers an indication of the starting point for the WMCA area in targeting inventions. As is common for most areas there is a relatively even split between commercial/industrial, domestic and transport sectoral emissions.

2016 CO₂ Emissions (21 MtCO₂) for WMCA Area

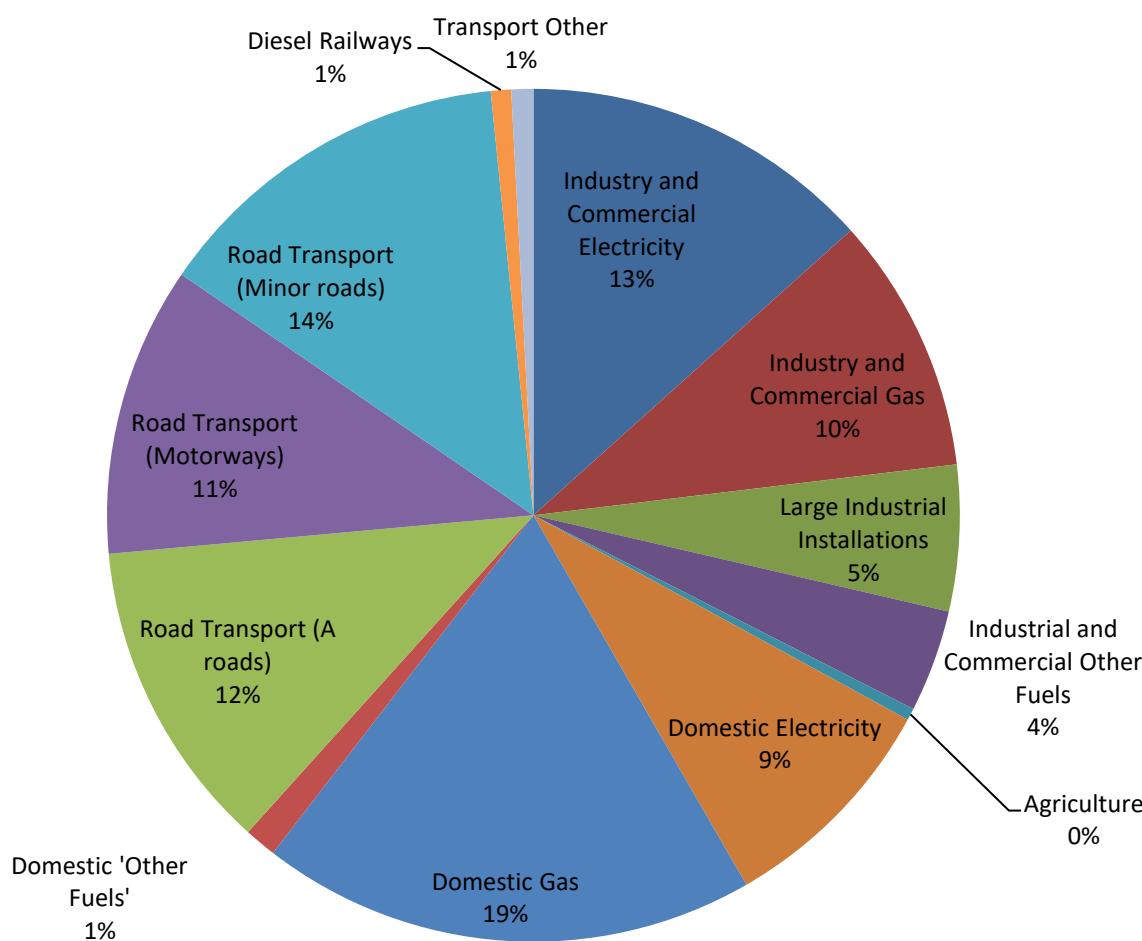


Figure 1: Sectoral split of 2016 CO₂ Emissions (21 MtCO₂) for WMCA Area from BEIS Statistics [13]. NB Electricity use for rail travel attributed to WMCA is included in 'Industrial and Commercial Electricity'.

3. Results

3.1 Energy Only CO₂ Budgets for WMCA

Following the Method the recommended energy only-CO₂ carbon budget for the WMCA area for the period of 2020 to 2100 is 126 MtCO₂. To translate this into near to long term commitments two CO₂ reduction pathways that are within the 126 MtCO₂ are proposed here:

- (1) A consistent emissions reduction rate of 13.4% out to the end of the century. In 2041 95% of the recommended budget is used by 2041 and low level CO₂ emissions continue at a diminishing level to 2100
- (2) Informed by the end of the century pathway (1), 2041 is identified as a ‘stop year’ at which CO₂ emissions drop to zero. A pathway that distributes the 126 MtCO₂ budget from 2020 to 2041 is calculated. The annual average emissions reduction rate for this pathway is 12.8%. A final change in emissions of -1.1 MtCO₂ for 2041 is therefore assumed

Both of these pathways are consistent with the recommended budget for a minimum commitment to meeting the objectives of the Paris Agreement.

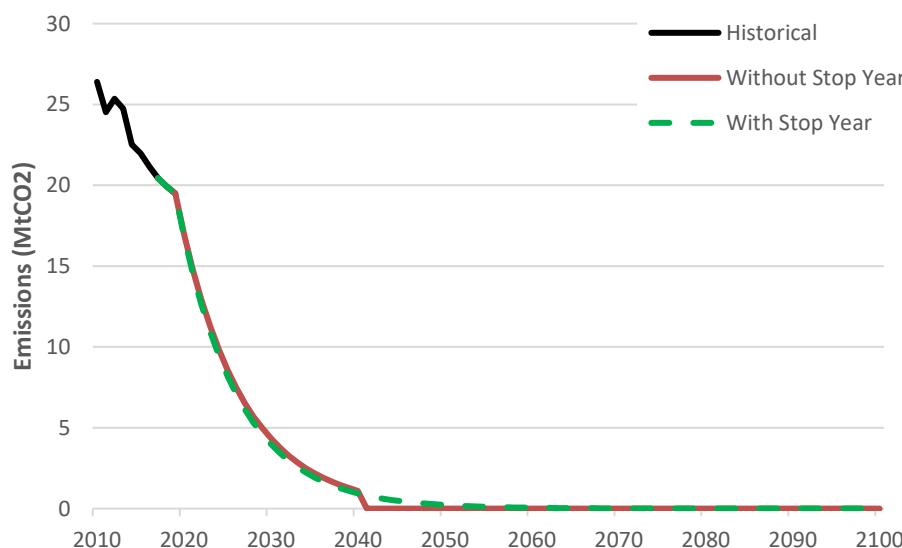


Figure 2: Energy related CO₂ only emissions pathways (2010-2100) for WMCA premised on the recommended carbon budget

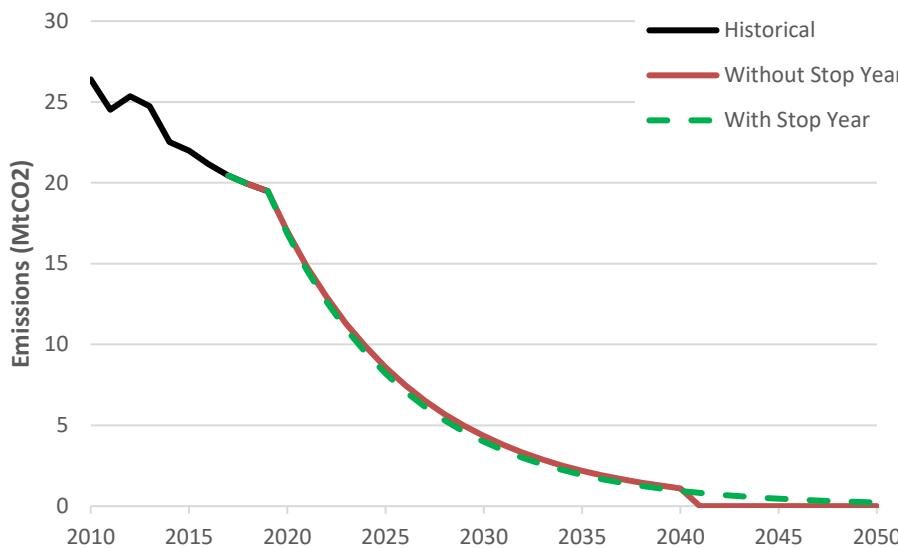


Figure 3: Energy CO₂ only emissions pathways (2010-2050) for WMCA premised on the recommended carbon budget

Table 2 presents the WMCA area energy CO₂ only budget in the format of the 5-year carbon budget periods in the UK Climate Change Act. To align the 2020 to 2100 carbon budget with the budget periods in the Climate Change Act we have included estimated CO₂ emissions for the WMCA area for 2018 and 2019, based on BEIS provisional national emissions data for 2018 [15] and assuming the same year on year reduction rate applied to 2019. The combined carbon budget for 2018 to 2100 is therefore 165 MtCO₂.

Table 2: Periodic carbon budgets from 2018 for WMCA. This includes the projected emissions for 2018-2019 and the 2020 to 2100 recommended carbon budget for the two emissions pathways.

| | | Grandfathering (End of Century Run) | Grandfathering (Stop Year at 95% of Budget) |
|----------------------|-----------|-------------------------------------|---|
| Carbon Budget Period | 2018-2022 | 83.5 | 84.2 |
| | 2023-2027 | 41.9 | 43.7 |
| | 2028-2032 | 20.3 | 22.1 |
| | 2033-2037 | 9.9 | 11.2 |
| | 2038-2042 | 4.8 | 3.8 |
| | 2043-2047 | 2.3 | 0.0 |
| | 2048-2100 | 2.2 | 0.0 |

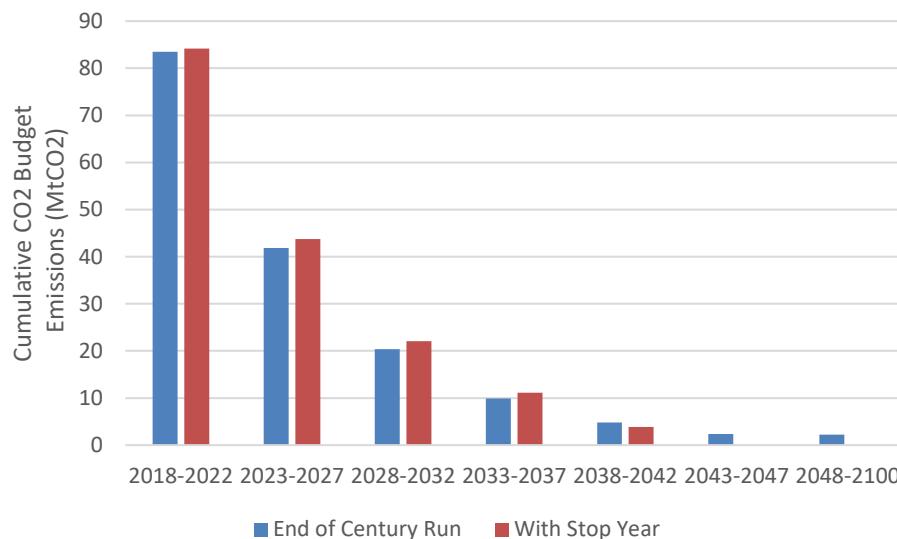


Figure 4: Cumulative CO₂ emissions per budget period for End of Century and Stop Year projections

The recommended budgets here are the minimum requirement for meeting the Paris Agreement – i.e. the maximum CO₂ emissions budget. Therefore adopting a smaller cumulative CO₂ budget than the one presented here, with accelerated reduction rates leading to an earlier zero carbon year, is compatible with this approach - assuming that cumulative CO₂ emissions within the proposed 5 year budget periods are the same or lower than those specified in Figure 4. Earlier zero carbon years that have pathways leading to cumulative CO₂ emissions greater than the recommended interim budgets, or the use of carbon offsets to meet an earlier target year, are not however consistent with this approach.

3.2 Recommended Allocation Regime for Carbon Budget

The recommended carbon budget is based on a grandfathering allocation regime for sub-dividing the UK sub-national energy CO₂ only carbon budget. There are three distinct allocation regimes that could be applied to determine sub-national budgets. We have opted to recommend one common approach for allocating carbon budgets most suitably applied to all Local Authority areas. This enables straightforward compatibility between carbon budgets set at different administrative scales. For example this simplifies the process of individual Local Authorities calculating their own carbon budgets that are compatible with a budget set at Combined Authority scale. It also means that under the recommended carbon budgets, all Authorities are contributing to a common total UK carbon budget. If, for example, all Authorities selected the allocation regime that offered them the largest carbon budget available, the combined UK budget would not comply with the objectives of the Paris Agreement. The common approach to allocation we recommend therefore further assures that the carbon budget adopted is Paris Agreement compatible.

We have chosen a grandfathering as our common allocation approach because, based on our analysis, it is on balance the most widely applicable regime within the UK.

Population and Gross Value Added⁷ (GVA) are alternative allocation regimes.

Population shares the carbon budget equally across the UK on a per capita basis. In this allocation regime the UK population [16] is compared to that of WMCA [17] from 2011 to 2016. The carbon budget (2020-2100) for WMCA is then apportioned based on its average proportion of the UK population for the period 2011-2016. For regions where per capita energy demand deviates significantly from the average (e.g. a large energy intensive industry is currently located there) the budget allocated may not be an equitable allocation through not fully representing incumbent infrastructure and economic structures. As population based allocation cannot be applied satisfactorily in all regions it is not recommended as the preferred allocation regime.

GVA is used as an economic metric to apportion carbon budgets. For example, the UK total GVA [18] is compared to that of WMCA [18] from 2011 to 2016. The carbon budget (2020-2100) for WMCA is then apportioned based on WMCA's average proportion of UK GVA for the period 2011-2016. GVA can be used as a proxy for economic value. This does not however adjustment for the type of economic activity undertaken, particularly the relationship between economic value, energy intensity and productivity. Incumbent economic structures (i.e. areas with energy intensive industries) been seen to substantially effect budgets based on this approach and therefore GVA would therefore would not be recommended for all regions.

Grandfathering allocates a share of the UK carbon budget based on average share of UK emissions attributed to a region in recent years (2011 to 2016). In principal this accounts for incumbent economic, population and infrastructure features of a region. A potential disadvantage of grandfathering is that is a large industry that significantly influenced the grandfathered allocation shuts down early into the budget period, emissions in that area fall quickly without specific action on energy related CO₂ being undertaken. ***In light of this we recommend that a Local Authority re-examines its carbon budget if a large industrial user (i.e. >10% of total LA energy use) shuts down completely within the first 5 year budget period (2018 to 2022).***

Table 3 presents the results for alterative allocation regimes – population, gross value added (GVA) and grandfathering. For WMCA the variation in carbon budget between allocation regimes is +/- 8% of the median value.

Table 3: Energy only CO₂ budgets and annual mitigation rates for WMCA (2020-2100) by allocation regime

| Allocation regime (% of UK budget allocated to WMCA) | UK budget ⁸ (MtCO ₂) | WMCA budget (MtCO ₂) | Average annual mitigation rate (%) |
|---|---|----------------------------------|------------------------------------|
| Grandfathering to WMCA from UK (5.7%) | 2,239 | 125.5 | 13.4% |
| Population split to WMCA from UK (6.4%) | 2,239 | 139.9 | 12.2% |
| GVA split to WMCA from UK (5.4%) | 2,239 | 119.4 | 14.0% |
| Mean of the allocation regimes | | 128.2 | 13.2% |

⁷ Balanced approach at current basic prices

⁸After deducting an emissions budget for aviation, shipping and military transport of 1,518 MtCO₂.

Pathway projections for the change in annual energy-only CO₂ emissions pathways for WMCA based on the carbon budgets in Table 3 are illustrated in Figure 4a & 4b and in Table 2.

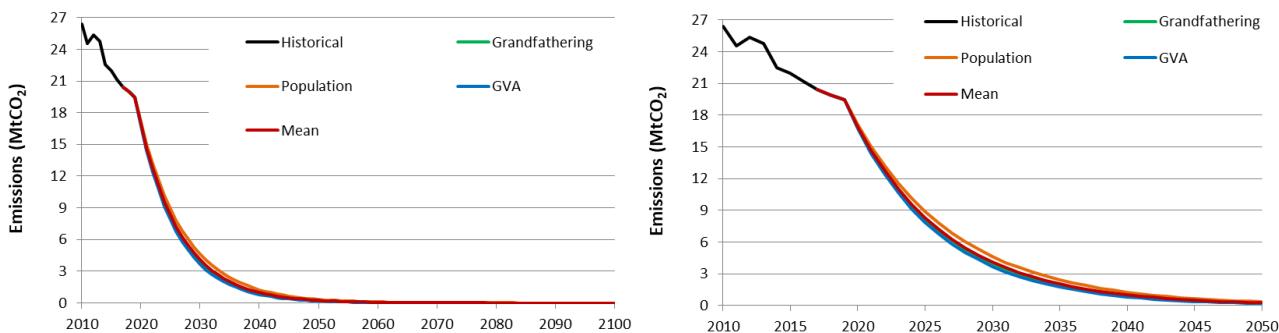


Figure 5a (left): Energy related CO₂ only emissions pathways (2010-2100) for WMCA premised on carbon budgets shown in Table 3. **Figure 4b (right):** Energy CO₂ only emissions pathways (2010-2050) for WMCA premised on carbon budgets shown in Table 3.

3.2 Land Use, Land Use Change and Forestry emissions for WMCA

Land Use, Land Use Change and Forestry (LULUCF) consist of both emissions and removals of CO₂ from land and forests. WMCA area's CO₂-only emissions from LULUCF in 2016 were net negative (as were those of England as a whole) and estimated at around -100 ktCO₂ (i.e. around 0.5% of WMCA total CO₂ emissions) [13]. We recommend that CO₂ emissions and sequestration from LULUCF are monitored separately from the energy-only carbon budgets provided in this report. The WMCA should continue increasing the sequestration of CO₂ through LULUCF in the future aligned with Committee on Climate Change's high level ambition of tree planting, forestry yield improvements and forestry management [19].

3.3 Non-CO₂ Emissions

The IPCC SR1.5 report identifies the importance of non-CO₂ climate forcers (for instance methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), sulphur dioxide (SO₂) and black carbon) in influencing the rate of climate change. However, a cumulative emission budget approach is not appropriate for all non-CO₂ greenhouse gases, as the physical and chemical properties of each leads to differing atmospheric lifetimes and warming effects [20]. There are also substantial relative uncertainties in the scale, timing and location of their effects.

We do not provide further analysis or a non-CO₂ emissions reduction pathway in this report. However the global carbon budget in the IPCC Special Report on 1.5°C, that our analysis is based on, assumes a significant reduction in rate of methane and other non-CO₂ emissions over time. Therefore to be consistent with carbon budgets WMCA should continue to take action to reduce these emissions.

The Department of Business Energy and Industrial Strategy's Local Authority emissions statistics do not provide non-CO₂ emissions data at the regional level. Given the absence of robust non-CO₂

emissions data, any non-CO₂ emissions inventory by other organisations at scope 1 and 2 for WMCA may form the basis of monitoring and planning for these emissions. **We recommend considering the adoption of a LULUCF pathway that includes CO₂ sequestration sufficient to help compensate for non-CO₂ emissions within WMCA.**

3.4 Recommended Allocation Regime for Carbon Budgets Within the Region

The WMCA area is the largest Combined Authority in the UK, covering a very diverse geography made up of 19 district or unitary council areas covered by three Local Enterprise Partnerships. Therefore the proportion and contribution to a collective WMCA area target will vary [20]. The Tyndall Centre is working to provide this methodology and datasets online so individual local authorities in the WMCA area and the UK can produce an individual profile for their area. We recommend the Grandfathering allocation approach as a common approach for these budgets and this will allow compatibility between local authority, LEP area and Combined Authority budgets.

Using a common methodology at a Combined Authority area level, has the following benefits:

- Shared framework and starting point for understanding the scale of the challenge to develop individual local responses and set local targets
- Common framework and understanding to report on the collective progress required of an average 13% reduction per year from 2020 to 2041

These budgets may also be compatible with more ambitious carbon targets declared within a local authority. Such a target would only be more ambitious if it restricts energy CO₂ emissions to less than the absolute quantity (i.e. without offsetting) of CO₂ specified in this carbon budget (Table 2). This implies an average per annum reduction rate in energy related CO₂ emissions of greater than 13% including an approach to ensure that UK national grid electricity is zero carbon in line with such a target. The recommended budgets presented here represent the minimum level of CO₂ emissions reduction we consider consistent with the Paris Agreement, therefore decarbonising energy provision within WMCA more quickly is welcomed.

5. Conclusions

The results in this report show that for WMCA to make its fair contribution to delivering the Paris Agreement's commitment to staying well below 2 °C and pursuing 1.5 °C" global temperature rise, then an immediate and rapid programme of decarbonisation is needed.

Based on our analysis, for WMCA to make its 'fair' contribution towards the Paris Climate Change Agreement, WMCA needs to:

- 1) Stay within a cumulative carbon dioxide emissions budget of 126 million tonnes (MtCO₂) for the period of 2020 to 2100.** At 2016 CO₂ emission levels⁹, the WMCA would use this entire budget within 6 years.
- 2) Initiate an immediate programme of CO₂ mitigation to deliver annual cuts in emissions averaging 13% to deliver a Paris aligned carbon budget.** These annual reductions in emissions require national and local action and would be part of a wider collaboration with local authorities in the region.
- 3) Reach zero or near zero carbon no later than 2041.** This report provides two CO₂ reduction pathways which both stay within the recommended 126 MtCO₂ carbon budget; 1) with a long term decay in residual emissions at a consistent percentage reduction rate over time, 2) emissions dropping to zero following the point at which 95% of the budget has been used.

This will require that WMCA rapidly transition away from unabated fossil fuel use. For context the relative change in CO₂ emissions from energy compared to a 2015 reference year are shown in Table 5.

Table 5: Percentage reduction of emissions for the recommended CO₂-only scenarios out to 2050 in relation to 2015

| | GF – End of Century | GF – Stop Year |
|-------------|---------------------|----------------|
| 2020 | 23% | 23% |
| 2025 | 63% | 61% |
| 2030 | 82% | 80% |
| 2035 | 91% | 90% |
| 2040 | 96% | 95% |
| 2045 | 98% | 100% |
| 2050 | 99% | 100% |

These budgets for WMCA do not downscale aviation and shipping emissions from the UK national level. However if these emissions continue to increase as currently envisaged by Government, aviation and shipping will take an increasing share of the UK carbon budget, reducing the

⁹ Based on WMCA's 2016 CO₂ emissions (excluding aviation, shipping, process CO₂ emissions from cement production and those from LULUCF).

available budgets for combined and local authorities. **We recommend therefore that WMCA seriously consider strategies for significantly limiting growth from aviation and shipping.**

CO₂ emissions in the carbon budget related to electricity use from the National Grid in WMCA are largely dependent upon national government policy and changes to power generation across the country. **It is recommended however that WMCA promote the deployment of low carbon electricity generation within the region and where possible influence national policy on this issue.**

We also recommend that the LULUCF sector should be managed to ensure that high levels of CO₂ sequestration should continue through reforestation, forestry yield improvements and forestry management. The management of LULUCF could also include action to increase wider social and environmental benefits.

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WMCA Board

| | |
|--------------------------------------|---|
| Date | 26 July 2019 |
| Report title | Boosting the Social Economy in the West Midlands |
| Portfolio Lead | Public Service Reform & Social Economy - Councillor Yvonne Davies |
| Accountable Chief Executive | Deborah Cadman, West Midlands Combined Authority email: deborah.cadman@wmca.org.uk tel: (0121) 214 7200 |
| Accountable Employee | Henry Kippin, Director of Public Service Reform email: henry.kippin@wmca.org.uk tel: (0121) 214 7880 Claire Spencer, Senior Policy Adviser (Public Services and Inclusive Growth) email: claire.spencer@wmca.org.uk tel: (0121) 214 7669 |
| Report has been considered by | Programme Board - 12 July 2019 |

Recommendation(s) for action or decision:

The WMCA Board is recommended to:

- (1) Note that the Social Economy Taskforce has made six recommendations for how the West Midlands – through the WMCA and as a wider partnership – can double the size of the social economy in ten years.
- (2) Agree to receive this draft report, with a view to launching formally with a full response to those recommendations at the WMCA Board meeting of September 2019.

- (3) Thank the members for the Social Economy Taskforce for investing time, effort, and expertise into this work.

1. Purpose

- 1.1 This report¹ shares the work of the independent Social Economy Taskforce, with a view to seeking WMCA Board's permission to make a formal response to that work at its next meeting on September 13th – and to then formally launch the report and WMCA response.
- 1.2 We are iterating the report in this way in order to strengthen the collaboration, engagement and buy-in across regional partners that will be needed to enable delivery of its recommendations. It gives the WMCA Board the chance to make substantive comment on the response we give as a region; and asks Members to reflect on the implications in their own areas and networks.
- 1.3 The focus of the report is doubling the size of the social economy in the West Midlands (in absolute rather than relative terms) within ten years, and the six recommendations are designed to deliver that goal.
- 1.4 If agreeable to WMCA Board, the formal response will encompass all seven recommendations, and will assess our capacity as a region – including WMCA, councils, and Local Enterprise Partnerships – to enable those recommendations to be achieved within the timescales suggested by the Social Economy Taskforce. It will also reflect on how that deliver will be held accountable, in a way which is inclusive of the social economy sector without over-burdening it.

2. Background

- 2.1 WMCA Board established the Social Economy Taskforce in February 2018 to understand the contribution that the social economy sector could make to the region's commitment to inclusive growth, and to understand WMCA's role in the following:
 - Strengthening the social economy.
 - Helping charities, social enterprises and community organisations to deliver public service outcomes.
 - Creating a development plan for areas where public, private, and social sector collaboration can help to meet the region's challenges.
- 2.2 The social economy is inclusive growth in practice: businesses and community organisations collaborating around shared social and environmental goals, led by diverse citizens, the people who most need these enterprises to succeed. This is backed by research by Social Enterprise UK: social enterprises are more likely (when compared to other businesses) to be led by and to employ women, people from BAME backgrounds, and to be based and focused on areas of multiple deprivation. To boost the social economy is to deliver inclusive growth.
- 2.3 The Social Economy Taskforce was led by two independent Chairs with long experience of growing and supporting social enterprises, backed by a team of social enterprise experts from across the region. All members of the taskforce invested their time free of charge, to the benefit of the region as a whole.

¹ Appendix 1

| Taskforce Chairs | | |
|---|--------|---|
| Gillian Former Chief Executive of Sense and Sense International | Morbey | Carole Donnelly Social Enterprise City Manager, Coventry University Social Enterprise |

| Taskforce Members | |
|-------------------------------|---|
| Phil Beardmore | Co-operatives West Midlands |
| Meena Bharadwa | Locality |
| Brian Carr | BVSC |
| Councillor Tristan Chatfield | Birmingham City Council |
| Sarah Crawley | iSE |
| Peter Cunnison | Lloyds Bank Foundation |
| Hayley Hand | Big Society Capital |
| Richard Harries | Power to Change |
| Alderman Tony Kennedy | Birmingham City Council |
| Martin Levermore | MDTI |
| Councillor Kevin Maton | Coventry City Council |
| Melanie Mills | Big Society Capital |
| Charles Rapson | School for Social Entrepreneurs West Midlands |
| Alun Severn | Birmingham and Solihull Social Economy Consortium |
| WMCA Portfolio Holder for PSR | Sandwell Metropolitan Borough Council |

- 2.4 Research and policy support was provided by Social Enterprise UK. This was kindly funded by Power to Change, an independent and UK-wide social funder supporting community-led business and social enterprise. The Taskforce has benefited from engagement and advice from a number of other regional stakeholders, including our LEPs, the WM Growth Co, the Office of the Police and Crime Commissioner, our Universities, and of course from a wide number of people and organisations within the sector itself.
- 2.5 There is a long history of collaboration between the public and social economy sectors. Social enterprises work in parts of the economy which generate significant value: helping people to overcome addiction, working with people at risk of exploitation to build agency and prosperity, contributing to the built environment, boosting the circular economy, and in the creation of those ‘foundational’ businesses which bolster local centres, and provide employment opportunities for the people who live there.
- 2.6 The priority of the Social Economy Taskforce was to assess where the region can add value to this work. This report lays that out clearly, and makes suggestions for how that support should be structured and resourced. But it also challenges the social economy sector to overcome its fragmentation, to lead by example on the region’s social missions – such as designing out homelessness – and to build on the great sector-led initiatives that allow social enterprises to trade, scale, and collaborate.

2.7 Social enterprises are not the only contributor to the social economy, and it is important to understand the overlaps and the differences between the spaces and support that both the trading and non-trading elements need to thrive. Given its focus on doubling the size of the social economy, the Taskforce focused most of its recommendations on social enterprises in particular. However, the Board should note that any policy response can include the broader social economy, and should – at least – consider how support and space for social enterprise could also benefit the wider social economy.

3. Summary of recommendations

3.1 The Social Economy Taskforce has made six recommendations, all of which contribute to the overall goal of doubling the size of the social economy within ten years. For each recommendation, the Taskforce has indicated its expectations of what should be invested and achieved within three months, six months, and one year.

1 | Boost the collective identity of social enterprise by strengthening and growing its platforms.

- This recommendation is about building greater understanding of social enterprise, and strengthening the links, support mechanisms, and platforms that already exist for social enterprise and its leadership. The Taskforce believes that strengthening and scaling successful initiatives is preferable to starting something new.

2 | Develop a collaborative, ten-year business case for social enterprise business support.

- There are some excellent programmes for supporting social enterprises to start, grow, and sustain, but they are relatively small scale, and vulnerable to shifts in their funding portfolios. This recommendation proposes a funded business plan for social enterprise business support.

3 | WMCA Office of Data & Analytics to develop and disseminate a consistent approach for data collection on social enterprises.

- As it stands, any target relating to measuring public sector spending with social enterprise cannot be put in place because there are multiple definitions of social enterprise, and data is not consistently collected. The Taskforce suggests that a consistent measure across the region will ensure that the overall goal is deliverable.

4 | WMCA will use its convening role to encourage all regional public sector bodies and publicly-funded projects to spend at least 5% of their commissioning and procurement budget with social enterprise.

- Recognising the regional commitment to the '*community wealth building*' approach, the Taskforce suggests that a target will enable public bodies to spend more money on social enterprise products and services, will deepen their understanding of what it is possible to buy from social enterprise - but will also require the sector to be proactive in taking advantage of these procurement opportunities.

5 | WMCA and partners to lead a campaign to encourage closer links between social enterprises and the wider private sector.

- This recommendation is about ensuring that social enterprises and the broader private sector can operate collaboratively, in the same spaces. This will also enable businesses to include more social enterprises in their supply chain, and more people from social enterprise on their boards.

6 | Work with social finance and investment partners to assess gaps, barriers, and improvements that could boost the impact of social investment, as well as increasing demand.

- Social enterprises do not always have the confidence to seek investment, or to borrow money to scale up. This recommendation will ensure that we understand where WMCA should convene social finance partners to 'fill the gap', and where it is necessary to remove barriers to existing products.

4. Financial Implications

- 4.1 There are no financial implications in passing this report, but the response in September 2019 will indicate whether WMCA will be required to invest current or new resources into the delivery of agreed recommendations. In a number of recommendations, the Taskforce recommends using an overall business plan for the social economy to inform WMCA's own cyclical business planning process.
- 4.2 Existing funding streams and delivery will also need to be aligned in order to deliver the recommendations. The financial implications and risks of this will be assessed in detail as part of the WMCA's response to the recommendations

5. Legal Implications

- 5.1 There are no legal implications in passing this report, but any 'intermediaries' created to boost social enterprises may create such implications in the future, if WMCA is part of the governance or financing of those.

6. Equalities Implications

- 6.1 Boosting social enterprise should have positive equalities implications, given that social people with protected characteristics are more likely to be led by, employed by, and served by social enterprises. However, any future business plan for social enterprise growth will need to make its intentions clear as to how people with protected characteristics will benefit from the available support.

7. Inclusive Growth Implications

- 7.1 This work is inclusive growth in practice – putting social and environmental missions at the heart of economic activity – and is relevant to three of the four inclusive growth tests: Future Generations, Locking in Wealth, and Sharing Power.

8. Geographical Area of Report's Implications

- 8.1 While there are clusters of social enterprise activity in Digbeth and central Coventry, this report is intended to strengthen the social economy across the region, particularly in areas where the 'foundational' economy needs to be boosted and strengthened. As such, this is of relevance to every neighbourhood and every local centre.

9. Other Implications

- 9.1 None.

10. Schedule of Background Papers

- 10.1 February 9th 2018: Social Economy Taskforce².

² See: <https://governance.wmca.org.uk/documents/s1221/Report.pdf>

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Growing the social economy sector

Final report from the WMCA Social Economy Taskforce

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Background

WMCA Board established the Social Economy Taskforce in February 2018 to understand the contribution that the social economy sector could make to the region's commitment to inclusive growth, and to understand WMCA's role in the following:

1. Strengthening the social economy.
2. Helping charities, social enterprises and community businesses to deliver public service outcomes.
3. Creating a development plan for areas where public, private, and social sector collaboration can help to meet the region's challenges.

There is a long history of collaboration between the public and social economy sectors. Social enterprises work in parts of the economy where they can add significant social value and many serve disadvantaged communities. They are heavily represented in education and training, health and social care, employment support, and community development and regeneration. Some are long-established '*community anchor*' organisations which help bolster local centres as well as providing employment opportunities in surrounding neighbourhoods.

The priority of the Social Economy Taskforce was to assess where WMCA can add value to this work. This report lays that out clearly, and makes suggestions for how that support should be structured and resourced. But it also challenges the social economy sector to overcome its fragmentation, to build on the great initiatives that allow social enterprises to trade, scale, and collaborate. Social enterprises are not the only contributor to the social economy, and it is important to understand the overlaps and the differences between the spaces and support that both the trading and non-trading elements need to thrive.

The Social Economy Taskforce was led by two independent Chairs with long experience of growing and supporting social enterprises, backed by a team of social enterprise experts from across the region, and supported by Social Enterprise UK.

[Pictures of Gillian Morbey and Carole Donnelly]

| | |
|--|---|
| Gillian Morbey Former Chief Executive of Sense and Sense International | Carole Donnelly Social Enterprise City Manager, Coventry University Social Enterprise |
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| Melanie Mills | Big Society Capital |
| Charles Rapson | School for Social Entrepreneurs West Midlands |
| Alun Severn | Birmingham and Solihull Social Economy Consortium |

The Mayor and WMCA would like to thank everyone involved for the expertise, time and care they have invested in this piece of work – and particularly to Power for Change for funding it.

Plan on a page

The Social Economy Taskforce has taken a simple approach to the challenge laid down by WMCA: uncover the barriers that are preventing the social economy growing and having impact, and devise a small set of recommendations to overcome those barriers. However, Taskforce members agreed that one unifying goal would help to drive change, and would tie those recommendations together:

WMCA should aim to double the size of the social economy in £s by 2029.

With a clear target, the Taskforce has created a set of recommendations that will help the region to achieve, and hopefully exceed, the headline goal.

- 1. Boost the collective identity of social enterprise by strengthening and growing its platforms.**
- 2. Develop a collaborative, ten-year business case for social enterprise business support.**
- 3. WMCA Office of Data & Analytics to develop and disseminate a consistent approach for data collection on social enterprises.**
- 4. WMCA will use its convening role to encourage all regional public sector bodies and publicly-funded projects to spend at least 5% of their commissioning and procurement budget with social enterprise.**
- 5. WMCA to support a campaign to encourage closer links between social enterprises and the wider private sector.**
- 6. Work with social finance and investment partners to assess gaps, barriers, and improvements that could boost the impact of social investment, as well as increasing demand.**

Introduction

WMCA is building an economy wherein all its activity is focused on the best life outcomes for our citizens – inclusive growth – and a strong, resilient social economy is vital to achieving that. This report lays out the beginnings of what WMCA's commitment to supporting social enterprise should look like, focusing on recommendations that are specific, realistic, and achievable. In so doing, it reflects the priorities outlined in the Leadership Commission¹ and in '*The Mayor and Faith Action Plan*'², and when delivered, will contribute to the region's commitment to inclusive growth. The region's local authorities, universities, support organisations, and many others have a long history of supporting social enterprise and shaping the social economy. As such, the role of the WMCA here is to bolster, scale, and add value to that work.

Social enterprise is not a new concept, and has deep roots in this region. We only have to look to Bournville in Birmingham to see this: George Cadbury's vision of a 'factory in a garden', where the lives of his workforce and their neighbours mattered as much as the work they did. His commitment to high quality housing – for people on low incomes as well as steady ones – created an outstanding place to live and work, which it remains to this day.

[CASE STUDY – Bournville]

Today, the social economy is less dominated by the values of a small clutch of wealthy men, and is all the more inclusive, exciting and dynamic for it – hundreds of social enterprises across the region, with over 500 in Birmingham alone. While the social economy is a blend

¹ 'Leaders Like You – A report from the WMCA Leadership Commission 2018':

https://www.wmca.org.uk/media/2218/leadership-diversity-in-the-west-midlands_-002.pdf

² The Mayor and Faith Action Plan: <https://www.wmca.org.uk/media/2174/mayor-and-faith-conference-action-plan.pdf>

of trading and non-trading entities, many social enterprises start as citizens organising and volunteering for social good.

National perspective

There are around 100,000 social enterprises in the UK which collectively contribute £60bn to the UK economy and employ 2m people – equal to 5% of all UK employment.³

The regional perspective

While much more needs to be done to build the evidence-base for the region's social economy, good work has been done in the past and partial data exists.

Research by the Black Country Consortium suggests that there are around 1,400 social enterprises in Sandwell, Dudley, Walsall and Wolverhampton, with the greatest concentration in Sandwell.⁴

Birmingham and Coventry – the region's two 'social enterprise cities' – represent the other greatest concentrations of social enterprises in the WMCA area. In the Birmingham & Solihull area there are at least 500 social enterprises, with a combined turnover of at least £180m and employing over 14,600 people.⁵

³ The Hidden Revolution: Size and scale of social enterprise in 2018, SEUK 2018: <https://seufonline.com/wp-content/uploads/2018/09/The-Hidden-Revolution-FINAL-1.pdf>.

⁴ See: Black Country LEP Social Enterprise Prospectus: https://www.blackcountrylep.co.uk/upload/files/Social%20Enterprise%20Prospectus/BCLEP_prospectus_WEB.pdf.

⁵ Data derives from a baseline survey conducted jointly by The Digbeth Trust and BSSEC for the Greater Birmingham & Solihull Local Enterprise Partnership and published in March 2014. Unlocking the Power of Social Enterprise in Greater Birmingham, GBSLEP, March 2014.

In addition, the co-operative economy in Birmingham is worth at least £23m a year and over 49,000 people are members of co-operatives – such as the giant co-operative retail societies Central England Co-operative, Midcounties Co-operative, and The Co-operative Group.⁶

In Coventry there are around 250 social enterprises and of these it is thought that a core of 50 have good potential to scale up in the longer term. The main trade sectors represented are health and wellbeing, digital, retail, food and environmental.⁷

Both Birmingham and Coventry have been awarded '*Social Enterprise City*' status by Social Enterprise UK⁸. These cities contain the greatest concentrations of social enterprises in the WMCA area, and probably the greatest areas of concentration outside London. Some localities contain especially high concentrations of social enterprises. For example, over 50 social enterprises have clustered in Digbeth, driven in part by access to relatively cheap ex-industrial premises and partly by access to specialist support provided by organisations like iSE, BVSC, and others. While this is a great success story, it also has an uncertain future – the arrival of HS2 means that the days of cheap premises are numbered (perhaps already gone), and there will need to be a concerted effort to ensure that there continues to be space for social enterprise.

In Coventry, the Coventry Social Enterprise Forum (CSEF) was formed to bring together the social enterprise sector in the locality and develop greater market opportunities and closer partnerships with public sector organisations. Following this, a survey of the ~250 social enterprises⁹ believed to exist in the CV postcode area was undertaken, which indicated that

⁶ See 'Co-operative enterprise in Birmingham' on the BSSEC blog <http://bssec.org.uk/co-operative-enterprise-in-birmingham/> and also <http://www.cooperatives-wm.coop>.

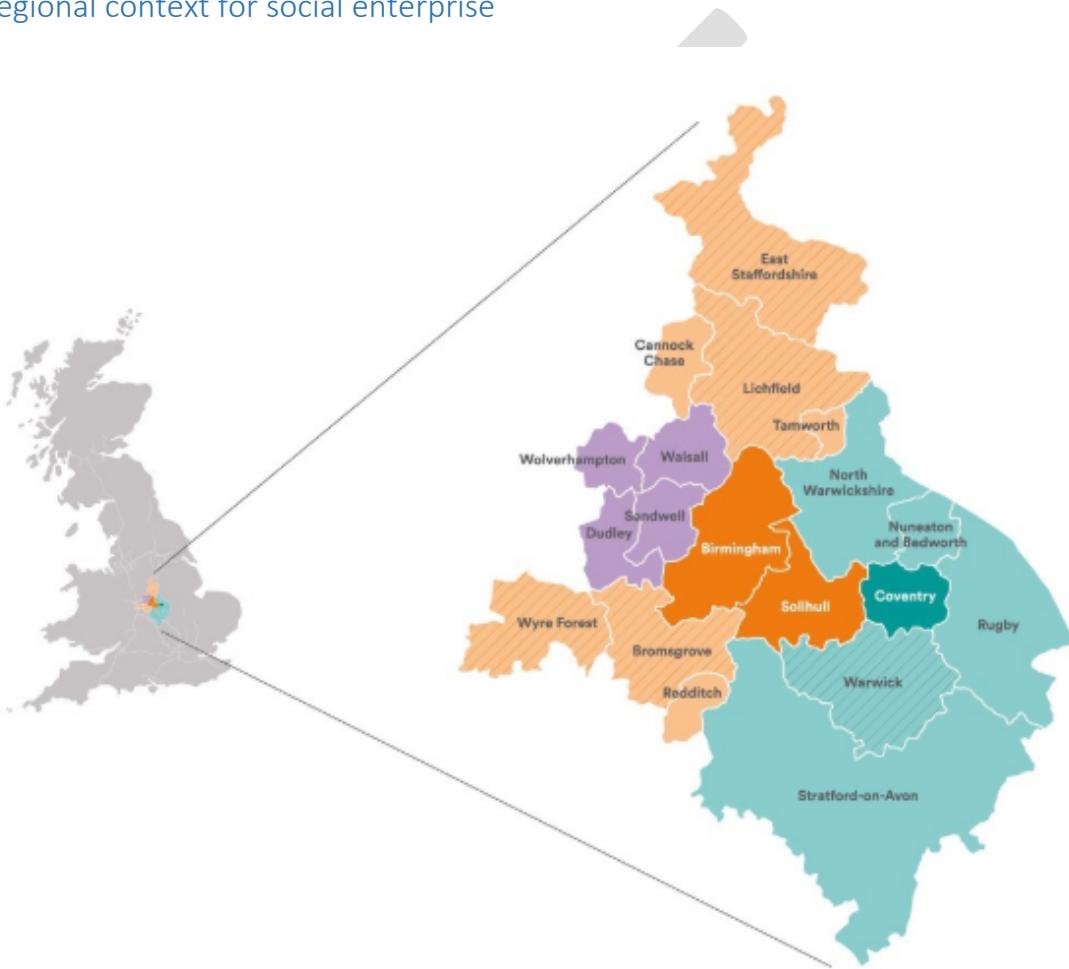
⁷ Data derives from a 2016 survey undertaken by Coventry Social Enterprise Forum (CSEF).

⁸ SEUK's Social Enterprise Places programme, supported by NatWest, recognises hotspots of social enterprise activity. See: <https://www.socialenterprise.org.uk/Pages/Category/social-enterprise-places>.

⁹ Research conducted in 2017 indicated around 250 social enterprises in the CV postcode area. See: <https://www.socialenterprise.org.uk/coventry>.

within the sector there is a core of ~50 active social enterprises that are trading, scaling and sustainable. The main area of service is the health and wellbeing sector, but with many emerging digital, retail, food and environmental social enterprises.

The regional context for social enterprise



WMCA is delivering an £8bn investment programme that spans housing, transport, energy, and events of regional significance, such as Coventry City of Culture and the Commonwealth Games. It is also shaping a programme of public service reform, in service areas such as mental health, childhood obesity and criminal justice – sectors in which social enterprises are already very active.

This investment is intended to strengthen the region's economy so that it serves its cities, towns and neighbourhoods for decades to come, and puts the West Midlands on a par with its international competitors for economic strength and quality of life. This means adopting a different economic model, inclusive growth:

A more deliberate and socially purposeful model of economic growth – measured not only by how fast or aggressive it is; but also by how well it is created and shared across the whole population and place, and by the social and environmental outcomes it realises for our people.

All West Midlands citizens should feel like this economy is theirs: made of their talents and values, involving their efforts, and benefiting them, their families and their friends. Building such an economy is a mission, one we have not yet been successful in. The West Midlands economy is growing, but for too many people, work is no longer a route out of poverty. It is draining, insecure, and lacking in purpose and progression. This economy is not theirs, and does not value or safeguard the things that matter to them.

This is why WMCA has committed itself to delivering *inclusive growth*, a model of growth which suits social enterprises, which are driven to grow, scale, and thrive by a desire to meet social need, and deliver social value and community benefit. It follows, then, that a simple objective to increase the size of the social economy will make a positive contribution to inclusive growth.

[**What is the social economy?**](#)

The social economy is made up of a combination of social enterprises and other voluntary, charitable, and community organisations. Social enterprises undertake trading activities for a social purpose, with surpluses reinvested in the business and in the achievement of that purpose. Profits serve that social purpose.

Interestingly, the perception of what constitutes trading is not unanimous across social enterprise. A recent baseline survey undertaken on behalf of the Birmingham Social Enterprise City¹⁰ steering group indicated that a significant number of social enterprises which win contracts for service delivery do not consider that to be trading per se. In considering how best to support the growth and strength of social enterprise in the region, this is important insight.

[CASE STUDY | SSE Match-Trading]

[INFOGRAPHIC – types of social enterprise] The social enterprises and community businesses¹¹ that make up the social economy take many forms and include: Community Interest Companies (CICs), Co-operatives and Community Benefit Societies, charitable Companies Limited by Guarantee, some employee-owned companies, newer public service mutuals and other third sector organisations that have adopted trading models as a means of delivering social benefit and diversifying income sources.

Increasingly the social economy also includes the activities of a wider spectrum of more conventional '*for profit*' enterprises whose business models include ethical, social or environmental aims in addition to shareholder profit. This increases the opportunities for growth in the social economy and offers new routes to creating social value and community benefit

¹⁰ Birmingham Social Enterprise City Baseline Survey: <http://www.i-se.co.uk/wp-content/uploads/2019/07/Birmingham-SE-City-Baseline-Survey-v3.1-final.pdf>

¹¹ Community businesses are a subset of social enterprises that are rooted in, and directly accountable to, the people living in a specific local place. As with other social enterprises, they have a business model built around trading and re-invest any surpluses back into the community. See: www.powertochange.org.uk

Why focus on the social economy?

Putting social values at the heart of a commercial business is not just a nice-to-have: it is increasingly *expected*. Businesses which put their values at the heart of their purpose perform better, and are more attractive to customers and employees alike.

We need only look to our younger generations of workers to see how important it is that we get this right. In its latest global survey of millennials, Deloitte noted that “*young workers are eager for business leaders to be proactive about making a positive impact in society*”¹². Businesses in the West Midlands must deliver on social values in order to attract the workers they want, and this needs to be happening now. Social enterprises do this by design, and can show the way.

Other research¹³ shows that social enterprises exhibit other beneficial characteristics that further add to the social value they create:

- **HIGH START-UP RATE** | The social economy sector has a greater proportion of younger enterprises: nationally, 25% of social enterprises are under three-years old, three times the proportion of start-ups compared to other businesses (8%). This figure is even higher in Birmingham: 41%¹⁴.
- **MORE LIKELY TO GENERATE A PROFIT** | Compared to UK businesses overall, more social enterprises generated a profit over the last year.
- **STRONGER GROWTH** | Social enterprises have a better track record of growth when compared to conventional businesses: 47% of social enterprises grew their turnover in the last twelve months, compared to 34% of UK businesses.

¹² 2018 Deloitte Millennial Survey: <https://www2.deloitte.com/global/en/pages/about-deloitte/articles/millennialsurvey.html>

¹³ *Hidden Revolution: Size & Scale of Social Enterprise in 2018*, SEUK 2018.
<https://www.socialenterprise.org.uk/the-hidden-revolution>.

¹⁴ Source: Birmingham Social Enterprise City: A Baseline Survey of Social Enterprise in the City of Birmingham, Social Enterprise City steering group/iSE, June 2019

- **SOCIAL MISSION LEADS TO SUCCESS** | Businesses that embrace social priorities on average perform better.
- **BETTER SURVIVAL RATES** | The survival rates of social enterprises is better than that of traditional/private sector start-ups, and improves significantly if the right support is in place. Over 50% of traditional/private new business start-ups fail within the first five years. Social enterprise survival rates are significantly higher: two-thirds will survive beyond five years, increasing to 85% where quality learning and development support is accessible¹⁵.
- **MEETING NEED** | Social enterprises are working where they are most needed and can have the greatest impact: around 28% are based in and serve the most deprived communities in the UK.
- **DIVERSE AND INCLUSIVE** | Social enterprises are more diverse and more inclusive. 89% of social enterprise leadership teams have a female director and 41% of leaders are women, significantly ahead of both mainstream SMEs (20%) and big business (7% of FTSE 100). 34% have BAME representation and the proportion of social enterprises led by a BAME person is 12%, much higher than SMEs more widely (5%).
- **UNLOCKING VOLUNTEER RESOURCES** | Research in Birmingham¹⁶ reveals that social enterprises were reinvesting nearly £30m a year in delivering their social mission. They were supported by over 2,760 volunteers who were donating 468,888 hours a year – equal to £5.6m a year¹⁷. Similar baseline social enterprise research conducted in Digbeth¹⁸ further revealed social enterprises' ability to unlock social value. In addition to a wide range of social purposes and community benefit, 82% of social enterprises in Digbeth were also found to be utilising the efforts of volunteers. Around 970 volunteers were found to be donating some 84,000 hours a year, at a value of around £840,000¹⁹.

¹⁵ Source: School for Social Entrepreneurs 20th anniversary external evaluation.

¹⁶ Source: Birmingham Social Enterprise City: A Baseline Survey of Social Enterprise in the City of Birmingham, Social Enterprise City steering group/iSE, June 2019

¹⁷ Calculated at an hourly wage of £11.95.

¹⁸ Two reports have been produced for the Digbeth Social Enterprise Quarter: *A Profile of Social Enterprise Activity in the Digbeth/Highgate Area* (2014) and *DSEQ Profile & Action Plan* (2014). They are both available here: <http://digbethsocentquarter.co.uk/digbeth-social-enterprise-survey/>.

¹⁹ Calculated at the Average Gross Hourly Wage for residents of Birmingham of £11.95. See Average Earnings 2018, Birmingham City Council. https://www.birmingham.gov.uk/downloads/file/2867/average_earnings_2018.

Meeting the needs of social enterprises

To reach and exceed that target the Taskforce addressed four major issues:

1 | The need for improved knowledge of social enterprise

- **Better data:** ensuring that institutions investing public money have a shared definition of social enterprise, so that they can track their commissioning and procurement spend with those businesses as a subset of the overall SME category;
- **Business support:** traditional business support does not meet the needs of most social enterprises, and providers of support need to understand when to signpost interested entrepreneurs to specialist support;
- **Higher profile:** ensuring that people seeking to start or join a business understand the potential of social enterprise;

2 | The need for specialist support to start, embed, and grow social enterprises

There is a correlation between the availability of appropriate, high quality specialist business support for social enterprise and the size and health of the sector at the local level. This is evidenced by the concentration of social enterprises, and by the above-average percentage of new social enterprise start-ups in those localities – e.g. Birmingham, Solihull, and Coventry – where good support has historically been available.

It is important that individuals and organisations seeking to start or grow a social enterprise can access support irrespective of where they may be in the WMCA area. It is also important that we design support that is inclusive of older social enterprises – the recent baselining undertaken by the Birmingham Social Enterprise City steering group shows that the region appears to have a smaller percentage of social enterprises that have been trading for over

10 years²⁰. The region needs to create the conditions for the new start-ups of today to survive in the long term.

3 | The need for a stronger relationship between the social economy sector and other sectors; with more peer and shared learning.

By enabling more private sector businesses to learn from the social economy sector's focus on social outcomes, the region will build up an economy which is aligned to the priorities and needs of citizens – as well as providing employment and other opportunities for them. Furthermore, the skills and experience in the wider economy can be used to help social enterprise businesses to stay at the cutting edge of innovation, enabling them to be more productive.

The Birmingham Social Enterprise City baselining indicates the social enterprises already buy from other social enterprises, spending just over £2.2m per year. Getting to a place where the public and private sectors had the same level of interest and insight into their spend with social enterprise would be significant progress.

4 | The need to ensure availability of the right finance, the right funding, and stimulating demand for social enterprise products and services.

The social finance and investment ecosystem is specialist and complex. Taking on repayable finance is still a relatively new option for the social economy to explore. The 'Good Finance' website²¹ was set up as way to demystify social investment for charities and social enterprises. It has now been accessed by over 63,000 users. SEUK reports that social enterprises are still seeking to use investment and new finance to grow (development capital) to operate (working capital), but also to purchase property or equipment: this has risen from 35% in 2015 to 41% in 2017, whilst the other two have remained high.

²⁰ Birmingham Social Enterprise City Baseline Survey: <http://www.i-se.co.uk/wp-content/uploads/2019/07/Birmingham-SE-City-Baseline-Survey-Report-v3.1-final.pdf>

²¹ See: www.goodfinance.org.uk

Cashflow is one of the top three barriers for social enterprises of all types, and demand for working capital remains high. Indeed, access to appropriate finance remains the biggest barrier for start-ups and established social enterprises. 34% sought finance in the previous 12 months, putting them significantly ahead of their mainstream SME equivalents. There is significant demand for smaller deals with over half seeking finance under £100,000, and over two-thirds below £250,000.

There is still much more work to do to raise awareness and understanding of the role of social investment – and of what is on offer and on what terms and in particular to support board members and Trustees with managing the risks around taking on debt in order to support and/or scale the creation of impact.

The same piece of Birmingham Social Enterprise City baselining indicates that relatively few social enterprises in the city have turnover in the £400,000-£1m bracket, and a significant percentage do not yet employ staff (39%), suggesting a need for more support when it comes to taking on finance or investment. Conversely though, the city performs well on the number of social enterprises with turnover of more than £1m. It is important that the whole region starts to build on the approaches taken by the Birmingham Social Enterprise City steering group so that this complexity can be better understood – some social enterprises can and should scale, but others may want to remain small so that the social entrepreneurs can fit their work around other life commitments. Both are important in an inclusive growth approach.

Recommendations

Each of these recommendations works to address the goal of doubling the size of the social economy in ten years. Delivering these recommendations will require some coordination from within WMCA, ideally with one person having overall responsibility.

What does this mean in practice?

Within three months:

1. WMCA should work with Social Enterprise UK to explore resourcing a local secondment from the social enterprise sector to lead this work.

1 | Boost the collective identity of social enterprise by strengthening and growing its platforms.

What will this achieve for social enterprise in the region?

This recommendation is about building greater understanding of social enterprise, and strengthening the links, support mechanisms, and platforms that already exist for social enterprise and its leadership. The Taskforce is clear that strengthening and scaling successful initiatives is preferable to starting something from scratch.

What does this mean in practice?

Within three months:

1. WMCA representatives to meet with the organisers of CityDrive, Coventry Social Enterprise Forum, BSSEC, the graduation ceremony for the School for Social Entrepreneurs, and any other key social enterprise events to assess their future plans, how those plans will be funded, and where WMCA can provide or seek support or resource.
2. WMCA representatives to meet with organisers of key SME events in the region – such as Venturefest West Midlands²² – to assess their appetite and bandwidth to do more to distinguish and promote social enterprise.

Within six months:

1. WMCA and its partners will have identified what is possible in terms of support and resources, and creates a short paper to outline its commitments. This *could* include some or all of the following:

²² See: <https://www.venturefestwm.co.uk/>

- Using WMCA media channels and contacts to raise the profile of these social enterprise events, businesses, and campaigns;
- The Mayor, Portfolio Holders, and senior officers to support key events by participating as keynote speakers, panellists, and judges;
- Allowing WMCA staff – particularly budget-holders and those from Procurement – time to attend key events, and to meet people who run social enterprises.
- Direct sponsorship of elements which are relevant to WMCA’s goals in the region – for example, an event which explored built environment social enterprises, which can both contribute to the region’s wider capital programme and invest into local citizens by enabling them to develop those skills through placements or employment.

2. WMCA to use the paper to help assess implications for its cyclical business planning.

Within one year:

1. Commitments as outlined in the paper are delivered on.
2. Process is enshrined into ‘business as usual’ via the business plan, and the previous year’s activity is used to inform the following year.

2 | Develop a collaborative, ten-year business case for social enterprise business support.

What will this mean for social enterprises across the region?

There are some excellent programmes for supporting social enterprises to start, grow, and sustain, but they are relatively small scale, and vulnerable to shifts in their funding portfolios. The region needs a funded business plan on the same timescales as its overall goal to ensure that business support for social enterprises is both adequate to growing the sector, and targeted to ensure that it reaches people who need it most.

What does this mean in practice?

Within three months:

1. WMCA to commit to enshrining this goal in the Local Industrial Strategy (LIS) delivery plan.
2. WMCA to meet with existing providers of social enterprise business support to understand their current resource base and existing business plans.
3. WMCA or a representative to meet with providers of existing business and employment support – including Local Enterprise Partnerships (LEPs) – to assess their understanding of social enterprise and social enterprise business support.

Within six months:

1. WMCA and social enterprise partners have developed an estimate of the business support ‘gap’, the starting point of the overall business plan.
2. WMCA to enter into discussions with BEIS, DCMS, and the Office for Civil Society to broker a Government contribution to this plan, in line with the West Midlands Local Industrial Strategy.
3. WMCA to enter into discussions with Trusts, and philanthropic funders to broker additional contributions to this plan.
4. WMCA to enter into discussions with the social finance and investment sector, which directly benefits in pipeline deals coming forward as a consequence of the provision of business support, but typically does not fund support services.

Within one year:

1. WMCA Board to have approved a ten-year business plan for social enterprise, which will draw resources from a variety of sources, including Government, LEPs, Trusts and philanthropic funders, and social funders.
2. The first investments into social enterprise business support are made as a consequence of the ten-year business plan.
3. Providers of existing business support will know what a social enterprise is, and will know where to signpost them.
4. Any implications of the ten-year business plan for social enterprise will be worked into WMCA’s cyclical business planning process, and into its capital programme.

3 | WMCA Office of Data & Analytics to develop and disseminate a consistent approach for data collection on social enterprises.

What will this mean for social enterprises across the region?

As it stands, any target relating to measuring public sector spending with social enterprise, or the size of the overall social economy, is nearly meaningless because there are multiple definitions of social enterprise, and data is not consistently collected. Defining and collecting the right data will ensure that the headline commitment – to doubling the size of the social economy – can be delivered. It will also ensure that social enterprise business support can be targeted appropriately.

What does this mean in practice?

Within three months:

1. WMCA Office of Data & Analytics (ODA) to have met with SEUK, ONS, and the organisations collecting data for local baselines such as the Birmingham Social Enterprise City steering group (including BSSEC and iSE) to establish the right balance between comprehensiveness and resource intensity with regards to collecting data on social enterprises.
2. WMCA ODA to have had an initial meeting with the ongoing Social Value Taskforce, which involves public sector procurement leads from across the region, to get a sense of what would help public bodies to collect the right data.

Within six months:

1. WMCA to be measuring its own procurement spend with social enterprise, applying the measurement retrospectively where possible.
2. WMCA ODA to report a notional figure of the size of the social economy in the West Midlands.

Within a year:

1. WMCA procurement spend and overall size of the social economy to be reported to WMCA Board and Overview & Scrutiny as part of the overall monitoring of this report.

2. Social Value Taskforce members to be measuring their procurement spend with social enterprise, and will have started using their local social value policies to push this approach to measuring social enterprise spend further down their supply chains.

4 | WMCA will use its convening role to encourage all regional public sector bodies and publicly-funded projects to spend at least 5% of their commissioning and procurement budget with social enterprise.

What will this mean for social enterprises across the region?

Public bodies and large, publicly-funded projects and events will spend more money on social enterprise products and services, and as a consequence, will deepen their understanding of what it is possible to buy from social enterprise. This will serve some key priorities: helping people to overcome addiction, supporting people with multiple and complex needs, contributing to the built environment, boosting the circular economy, and in the creation of those '*foundational*' businesses which bolster local centres, and provide employment opportunities for the people who live there. These opportunities could span education, social care, asset-based community development, regeneration, and creative / digital media – all areas where social enterprise is strong.

What does this mean in practice?

Within three months:

1. As above, WMCA ODA will attend a meeting of the Social Value Taskforce to get a sense of the challenge of measuring social enterprise spend. The Social Value Act has enabled public sector bodies to use their commissioning to boost local businesses, but currently – as a rule – do not differentiate between SMEs and social enterprises.
2. WMCA Social Value Taskforce to reflect on the practicality of this goal, and its implications for small and large commissions (i.e., below and above OJEU level).

Within six months:

1. If required, the Social Value Taskforce will update the WMCA Social Value policy to reflect the specific commitments on social enterprise spend and social value impact.

2. WMCA Inclusive Growth Unit to embed this target into any piloting of inclusive growth approaches in Town Centres and other regeneration programmes. This could include social enterprise incubators and coworking spaces.
3. By agreement, Social Value Taskforce members will sign up to the target, and will start its own plans to meet, or exceed it²³.

Within a year:

1. WMCA and other public bodies will be implementing plans to meet the 5% target, with progress reported to WMCA Board and Overview & Scrutiny.
2. WMCA will be confident that its social value policies are robust enough to derive maximum social value from the investments it is responsible for.

5 | WMCA and partners to lead a campaign to encourage closer links between social enterprises and the wider private sector.

What will this mean for social enterprises across the region?

More businesses will more purchase products and services from social enterprises, and there will be opportunities for private sector businesses to learn from social enterprise, and vice versa. Given that social enterprise leadership tends to be more diverse, this is an opportunity for social enterprise to help WMCA deliver the Leadership Commission recommendations. In short, this is about ensuring that social enterprises and the broader private sector can more regularly operate collaboratively, in the same spaces.

What does this mean in practice?

Within three months:

1. Leadership Commission Delivery Co-ordinator to brief the Mayor and his team on how existing delivery around the Inclusive Leadership Pledge could support this campaign, and to highlight any risk areas.

²³ Note that without the consistent measure of social enterprise spend, it is impossible to know how close different public bodies are to meeting or exceeding this target, and it will be 'stretched' if appropriate.

Within six months:

1. WMCA to work with business support organisations to design a campaign that encompasses the following:
 - Commissioning and procuring from social enterprise, including the 5% pledge that the public sector will be working towards;
 - Bringing more social enterprises into private sector supply chains.
 - Seconding private sector staff into social enterprise and vice versa;
 - Social enterprise representation on corporate boards, and vice versa;
 - Business opportunities for social enterprise intermediaries to broker these relationships;
 - Other support as deemed appropriate.
2. WMCA Marketing and Communications to work with social enterprise and business support organisations to design and deliver a Communications plan to support the campaign, bearing in mind the need to ensure alignment with other business engagement work.

Within a year:

1. Case studies and other good news stories start to emerge as businesses and social enterprises participate in the campaign, and are shared at events like CityDrive.
2. Businesses start to sign up to the 5% spend with social enterprise target.

6 | Work with social finance and investment partners to assess gaps, barriers, and improvements that could boost the impact of social investment, as well as increasing demand.

What will this mean for social enterprises across the region?

Social enterprises do not always have the confidence to seek investment, or to borrow money to scale up. Part of the answer to this lies in Recommendation 2 (business support), but it is also ensuring that the right financial products are out there, and that each business is able to assemble the ‘capital stack’ that suits their development needs. This work will ensure that we understand where WMCA should convene social finance partners to ‘fill the

gap', and where it is necessary to remove barriers to existing products. This work has already started.

[What does this mean in practice?](#)

Within three months:

1. WMCA to build on plans and conversations with social finance and investment partners to establish to turn the gaps and barriers that have been identified via the Social Economy Taskforce into a specification for a piece of detailed work on boosting demand for social finance, and for 'bridging the gaps'. This could include the following elements:
 - A revolving loan fund;
 - A fund to underwrite community and co-operative share issues;
 - A fund to enable WMCA and any future partners to act as an institutional investor;
 - A 'Community Bond', a proposal for which has already been developed by members of the Taskforce²⁴.
2. Commission an appropriate social finance and investment partner to undertake that work.

Within six months:

1. Work to have been reported back to PSR and WMCA Boards, and provided to Overview & Scrutiny. WMCA Board will assess any risks involved in the next steps of setting up or otherwise coordinating the creation of investment funds.

Within one year:

1. Social enterprise confidence in taking on investment or debt is boosted via business support, improved signposting, and by closer relationship with corporates.
2. A start date for investments from any new funds is known.

²⁴ See: Appendix 1

The future of the Taskforce

[Inside back cover]

The Social Economy Taskforce has undertaken a time-limited piece of work, and it was always intended that it should cease meeting in its current form once its recommendations were reported back to WMCA Board. However, many of the recommendations require collaboration between WMCA and the social economy, and as a consequence, there may be some value in an ongoing advisory group.

This could be an existing group – for example, the steering groups behind the Birmingham and Coventry Social Enterprise Cities. If a new group, or a smaller version of the Taskforce proves to be the best option, then it should be closely linked to the delivery of the business plan and social finance work.

Appendix 1

DRAFT

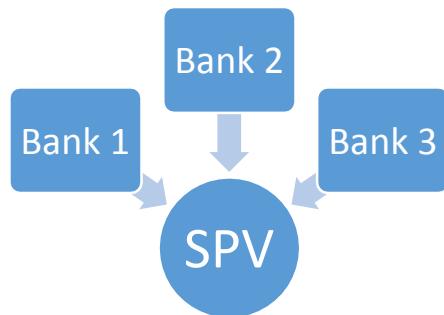
POSITION PAPER – ESTABLISHING A BOND TO ADVANCE A WMCA/MAYORAL FOUNDATION

(A Working Draft Document)

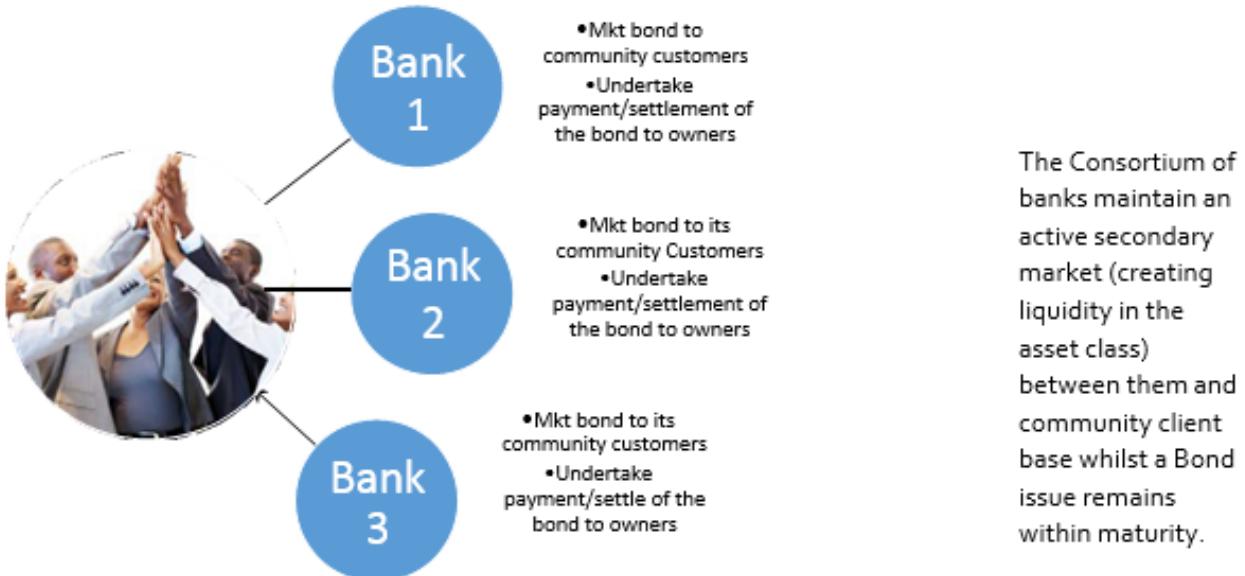
Currently, environment of Brexit and a back drop of economic recession a number of communities and initiatives are encountering difficulty in obtaining financing. This situation threatens long-term growth, employment generation, as well as limiting entrepreneurial and community development opportunities. Grants alone will not bridge the near or long-term financing gaps for infrastructural development and societal change. Ultimately, for region and the community to realise their goals, there is a need to look to itself to adopt innovative approaches in order to tap the resources to help communities succeed.

This paper outlines the likely steps for the potential introduction of a Community Bond (CB) in order to realise significant infrastructure development, employment and societal change in the West Midlands.

1. A proposed Special Purpose Vehicle

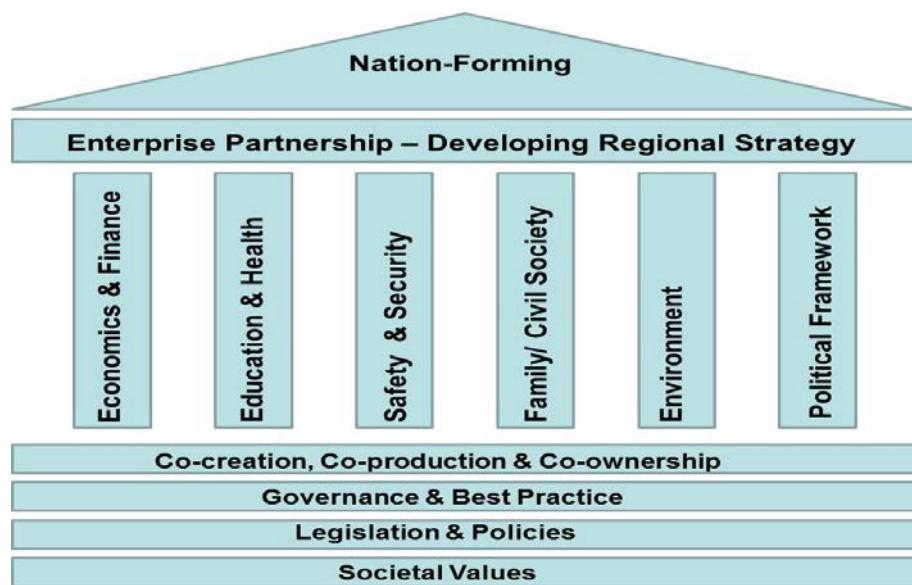


A Consortium is established of trusted financial institutions (FI); they undertake to collectively establish a private Special Purpose Vehicle (SPV) that will act as a Development Corporation (DC) on behalf of the Mayor. This DC would issue Bonds to undertake a number of pre-qualified development projects within the region; at scale, at pace and the FIs will market such bonds to the community. To ensure transparency and due conduct of the DC each FI will have a seat on the board of the DC. An independent oversight committee to the DC will be elected from members of the community.



2. Underpinning Values

Community Bonds – Fabricating Sustainable Eco-system



The 'Economics and Finance' pillar, is an integral platform to a stable, system wide, infrastructural development and maintenance programme of any region. This should not be seen as a tangential part of 'Community Cohesion'.

The 'Purpose' of a private/public Community Development Corporation (DC), should be to contribute to the harmonious economic growth and development of the region. The DC could promote cooperation

across its societies, by mobilising the resources of the community in an efficient, responsive and collaborative manner with accountability, integrity and trust.

3. Sizing and Structuring of a Bond Issue

In sizing the offering, the DC will identify all costs to be paid from bond proceeds, which in turn determines how much debt should be issued. Capital project construction or acquisition costs are the primary use of bond proceeds.

Prior to evaluating the size or structure of a bond issue, certain basic characteristics of the offering should already have been determined. Among these characteristics are the purpose of the issue, the type of securities that will be sold by the DC (short-term notes or long-term bonds), the repayment source, and whether the bonds will be taxable or tax-exempt. The DC should at all times seek to ensure that bonds are tax-exempt to allow for the attractiveness to community members and to further encourage 'Community' investment.

The DC must take into account a broad range of legal, policy, and financial objectives in the process of structuring a bond offering. Among the questions often raised in the context of structuring the issue are:

- What legal or statutory constraints must be taken into account in devising the bond structure?
- What financial or policy objectives must be met through the structuring and sizing process?
- Will there be a need for the use of a rating agencies or credit enhancer or registration with security regulators?
- If the principal motivation for purchasing a community bond is loyalty is there a need to incur the cost of a rating agencies or credit enhance?
- Are there particular structures that can result in lower overall financing costs? For example, can certain structural features produce savings because they are attractive to community members?

The DC should take into consideration when sizing of bonds based upon its project experience or nature of the acquisition; confidence building within the community and forging better links will be necessary as a precursor for future bond issue success, as such it is suggested that an initial sizing of an issue should be in the range of £10 mil to £20 mil over a 10 years maturity and offering a yield of say 5.75%. Effectively, the initial projects or acquisitions should fall with the range of £6 mil (once initial costs and early year servicing of the bond has been taken into account) and £15 mil (US\$22 mil). This should allow project revenue time to come to fruition to ensure the future year servicing of bonds to maturity or that an acquisition target existing revenue allows for a principal level bond retirement programme to be actively pursued.

If we take the former sizing of £10 mil as an initial issue this would necessitate the selling of 5000 bonds at a face value of £2,000.00.

The structure of debt service payments will reflect the pace at which the DC wants to retire the bonds. There are three general approaches to structuring bond payments but this paper will only consider two most frequently used being:

- Level debt service; or
- Level principal payment

A level debt service structure is designed to create equal annual debt service payments over the life of the bonds. This approach results in higher interest payments and lower principal

payments in the early years, similar to the amortization schedule used for many home mortgages. Over the life of the issue, the amount of principal repaid as a share of the total debt service gradually increases, until the debt is finally retired. The primary advantage of making debt service payments in this manner is that it is often easier for issuers to budget, and it may be consistent with the flow of pledged revenues used to retire the bonds. Another important advantage of a level debt service schedule is that it makes financing costs in the early years more affordable, particularly in the case of a new project or service. Level debt service produces a slower repayment of principal than a level principal structure, resulting in a longer average life for the issue.

Level principal payments, debt service is comprised of equal annual principal payments and declining interest payments over the life of the issue. The DC would pay higher total debt service costs in the early years relative to a level debt service structure, reflecting higher principal payments. As principal is retired, interest costs decline, thereby reducing the annual debt service payment over time. This approach results in a shorter average bond life, and provides comfort to the investors that the debt will be repaid in a timely manner.

Table 1: A Comparison of Level Debt Service and Level Principal Payment Schedules

| Year | Coupon | Level Debt Service | | | Level Principal Payments | | |
|------|--------|--------------------|-------------------|--------------------|--------------------------|-------------------|--------------------|
| | | Principal | Interest | Total | Principal | Interest | Total |
| 1 | 5.20% | £1,550,000 | £1,150,338 | £2,700,338 | £2,000,000 | £1,143,000 | £3,143,000 |
| 2 | 5.45 | 1,630,000 | 1,069,738 | 2,699,738 | 2,000,000 | 1,039,000 | 3,039,000 |
| 3 | 5.55 | 1,715,000 | 980,902 | 2,695,902 | 2,000,000 | 930,000 | 2,930,000 |
| 4 | 5.65 | 1,810,000 | 885,720 | 2,695,720 | 2,000,000 | 819,000 | 2,819,000 |
| 5 | 5.75 | 1,915,000 | 783,456 | 2,698,456 | 2,000,000 | 706,000 | 2,706,000 |
| 6 | 5.80 | 2,025,000 | 673,342 | 2,698,342 | 2,000,000 | 591,000 | 2,591,000 |
| 7 | 5.85 | 2,140,000 | 555,892 | 2,695,892 | 2,000,000 | 475,000 | 2,475,000 |
| 8 | 5.90 | 2,270,000 | 430,702 | 2,700,702 | 2,000,000 | 358,000 | 2,358,000 |
| 9 | 5.95 | 2,400,000 | 296,772 | 2,696,772 | 2,000,000 | 240,000 | 2,240,000 |
| 10 | 6.05 | 2,545,000 | 153,972 | 2,698,972 | 2,000,000 | 121,000 | 2,121,000 |
| | | <u>£20,000,000</u> | <u>£6,980,834</u> | <u>£26,980,834</u> | <u>£20,000,000</u> | <u>£6,422,000</u> | <u>£26,422,000</u> |

4. Alignment to Mayoral Goals and Sustainability

Goal 1: Promote gender equality, diversity and empowering women

The encouragement of new ventures and projects as a result of direct investment from the Community will empower more women, and thereby help promote gender equality through increase employment in building the region.

The effective use of the proceeds of a Community Bond will help to empower women with greater independence and autonomy and help eliminate gender disparities by increasing the proportion of women in paid employment situations and enterprise creation.

"It is not only the money earned but also heightened self-esteem associated with employment,

education and knowledge that can make females more powerful in their home community". As stated in a recent report for the United Nations Division for the Advancement of Women. The survival and coping skills they develop can and should be tapped as potential sources of change and development. In turn, the empowerment of women in each generation will have effects on the next, providing children with role models and helping to influence both girls and boys into primary, secondary and tertiary education.

Goal 2: Sustainable Development

A proactive Community Development Corporation (DC) that is stably financed through the issuance of bonds, will be more readily able to integrate the principles of sustainable development into policies and programmes, and reduce the burden on public resources.

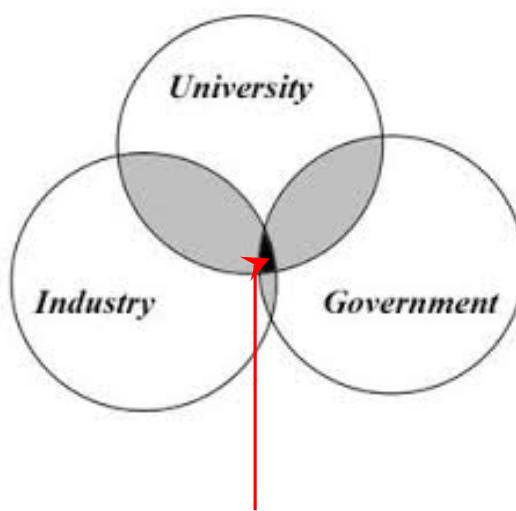
5. Community Creating Transformational Change

The Community should be considered not just as source of financing, but as a development partner. A stronger relationship between the CA/Mayorality and the Community is therefore appropriate.

Community institutions can provide technical assistance and financial support to create the enabling environment for mainstreaming contributions in development frameworks for significant economic transitions. Comprehensive regional strategies, instead of ad hoc projects established through a dedicated Development Corporation would establish a trust base for proactive delivery.

Community financial contributions via a DC bond issue would stimulate and facilitate entrepreneurship and private sector growth in the region.

The 'Triple-helix' – An Industrial Regeneration and Economic Sustainability Model



The Community affords a unique opportunity with Diaspora bonds to translate regional strategy into dynamic economic growth and establish enterprise social value by; co-investing, co-owning and accelerating market access. Thereby ensuring high value job creation, improvement in education and sustainable of communities' Quality of Life (QoL).

This document will be transformed into a technical proposal

Agenda Item 10



**West Midlands
Combined Authority**

Investment Board

Monday 3 June 2019 at 9.30 am

Minutes

Present

Councillor Bob Sleigh (Chair)

Nick Abell

Councillor Adrian Andrew

Councillor Karen Grinsell

Councillor Tony Jefferson

Councillor Jim O'Boyle

Sue Summers

Councillor Alan Taylor

Gary Taylor

WMCA Finance Portfolio Holder
Coventry & Warwickshire Local Enterprise Partnership

Walsall Metropolitan Borough Council

Solihull Metropolitan Borough Council

Stratford-on-Avon District Council

Coventry City Council

West Midlands Development Capital

Dudley Metropolitan Borough Council

Greater Birmingham & Solihull Local Enterprise Partnership

In Attendance

Sarah Middleton

Black Country Local Enterprise Partnership

Coventry City Council

Cannock Chase District Council

West Midlands Development Capital

West Midlands Development Capital

West Midlands Development Capital

West Midlands Combined Authority

West Midlands Combined Authority

West Midlands Combined Authority

West Midlands Combined Authority

Item Title

No.

163. Election of Chair

Councillor Bob Sleigh informed the board that further to the last meeting, he was not aware that the Mayor would be re-appointing him as Deputy Mayor with the portfolio responsibility for Finance.

It was therefore proposed that Councillor Bob Sleigh retain the position of Chair for the Investment Board. Councillor Jim O' Boyle supported the proposal.

Resolved: That Councillor Bob Sleigh be agreed as the Chair for this meeting and for future meetings of the Investment Board for 2019/20.

164. Apologies for Absence

Apologies for absence had been received from Councillor Mike Bird (Walsall Metropolitan Borough Council), Paul Brown (Black Country Local Enterprise), Councillor Tristan Chatfield (Birmingham City Council), Councillor Roger Lawrence (City of Wolverhampton Council) and Councillor Pete Lowe (Dudley Metropolitan Borough Council).

Apologies for absence had also been received from Richard Moon (Coventry City Council) and Andy Williams (Coventry City Council).

165. Notification of Substitutes

Councillor Adrian Andrew has been appointed as a substitute for Councillor Mike Bird (Walsall Metropolitan Borough Council).

Councillor Alan Taylor had been appointed as a substitute for Councillor Pete Lowe (Dudley Metropolitan Borough Council).

166. Minutes of last meeting

The minutes of the meeting held on 15 April 2019 were agreed as a correct record.

167. Investment Programme and Dashboard

Carl Pearson presented a report on the status of the Investment Programme to assist the board in determining investment decisions.

Resolved: That the status of the Investment Programme delivery as detailed in the report be noted.

168. WMCA Collective Investment Fund (CIF) - Dashboard

Nick Oakley presented the Collective Investment Fund (CIF) Dashboard (public iteration) as of 15 May 2019.

Resolved: That the dashboard be received and noted.

169. WMCA Brownfield Land and Property Development Fund (BLPDF) - Dashboard

Nick Oakley presented the Brownfield land and Property Development Fund (BLPDF) Dashboard as of 15 May 2019.

In relation to an enquiry from the Chair as to why the dashboard indicated there were no drawn down sums under sums under BLPDF despite 10 grants totalling £39.842m, Nick Oakley explained that the grants are structured so that the applicant invests their money firsts and the grants are therefore drawn substantially after a project has started.

Resolved: That report be received and noted.

170. Land and Property Investment Fund (LPIF) - Dashboard

Sarah Middleton presented the Land and Property Investment Fund (LPIF) Dashboard as of 1 April 2019.

Resolved: That the report be received and noted.

171. Exclusion of the Public and Press

Resolved:

That in accordance with Section 100A4 of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of the following items of business as they involve the likely disclosure of exempt information relating to the business affairs of any particular person (including the authority holding that information).

172. CDP Developments Limited - Collective Investment Fund (CIF) Loan Term Extension

Nick Oakley presented a report that sought approval to roll forward an existing loan for a further 15 months to facilitate planning and infrastructure works at the property in order to deliver circa 500-7000 residential units in the centre of Coventry.

The board noted the change of scheme from commercial to residential and sought assurance that the timescales stated in the report for planning approval and development were achievable.

Nick Oakley undertook to speak to Coventry City Council directly with regards to planning for the development.

The Chair reported of the need for the board to have the opportunity to review the position for the loan within the milestones set out and to receive further updates if there was a lack of progress.

Resolved:

That the existing loan of £960,000, including the accrued interest for the first year of £61,428.70 be rolled forward for another 15 months, to facilitate planning and infrastructure works at the property in order to deliver circa 500-700 residential units in the centre of Coventry be approved, subject to the board receiving further updates to review the position if appropriate.

[NB Nick Abell declared an interest in this matter in that the developer was a client of his firm although the company has had no involvement in connection with the matter being considered]

173. Delmoor Property Investment Limited - Collective Investment Fund (CIF) Loan

Ed Bradburn presented a report that sought approval to provide £2.5m of senior debt to fund the acquisition and subsequent refurbishment and division of the property stated in the report and to provide a range of smaller units aimed at local SME's.

Resolved:

That the allocation of £2.5m of CIF monies (the “Loan”) to part fund the acquisition of the property at the location stated in the report and fund the costs incurred in delivering development be approved.

174. CDP Developments Limited - Collective Investment Fund (CIF) Loan

Gerald Gannaway presented a report that sought approval for a Collective Investment Fund (CIF) loan for residential property development at a location outlined in the report.

In relation to concerns expressed with regards to the number of loans to the same group of companies, Ian Martin undertook to work with West Midlands Development Capital (WMDC) to devise an appropriate Concentration Risk Policy and to submit this to the board in July or as soon as possible thereafter.

Resolved:

1. That the provision of a 2 year £4,220,000 loan, for residential property development at the location referred to in the report, being 60% of incurred costs be approved;
2. That interest be met/accommodated within the loan facility referred to above, subject to the terms and conditions outlined in section and 4 and 10 of the report be noted and
3. That a risk policy for the award of Collective Investment Fund loans be submitted to the July or August meeting of this board

[NB Nick Abell declared an interest in this item in that the developer is a client of his firm but to date has only advised on the rights of light issues]

175. Cannock Chase District Council - Hawks Green - Brownfield Land and Property Development Fund (BLPDF)

Nick Oakley presented a report that set out a request from Cannock District Council for Brownfield Lane Property Development Fund grant support required to remediate a commercial site in Cannock that is too large for its existing use and to develop 44 new build residential units of which 22 would be for their own affordable rental stock.

Resolved:

That a grant facility of £900,000 to assist with site remediation and the delivery of 44 new build residential units at site known as Hawks Green Depot, Hawks Green Lane Cannock (the “Development”) subject to the conditions detailed in the report be approved.

176. WMCA Collective Investment Fund (CIF) - Dashboard

The WMCA Collective Investment Fund (CIF) Dashboard (private iteration) was submitted for information

Resolved: That the Dashboard be received and noted.

177. WMCA Brownfield Land and Property Development Fund (BLPDF) - Dashboard

The WMCA Brownfield Land and Property Development Fund Dashboard (private iteration) was submitted for information.

Resolved: That the dashboard be received and noted.

The meeting ended at 10.25 am.

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Audit, Risk & Assurance Committee

Friday 21 June 2019 at 10.00 am

Minutes

Present

| | |
|-------------------------------|--|
| David Lane (Chair) | Sandwell Metropolitan Borough Council |
| Councillor Ahmad Bostan | City of Wolverhampton Council |
| Councillor Alan Butt | Coventry & Warwickshire LEP |
| Sean Farnell | Solihull Metropolitan Borough Council |
| Councillor Michael Gough | Coventry City Council |
| Councillor Ram Lakha | Shropshire Council |
| Councillor Alexander Phillips | Nuneaton & Bedworth Borough Council |
| Councillor June Tandy | Dudley Metropolitan Borough Council |
| Councillor Alan Taylor | Worcestershire Non-Constituent Local Authorities |
| Councillor David Thain | Walsall Metropolitan Borough Council |
| Councillor Vera Waters | |

In Attendance

| | |
|-----------------|---|
| Deborah Cadman | Chief Executive, West Midlands Combined Authority |
| Nicola Coombe | Grant Thornton |
| Grant Patterson | Grant Thornton |
| Terry Tobin | Grant Thornton |

Item Title

No.

149. Apologies for Absence

Apologies for absence were received from Councillor Fred Grindrod (Birmingham City Council).

150. Minutes of the meeting held on 15 April 2019

The minutes of the meeting held on the 15 April 2019 were agreed as a correct record.

151. Chair's Remarks

- Appointment as Independent Chair of Audit for Midland Metro Ltd**
The Chair informed committee that he had been appointed as the independent Chair of the Audit Committee for Midland Metro Ltd and would therefore declare any appropriate interests in items at this committee as necessary.

- **Appointment of WMCA Director of Finance**
The Chair congratulated Linda Horne on being appointed the WMCA's Director of Finance.
- The Chair also informed the committee of his attendance at meetings relating to the annual accounts, Senior Leadership Team meeting and other various sessions held by the Overview & Scrutiny Committee.

152. **Matters Arising**

- **Whistleblowing**
The Monitoring Officer advised the committee of four notifications received regarding whistleblowing disclosures. None of these disclosures actually related to the WMCA and, where appropriate, were either referred back to its appropriate local authority for further investigation or were not considered to be a whistleblowing matter.
- **Finance Update**
The Director of Finance reported that further to the Annual Accounts being present, no changes had been made to the outturn in the accounts reported to WMCA Board on 24 May. A further update on the financial monitoring position on the WMCA would be presented at the next meeting.

153. **Forward Plan**

The committee considered the plan of items to be reported to future meetings of the meeting. The Chair requested that a full report on capability and capacity to be presented in September 2019.

Resolved:

- (1) The items of business to be reported at future meetings be noted.

154. **WMCA Strategic Risk Register**

The committee received a summary on the current status of key risks being considered by Senior Leadership Team captured within the Strategic Risk Register. Changes to register included two risk closures and a reduction in risk S07c relating to delivery of the Adult Education Budget.

Councillor Alexander Phillips requested timescales as to when outcomes would be provided to the review being undertaken for the current funding shortfall in the Investment Programme. He also suggested that HS2 should be covered on the Strategic Risk Register. However, due to HS2 not being a WMCA responsibility in terms of delivery, further officer-led discussions would determine the position as to where this was considered appropriate for the risk register or not. It was noted that the scoring against capacity and capability had been reduced, although members felt that the scoring should remain as a 'red' risk and requested for the risk to remain 'red' until a more detailed understanding was received.

Resolved:

- (1) The strategic risks contained within the Strategic Risk Register be noted.
- (2) The risk for Capacity and Capability would be referred back to the Senior Leadership Team for consideration for regrading it to be a red risk.
- (3) The Senior Leadership Team be requested to consider whether a cancellation or delay in HS2 would introduce risk in WMCA plans and whether this should be recognised within the Strategic Risk Register.

155. WMCA Assurance Report - Arm's Length Companies

The committee received an update confirming the status of the WMCA's arm's length companies and the governance assurance and risk monitoring arrangements put in place for each company. The focus of the report related to WM5G Ltd, which recently moved from dormant status to operational.

The Chair acknowledged the need for WM5G Ltd to retain its commercial confidentiality but felt as the 5G project fed into the Strategic Risk Register, he requested that this committee be alerted to any critical key issues and risks within the Strategic Risk Register. The Monitoring Officer provided the committee with an update regarding previous concerns about Huawei. It was noted that in regards to security issues, the WMCA would continue to work closely in line with the Department for Culture, Media & Sport and Government guidance.

Resolved:

- (1) The governance, assurance and risk monitoring arrangements for WM5G Ltd be noted.
- (2) The ongoing governance, assurance and risk monitoring arrangements for WMCA's other arm's length companies - Midland Metro Ltd, West Midlands Growth Company, West Midlands Rail and West Midlands Development Capital Ltd - be noted.

156. Internal Audit Update

The committee received an update on the work completed by internal audit so far this financial year. It was noted that the four internal audit reviews relating to 2018/19 had been concluded, with no items of particular significance to report back on. Internal audit were on track for delivering the internal audits review for 2019/20 as per the timetable.

The committee raised concerns regarding the implementation of outstanding actions relating to the auditable area establishment of the Mayoral Officer 2017/18. Deborah Cadman assured committee that those recommendations would be considered by the Senior Leadership Team for review and implementation. The three outstanding audit recommendations would be closed out by September 2019 and reported back on at the September meeting.

Resolved:

- (1) The contents of the latest Internal Audit update report be noted.

157. WMCA Cost Assurance

The committee received a report from the Director of Finance outlining the process pertaining to cost assurance for investments forming part of the Investment Programme.

The Chair stated that the report gave the committee a level of assurance around the appraisal method, although he requested further details on post-implementation review and overruns on projects outside of the WMCA's control.

Resolved:

- (1) The contents of the report outlining the way in which WMCA managed costs assurance be noted.

158. Corporate Services Review

The committee was provided with an overview of the current position of the Corporate Services review being undertaken within the WMCA. It was acknowledged that the organisation had evolved considerably and therefore the current model being used by Corporate Services was no longer fit for purpose. The review commenced in January 2019 and focused on 10 key services areas. It was noted that an external organisation would conduct the review of ICT, who would provide recommendations in moving forward its capability and capacity. Further to the review concluding, a formal review will be undertaken in December 2019.

Councillor Ram Lakha queried regarding the budget for this transformation. Deborah Cadman stated how essential it was that an external consultancy undertook the review of ICT and indicated that this and the wider review were being funded through existing budgets.

Resolved:

- (1) That the update on the Corporate Services review be noted with a full report due back to committee at its September meeting.

159. Constitution Update

The Monitoring Officer updated committee on the position of the review of the constitution. A fundamental review of the constitution was being undertaken to ensure the document being in a more useable format as part of the work being undertaken on general governance and the assurance framework arrangements. A draft copy of the constitution would be shared at the next meeting.

Resolved:

- (1) The update on the review of the constitution be noted.

160. Update on the Transfer of West Midlands Fire Service Governance

The committee were informed by the Monitoring Officer on the decision not to proceed with the proposed transfer of governance of the West Midlands Fire & Rescue Service to the Mayoral WMCA.

Resolved:

- (1) The report be noted.

161. Annual Accounts 2018/19 for West Midlands Combined Authority

The committee considered a report on the Annual Accounts of the West Midlands Combined Authority and the West Midlands Integrated Transport Pension Fund for the financial year ended 31 March 2019. The committee also received a summary of the audit findings for both West Midlands Combined Authority and West Midlands Integrated Transport Pension Fund and Letters of Representation.

Further to concerns around the liquidity of level three assets, the committee requested further details on as to whether the recent Woodford Investment Management issues were considered a risk for the WMCA.

The External Auditor confirmed that he was satisfied that the WMCA accounts, as audited, could be approved by committee. It was noted that a national issue regarding pension liabilities relating to an ongoing litigation of a separate public body, has the potential to impact on the pension fund valuation and accounts of all public sector bodies dependent upon the final ruling. This would become clearer in the next few weeks. It was noted that this could result in adjustments being required to the accounts in regard to the pension fund liabilities on the balance sheet. This would have no impact on the financial outturn for the Authority or the Pension Fund but could require a late adjustment.

Resolved:

- (1) The Director of Finance sign the letter of representation for WMCA and the West Midlands Integrated Transport Authority Pension Fund.
- (2) The annual accounts of WMCA and the West Midlands Integrated Transport Authority Pension Fund be approved subject to resolution of the outstanding Pension query.
- (3) The audit findings reports presented by Grant Thornton be noted.
- (4) Grant Thornton's proposal to issue an unqualified audit opinion on the accounts be noted.
- (5) That the Mayor and Director of Finance be authorised to sign the accounts on behalf of the WMCA and that delegated authority be given to the Director of Finance in consultation with the Chair of committee and Grant Thornton to agree any adjustments to the accounts arising from the pension litigation mentioned above.

162. Exclusion of the Public and Press

Resolved that in accordance with section 100A (4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business as they involved the likely disclosure of exempt information relating to the financial or business affairs of any particular person (including the authority holding that information)

163. Audit Progress Accessible Transport Group

The committee received an update from the Director of Finance regarding the current position on the administration of Accessible Transport Group. It was noted that the organisation went into administration in March 2019 and the WMCA continued to work with the Administrator to ensure the services were maintained whilst assets were in the process of being sold. A preferred bidder had been named by the Administrator, but this remained a confidential matter at the time of the committee's meeting.

The committee also received a report from Grant Thornton which outlined its satisfaction with the WMCA in its handling of this process but confirmed they would propose some recommendations to be added to a pending detailed review by Internal Audit once the Administrator's work was complete.

Resolved:

- (1) The contents of the latest external audit progress report be noted.

164. Proposed 2019/20 Dates

The dates for meetings of this committee for 2019/20 were noted.

The meeting ended at 12.10 pm.

Agenda Item 12



**West Midlands
Combined Authority**

Investment Board

Monday 24 June 2019 at 10.00 am

Minutes

Present

| | |
|-------------------------------|--|
| Councillor Bob Sleigh (Chair) | Portfolio Holder for Finance and Investments |
| Nick Abell | Coventry & Warwickshire Local Enterprise Partnership |
| Councillor Wasim Ali | Sandwell Metropolitan Borough Council |
| Councillor Harman Banger | City of Wolverhampton Council |
| Paul Brown | Black Country Local Enterprise Partnership |
| Councillor Tristan Chatfield | Birmingham City Council |
| Councillor Steve Clark | Dudley Metropolitan Borough Council |
| Councillor Karen Grinsell | Solihull Metropolitan Borough Council |
| Councillor Matt Jennings | Stratford on Avon District Council |
| Sue Summers | West Midlands Development Capital |

In Attendance

| | |
|------------------|--|
| Sarah Middleton | Black Country Local Enterprise Partnership |
| Richard Lawrence | City of Wolverhampton Council |
| Jane Holmes | Innovation Alliance |
| Pam Waddell OBE | Innovation Alliance |
| Gareth Bradford | West Midlands Combined Authority |
| Carl Craney | West Midlands Combined Authority |
| Sukhy Dhanoa | West Midlands Combined Authority |
| James Magee | West Midlands Combined Authority |
| Ian Martin | West Midlands Combined Authority |
| Carl Pearson | West Midlands Combined Authority |
| Ed Bradburn | West Midlands Development Capital |
| Nick Oakley | West Midlands Development Capital |

Item Title

No.

178. Apologies for Absence (if any)

Apologies for absence had been received from Councillor Mike Bird (Walsall MBC), Councillor Tony Jefferson (Stratford on Avon District Council), Councillor Jim O'Boyle (Coventry City Council) and Councillor Ian Ward (Birmingham City Council).

An apology for absence had also been received from Richard Moon (Coventry City Council).

179. Notification of Substitutes (if any)

Councillor Matt Jennings had been appointed as a substitute for Councillor Tony Jefferson (Stratford on Avon District Council) and Councillor Tristan Chatfield had been appointed as a substitute for Councillor Ian Ward (Birmingham City Council).

180. Chair's Remarks

The Chair welcomed those present to the meeting and at his invitation introductions were duly made.

181. Declarations of Interests (if any)

Nick Abell declared an interest in agenda Item No. 5 (Investment Programme and Dashboard) inasmuch as he was to be appointed as a Director of the UK Battery Industrialisation Centre.

182. Minutes of last meeting

Ian Martin referred to Minute No. 174 (CDP developments Limited – Collective Investment Fund (CIF) Loan) and advised that a Concentration Risk Policy was being developed which, in general, would limit loans to particular companies or groups of companies to £10 million. Up to £20 million would be by exception and require further approval. A report on this matter would be submitted to the next meeting of the Board.

Resolved:

1. That the minutes of the meeting held on 3 June 2019 be confirmed as a correct record and signed by the Chair;
2. That the position with the development of a Concentration Risk Policy as referred to above be noted.

183. Investment Programme and Dashboard

Carl Pearson and Sukhy Dhanoa presented a report on the status of the Investment Programme to assist the Board in determining investment decisions.

Sukhy Dhanoa drew to the attention of the Board the changes in key dates for the following schemes:

- Coventry South – A46 Link Road Phase 2;
- Coventry South – Coventry South Interchange;
- Coventry South – Tile Hill station Improvements; and
- Commonwealth Games.

Councillor Tristan Chatfield expressed his concerns at the costs involved in continuing to develop Strategic Outline Business Cases (SOBC's) and Outline Business Cases (OBC's) given the current shortfall in the Investment Programme. The Chair reminded the Board that the majority of schemes within the Investment Programme had been agreed at the time of the creation of the WMCA, on the challenge to raise additional funds and the various workstreams on this issue. He advised that the Leaders of the Constituent Authorities had made a conscious decision to not delete any schemes from the Investment Programme at this stage.

Resolved:

That the report be received and noted.

184. WMCA Collective Investment Fund (CIF) - Dashboard

The Board considered the WMCA Collective Investment Fund (CIF) Dashboard (public iteration) as at 15 May 2019.

Resolved:

That the Dashboard be received and noted.

185. WMCA Brownfield Land and Property Development Fund (BLPDF) - Dashboard

The Board considered the WMCA Brownfield Land and Property Development Fund (BLPDF) Dashboard (public iteration) as at 15 May 2019.

Resolved:

That the Dashboard be received and noted.

186. Land and Property Investment Fund (LPIF) - Dashboard

The Board considered the Land and Property Investment (LPIF) Dashboard as at 1 June 2019.

Resolved:

That the Dashboard be received and noted.

187. Exclusion of the Public and Press

Resolved:

That in accordance with Section 100A4 of the Local Government Act 1972, the press and public be excluded from the meeting during the consideration of the following items of business as they involve the likely disclosure of exempt information relating to the business affairs of any particular person (Including the authority holding that information).

188. West Midlands Innovation Programme - Phase 1

Pam Waddell OBE presented a report which sought approval of £2.96 million for operational, innovation support and ecosystems development for the West Midlands Innovation Programme (WMIP) for its first three years. She explained that the WMCA had an aspiration to deliver ultimately circa £36 million of support to new innovation proposals, via the recommended drawdown process, over the eventual five year life of the programme, which this initial investment would enable.

Councillor Karen Grinsell asked as to the key outcomes of the initial phase. Pam Waddell OBE referred the Board to the contents of the report and explained that the intention was to promote innovation, leadership and culture and to showcase those companies who were performing well already. It was anticipated that there would be productivity gains as a direct result of the process. Jane Holmes advised on a number of alternative funding sources which were being explored also.

Nick Abell referred to the problems experienced with retaining innovators in the region and enquired as to any steps proposed to address this particular issue. Pam Waddell OBE confirmed that this had been addressed in the preparatory work and explained the issues behind this phenomenon.

Resolved:

1. That the £2.96 million of funding for the first three years of the West Midlands Innovation Programme operational costs be approved subject to a formal review after 10% of the funding had been used;
2. That the review should make clear: a) Defined outputs connected to the £2.96 million; b) Implementation; c) sources for additional funding;
3. That the proposed process for future funding drawdown, as detailed in the report be approved in principle but that it be noted that the source of such funding had yet to be identified;
4. That the aspiration to deliver ultimately circa £36 million of support to new innovation proposals over the five year life of the programme be noted. [The Chair made it clear that this was the aspect not approved from the Investment Programme and reliance upon availability should not be assumed given the remaining sum available.]

189. Land at Cakemore Road, Rowley Regis, B65 0QT

Ed Bradburn presented a report which sought approval of a Senior Development loan to support the speculative development of three light industrial units totalling 54,060 sq. ft. on 2.75 acres of cleared brownfield land.

Councillor Tristan Chatfield requested that future reports contain a high level risk analysis indicating both impact and likelihood.

Resolved:

1. That the provision of a £3,600,000 CIF loan to the Company fully secured against the property to fund the development be approved;
2. That future reports contain a high level risk analysis classifying both impact and likelihood of risks along the lines of low, medium or high.

190. WMCA Collective Investment Fund (CIF) - Dashboard

The Board considered the WMCA Collective Investment Fund (CIF) Dashboard (private iteration) as at 15 May 2019.

Resolved:

That the Dashboard be received and noted.

191. WMCA Brownfield Land and Property Development Fund (BLPDF) - Dashboard

The Board considered the WMCA Brownfield Land and Property Development Fund (BLPDF) Dashboard (private iteration) as at 15 May 2019.

Resolved:

That the Dashboard be received and noted.

The meeting ended at 10.49 am.

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Transport Delivery Committee

Monday 24 June 2019 at 1.00 pm

Minutes

Present

| | |
|--|---------------------------------------|
| Councillor Kath Hartley (Chair) | Birmingham City Council |
| Councillor Timothy Huxtable (Vice-Chair) | Birmingham City Council |
| Councillor Pervez Akhtar | Coventry City Council |
| Councillor Keith Allcock | Sandwell Metropolitan Borough Council |
| Councillor Robert Alden | Birmingham City Council |
| Councillor Phil Davis | Birmingham City Council |
| Councillor Mohammed Fazal | Birmingham City Council |
| Councillor Mohammed Hanif | Dudley Metropolitan Borough Council |
| Councillor Celia Hibbert | City of Wolverhampton Council |
| Councillor Diana Holl-Allen | Solihull Metropolitan Borough Council |
| Councillor Les Jones | Dudley Metropolitan Borough Council |
| Councillor Chaman Lal | Birmingham City Council |
| Councillor Keith Linnecor | Birmingham City Council |
| Councillor Ted Richards | Solihull Metropolitan Borough Council |
| Councillor David Welsh | Coventry City Council |

In Attendance

| | |
|----------------------------|--|
| Councillor Shaheen Akhtar | Sandwell Metropolitan Borough Council |
| Councillor Angus Lees | WMCA's Overview and Scrutiny Committee |
| Councillor Mary Locke | Birmingham City Council |
| Councillor Alan Taylor | Dudley Metropolitan Borough Council |
| Councillor Richard Worrall | Walsall Metropolitan Borough Council |

Item Title

No.

116. Apologies for absence

Apologies for absence were received from Councillors Andrew and Rowley.

117. Chair's Remarks

(i) Welcome and Farewell

The Chair welcomed Councillors Shaheen Akhtar, Mary Locke, Alan Taylor and Richard Worrall who were attending today's meeting as observers and would be joining the committee next month at the start of the new municipal year. The Chair also conveyed her thanks and best wishes to Councillors Keith Allcock, Phil Davis and Mohammed Hanif who would not be returning to the committee for 2019/20.

(ii) Catch the Bus Week – 1 -7 July 2019.

The Chair outlined various activities that were taking place for Catch the Bus Week commencing on 1 July.

(iii) TDC Visit to Nottingham

The Chair along with Councillors Davis, Holl-Allen and Hibbert reported that the visit to Nottingham to look at their approach to integrated transport had been a very useful and instructive visit.

118. Minutes of the last meeting

The minutes of the last meeting held on 20 May 2019 were agreed as a correct record.

119. Matters Arising

Minute No.106, Capital Programme Aligned to 2022 Commonwealth Games Update

In relation to an enquiry from Councillor Huxtable as to when the committee could expect to receive a presentation on the Commonwealth Games, the Chair reported that officers were liaising with Birmingham City Council with regards to the scheduling of the presentation for a future meeting.

120. Correspondence/ Petitions

None submitted.

121. Minutes of the Bus Shelter Appeals Decision Group - 12 June 2019

The minutes of the Bus Shelter Appeals Decision Group held on 12 June 2019 were submitted for information.

Resolved:

That the minutes of the Bus Shelter Appeals Decision Group held on 12 June 2019 be noted.

122. Presentation : Swift Update

The committee received a presentation from the Head of Swift, Matt Lewis, that provided an update on the usage and enhancements to Swift, the smart ticketing solution for the West Midlands.

The presentation outlined a case study with regards to the 16-18 concessionary take-up problem, progress with regards to Swift on rail, best value capping, EMV contactless payments and account based ticketing.

The Chair thanked Matt Lewis for his informative presentation and asked for the copy of the slide presentation to be circulated to committee members.

Resolved:

That the presentation be noted.

123. Customer Services Performance Update Report

The committee considered a report of the Head of Customer Services that updated the committee on the performance of the Customer Services Team.

The Head of Customer Services, Sarah Jones, outlined the key highlights of the report which set out telephone performance, Customer Relations case performance, Ticketing Services email performance, customer demand, social media performance, quality, customer satisfaction, travel shops and new and future developments.

Councillor Huxtable reported that he was very impressed by the dedicated Member Enquiries email service and asked for the details to be circulated to new committee members.

The Chair and Lead Member for Putting Passengers First conveyed her thanks to the Head of Customer Services for another impressive report.

The Head of Customer Services reported that following the installation of the new cloud based omni-channel system later in the year, committee members would be welcome to visit Customer Services to look at how the system provides for an improved customer experience.

Resolved:

That the contents of the report be noted.

124. Cycling Charter Progress Update

The committee considered a report of the Cycling and Walking Development Manager that updated the committee on matters relating to the performance, operation and delivery of TfWM led initiatives within the West Midlands Cycling Charter Action Plan.

Councillor Holl-Allen, Lead Member for Safe and Sustainable Travel outlined the report and Hannah Dayan, Cycling Charter Coordinator, provided an update on progress with regards to the Cycling Charter Action Plan.

In relation to the Walking to School Challenge being delivered by Living Streets in conjunction with TfWM, Councillor Huxtable enquired whether the programme could be linked to local authorities' safer route to school schemes and no idling zones.

The committee noted that idling problems whereby car drivers leave their cars running in streets near to schools and residential areas was a difficult issue to tackle without police enforcement.

The Cycling Charter Coordinator undertook to include messages about car idling in future promotions.

In relation to a comment from Councillor Hibbert regarding the need to engage more with diverse groups, the Cycling and Charter Coordinator reported that an active approach is undertaken, working with the Equalities and Diversity Manager but would welcome any suggestions to encourage wider participation in cycling.

Resolved:

That progress to date of the TfWM led initiatives of the West Midlands Cycling Charter Action Plan be noted.

125. Bus Alliance Update

The committee considered a report of the Network Development Manager that provided an update on matters relating to the governance, operation, delivery and performance of the West Midlands Bus Alliance.

The Chair and Lead Member for Putting Passengers First outlined the report.

The Network Development Manager, Edmund Salt, reported on key highlights set out in the report which included an update on West Midlands Bus Alliance governance, passenger satisfaction results (autumn 2018), work being undertaken to tackle congestion, improve bus emission standards, improve bus journeys and improve value for money for customers.

Resolved:

1. That the contents of the report and the current status of the West Midlands Bus Alliance be noted and
2. That the report be submitted to the West Midlands Combined Authority Board for information.

126. WMCA Board Transport Reports (For Information Only)

The committee received a report entitled 'Vision for Bus Next Steps – Part A: Delivery Options and Air Quality' that would be considered by the WMCA Board on 28 June 2019.

The Director of Integrated Network Development, Pete Bond outlined the report.

Resolved:

That the report be noted.

127. Notices of Motion

None submitted.

128. Questions

None submitted.

The meeting ended at 2.15 pm.

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Overview & Scrutiny Committee

Monday 15 July 2019 at 10.00 am

Minutes

Present

| | |
|-------------------------------|--|
| Councillor Cathy Bayton | Dudley Metropolitan Borough Council |
| Councillor Ahmad Bostan | Sandwell Metropolitan Borough Council |
| Councillor Richard Brown | Coventry City Council |
| Councillor Mike Chalk | Worcestershire Non-Constituent Local Authorities |
| Councillor Brian Douglas-Maul | Walsall Metropolitan Borough Council |
| Councillor Peter Fowler | Birmingham City Council |
| Councillor Lynnette Kelly | Coventry and Solihull Local Authorities |
| Councillor Angus Lees | Association of Black Country Authorities |
| Councillor Dr. Simon Peaple | Staffordshire Non-Constituent Local Authorities |
| Councillor Stephen Simkins | Association of Black Country Authorities |
| Councillor Lisa Trickett | Birmingham City Council |

In Attendance

| | |
|-------------------------|------------------------------|
| Councillor Julian Grubb | Redditch Borough Council |
| Councillor Kath Hartley | Transport Delivery Committee |

Item Title

No.

1. Inquorate Meeting

Tim Martin, Head of Governance, Clerk and Monitoring Officer, indicated that this meeting was inquorate and therefore decisions taken at the meeting would be submitted to the WMCA Board on 26 July 2019 for formal approval.

2. Election of Chair for the Meeting

Tim Martin, Head of Governance, Clerk and Monitoring Officer, reported that the WMCA Board had deferred appointing the Chair for this committee until it met on 26 July. It was therefore necessary for a Chair to be appointed by the committee itself for this meeting only.

Resolved:

Councillor Lisa Trickett be appointed Chair of the committee for this meeting.

3. Apologies for Absence

Apologies for absence were received from Councillor Lucy Seymour-Smith (Birmingham), Councillor Paul Sweet (Wolverhampton) and Councillor Kate Wild (Solihull).

4. Appointment of Vice-Chairs

Resolved:

Councillor Cathy Bayton and Councillor Lynnette Kelly be appointed Vice-Chairs of the Overview & Scrutiny Committee for the 2019/20 municipal year.

5. Minutes - 12 April 2019

The minutes of the meeting held on 12 April were agreed as a correct record.

6. Matters Arising

(a) Former Committee Members

The Chair expressed her thanks to Councillor Peter Hughes for his stewardship of scrutiny within the WMCA whilst he had been chair of this committee. She also thanked Councillor Stuart Davis, Councillor Alan Dudson, Councillor John Glass, Councillor Josh Jones, Councillor Tariq Khan, Councillor Ian Shires, Councillor Joe Tildesley and Councillor Vera Waters for the contribution they made to the work of the committee during the last year.

(b) Travel Expenses

Councillor Stephen Simkins noted that members of the committee on occasion incurred significant travelling expenses in their capacity as WMCA members and enquired as to the most appropriate way this could be managed. Tim Martin, Head of Governance, Clerk and Monitoring Officer, reminded members that they were entitled to be reimbursed for any travel expenses they incurred in carrying out WMCA activities, but undertook to consider further the suitability of these arrangements.

(c) Meeting Locations

Councillor Stephen Simkins requested that in order to improve public accessibility to meetings of this committee, the locations of where it meets be rotated around the region. The Chair welcomed this suggestion and noted that the next meeting of the committee was scheduled to be held in Wolverhampton. It would be helpful for the committee to better understand the region if relevant site visits could also be linked in to meetings. Councillor Mike Chalk indicated that Redditch Borough Council would be very happy to host a future meeting of the committee.

(d) Member Attendance

The Chair noted that this meeting was again inquorate. She undertook to write to all members reminding them of the importance of attending meetings, recognising that if circumstances meant that they were unable to meet the responsibilities of being a member of the committee they should consider seeking a replacement member from within their authority.

7. Schedule of Meetings 2019/20

The committee noted its schedule of meetings for 2019/20:

- 2 September 2019
- 22 October 2019
- 17 December 2019
- 21 January 2020
- 9 March 2020

Members recognised that further meetings would likely be required during the course of the year. These additional meetings would include dedicated Q&A sessions being arranged for September and November 2019 to debate policy and budgetary issues with the Mayor.

8. Developing Overview & Scrutiny within the WMCA

The committee considered a report from Tim Martin, Head of Governance, Clerk and Monitoring Officer, on the new statutory guidance on Overview & Scrutiny in Local and Combined Authorities that was published by the Ministry of Housing, Communities & Local Government in May. The report also provided an update on the work being undertaken to develop the scrutiny function within the WMCA, including the findings of a review undertaken by the Centre for Public Scrutiny.

Ian Parry, Centre for Public Scrutiny, gave a presentation to the committee on the review he had undertaken. He had identified that good progress had been made since the WMCA was established in developing its scrutiny function, given the significant differences that existed in undertaking scrutiny within combined authorities compared to local authorities. These structural differences meant that it was essential an effective work programme was developed that focussed the committee's work where it was able to be most effective. The review proposed a series of short and medium term recommendations to help achieve this focus and to embed the scrutiny function more firmly within the governance arrangements of the WMCA.

The Chair thanked Ian Parry for the review work he had undertaken. Once the final report was circulated, she proposed that an action plan be developed for approval at the next meeting that showed how it was intended to take the review's recommendations forward.

Recommended to the WMCA Board:

- (1) The statutory guidance on Overview & Scrutiny in Local and Combined Authorities, published by the Ministry of Housing, Communities & Local Government be noted.
- (2) The findings and recommendations presented by the Centre for Public Scrutiny on the WMCA's scrutiny function be noted, and a report be submitted to the next meeting of the committee on 2 September setting out an action plan for delivering on these recommendations.

- (3) The Overview & Scrutiny Annual Report 2018/19, which was intended to set out clearly and succinctly the work of the committee over the last 12 months, be noted.
- (4) The WMCA scrutiny protocol be agreed.
- (5) The progress being made in the development of an Overview & Scrutiny guidebook be noted.

9. Potential Areas of Interest for Scrutiny

The Chair indicated that she was keen to understand more clearly the areas of interest and motivation of members of the committee, which would be helpful in determining a focussed work programme for the year. Following a wide ranging discussion, issues relating to transport, housing, skills, wellbeing, environment, 5G and funding were highlighted as having the most importance to members of the committee.

The Chair welcomed these suggestions and considered that they could be grouped within thematic scrutiny workstreams related to:

- Accountability
- Connectivity
- Investment (and whether this was facilitating inclusive growth)

It was agreed that further work would be undertaken in developing these workstreams into outline areas for scrutiny review, and then members of the committee would be encouraged to identify specific lines of enquiry that captured the areas of interest they had indicated.

10. Developing Service User and Citizen Engagement within the WMCA Thrive Programmes

The committee considered a report from Sean Russell, Director of Implementation, on proposals to develop the citizen and service user engagement started by the Mental Health Commission Citizens' Jury.

Feedback from Citizen Jury members had indicated that whilst individual programme strands had developed engagement mechanisms, there had not been a wider engagement strategy across the Thrive Programmes. Citizen and service user engagement across the Thrive Programmes had therefore been co-produced with seven Jury members and other service users who had formed themselves into an interim Independent Advisory Group.

Proposals developed were for up to 40 Thrive Ambassadors to be recruited to raise awareness and encourage individuals and organisations to support the relevant Thrive programmes. It was also proposed to formalise the interim Independent Advisory Group into the Thrive Independent Advisory Panel to have oversight of citizen/service user engagement, along with contributing to the development of policy and best practice across the Thrive programmes.

These proposals were to be considered by the Wellbeing Board at its meeting on 19 July.

Members noted the proposals, but expressed concern regarding the wider Thrive programmes and whether their scale was sufficient to properly address mental health issues across the region, particularly in respect of how pilot programmes could be rolled-out more widely.

Recommended to the WMCA Board:

- (1) The proposals to develop the citizen and service user engagement across the Thrive programmes be noted.
- (2) Further information be circulated to members of the committee on the inputs, outputs and scalability of the Thrive programmes, along with the evaluation work undertaken.

11. Conclusions of the Bus Franchising Task & Finish Review Group

The committee considered a report from Tim Martin, Head of Governance, Clerk and Monitoring Officer, and Pete Bond, Director of Integrated Network Services for Transport for West Midlands, on the conclusions of a scrutiny review of the powers available to the Mayor within the Bus Services Act 2017 in respect of bus franchising.

The review group was chaired by Councillor Angus Lees and comprised Councillor Mike Chalk, Councillor Liz Clements, Councillor Ian Shires and Councillor Stephen Simkins, along with Councillor Kath Hartley as Chair of Transport Delivery Committee. The group considered the current arrangements for bus services within the region, along with the powers contained within the Bus Services Act 2017 and the risks and opportunities these provided.

The group noted that whilst a bus franchising scheme would give a great deal of control over bus services and would address the needs of the passengers, it also carried a significant amount of financial risk. After reviewing the process for setting up a franchise, it was apparent that such a scheme could not be delivered in time for to deliver Sprint services in readiness for the Commonwealth Games in 2022.

Pete Bond indicated that the Vision for Bus strategy report agreed by the WMCA Board on 28 June would enable an outline business case to be undertaken that would evaluate further options for franchising, a Bus Alliance and Enhanced Partnerships and the comparative merits of each of these options.

The Chair thanked members of the Bus Franchising Task & Finish Review Group for the work they had undertaken on this matter.

Recommended to the WMCA Board:

The report and conclusions of the Bus Franchising Task & Finish Review Group be noted.

12. Forward Plan

The committee consider forward plans of items that were to be reported to future meetings of this committee and the WMCA Board. The Chair requested that items on 5G and the WMCA's development of a carbon reduction policy be added to the agenda for the next meeting of this committee on 2 September 2019.

13. Monday 2 September 2019 at 10.00am

The date of the next meeting was noted.

The meeting ended at 1.10 pm.

Agenda Item 16

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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