



## WMCA Board

**Date:** Friday 9 February 2024

**Time:** 11.00 am **Public meeting** Yes

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

### Membership

#### Constituent Members

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

Councillor Adrian Andrew  
Councillor Mike Bird  
Councillor Paul Bradley  
Councillor Kerrie Carmichael  
Councillor John Cotton  
Councillor Ian Courts  
Councillor George Duggins  
Councillor Steve Evans  
Councillor Patrick Harley  
Councillor Abdul Khan  
Councillor Bob Piper  
Councillor Stephen Simkins  
Councillor Sharon Thompson

#### Appointing Authority

Mayor of the West Midlands Combined Authority  
Solihull Metropolitan Borough Council

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

#### Non-Constituent Members

Councillor Shaun Davies  
Councillor Matthew Dormer  
Councillor Tony Johnson  
Councillor Susan Juned  
Councillor Lezley Picton  
Councillor Derek Poole  
Councillor Izzi Seccombe  
Councillor Paul Turner  
Councillor Kristofer Wilson  
Councillor David A Wright

Telford & Wrekin Council  
Redditch Borough Council  
Cannock Chase District Council  
Stratford-on-Avon District Council  
Shropshire Council  
Rugby Borough Council  
Warwickshire County Council  
Tamworth Borough Council  
Nuneaton and Bedworth Borough Council  
North Warwickshire Borough Council

**Observers Awaiting Membership**

Councillor Ian Davison

Warwick District Council

**Co-Opted Member**

Lee Barron

Midlands Trades Union Congress

**Observer Members**

Councillor Greg Brackenridge

Simon Foster

West Midlands Fire Authority

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 & Scrutiny Manager

**Telephone**

07824 547452

**Email**

[dan.essex@wmca.org.uk](mailto:dan.essex@wmca.org.uk)

# AGENDA

No.	Item	Presenting	Pages
<b>Items of Public Business</b>			
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 - 12 January 2024	Chair	1 - 10
5.	Forward Plan	Chair	11 - 18
6.	Regional Activity & Delivery Update	Chair	Verbal Report
7.	Race Equality Week - Update from Race Equalities Taskforce	Sharonjit Clare	Verbal Report
8.	State of the Region	Laura Shoaf	19 - 64
<b>Finance</b>			
9.	WMCA Budget 2024/25	Councillor Bob Sleigh	65 - 160
<b>Employment &amp; Skills</b>			
10.	Employment & Skills Strategy for Deeper Devolution	Councillor George Duggins	161 - 184
11.	2024/25 Skills Bootcamps Change Request	Councillor George Duggins	185 - 188
<b>Housing &amp; Land</b>			
12.	Homes for the Future Strategy	Councillor Ian Courts	189 - 254
<b>Inclusive Communities</b>			
13.	Faith Strategic Partnership Board - Faith Covenant	Councillor Kerrie Carmichael	255 - 262

<b>Minutes</b>			
14.	Investment Board - 15 January 2024	Councillor Bob Sleigh	263 - 270
15.	Housing & Land Delivery Board - 17 January 2024	Councillor Ian Courts	271 - 274
16.	Transport Delivery Overview & Scrutiny Committee - 22 January 2024	Councillor John McNicholas	275 - 280
17.	Economic Growth Board - 25 January 2024	Councillor Bob Sleigh	281 - 284
18.	Overview & Scrutiny Committee - 29 January 2024	Councillor Cathy Bayton	285 - 292
19.	Audit, Risk & Assurance Committee - 29 January 2024	Mark Smith	293 - 298
<b>Date of Next Meeting</b>			
20.	Friday 15 March 2024 at 11.00am	Chair	None



**West Midlands  
Combined Authority**

## **WMCA Board**

**Friday 12 January 2024 at 11.00am**

### **Minutes**

#### **Constituent Members**

Andy Street (Chair)	Mayor of the West Midlands Combined Authority
Councillor Adrian Andrew	Walsall Metropolitan Borough Council
Councillor Mike Bird	Walsall Metropolitan Borough Council
Councillor Paul Bradley	Dudley Metropolitan Borough Council
Councillor John Cotton	Birmingham City Council
Councillor Ian Courts	Solihull Metropolitan Borough Council
Councillor George Duggins	Coventry City Council
Councillor Steve Evans	City of Wolverhampton Council
Councillor Patrick Harley	Dudley Metropolitan Borough Council
Councillor Peter Hughes	Sandwell Metropolitan Borough Council
Councillor Abdul Khan	Coventry City Council
Councillor Stephen Simkins	City of Wolverhampton Council
Councillor Bob Sleigh	Solihull Metropolitan Borough Council
Councillor Sharon Thompson	Birmingham City Council

#### **Non-Constituent Members**

Councillor Matthew Dormer	Redditch Borough Council
Councillor Susan Juned	Stratford-on-Avon District Council
Councillor Derek Poole	Rugby Borough Council
Councillor Izzi Seccombe	Warwickshire County Council
Councillor Kristofer Wilson	Nuneaton & Bedworth Borough Council

#### **Co-opted Member**

Rob Johnson	Midlands Trades Union Congress
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#### **Observer Members**

Councillor Greg Brackenridge	West Midlands Fire Authority
Simon Foster	West Midlands Police & Crime Commissioner

#### **In Attendance**

Councillor John McNicholas	Transport Delivery Overview & Scrutiny Committee
Mark Smith	Audit, Risk & Assurance Committee

#### **83. Apologies for Absence**

Apologies for absence were received from Lee Barron (Midlands TUC), Councillor Cathy Bayton (Overview & Scrutiny Committee), Councillor Kerrie Carmichael (Sandwell), Councillor Shaun Davies (Telford & Wrekin) and Councillor Ian Davison (Warwick).

**84. Chair's Remarks**

**(a) Warwick District Council - Application for Non-Constituent Membership**

The Chair reported that Warwick District Council had now formally submitted an application to become a non-constituent member of the WMCA. This application was currently being assessed and would come to a future meeting of the board for formal consideration.

**85. Minutes - 17 November 2023**

The minutes of the meeting held on 17 November 2023 were agreed as a correct record.

**86. Forward Plan**

The forward plan of items to be reported to future meetings of the board was noted.

**87. Regional Activity & Delivery Update**

The board received a presentation from the Chief Executive setting out the regional activity in recent months. The Government's Autumn statement had seen Investment Zones announced, which were expected to drive up to £5.5bn of growth and create up to 30,000 new jobs across the region. The West Midlands was to receive £6m to develop net zero solutions that could drive investment in multiple green projects across key sectors such as energy, housing and transport. The region had also secured £10.3m to develop skills to boost the region's economy by enabling colleges to train local people to secure good jobs in new and growing industries.

Resolved:

The update be noted.

**88. WMCA Draft Budget 2024/25**

The board considered a report of the Executive Director for Finance & Business Hub setting out the draft 2024/25 budget for consideration, to allow for feedback to inform the final 2024/25 budget to be approved on 9 February 2024.

Councillor Stephen Simkins noted the medium-term financial pressures on the delivery of transport services and stressed the importance of mitigating these. Councillor Bob Sleight noted that the WMCA's transport functions were funded by the transport levy charged to constituent authorities, and therefore the solutions to this issue needed to be met from within this funding source. Councillor Ian Courts urged the board to remain focused on delivering on its net zero commitments. The Chair requested that the Executive Director for Finance & Business Hub produce a briefing note for non-constituent authorities setting out those funds administered by the WMCA that they were eligible to apply for.

Resolved:

- (1) The draft 2024/25 WMCA consolidated revenue budget be approved for consultation. This included:

- (a) The budget requirement for transport delivery in 2024/25 of £198.3m comprising three elements:
  - (i) £122.9m to be funded from the existing transport levy mechanism.
  - (ii) £70.4m of grant funding.
  - (iii) Use of windfall gains from treasury management of £5.0m.
- (b) The budget requirement for portfolio delivery in 2024/25 of £262.0m comprising of six elements:
  - (i) £142m Adult Education (including level 3) spending to be funded from adult education budget funding devolved by the Department for Education.
  - (ii) £104.4m to be funded from devolution deal grants.
  - (iii) £2.3m to be funded from other income, notably investment income.
  - (iv) £4.6m to be funded from constituent authority fees (fees to remain at the same level as 2023/24).
  - (v) £400,000 to be funded from non-constituent authority and observer fees (fees to remain at the same level as 2023/24).
  - (vi) Use of £8.3m business rates retention income.
- (2) The Mayoral Office budget for 2024/25 of £7.0m, of which £900,000 was to be funded from additional Mayoral Capacity Funding and election costs of £6.1m were to be funded from earmarked reserves, be approved for consultation and scrutiny.
- (3) It be noted that there would be no mayoral precept during 2024/25.
- (4) The Mayor's budget be reviewed by the board and set out in a report to the Mayor whether it was approved in its current form, including any recommendations, before 8 February 2024.
- (5) The draft 2024/25 capital programme of £719.8m be approved for consultation.
- (6) The planned spend on the investment programme over the period be noted.

- (7) The WMCA's ongoing commitment to work with the Mayor and constituent authority leaders to discuss a sustainable funding solution for transport, which would meet the scale of ambition for the network, be noted.
- (8) The matters identified by Overview & Scrutiny Committee/Transport Delivery Overview & Scrutiny Committee that arose out of the Mayoral Q&A on 14 December 2023 be noted.

**89. Financial Monitoring Report 2023/24**

The board considered a report of the Executive Director of Finance & Business Hub providing an update on the WMCA's financial position based on the information known at the end of November 2023, including capital and revenue financial performance, explanations for variations, an update on the likely outturn for 2023/24 and risks which were being managed by the WMCA.

Councillor Stephen Simkins stressed the value of the WMCA using its funding to help unlock longstanding blighted buildings that needed redeveloping and bringing back into meaningful use. Councillor Ian Courts indicated that, as Chair of the Housing & Land Delivery Board, he wished to maximise the value of all the funding available to it, and this required the WMCA to be approached with innovative solutions to longstanding problems such as disused key buildings.

Resolved:

- (1) The financial position as at 30 November 2023 be noted.
- (2) The latest forecast for 2023/24 be noted.
- (3) The new grant awards to the WMCA, and the arrangements for these grants, be noted.
- (4) The intention to enter into contracts with local authorities for year-three activity following the Department for Levelling Up, Housing & Communities relaxing the carry forward requirements which applied to the UK Shared Prosperity Fund be noted.
- (5) It be noted that under the delegation provided by the WMCA Board on 17 November 2023, the Section 151 Officer recently approved the acceptance of the £100m funding for brownfield regeneration, secured as part of the Trailblazer Devolution Deal.
- (6) The additional funding awarded to the region for highways maintenance works, as part of the Government's Network North plan, be noted and the proposed allocation of this funding be endorsed.
- (7) The treasury and prudential indicators for the period ended 30 November 2023 be noted.



**90. European Athletics Championships 2026**

The board considered a report from the Executive Director for Strategy, Economy & Net Zero seeking to repurpose funding allocated for the Grassroots Sports Programme towards the direct delivery costs, and to note the associated impact on community benefit.

Councillor John Cotton recognised the funding pressures faced by all local authorities, but stressed the importance to the region of hosting this event, estimated to be in the region of £135m and with more than 120,000 spectators attending events. There had been further measures taken to de-risk the cost of hosting the championships and urged the board to support the recommendations within the report.

Councillor Mike Bird acknowledged the financial benefits to region of hosting, but stressed the importance that the region received the appropriate recognition for its role in providing funding to enable the championships to be held. The Chair noted that the report proposed repurposing £3m from the Grassroots Sports Programme towards the delivery costs of the championships, and requested the Executive Director of Finance & Business Hub to explore whether it was possible to bolster the Inclusive Communities Fund by £3m to replace this funding and to report back to the board on the potential for this.

Resolved:

- (1) Support for the continued delivery of the European Athletics Championships 2026 through the Commonwealth Games Legacy Enhancement Fund contribution as agreed by WMCA Board on 17 March 2023 and in light of the subsequent changes to the full business case agreed by the Investment Board on 18 June 2023 be agreed.
- (2) The request from Birmingham City Council to repurpose £3m allocated for the Grassroots Sports Programme towards the European Athletics Championships' direct delivery costs be agreed, and the associated impact on community benefit be noted.
- (3) Support for the re-profiling of £4.5m expenditure from 2023/24 into 2024/25 be agreed, subject to Government approval, noting that all funds were still required to be spent by 31 March 2025 in line with the terms and conditions set out in the funding agreement between the Department for Digital, Culture, Media & Sport and the WMCA.
- (4) An additional £600,000 of Commonwealth Games Legacy Enhancement Fund funding generated from underspend within the Sandwell Aquatic programme be agreed to be used towards the projected £2.2m shortfall in the current European Athletics Championships direct delivery budget, noting that this was not in line with the prior directions of the WMCA Board or the process for allocation of underspends agreed by the WMCA Board on 17 March 2023 and so was outside of officer delegations.

- (5) It be noted that the proposed joint venture for delivery of the European Athletics Championships would be between Birmingham City Council and UK Athletics with no formal legal role for the WMCA, which included no financial underwrite commitment, recognising however, as a condition, the strong involvement and support of the WMCA and all of its members.
- (6) Final sign-off of the Commonwealth Games Legacy Enhancement Fund funding agreement between Birmingham City Council and the WMCA be delegated to the Executive Director of Strategy, Economy & Net Zero, in consultation with the Monitoring Officer and Section 151 Officer, and any such agreement would reflect the grant conditions imposed on the WMCA by the Department for Digital, Culture, Media & Sport, together with any additional conditions deemed necessary to safeguard the WMCA's position.
- (7) The Executive Director of Finance & Business Hub be requested to explore whether it was possible to bolster the Inclusive Communities Fund by £3m to replace the Grassroots Sports Programme element of the European Athletics Championships funding packages agreed by the WMCA Board on 17 March 2023.

**91. Amendments to the WMCA Constitution to incorporate Police & Crime Commissioner Functions**

The board considered a report from the Director of Law & Governance on arrangements to allow for the continuity of governance arrangements to enable the Police & Crime Commissioner functions to be carried out effectively without any interruption in service should those functions transfer to the WMCA with effect from 7 May 2024.

Simon Foster noted that the current public consultation on proposals to transfer of Police & Crime Commissioner functions to the Mayor was not due to close until 31 January, and considered it therefore inappropriate to consider this report ahead of the outcome of that public consultation being known. He also reiterated his offer to attend a future meeting of the Overview & Scrutiny Committee to discuss the wider implications of this issue. The Chair noted these comments and stressed that the report had been submitted to the board so that all members were sighted on the work that was being undertaken should the Home Secretary determine that the powers of the Police & Crime Commissioner be exercised by the Mayor following May's local elections.

Resolved:

The report be noted.

**92. West Midlands Digital Roadmap 2024-27**

The board considered a report from the Executive Director of Strategy, Economy & Net Zero providing an update on the wide-ranging regional activity relating to digital inclusion, digital connectivity and the digital economy in the West Midlands.

Councillor Patrick Harley stressed that this was a roadmap and not a strategy, and was intended to help partners and stakeholders to support the West Midlands region to become a forward looking and inclusive digital economy, where data was used to improve public services and the latest technology used to reduce the carbon footprint.

Councillor Izzi Seccombe welcomed the report, particularly the use of 5G vouchers. She noted that Warwickshire had a complex urban and rural make-up and she expected this roadmap to help with this. Councillor Ian Courts noted that the siting of 5G masts had been controversial in some instances and he encouraged developers to be sympathetic to legitimate concerns in this regard.

Resolved:

- (1) The progress made on digital matters in the region since 2021 be noted and the activity highlighted in the updated Digital Roadmap 2024 - 27 be endorsed.
- (2) The aims and objectives of the Digital Roadmap continue to be championed in order to encourage public, private and voluntary sector alignment and investment in its five broad missions.
- (3) The concerns around the withdrawal of Project Gigabit Lot 35 for Birmingham and the Black Country be noted, and
  - (a) the WMCA's request for further information from the Government to clarify this decision and to expedite the identification and evaluation of interim solutions, whilst re-examining the opportunity for the West Midlands to receive targeted funding from Project Gigabit, be supported, and
  - (b) confirmation of the Government's support for Lot 11 covering parts of Coventry and Solihull be sought.

**93. Investment Board - 13 November 2023**

The board considered the minutes of the Investment Board held on 13 November 2023.

Resolved:

The minutes of the meeting held on 13 November 2023 be noted.

**94. Economic Growth Board - 16 November 2023**

The board considered the minutes of the Economic Growth Board held on 16 November 2023.

Resolved:

The minutes of the meeting held on 16 November 2023 be noted.

- 95. Audit, Risk & Assurance Committee - 4 December 2023**  
The board considered the minutes of the Audit, Risk & Assurance Committee held on 4 December 2023.
- Resolved:
- The minutes of the meeting held on 4 December 2023 be noted.
- 96. Investment Board - 11 December 2023**  
The board considered the minutes of the Investment Board held on 11 December 2023.
- Resolved:
- The minutes of the meeting held on 11 December 2023 be noted.
- 97. Transport Delivery Overview & Scrutiny Committee - 11 December 2023**  
The board considered the minutes of the Transport Delivery Overview & Scrutiny Committee held on 11 December 2023.
- Resolved:
- The minutes of the meeting held on 11 December 2023 be noted.
- 98. Wellbeing Board - 12 December 2023**  
The board considered the minutes of the Wellbeing Board held on 12 December 2023.
- Resolved:
- The minutes of the meeting held on 12 December 2023 be noted.
- 99. Joint Overview & Scrutiny Committees - 14 December 2023**  
The board considered the minutes of the Joint Overview & Scrutiny Committee held on 14 December 2023.
- Resolved:
- The minutes of the meeting held on 14 December 2023 be noted.
- 100. Environment & Energy Board - 21 December 2023**  
The board considered the minutes of the Environment & Energy Board held on 21 December 2023.
- Resolved:
- The minutes of the meeting held on 21 December 2023 be noted.
- 101. Young Combined Authority Update - January 2024**  
The board considered a report on the activity of the Young Combined Authority for January 2024.

Resolved:

The report be noted.

- 102. Date of Next Meeting**  
Friday 9 February 2024 at 11.00am.

The meeting ended at 1.00pm.

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# West Midlands Combined Authority

## Forward Plan

## Forthcoming key decisions

Title of key decision:	Decision to be taken by and date:	Open or Exempt:	Portfolio Lead	Employee to contact:
<b>WMCA Budget 2024/25</b> To present the proposed 2024/25 budget for approval	WMCA Board 9 February 2024	Open	Councillor Bob Sleigh Deputy Mayor	Beverly Sullivan, Sally Truman Financial Planning and Coordination Manager, Lead Financial Planning Accountant
<b>Skills Bootcamps Change Request</b> To seek approval of a business justification case for a change in the activity that would be delivered in respect of the Skills Bootcamp Provision from 1 April 2024.	WMCA Board 9 February 2024	Open	Councillor George Duggins Portfolio Lead for Skills & Productivity	Louise Phipps Senior Delivery Manager- Higher Level Skills
<b>Employment &amp; Skills Strategy for Deeper Devolution</b>	WMCA Board 9 February 2024	Open	Councillor George Duggins Portfolio Lead for Skills & Productivity	
<b>State of the Region</b> State of the Region for the West Midlands in 2024	WMCA Board 9 February 2024	Open	Andy Street Mayor	
<b>Homes for the Future Strategy</b> To consider and approve the Homes for Future Strategy	WMCA Board 9 February 2024	Open	Councillor Ian Courts Portfolio Lead for Housing & Land	Mia Higgins, Tanya Patel, Leo Pollak Programme Support Officer, Governance Services Officer, Head of Policy



<b>Faith Strategic Partnership Board - Faith Covenant</b> To agree the proposed Faith Covenant.	WMCA Board 9 February 2024	Open	Councillor Kerrie Carmichael Portfolio Lead for Inclusive Communities	
<b>WMCA Financial Monitoring Report - March 2024</b> To update on the latest financial position	WMCA Board 15 March 2024	Open	Councillor Bob Sleigh Deputy Mayor	Beverly Sullivan, Sally Truman Financial Planning and Coordination Manager, Lead Financial Planning Accountant
<b>Investment Zones and Levelling Up Zones</b> To consider reports on Gateway Ratification, Investment & Delivery Plan and Finance & Funding Plan.	WMCA Board 15 March 2024	Open	Councillor Stephen Simkins Portfolio Lead for Economy & Innovation	Steve Bowyer Partnerships and Engagement Strategic Lead
<b>Single Settlement Memorandum of Understanding</b> To consider the ratification of the Single Settlement Memorandum of Understanding.	WMCA Board 15 March 2024	Open	Councillor Sharon Thompson Portfolio Lead for Levelling Up / Devolution	Jonathan Gibson Head of Policy & Public Affairs
<b>Private Sector Representation</b> To consider retaining existing private sector representation on WMCA boards until such time as the future Single Settlement governance structure is known.	WMCA Board 15 March 2024	Open	Councillor Stephen Simkins Portfolio Lead for Economy & Innovation	James Hughes Member Relationship Manager
<b>Black Country Innovative Manufacturing Organisation</b> To consider the latest BCIMO update.	WMCA Board 15 March 2024	Open	Councillor Bob Sleigh Portfolio Lead for Finance	Linda Horne Executive Director of Finance & Business Hub
<b>Skills Funding</b> To consider the latest position regarding skills funding.	WMCA Board 15 March 2024	Open	Councillor George Duggins Portfolio Lead for Skills & Productivity	Dr. Fiona Aldridge Head of Insight & Intelligence

<p><b>Penalty Fares Byelaws for Midland Metro</b> Following public consultation, to agree a new penalty fare amount and to consider moving to a proposed two-tier penalty structure, where the fee amount will reduce for early payment.</p>	<p>WMCA Board 15 March 2024</p>	<p>Open</p>	<p>Councillor Mike Bird Portfolio Lead for Transport</p>	<p>Chris Hopkinson Owner Representative - West Midlands Metro</p>
<p><b>Zero Emission Bus Regional Area (ZEBRA) Update</b> To provide an update on the latest ZEBRA developments.</p>	<p>WMCA Board 15 March 2024</p>	<p>Open</p>	<p>Councillor Mike Bird Portfolio Lead for Transport</p>	<p>Pete Bond Director of Integrated Transport Services</p>
<p><b>Request by Warwick District Council to become a Non-Constituent Authority of WMCA</b> To consider the request submitted by Warwick District Council that it should be granted equivalent status as the non-constituent councils with the right to be represented on the WMCA Board and other boards.</p>	<p>WMCA Board 15 March 2024</p>	<p>Open</p>		<p>Julia Cleary, Debbie Dimock, James Hughes Head of Corporate Support &amp; Governance, Interim Solicitor, Member Relationship Manager</p>
<p><b>Arrangements for Mayoral Question Time with MPs</b> To agree the arrangements for mayoral question time sessions with the region's MPs.</p>	<p>WMCA Board 15 March 2024</p>	<p>Open</p>	<p>Andy Street Mayor of the West Midlands</p>	<p>Jonathan Gibson Head of Policy &amp; Public Affairs</p>
<p><b>Bus Depot Strategy</b> To consider a new Bus Station Strategy.</p>	<p>WMCA Board 14 June 2024</p>	<p>Open</p>	<p>Councillor Mike Bird Portfolio Lead for Transport</p>	<p>Ian Shore Asset Delivery Manager</p>
<p><b>Bus Options Report</b> To consider options for the future delivery of the region's bus network.</p>	<p>WMCA Board 19 July 2024</p>	<p>Open</p>	<p>Councillor Mike Bird Portfolio Lead for Transport</p>	<p>Steven Hayes Head of Network Transformation</p>
<p><b>Key Route Network Review 2023/24</b> To approve the amended Key Route Network within the WMCA area.</p>	<p>WMCA Board 19 July 2024</p>	<p>Open</p>	<p>Councillor Mike Bird Portfolio Lead for Transport</p>	<p>Rachel Ing Corridor Manager</p>

<b>Ring &amp; Ride Update</b> To provide an update on the latest activity.	WMCA Board 19 July 2024	Open	Councillor Mike Bird Portfolio Lead for Transport	Pete Bond Director of Integrated Transport Services
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## The Forward Plan

This document sets out known 'key decisions' that will be taken by the West Midlands Combined Authority (WMCA) over the coming months.

Forthcoming key decisions are published online to meet the statutory 28 day notification rule for each meeting where a key decision will be taken. Where it has not been possible to meet the 28 day rule for publication of notice of a key decision or an intention to meet in private, the relevant notices will be published as required by legislation as soon as possible.

### Page 16 What is a key decision?

A 'key decision' means a decision of the Mayor, WMCA or officer which is likely:

- (a) to result in the WMCA incurring expenditure, making savings or generating income amounting to £1m or more; or
- (b) to be significant in terms of its effects on communities living or working in an area comprising two or more wards in the area of the WMCA

The report relating to a decision, together with any other documents being considered, will be available five clear working days before the decision is to be taken (unless the documentation contains exempt information).

The forward plan also provides notice of when the WMCA may decide to exclude the press and public during consideration of a particular matter due to the potential for disclosure of confidential or exempt

information. The grounds upon which local authorities can exclude the press and public are specified by law and details of the exempt categories are available on request from the Governance Services team ([governance.services@wmca.org.uk](mailto:governance.services@wmca.org.uk)).

Councillors or members of the public wishing to:

- make a representation about why a matter should be heard in public, or
- submit information to the decision-making body about an item in the forward plan, or
- request details of relevant documents, or
- seek advice about the WMCA's decision-making arrangements,

should contact the Governance Services team: [governance.services@wmca.org.uk](mailto:governance.services@wmca.org.uk)

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## WMCA Board

<b>Date</b>	9 February 2024
<b>Report title</b>	West Midlands State of the Region 2023/24
<b>Portfolio Lead</b>	Economy & Innovation - Councillor Stephen Simkins
<b>Accountable Chief Executive</b>	Laura Shoaf, West Midlands Combined Authority email: laura.shoaf@wmca.org.uk
<b>Accountable Employee</b>	Ed Cox, Executive Director of Strategy, Economy & Net Zero email: ed.cox@wmca.org.uk  Si Chun Lam, Head of Research, Intelligence & Inclusive Growth email: sichun.lam@wmca.org.uk
<b>Report has been considered by</b>	Overview & Scrutiny Committee - 29 January 2024

### Recommendation(s) for action:

#### The WMCA Board is recommended to:

- (1) Consider any issues and recommendations from the Overview & Scrutiny Committee.
- (2) Consider the key messages and recommendations set out in the State of the Region report.
- (3) Note that the State of the Region will form part of the evidence base for the region's economic development work as part of the regular review of the economic conditions in the West Midlands and forthcoming West Midlands Futures work programme.

## 1. Purpose

- 1.1 The West Midlands State of the Region is a high-level, annual review of the condition of the West Midlands. It provides context to help understand the region's performance. It brings attention to the opportunities and challenges in our region.

## 2. Background

- 2.1 The *West Midlands State of the Region* is a *high-level* report that brings to attention the most important trends in the West Midlands. It is an *annual* review that considers data relevant for comparison at yearly or longer-term basis. It is intended to provide *context* by setting out a baseline for comparison and understanding, using replicable and repeatable metrics.
- 2.2 The *West Midlands State of the Region* is *not* a performance report; it does not seek to evaluate the performance of the actions and deliverables, which are best considered through the review of the WMCA's *Annual Business Plan*.
- 2.3 The *West Midlands State of the Region* is written by the Research, Intelligence, and Inclusive Growth team with input from colleagues across the WMCA, and endeavours to be an honest reflection of the current regional conditions.

## 3. Strategic Aims and Objectives

- 3.1 The *vision and purpose* of the West Midlands Combined Authority is “building a better connected, more prosperous, fairer, greener, and healthier West Midlands.” This, in turn, is connected to the UK’s Government Levelling Up Missions.
- 3.2 *How* we achieve this is set out in the West Midlands definition of Inclusive Growth ([wmca.org.uk/inclusivegrowth](https://wmca.org.uk/inclusivegrowth)), approved by the WMCA Board in 2018, which states that we are committed to “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.” The eight fundamentals of Inclusive Growth are:
- Climate resilience;
  - Inclusive economy;
  - Power and participation;
  - Affordable and safe places;
  - Connected communities;
  - Education and learning;
  - Health and wellbeing; and
  - Equality
- 3.3 These are translated into six *aims and objectives* or *priorities* of the West Midlands, which are to:
- Promote inclusive growth in every corner of the region;
  - Ensure everyone has the opportunity to benefit;



- Connecting our communities by delivering transport and unlocking housing and regeneration schemes;
- Reduce carbon emissions to net zero and enhance the environment;
- Secure new powers and resources from central government; and
- Develop our organisation and our role as a good regional partner.

3.4 As a high-level, contextual report, the West Midlands State of the Region is structured along the eight Inclusive Growth fundamentals.

### **Key messages from the West Midlands State of the Region 2023/24**

3.5 Building a better connected, more prosperous, fairer, greener, and healthier West Midlands requires a recognition and understanding that the challenges faced by the region are complex and multifaceted. Addressing the region's grand challenges, such as increasing growth or productivity to upskilling people, requires solutions that do not see these as isolated problems. Instead, it requires solutions that are framed as part of a holistic, dynamic 'ecosystem', recognising that people's access to housing, work, skills and leisure opportunities, plus local and regional political, historical, and cultural context all impact and influence on the effectiveness of any solution.

3.6 Consequently, this West Midlands State of the Region report sets out its key messages and recommendations around the eight West Midlands Inclusive Growth fundamentals, which focuses all types of investment – public, private, capital, revenue, time, attention – on the same set of missions. These missions – the eight 'fundamentals' of inclusive growth – also connect to one another, ensuring that the real people, places, and businesses across the region are not lost in thematic silos.

3.7 The West Midlands 'trailblazer' deeper devolution deal, and in particular, the single financial settlement joining-up wide-ranging responsibilities across five devolution pillars of local growth, housing and regeneration, local transport, skills, and retrofit means that the region has an unparalleled opportunity to address our grand challenges in a holistic way.

### ***Climate***

3.8 Carbon emissions per capita in the WMCA area were 3.6 tonnes per capita in 2021. This is a 0.3 tonne per capita increase from 2020, when emissions would have been reduced by lockdowns during the pandemic. However, the overall trajectory over the past decade demonstrates that the WMCA is heading towards net zero by our target of 2041.

3.9 Climate change will disproportionately affect our most deprived communities, with the WMCA climate risk and vulnerability index suggesting that people living in amongst our more deprived communities are at higher risk of overheating and flooding.

3.10 The transition to net zero is an opportunity and engine of growth for the WMCA area. However, the effects of climate change disproportionately affect our most deprived communities – and efforts must be made to mitigate against the worst effects of climate change through retrofitting homes and through nature-based solutions.

### ***Inclusive economy***

- 3.11 An inclusive economy is one in which everyone has a part to play. The economy is flourishing and sustainable, and everyone benefits from it. This contrasts with an economy where a small group of people benefit first, and where wealth is then redistributed later or trickled down.
- 3.12 The latest available data, for 2021, suggests that the size of the WMCA area economy, as measured by gross domestic product (GDP), is £74.2bn. This amounts to 3.5% of the UK's economy. The WMCA area economy has grown by 8.6% from 2020 to 2021. It has grown more slowly than the UK overall (8.9%). Additionally, the economy remains 4.8% smaller than it was than before the pandemic, when it was £77.9bn. This is in contrast to before the pandemic when economic growth in the WMCA area was better than the UK overall.
- 3.13 If the WMCA area's economy was divided equally between our 2.9 million people, our GDP per capita will be £25,437. This, however, masks significant diversity across the WMCA area, which ranges from just £19,638 in Walsall to £48,359 in Solihull – and there are further disparities within each local authority area.
- 3.14 GDP per capita, however, does not consider or measure how well income or wealth is created and shared across the whole population and place. In 2022, household incomes in the WMCA area varied from a median annual income of £21,209 in Castle Vale Ward in Birmingham to £59,666 in Dorridge and Hockley Heath Ward in Solihull. The gap between GDP per capita and gross disposable household income (GDHI) per capita has remained roughly consistent over the past few years.
- 3.15 While our economy has grown, it has grown more slowly than the UK overall – in contrast to before the pandemic. Our Plan for Growth sets out a number of strategic growth clusters where the WMCA area has a comparative advantage – and it is absolutely right that we focus on them. Our inclusive growth approach posits that the only way we can fully unlock the economic potential of the region is for there to be opportunity for all to participate and benefit from the proceeds of growth.

### ***Power and participation***

- 3.16 Power and participation are about the extent to which people have a voice in influencing the things that matter to them. People who feel that they have power over their own personal circumstances will feel a greater share in the prospects of a place.
- 3.17 The vast majority (80%) of people across the West Midlands region are satisfied with their local area as a place to live. They are also more likely to trust local politicians and local councils most (74%) to make decisions about how services are provided in their local area.
- 3.18 However, only 59% are satisfied with the way that their local Councils in the region run things – and only a quarter (24%) feel they have the ability to influence decisions that impact their local area – although this mirrors trends nationally. This is reflected in low voter turnout at local elections, with turnout ranging from 25.9% in Sandwell to 32.9% in Solihull in 2022, compared to an average of 34.3% across all local authorities.

3.19 Far too many residents still feel they have no influence over how things are run. The deeper devolution deal brings power and control to make decisions that matter to local residents back to the West Midlands – and in the implementation of the deal, the WMCA must ensure that residents and communities are included and involved in decision-making.

### ***Affordable and safe places***

3.20 Affordable and safe places is about everyone having decent homes that they can afford, neighbourhoods where they feel secure, and feel a sense of belonging in the place that they live.

3.21 5% of all habitable homes in the WMCA have been built since 2016 – contributing to the target of 215,000 new homes by 2031 with 20% being genuinely affordable. There are, however, vast differences, with some areas seeing even bigger growth: one in ten homes in Coventry have been built in the past decade.

3.22 This housebuilding has been much needed, as the West Midlands region is an expensive place to rent a home, with only residents in London, the South East, and the South West spending more of their incomes on rent. From April 2022 to March 2023, the average renter in the West Midlands region paid 4.3% more in rent; compared to an average increase in England of 3.8%.

3.23 With rising interest rates, mortgage repayments have become more costly for homeowners. Between December 2021 and December 2022, the indicative monthly mortgage payment in the West Midlands region has increased by some £428 for the average semi-detached house.

3.24 In 2023, some 5,600 households across the WMCA area are living in temporary accommodation, that is, one out of every 200 households. This is roughly comparable to Greater Manchester – but the number of households in temporary accommodation continues to grow.

3.25 Rough sleeping has increased, with 88 rough sleepers in 2022, up from 63 in 2021.

3.26 Inflation has put pressure on household finances for homeowners and renters alike, with increases in monthly rental and mortgage costs. There is a need to recognise that the impacts of inflation have been different across income groups and places – doing so will help us design out homelessness and reverse the recent increase in rough sleeping. Given that the next biggest household costs are transport costs and food, investments and support with travel costs is also an important consideration in reducing cost pressures for households.

### ***Connected communities***

3.27 Connected communities mean how easily people can interact with the world around them. This includes physical and digital connectivity. Physical connectivity helps people to reach places to live, work, have fun and meet up. Digital connectivity and inclusion helps people to learn and get connected, for instance, through using a device and data.

3.28 In the year to September 2023, over one-third of trips in the WMCA area involved active travel such as walking or cycling. This may be driven by cost of living pressures.

- 3.29 The volume of traffic on our roads has returned to near pre-pandemic levels, with 10.2 billion vehicle miles undertaken in 2022, just 0.5 billion vehicle miles (around 5 percentage points) less than the 10.7 billion in 2019. Public transportation usage has also increased – but has not returned to pre-pandemic levels.
- 3.30 Outside of London, the West Midlands region has gone the furthest in rolling out 5G connectivity to residents. In 2023, 51% of residents had access to a 5G network, compared to an average of 37% across England.
- 3.31 As economic growth rebounded after the pandemic, use of both public transport and the road network has increased. Investment into physical connectivity is essential to unlock the economic potential of the region, enabling residents and communities to access employment opportunities – as well as leisure and cultural events with friends and family. However, it is also important to recognise that many journeys involve active travel – and improving walking and cycling is just as important. In terms of digital connectivity, the WMCA area is one of the best digitally connected places in the UK, with access to high speed broadband and widespread 5G coverage. However, there are still communities at risk of digital exclusion.

### ***Education and learning***

- 3.32 Education and learning opportunities are important for everyone at any age, to enable them to flourish and reach their potential. From giving children and young people the best start in life, to providing opportunities for working aged and older adults to gain new skills, retrain for a new job or just pursue their own interests for leisure. All types of learning are important for an inclusive society.
- 3.33 In 2021, 54.9% of the working aged population in the WMCA area is qualified to level 3 or above (A-level or equivalent). While this has increased from around 42.2% a decade ago, this trails the West Midlands Region's rate of 57.2% and national rate of 61.5%.
- 3.34 In 2023, a smaller proportion of young people aged 16-17 in the WMCA area were not in education, employment, or training (4.8%) than in Greater Manchester (5.7%) or England (5.2%).
- 3.35 Encouragingly, more young people are entering higher education: more than half of Birmingham's young people enter higher education, and regional disparities in higher education participation have decreased.
- 3.36 Post-pandemic, school absences has skyrocketed, which will have downstream impact on our future workforce.
- 3.37 Far too many people in the WMCA area still do not have a level 3 qualification. This places a ceiling on many people's employment, earnings, and puts them at risk of poorer life outcomes. Further investment enabling people to get a level 3 qualification, and ensuring that young people have the support they need to stay in school and succeed is essential to ensure that the WMCA area has a high-quality workforce that attracts inward investment.

### ***Health and wellbeing***

- 3.38 Health and wellbeing are about people living longer, healthier, and happier lives, regardless of their social circumstances, which has often placed a limit on their prospects for a healthy life.
- 3.39 In 2018-2020, life expectancy in the WMCA area was 81.9 years for women and 77.6 years for men. People in the area continue to die earlier than the England average (83.1 years for women and 79.4 years for men). Aligning with national trends, life expectancy in the WMCA area has declined (from 82.2 years for women and 78 years for men in 2016-2018).
- 3.40 The impact of poor health extends beyond people and their families; it also affects the ability of our region's economy to thrive and generate value for reinvestment in our communities.
- 3.41 Strategies and policies need to address the declining life expectancy in the WMCA area need to focus on preventing ill health and addressing the causes of chronic illness. This is best done by ensuring that every strategy and policy promotes health and wellbeing – a health in all policies approach.

### ***Equality***

- 3.42 Equality means that people have the opportunity to thrive and flourish regardless of their protected characteristics and backgrounds.
- 3.43 The WMCA area is amongst the most diverse areas in England. There are significant differences faced by people with a protected characteristic, from their access to a private car or natural spaces to their household income, and housing.
- 3.44 Addressing inequalities faced by people with a protected characteristic so that everyone has a fair chance in life is a fundamental part of creating a thriving economy and flourishing society.
- 3.45 The West Midlands region gender pay gap, the difference between average earnings between women and men, was 10.8% in 2022. This is a smaller pay gap than the England average.
- 3.46 The West Midlands region disability pay gap, the difference between average earnings between disabled people and non-disabled people, was 14.7% in 2021. This is a bigger pay gap than the England average.
- 3.47 To ensure that everybody in the WMCA area benefits from growth, factors that lead to inequalities in life chances faced by our diverse communities must be addressed. Our investments – from public transport to housing – can help address and reduce those inequalities.

## **Communication and dissemination**

- 3.48 Following the WMCA Board, to ensure that the report content is accessible to all audiences, a launch event will be held, and the report will be published at [wmca.org.uk/research](http://wmca.org.uk/research) along with a data dashboard, and underlying data, and via an immersive virtual reality experience.

## **4. Financial Implications**

- 4.1 There are no direct implications from this report. There may be future financial implications as a result of actions taken following the report – but these are outside the scope of the report, and can be considered separately.

## **5. Legal Implications**

- 5.1 The *Local Democracy, Economic Development and Construction Act 2009 Section 69(1)* states that a “principal local authority in England must prepare an assessment of the economic conditions of its area”. This applies to the WMCA under the *West Midlands Combined Authority Order 2016 Schedule 3(4)* which states that “The duty under section 69 of the 2009 Act (duty to prepare an assessment of economic conditions)” applies as one of the WMCA’s economic development and regeneration functions.

- 5.2 The West Midlands Combined Authority fulfils this duty in a variety of ways. On a monthly basis, the *West Midlands Insights on Society and Economy (WISE)* newsletter and dashboard ([wmca.org.uk/wise](http://wmca.org.uk/wise)) sets out the latest narrative on the region’s economic conditions and provides continuous tracking of regional economic metrics. It is also shared at the Economic Growth Board. On an annual basis, the *West Midlands State of the Region* report also contributes to the fulfilment of this statutory duty.

## **6. Single Assurance Framework Implications**

- 6.1 There are no investment decisions related to this report which have Single Assurance Framework implications.

## **7. Equalities Implications**

- 7.1 Equality, diversity, and inclusion implications are set out in the *equality* section of the report, and where data allows, is embedded throughout the rest of the report. As part of the importance of making sure that research, intelligence, analysis, and data is accessible and as inclusive to our audiences, the report is augmented with infographics, work is in progress to make the underlying data available to others, and through an immersive virtual reality experience.

## **8. Inclusive Growth Implications**

- 8.1 The report considers the *State of the Region* across the eight West Midlands Inclusive Growth fundamentals separately, as well as the cumulative impact, to provide a set of key recommendations and implications. The structure of this report ensures that Inclusive Growth is embedded and considered throughout, so that it provides a robust analysis of the challenges and opportunities facing the region in a way which can encourage a more deliberate and socially purposeful approach to growth.

## **9. Geographical Area of Report's Implications**

9.1 The report covers the entirety of the WMCA (7 metropolitan district) level where data allows, and the three former Local Enterprise Partnership and wider West Midlands regional geography where more granular data is unavailable.

## **10. Other Implications**

10.1 None

## **11. Schedule of Background Papers**

11.1 Appendix 1: West Midlands State of the Region 2023/24 Report

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# West Midlands State of the Region

2023 – 2024



**West Midlands  
Combined Authority**

**Research  
and Insights**

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## Introduction

The **West Midlands State of the Region** is a high-level, annual review of the condition of the West Midlands. It provides context to help understand the region's performance. It brings attention to the opportunities and challenges in our region.

This report, for 2023/24, sets out the latest available evidence up to January 2024. However, time lags mean that some data will relate to earlier years. Where available, this report uses evidence for the *West Midlands Combined Authority (WMCA) area*, which covers the seven constituent metropolitan county boroughs of the WMCA: Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall, and Wolverhampton.

### The WMCA area:



Where this is unavailable, it uses evidence for the *West Midlands Region*, which covers the entire English region including the ceremonial counties of Herefordshire, Shropshire, Staffordshire, Warwickshire, West Midlands, and Worcestershire.

### The West Midlands region:



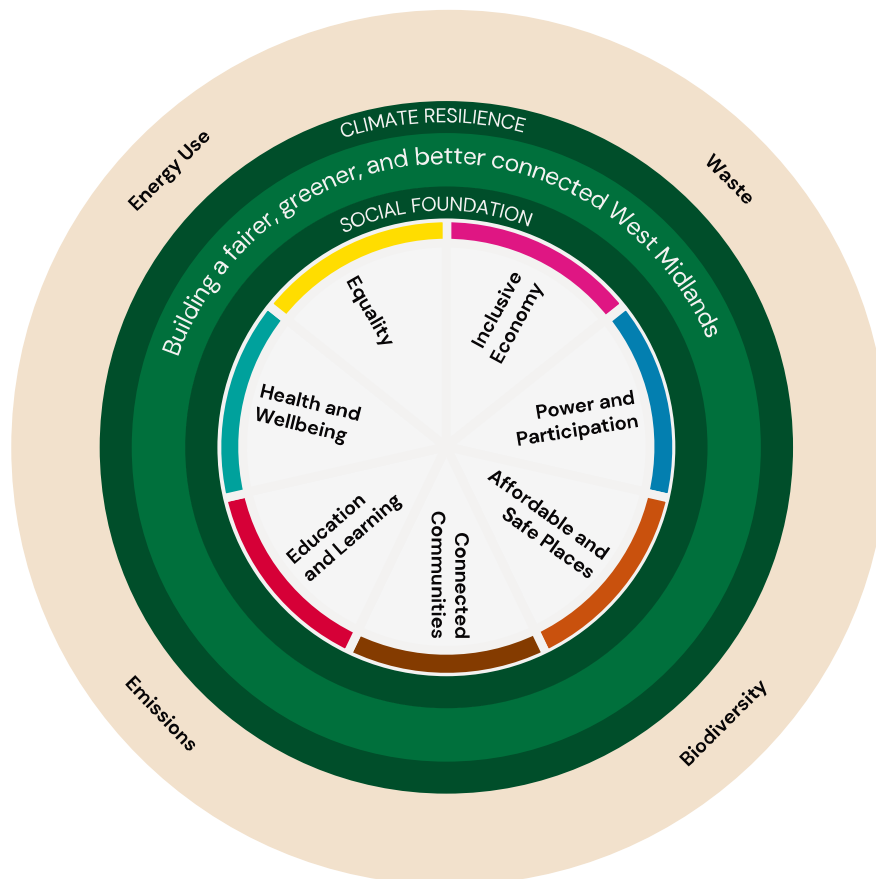
## Executive summary

Building a better connected, more prosperous, fairer, greener, and healthier West Midlands requires a recognition and understanding that the challenges faced by the region are complex and multifaceted. Addressing the region’s grand challenges, such as increasing economic growth or productivity or reducing carbon emissions, requires solutions that do not see these as isolated problems. Instead, it requires solutions that are framed as part of a holistic, dynamic ‘ecosystem,’ recognising that people’s access to housing, work, skills and leisure opportunities, plus local and regional political, historical, and cultural context all impact and influence on the effectiveness of any solution.

Consequently, this **West Midlands State of the Region** report sets out its key messages and recommendations around the eight **West Midlands Inclusive Growth fundamentals**, which considers all types of investment – public, private, capital, revenue, time, attention – against a clear set of missions. These missions – the eight ‘fundamentals’ of inclusive growth – also connect to one another, ensuring that the real people, places, and businesses across the region are not lost in thematic silos.

The West Midlands ‘trailblazer’ deeper devolution deal, and in particular, the new single, departmental-style financial settlement create an unparalleled opportunity to address our grand challenges in a holistic way.

### West Midlands Inclusive Growth Fundamentals<sup>1</sup>



[wmca.org.uk/inclusivegrowth](http://wmca.org.uk/inclusivegrowth)



## Demographics and communities

The WMCA area is home to 2.9 million people. It is home to one of the youngest populations in Europe; and one of the most ethnically diverse, with nearly four in ten from an ethnicity other than 'White British.' Over the past decade, the population has grown by some 183,000 people (6.7%) and has become increasingly ethnically diverse.

## Climate

Carbon emissions per capita in the WMCA area were 3.6 tonnes per capita in 2021. This is a 0.3 tonne per capita increase from 2020, when emissions would have been reduced by lockdowns during the pandemic. However, the overall trajectory over the past decade demonstrates that the WMCA is heading towards net zero by our target of 2041.

Climate change will disproportionately affect our most deprived communities, with the WMCA climate risk and vulnerability index suggesting that people living in amongst our more deprived communities are at higher risk of overheating and flooding.

**The transition to net zero is an opportunity and engine of growth for the WMCA area. However, the effects of climate change disproportionately affect our most deprived communities – and efforts must be made to mitigate against the worst effects of climate change through retrofitting homes and through nature-based solutions.**

## Inclusive economy

The latest available data, for 2021, suggests that the size of the WMCA area economy, as measured by gross domestic product (GDP), is £74.2bn. This amounts to 3.5% of the UK's economy. The WMCA area economy has grown by 8.6% from 2020 to 2021. It has grown more slowly than the UK overall (8.9%). Additionally, the economy remains 4.8% smaller than it was than before the pandemic, when it was £77.9bn. This is in contrast to before the pandemic when economic growth in the WMCA area was better than the UK overall.

If the WMCA area's economy was divided equally between our 2.9 million people, our GDP per capita will be £25,437. This, however, masks significant diversity across the WMCA area, which ranges from

just £19,638 in Walsall to £48,359 in Solihull – and there are further disparities within each local authority area.

GDP per capita, however, does not consider or measure how well income or wealth is created and shared across the whole population and place. In 2022, household incomes in the WMCA area varied from a median annual income of £21,209 in Castle Vale Ward in Birmingham to £59,666 in Dorridge and Hockley Heath Ward in Solihull. The gap between GDP per capita and gross disposable household income (GDHI) per capita has remained roughly consistent over the past few years.

**While our economy has grown, it has grown more slowly than the UK overall – in contrast to before the pandemic. Our Plan for Growth sets out a number of strategic growth clusters where the WMCA area has a comparative advantage – and it is absolutely right that we focus on them. Our inclusive growth approach posits that the only way we can fully unlock the economic potential of the region is for there to be opportunity for all to participate and benefit from the proceeds of growth.**

## Power and participation

The vast majority (80%) of people across the West Midlands region are satisfied with their local area as a place to live. They are also more likely to trust local politicians and local councils most (74%) to make decisions about how services are provided in their local area.

However, only 59% are satisfied with the way that their local Councils in the region run things – and only a quarter (24%) feel they have the ability to influence decisions that impact their local area – although this mirrors trends nationally. This is reflected in low voter turnout at local elections, with turnout ranging from 25.9% in Sandwell to 32.9% in Solihull in 2022, compared to an average of 34.3% across all local authorities.

**Far too many residents still feel they have no influence over how things are run. The deeper devolution deal brings power and control to make decisions that matter to local residents back to the West Midlands – and in the implementation of the deal, the WMCA must ensure that residents and communities are included and involved in decision-making.**



## Affordable and safe places

5% of all habitable homes in the WMCA have been built since 2016 – contributing to the target of 215,000 new homes by 2031 with 20% being genuinely affordable. There are, however, vast differences, with some areas seeing even bigger growth: one in ten homes in Coventry have been built in the past decade.

This housebuilding has been much needed, as the West Midlands region is an expensive place to rent a home, with only residents in London, the South East, and the South West spending more of their incomes on rent. From April 2022 to March 2023, the average renter in the West Midlands region paid 4.3% more in rent; compared to an average increase in England of 3.8%.

With rising interest rates, mortgage repayments have become more costly for homeowners. Between December 2021 and December 2022, the indicative monthly mortgage payment in the West Midlands region has increased by some £428 for the average semi-detached house.

In 2023, some 5,600 households across the WMCA area are living in temporary accommodation, that is, one out of every 200 households. This is roughly comparable to Greater Manchester – but the number of households in temporary accommodation continues to grow. Rough sleeping has increased, with 88 rough sleepers in 2022, up from 63 in 2021.

**Inflation has put pressure on household finances for homeowners and renters alike, with increases in monthly rental and mortgage costs. There is a need to recognise that the impacts of inflation have been different across income groups and places – doing so will help us design out homelessness and reverse the recent increase in rough sleeping. Given that the next biggest household costs are transport costs and food, investments and support with travel costs is also an important consideration in reducing cost pressures for households.**

## Connected communities

In the year to September 2023, over one-third of trips in the WMCA area involved active travel such as walking or cycling. This may be driven by cost of living pressures.

The volume of traffic on our roads has returned to near pre-pandemic levels, with 10.2 billion vehicle miles undertaken in 2022, just 0.5 billion vehicle miles (around 5 percentage points) less than the 10.7 billion in 2019. Public transportation usage has also increased – but has not returned to pre-pandemic levels.

Outside of London, the West Midlands region has gone the furthest in rolling out 5G connectivity to residents. In 2023, 51% of residents had access to a 5G network, compared to an average of 37% across England.

**As economic growth rebounded after the pandemic, use of both public transport and the road network has increased. Investment into physical connectivity is essential to unlock the economic potential of the region, enabling residents and communities to access employment opportunities – as well as leisure and cultural events with friends and family. However, it is also important to recognise that many journeys involve active travel – and improving walking and cycling is just as important. In terms of digital connectivity, the WMCA area is one of the best digitally connected places in the UK, with access to high speed broadband and widespread 5G coverage. However, there are still communities at risk of digital exclusion.**

## Education and learning

In 2021, 54.9% of the working aged population in the WMCA area is qualified to level 3 or above (A-level or equivalent). While this has increased from around 42.2% a decade ago, this trails the West Midlands Region's rate of 57.2% and national rate of 61.5%.

In 2023, a smaller proportion of young people aged 16–17 in the WMCA area were not in education, employment, or training (4.8%) than in Greater Manchester (5.7%) or England (5.2%).

Encouragingly, more young people are entering higher education: more than half of Birmingham's young people enter higher education, and regional disparities in higher education participation have decreased.

Post-pandemic, school absences has skyrocketed, which will have downstream impact on our future workforce.



**Far too many people in the WMCA area still do not have a level 3 qualification. This places a ceiling on many people's employment, earnings, and puts them at risk of poorer life outcomes. Further investment enabling people to get a level 3 qualification, and ensuring that young people have the support they need to stay in school and succeed is essential to ensure that the WMCA area has a high-quality workforce that attracts inward investment.**

## Health and wellbeing

In 2018–2020, life expectancy in the WMCA area was 81.9 years for women and 77.6 years for men. People in the area continue to die earlier than the England average (83.1 years for women and 79.4 years for men). Aligning with national trends, life expectancy in the WMCA area has declined (from 82.2 years for women and 78 years for men in 2016–2018).

The impact of poor health extends beyond people and their families; it also affects the ability of our region's economy to thrive and generate value for reinvestment in our communities.

**Strategies and policies need to address the declining life expectancy in the WMCA area need to focus on preventing ill health and addressing the causes of chronic illness. This is best done by ensuring that every strategy and policy promotes health and wellbeing – a *health in all policies* approach.**

## Equality

The WMCA area is amongst the most diverse areas in England. There are significant differences faced by people with a protected characteristic, from their access to a private car or natural spaces to their household income, and housing.

Addressing inequalities faced by people with a protected characteristic so that everyone has a fair chance in life is a fundamental part of creating a thriving economy and flourishing society.

The West Midlands region gender pay gap, the difference between average earnings between women and men, was 10.8% in 2022. This is a smaller pay gap than the England average.

The West Midlands region disability pay gap, the difference between average earnings between disabled people and non-disabled people, was 14.7% in 2021. This is a bigger pay gap than the England average.

**To ensure that everybody in the WMCA area benefits from growth, factors that lead to inequalities in life chances faced by our diverse communities must be addressed. Our investments – from public transport to housing – can help address and reduce those inequalities.**

## Demographics and communities

### If the West Midlands was 1,000 people...



### Why is this important?

The WMCA area is young and highly ethnically diverse, with almost half of the population from an ethnic minority. Understanding how our demographics and communities are changing is essential for strategic planning.

### What are the current conditions?

#### Population

On Census Day in 2021, there were 2,919,654 residents in the WMCA area. This has increased from 2,736,460 ten years ago.<sup>2</sup>

#### Age

One third (33.6%) of the WMCA area population is under the age of 25. This is higher than the England

average of 29%.<sup>3</sup> Our median age is 38 years; two years lower than the England average of 40 years.<sup>4</sup>

People of an ethnic minority group in the WMCA area are, on average, younger than people of a White ethnic group in the West Midlands.<sup>5</sup> Of the under-24 population, 50.7% are from an ethnic minority group and 49.3% from a White ethnic group. In contrast, of the 65+ population, 15.8% are from an ethnic minority group and 84.2% from a White ethnic group.

#### Ethnicity

The WMCA area is the second-most ethnically diverse area in the country (after London). 55.8% of the population in the West Midlands identifying as White British, compared to 71.4% nationally.<sup>6</sup>

This report uses the term 'ethnic minority.' However,

we acknowledge and recognise that such umbrella terms do not fully capture the diverse experiences and cultures of our different communities, nor does it capture the inequality that some minority white communities face. This report sets out to be as specific as possible about communities as data and evidence allows.<sup>7</sup>

Within the WMCA area, Dudley has the lowest percentage of people from an ethnic minority group, at 17.6%, and Birmingham has the highest, becoming one of the first ‘super diverse’ cities in the UK where ethnic minority groups make up the majority of the population, at 57.1%.

### Disability

**19.1% of people in the WMCA area are disabled.** This is higher than the English national average of 17.7%.<sup>8</sup>

Of those with a disability, 74.7% are White, 14.6% are Asian, 5.3% are Black, 3.3% are Mixed and 2.1% are from an Other ethnic group. In the WMCA area, a greater proportion of disabled people have a White ethnicity than the proportion of White people in the general population. Conversely, all ethnic minority groups show a lower proportion of disabled people than the general population. This is because the average age for people from a White ethnic group is higher than the average age for people from an ethnic minority group – disability prevalence increases with age.

34.8% of disabled people in the WMCA area are aged 65+; compared to 7.5% of people aged 15 or under.

### Gender and gender identity

**51% of people in the WMCA area are women and 49% are men.**

**Roughly one in 400 people identify as transgender or nonbinary.** In the WMCA area, 93.1% of the population have a gender identity that is the same as their sex that was registered at birth. This falls closely in line with the England national average of 93.5%.<sup>9</sup>

7.5% of the population have a gender identity that is different from their sex registered at birth.<sup>10</sup>

Note that it is important to consider the high

likelihood that not all LGBT+ people will have disclosed this to their cohabitants and cohabitants may also be unwilling to disclose this in some instances.

### Sexual orientation

**Of those that declared a sexuality in the 2021 census, 97.1% identified as straight or heterosexual, and 2.9% identified as lesbian, gay, bisexual, or other minority sexual orientation. 8.1% did not declare an orientation.**<sup>11</sup>

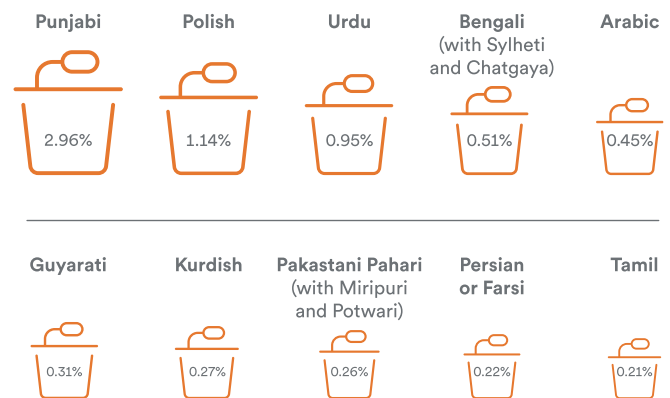
This is similar to the national figure of 96.6% and 3.4% respectively.<sup>12</sup>

It is important to consider the high likelihood that not all LGBT+ people will have disclosed this to their cohabitants and cohabitants may also be unwilling to disclose this in some instances.

### Languages

**88.1% of people in the WMCA area speak English as a first language.** This is lower than the national average of 90.8%.<sup>13</sup>

The top ten languages spoken other than English in the WMCA area are:



### Religion

**66.4% of people in the WMCA area connected to or identified a religious affiliation**<sup>14</sup> in the 2021 Census. This is the highest of any combined authority area. The top religions in the WMCA area are: Christian (40.7%); Muslim (17.2%); Sikh (5.1%); and Hindu (2.3%).

27.9% described themselves as “no religion” – while this is an increase of 7.6 percentage points, it is the lowest proportion of people with “no religion” in any





combined authority area.

The highest proportion of people reporting Sikh as their religion across all local authorities in England were Wolverhampton (12%) and Sandwell (11.5%).

Of those with a Christian faith, the greatest proportion are of White ethnicity (81.0%) and the lowest proportion are of Other ethnicity (1.0%). Of those with a Muslim faith, the greatest proportion are of an Asian ethnicity (74.8%) and the lowest proportion are of a White ethnicity (2.0%).

Of those with a Christian faith the greatest proportion (26%) was people aged 65+, with the lowest (8.6%) aged 16 to 24. This is likely due to a greater proportion of people with a Christian faith having a White ethnicity coupled with the White ethnicity having an older median age.

Conversely, of those with a Muslim faith the greatest proportion (32.9%) were aged 15 and under, with the

lowest (4.3%) aged 65+. This is likely due to a greater proportion of people with a Muslim faith being ethnic minorities coupled with ethnic minorities having a younger median age.

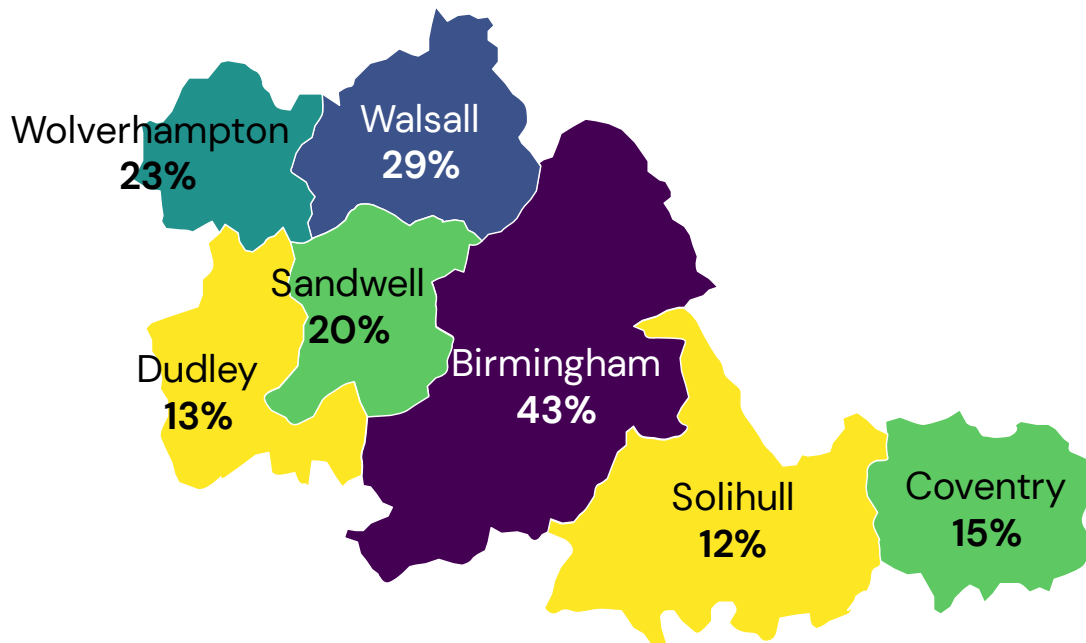
### Deprivation

The English Indices of Deprivation (2019) provide a set of relative measures of deprivation for small neighbourhood areas. It is based on seven different domains of deprivation: income, employment, education/skills/training; health & disability; crime; barriers to housing and services; and living environment.

**28% of the West Midlands Combined Authority population are living in amongst England's top 10% most deprived areas.<sup>15</sup>**

35% of children (aged 0-15 years) in the WMCA area are living in amongst England's top 10% most deprived areas.

### % of population living amongst England's top 10% most deprived areas



## Climate

### Why is this important?

In 2019, the WMCA declared a climate emergency and vowed to take urgent action to cut harmful emissions.

There are limits to the capacity to which our social and economic ecosystems can cope with the multiple risks, uncertainty and threats posed by climate change. We can become more resilient to climate change if we work within the planetary limits, or by making adaptations which increase our ability to cope with the risks, uncertainties, and threats.

The climate fundamental reminds us that continuous growth is not sustainable if we use up natural resources faster than the Earth can renew them.

### What are the current conditions?

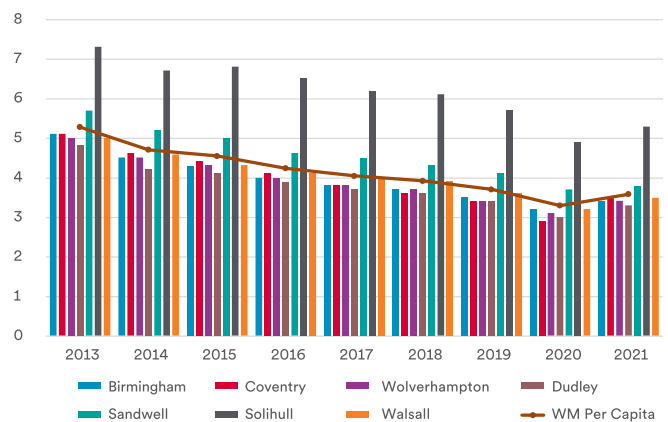
**Internationally, progress towards meeting climate goals are not enough.** In December 2023, COP28 reinforced the 1.5°C goal and recognised the need for a 43% reduction in emissions by 2030 and 60% by 2035 relative to the 2019 level. The agreement made history by including language on reducing usage of fossil fuels, although this arguably did not go far enough. Agreement was met to triple renewable energy capacity globally and double the global average annual rate of energy efficiency improvements by 2030. Limited progress was made on climate adaptation and finance, although the Loss and Damage fund was operationalised, with major detail still to be worked out. The agreement recognised the funding gap of trillions of dollars for adaptation and climate finance.

**Nationally, the Government has committed to becoming Net Zero by 2050. However, the remains substantial policy gap to the UK’s 2030 goal.** In the 2023 progress report, the UK’s Climate Change Committee, a non-departmental public body, expressed concerns to Parliament about the pace of change required to meet the UK’s climate goals over the 2030s.

**The WMCA has declared a climate emergency and aims for the WMCA area to be Net Zero by 2041. Carbon emissions per capita has decreased by 32% between 2013 and 2021, from 5.3 tonnes**

per capita to 3.6 tonnes per capita.<sup>16</sup> While there is a 0.3 tonne per capita increase from 2020, the result in 2020 was reduced by lockdowns during the COVID-19 pandemic. The two primary contributors to carbon emissions are residents using energy in their homes, and transport, with each factor the source of around a third of the WMCA area’s carbon emissions in 2021.<sup>17</sup>

**Carbon emissions has declined across the WMCA area between 2013–2021 – but there has been a slight increase between 2020 and 2021.**



**The biggest contributors to carbon emissions are domestic household and transport emissions.**

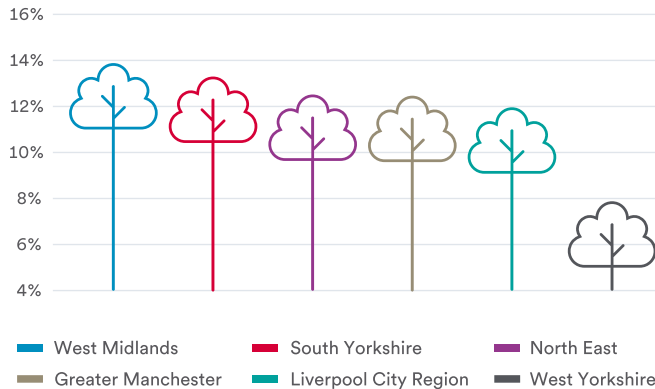


**The amount of waste sent to landfill per capita has declined consistently over the last half decade, with this number remaining firmly below the English average throughout this period<sup>18</sup>.**

**Despite its urban environment, the WMCA area is amongst the leafiest combined authority areas.** The WMCA area enjoys an average tree coverage amongst constituent members of 13.7%, higher than any other combined authority with over one million residents.<sup>19</sup>



Tree coverage in the WMCA area is higher than in other combined authority areas.

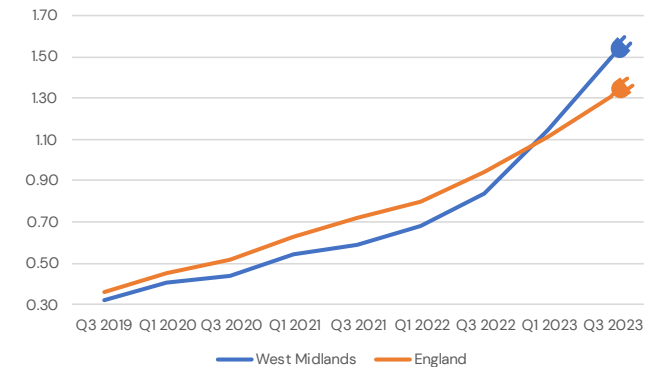


There is variation in tree coverage across the WMCA, with Birmingham having the highest tree coverage, and Coventry having the lowest tree coverage.

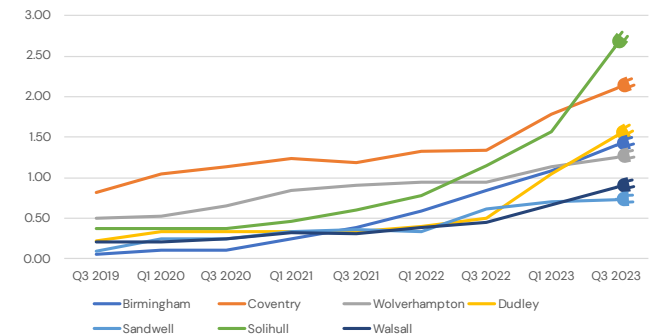


The availability of rapid electric vehicle charging devices in the WMCA area is above the national average. After lagging slightly behind for the last few years, the WMCA area has seen a significant uptick in its provision of rapid electric vehicle chargers, making it a more viable place to use an electric vehicle than much of the rest of England.<sup>20</sup>

There are now more rapid electric vehicle chargers per 10,000 residents in the WMCA area than the England average.

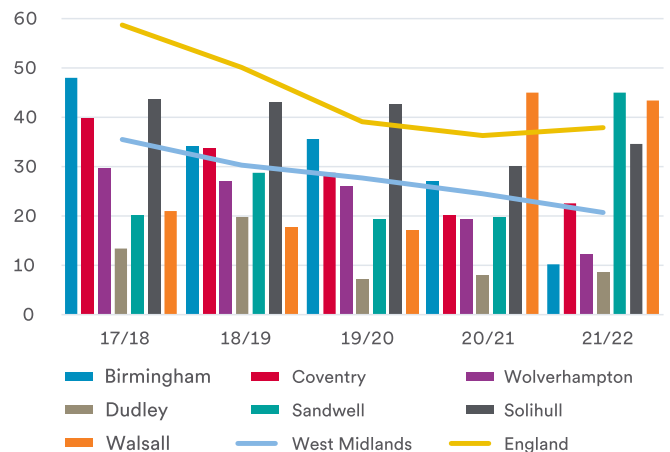


Rapid electric vehicle charging per 10,000 residents has increased across all seven constituent local authorities.



Stark disparities between areas, however, still persist: CO<sub>2</sub> emissions per capita in Solihull have remained over a tonne higher than elsewhere in the WMCA; the amount of waste being sent to landfill per capita across constituent local authorities fluctuates significantly; and tree coverage in areas, particularly Coventry, lag behind elsewhere in the WMCA area.

Waste sent to landfill has decreased – but fluctuates significantly across over the years.



Climate change will disproportionately affect our most deprived communities, with the WMCA climate risk and vulnerability index suggesting that people living in amongst our more deprived communities are at higher risk of the effects of climate change. In particular, three areas: the Black Country, central Birmingham, and east Coventry emerge as most vulnerable to climate change across a full range of indicators.<sup>21</sup>

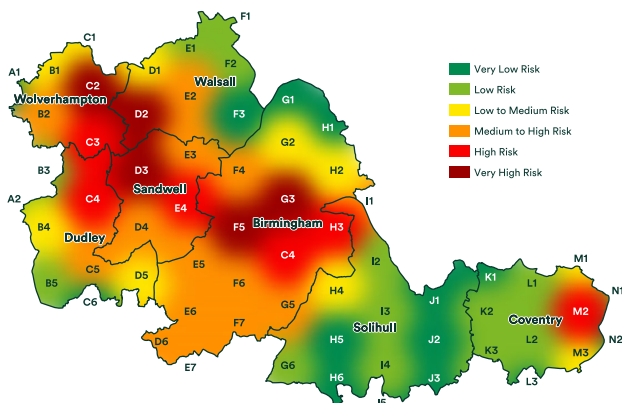
### What can be, and is being done?

To reach Net Zero by 2041, the WMCA has put in a five-year plan to reduce carbon usage in the WMCA area by 33% across local transport, homes, and businesses by 2026. This has seen us retrofitting thousands of homes, investing in renewable energy sources for the West Midlands, making interventions in local transport to encourage more walking and cycling, increasing tree planting, encouraging growth in new sustainable sectors, and sponsoring training programmes to get the West Midlands' workforce ready for the net zero transition.

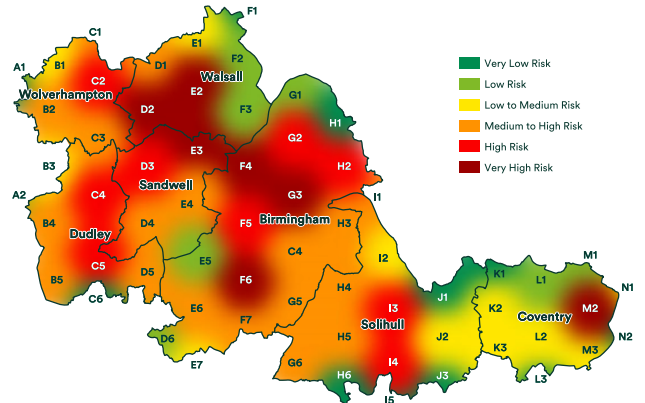
The transition to net zero is an opportunity and engine of growth for the WMCA. There are costs involved – but programmes ranging from housing retrofit to renewable energy has the potential to generate significant good work opportunities in 'green' jobs in line with the *Plan for Growth*.

The effects of climate change disproportionately affect our most deprived communities – and efforts must be made to mitigate against the worst effects of climate change everywhere, and in particular, in our most deprived communities at the highest risks of overheating and flooding.

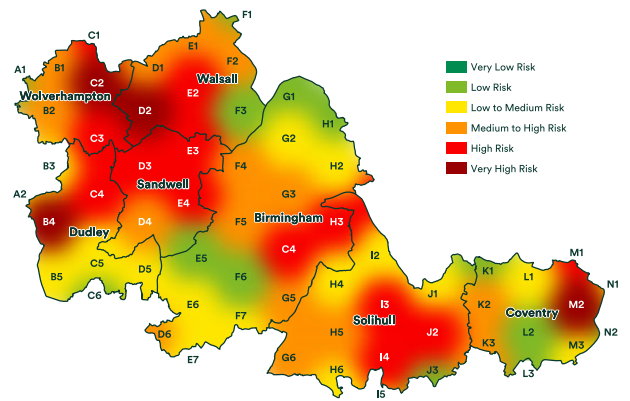
### People-related climate vulnerability hotspots in the WMCA area.



### Infrastructure-related climate vulnerability hotspots in the WMCA area.



### Natural environment-related climate vulnerability hotspots in the WMCA area.



## Inclusive economy

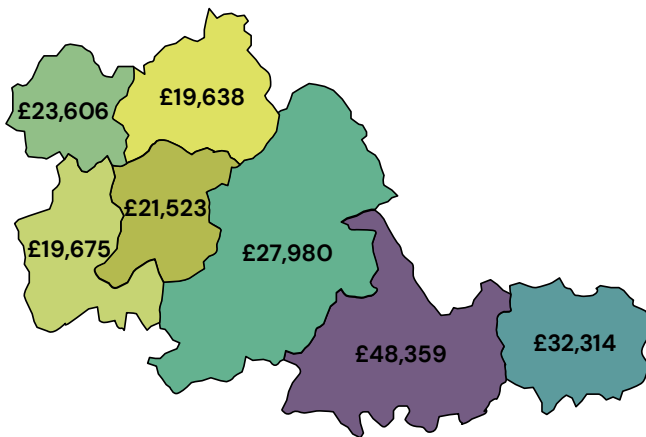
### Why is this important?

An inclusive economy is one in which everyone has a part to play. The economy is flourishing and sustainable, and everyone benefits from it. This contrasts with an economy where a small group of people benefit first, and where wealth is then redistributed later or trickled down.

### What are the current conditions?

**The WMCA area economy remains 4.8% smaller in 2021 – the latest available year – than before the pandemic.** The economy of the WMCA area as measured by gross value added was £66.6 billion in 2021. The economy was growing in the mid-2010s but has since stalled. Between 2020 and 2021, the economy grew in the region by 6.1%. This was preceded by a fall of 10.2% the year before – during the pandemic.<sup>22</sup>

**There are large differences in gross domestic product per capita across the WMCA area**



**In 2022/23, inward investment into the wider former three West Midlands Local Enterprise Partnership areas was at its highest level since 2016.** In 2022/23, there were 160 foreign direct investment (FDI) projects, creating an estimated 7,605 jobs. This is the best result since 2018 when there were 140 FDI projects, creating some 7,933 jobs. Nationally, in 2022/23, job creation as a result of FDI has decreased – suggesting that WMCA area has bucked the trend.

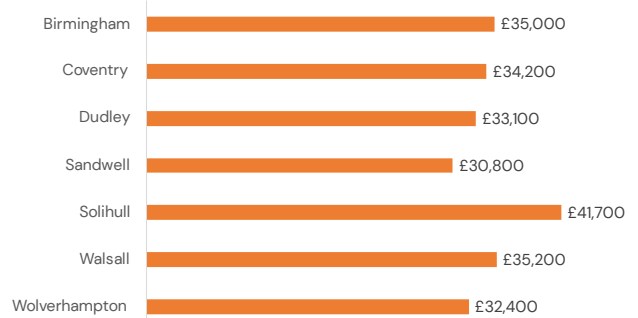
**Faster-moving metrics for the wider West Midlands region suggests that the economy has continued to recover in 2022 and 2023.** Regional

export of goods in the year to September 2023 reached £34.1 billion – an increase of some £6.2 billion (up 22%) compared to the year to September 2022. This is higher than the previous peak before the pandemic, in the year to September 2019.

**The reduction in Solihull's productivity is a major contributing factor to the slowdown of the WMCA economy.** This has been driven by a decline in the manufacturing sector since 2017. A reduction in manufacturing from 2017-18 can be largely explained by a sharp contraction in output by Jaguar Land Rover at their plant at Lode Lane. While other parts of the WMCA area have seen growth in their manufacturing sectors since 2019, the same is not true of Solihull or Coventry.

**While wealth created in the region has increased, it is not always reaching the people and communities across the West Midlands.** While there has been increases in both gross domestic product (GDP), a measure of the wealth produced by the region in a given period, and gross disposable household income (GDHI), a measure of the wealth creation kept by its residents, in 2020-21, there are substantial gaps in the two measures, especially in Birmingham, Coventry, and Solihull. As the economy bounced back from the pandemic, GDP rose by 8.6% after falling by 12.3% the year before. GDHI remained the same between 2019 and 2020 before rising slightly through to 2021 by 0.6%. Thus, while GDP is yet to recover from the pandemic, GDHI has marginally improved. Comparing the top 10% and bottom 10% of incomes, a measure of how wealth is distributed, reveals much higher inequality in Solihull than the rest of the WMCA, with Sandwell being the least unequal.

**On average, the top 10% of households in the WMCA have a household income of £36,000 more than the bottom 10% of households.**

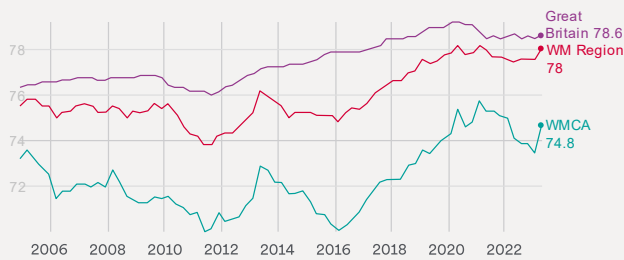




**Manufacturing, transportation and storage, education, and human health and social work industries remain comparatively strong in the West Midlands.** Other parts of the UK are stronger in areas such as information and communication, financial and insurance, real estate, and professional, scientific, and technical industries.

**Estimates suggest that a greater proportion of people in the WMCA area are economically active than a year ago and that there is a decrease in people who are economically inactive – narrowing the gap with England.** In the year to June 2023, around 1.4 million people, or 74.8% of the working aged population in the WMCA area were economically active.<sup>23</sup> This has increased from 74.1% in the year to June 2022 – however it is still below the peak of 75.7% in March 2021. Note that this is not statistically significant; but longer-term trends do show that progress has been made, with the gap between the WMCA area and England has narrowed from 7.7 percentage points in the year to March 2016 (70.1% in the WMCA area vs 77.8% for England) to 3.8 percentage points in the year to June 2023 (74.8% vs 78.6%).

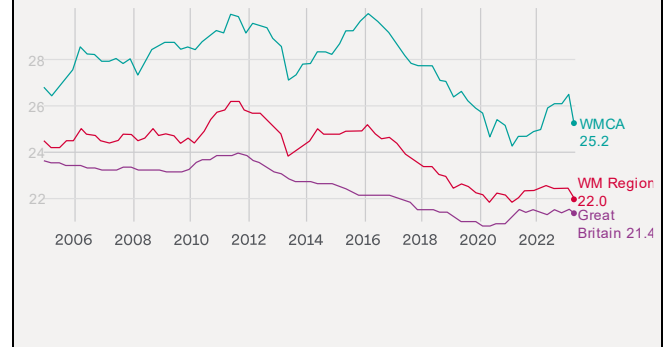
**The proportion of working aged population that are economically active population in the WMCA area has consistently lagged that of the West Midlands region, and Great Britain.**



**The proportion of people who are economically inactive has reduced – and the gap with England has narrowed.** Post-pandemic, there was an increase in economic inactivity, peaking at 26.5% in the WMCA area in the year to March 2023, with a gap of 4.9% with England (21.6%). This has now reduced. In the year to June 2023, 25.2% of people in the WMCA area are economically inactive, compared to 21.4% in England – a gap of 3.8 percentage points. As above, this change is not statistically significant but longer-term trends suggest that the gap between the WMCA area and England has narrowed – back in March 2016, some

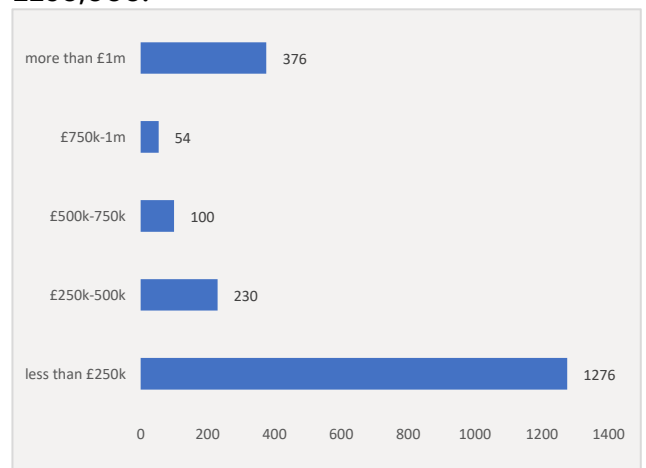
29.9% of the WMCA area population was economically inactive – a gap of 7.7 percentage point with England (22.2%).

**The proportion of working aged population that are economically inactive in the WMCA area is higher than the West Midlands region and Great Britain**



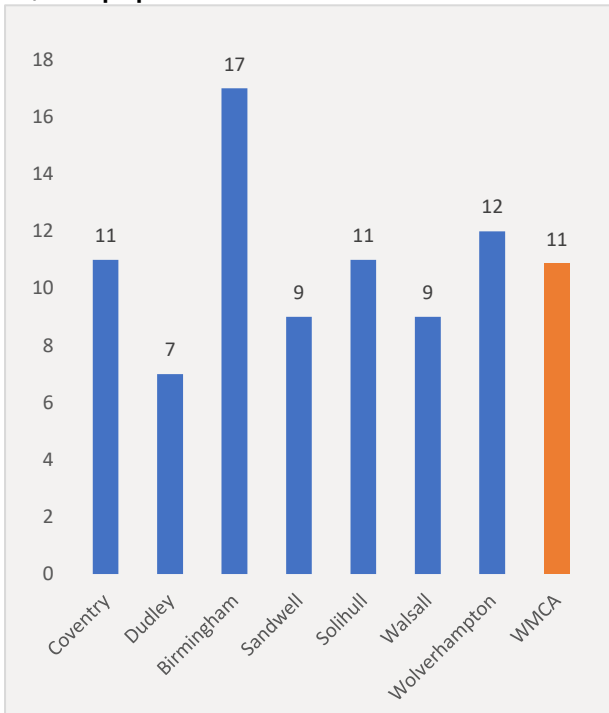
**The social economy in the WMCA area has grown by some 18% since the pandemic – but there has been major churn in the sector.** In 2023, over 10,000 social economy organisations are in operation in the West Midlands Region, an increase from approximately 8,500 before the pandemic. The social economy is a collective term for all ‘not for personal profit’ organisations that exist to improve disadvantaged communities, support disadvantaged people, and address social or environmental issues but do so using a trading (business) model to generate the majority or all the funds they need. Whilst growth sounds positive, it obscures the fact that 1,500 social businesses have closed since 2019. New organisations bring agility and fresh ideas, but established ones offer proven methods and accumulated wisdom.

**Most social businesses have a turnover under £250,000.**





On average, there are 11 social businesses per 10,000 population in the WMCA.



### What can be, and is being done?

The WMCA's Plan for Growth<sup>24</sup> has identified strategic growth clusters where the WMCA has comparative advantages. Re-doubling efforts to focus on these clusters is key to unlocking the economic potential of the region and to grow the economy. The clusters include: creative content

production and gaming; health tech and med tech; professional and financial services and supply chain; aerospace; logistics and distribution; modern and low carbon utilities; manufacture of future housing; and manufacturing of electric light vehicles and associated battery devices.

**Fully unlocking our economic potential requires ensuring that everybody has the opportunity to participate and benefit from the proceeds of growth.** Increasing growth and reducing inequality is not a trade-off: reducing the barriers faced by people in accessing economic opportunities has a significant positive impact on the growth potential of our regional economy. For the West Midlands, this means working to ensure that people living in the West Midlands has access to the opportunities created by Plan for Growth through the deeper devolution levers on housing and regeneration, local growth, transport, skills – which will, in turn, attracts inward investment.

**Targeted specialist business support can help our businesses grow.** Business Growth West Midlands provides businesses across the West Midlands with expert advice on funding and growing their companies, expanding their businesses, further help to decarbonise, reduce energy costs, and make them more sustainable. Additionally, specialist support is provided to social enterprises as part of the WMCA's programme to double the size and impact of the Social Economy.

## Power and participation

### Why is this important?

Power and participation are about the extent to which people have a voice in influencing the things that matter to them. People who feel that they have power over their own personal circumstances will feel a greater share in the prospects of a place. Those who feel that they can participate and shape the places in which they live and work, will feel a greater sense of belonging.

### What are the current conditions?

**In the West Midlands region, the belief among our residents that they can influence decisions affecting their local area is low.** A key concern is voter turnout at elections which is lower across the region than the national average for both local and general elections.

**Volunteering rates in the West Midlands region are 10 percentage points higher than the national average,** although there is a decline in volunteering rates both locally and nationally over the last decade.

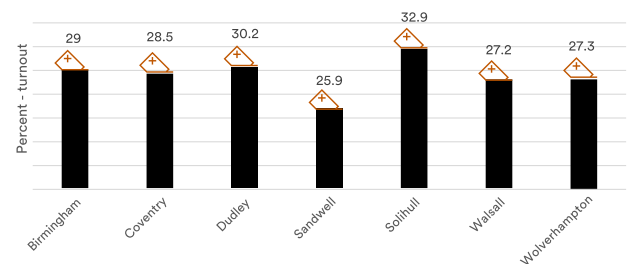
**80% of respondents in the West Midlands region are satisfied with their local area as a place to live in<sup>25</sup>.** This is in line with the overall rate for the UK (80%). 74% of residents in the Region say they are most likely to trust their local councillors most to make decisions about how services are provided in their local area similar to the 72% for the UK. Satisfaction with local councils, however, trails that, with just 59% of respondents in the West Midlands satisfied with the way that Councils runs things; similar to the 63% for the UK.

### **Less than one-third of eligible voters exercised their democratic right to vote in local elections.**

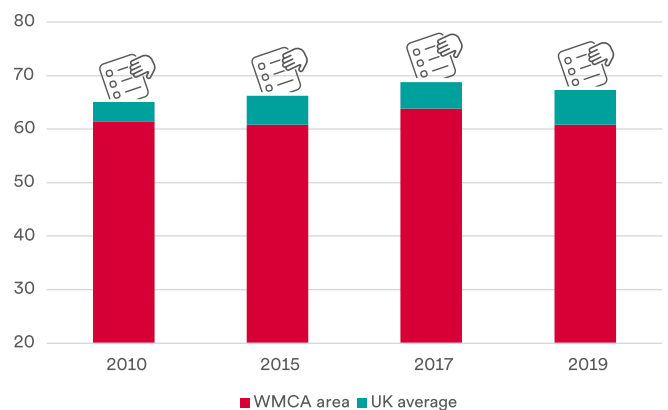
Turnout in local elections in 2022 (the latest year with complete data) remained low, as it has been for the last decade. Whilst participation in local elections is low across the UK, every part of the WMCA area still saw lower turnout than the national average – even Solihull, where turnout has climbed by 11% in the last decade. While broadly in line with the rest of the UK, voter turnout is a sign of the vitality of democracy, and the low turnout may reflect voter apathy and mistrust of the political process.<sup>26</sup> In 2021/22, only 24% of residents in the

West Midlands region agreed that they personally can influence decisions affecting their local area. This is similar to the UK average of 27% and is broadly unchanged from 2020/21. The picture improves somewhat for general elections, with over 60% of eligible voters in the WMCA area showing up on polling day in every election since 2010. However, political participation is still lagging behind the national average, with a disappointingly lower proportion of WMCA area voters exercising their rights than elsewhere in England throughout this period.

### **Election turnout in the region varies from 25.9% in Sandwell to 32.9% in Solihull.**

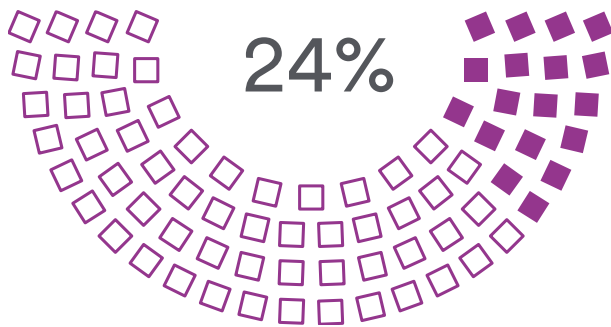


### **Turnout is typically higher in national elections – however the WMCA area average is below that of the UK average.**



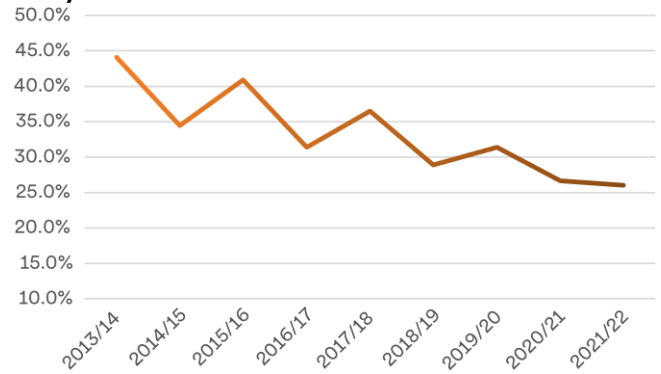


**Around a quarter of residents feel they can personally influence decisions affecting their local area.**



**In 2021/22 only 32% of residents engaged in democratic processes outside of voting, such as signing a petition or attending a public rally.** This is broadly in line with the national average but is down from 40% in the previous year. 26% of people in the West Midlands region gave unpaid help through clubs or organisations in 2021/22. Volunteering rates have been declining in the region and across the country since records began in 2013/14. National policies of austerity and a lack of dedicated national volunteering programmes in recent times has done nothing to abate the decline. Still, local volunteering rates were much higher in 2021/22 than the national average of 16%.

**The proportion of people who volunteered in the last year has seen a decline.**



### What can be, and is being done?

**The deeper devolution deal brings power and control to make decisions that matter to local people back to the West Midlands. This opportunity cannot be squandered by merely recreating the structures of Whitehall in the West Midlands.** Devolution provides an opportunity for the region to radically improve the relationship between local governments and people it serves. Examples where the West Midlands is leading in this area include the establishment of independent taskforces around homelessness, race equality; as well as the use of citizens panel, for instance, around *Greener Together*.



## Affordable and safe places

### Why is this important?

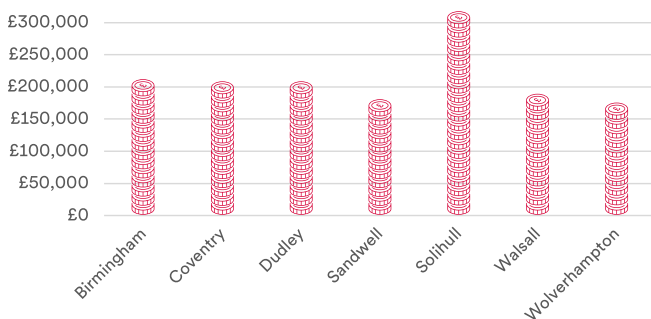
Affordable and safe places is about everyone having decent homes that they can afford, neighbourhoods where they feel secure, and feel a sense of belonging in the place that they live.

### What are the current conditions?

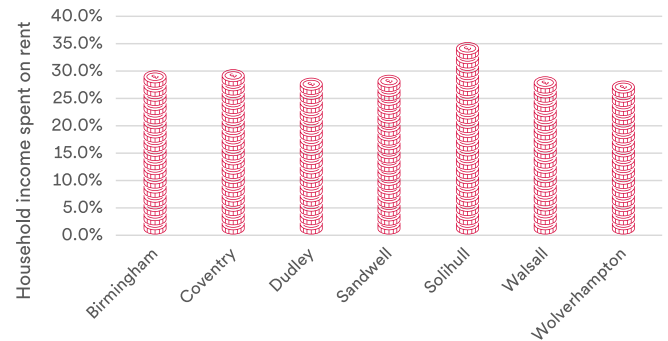
The West Midlands region is amongst the UK's more expensive places to rent a home. In particular, those on lower incomes face the least affordable rent prices outside of London. From April 2022 to March 2023, the average renter in the West Midlands Region paid £725 in monthly rent (England: £825). This has increased from £695 the year before, an increase of 4.3% (England: £795, 3.8%).<sup>27,28</sup> Overall, only residents in London, the South East, and the South West spend more of their incomes on rent than people in the West Midlands.<sup>29</sup>

However, when broken down by income levels, those on lower incomes face the least affordable rent prices outside of London. In 2023, renters in Solihull were spending more of their take-home income on housing costs than anywhere else in the WMCA area, averaging 35%. In contrast, residents in Wolverhampton saw the lowest proportion of their take-home pay going towards rent. Rental affordability has changed little in England over the last 10 years and there was no change in affordability in the West Midlands region between 2021 and 2022.

### Average house prices in the WMCA area.



### Household incomes spent on rental costs in the WMCA area.



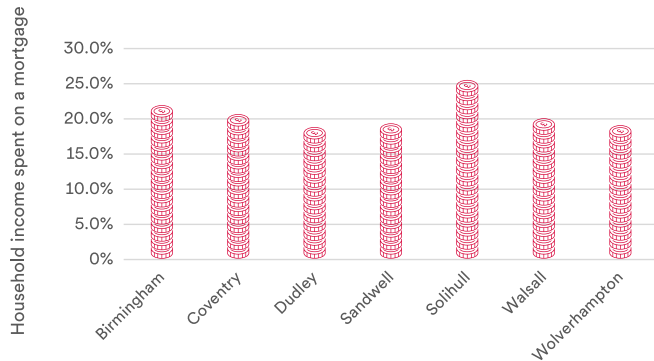
Mortgage costs as a proportion of residents' take-home income were highest in Solihull and lowest in Wolverhampton. With rising interest rates, mortgage repayments has become more costly for homeowners. Between December 2021 and December 2022, the indicative monthly mortgage payment in the West Midlands Region has increased by £703 for detached houses (UK: £771), £428 for semi-detached houses (UK: £481), £339 for terraced houses (UK: £397), and £247 for flats (UK: £363).<sup>30</sup>

Recent interest rate rises have made mortgages less affordable, contributing towards a slight decrease of 0.6% in average house prices across the region from last year<sup>31</sup>. Interestingly, despite the uneven spread of mortgage prices across Birmingham, Coventry and Dudley, the average house price remains almost identical across the three areas<sup>32</sup>. This can be explained by a number of factors that reveal even more about the region's housing landscape.

For example, 10.3% of homes in Coventry have been built since 2010, compared to only 5.1% in Dudley<sup>33</sup>. This indicates the presence of more new mortgages in Coventry than in Dudley. Equally, whilst house prices are lower in Sandwell, mortgages are marginally more affordable in Dudley. This reflects a take-home pay disparity between the two areas.



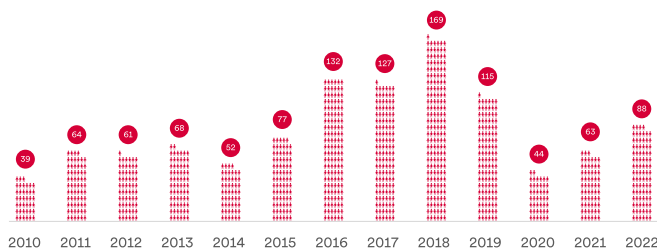
### Household incomes spent on mortgage costs in the WMCA area.



While rapid inflation is making things more expensive for mortgage-holders everywhere, homeowners still face lower housing costs than renters. Homeowners continue to see around 10% less of their take-home income going towards their mortgage than renters spend on housing.

One in 200 households in the WMCA area is living in temporary accommodation. This is particularly a challenge in Birmingham, where around 4,300 households are in temporary accommodation in 2023, a 12 percentage point increase on 2022, and accounts for around one in 100 households. While the WMCA’s overall figure is roughly comparable with Greater Manchester, it is well below the figures seen in London.

Rough sleeping has increased, with 88 rough sleepers in 2022, up from 63 in 2021. Rough sleeping tumbled in 2020 due to the UK Government’s initiatives to house everyone during the pandemic – but has since rapidly increased.

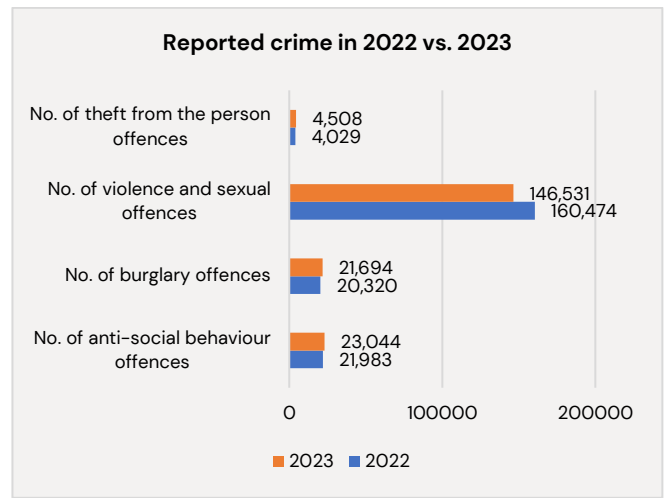


Housing may be the biggest cost faced by households (accounting for some 17%) – but this is closely followed by transport costs (14%) and food and non-alcoholic drinks (12%).<sup>34</sup>

9 in 10 residents across the West Midlands region reported feeling safe during the day. However this drops to around 55% after dark. The fear of being a victim of crime will be a significant driver of this

anxiety.

Reported crime data suggests a rise in antisocial behaviour, burglary, and thefts in 2023 (up 6.3 percentage points) and a decrease in violence and sexual offences (down 8.7 percentage points) across the WMCA area. However, while rates of antisocial behaviour, burglary, and theft offences is around 39.9% lower per capita than the UK average; rates of violence and sexual offences per capita is around 48.3% higher – suggesting a mixed picture.



### What can be, and is being done?

The WMCA’s powers around identifying land and encouraging the redevelopment of brownfields sites and requirements around meeting local affordable housing have improved housing supply. The WMCA aims to design out homelessness in the West Midlands through prevention by design: ensuring a supply of affordable homes, tackling welfare related poverty, good employment, information, integrated prevention, advice, and guidance. It has a target for 215,000 new homes by 2031 and remains on course to achieve this – indeed, 5% of all homes in the WMCA area have been constructed since the establishment of the WMCA. Over time, this should reduce pressure on rising rents and mortgages, and address the rise in the use of temporary accommodation.

WMCA investments require developers to make a minimum 20% of the new homes affordable under its own definition of affordability which is linked to local wages rather than property prices – and WMCA evidence suggests around 25% of homes invested meet its own local definition of affordability.



**Accelerating the development and manufacture of future housing will help the region address its housing needs.**

The *Homes for the Future* programme will help secure the delivery and investment in both advanced manufacturing in construction and zero carbon homes, which will get the region ready for the Government's forthcoming Future Homes Standard expected to come in force by 2025, and result in reduced occupier costs in the new homes.

**Retrofitting existing homes is essential to address fuel poverty faced by residents.** In 2021, the WMCA area had some 238,449 fuel poor homes, contributing to wider housing related costs. The overall rate of fuel poverty, at 17.5% is amongst the

highest in the UK – with some areas experiencing far higher rates of over 40%.

**Investment into reducing the cost of travel is important in reducing cost pressures on households** given that for the average household, transport costs is the next biggest cost after housing.

**From May 2024, the Mayor of the West Midlands may gain responsibilities that are currently the responsibility of the separate *Office of the Police and Crime Commissioner*.** This will create opportunities for a more integrated and comprehensive approach to addressing community safety issues.

## Connected communities

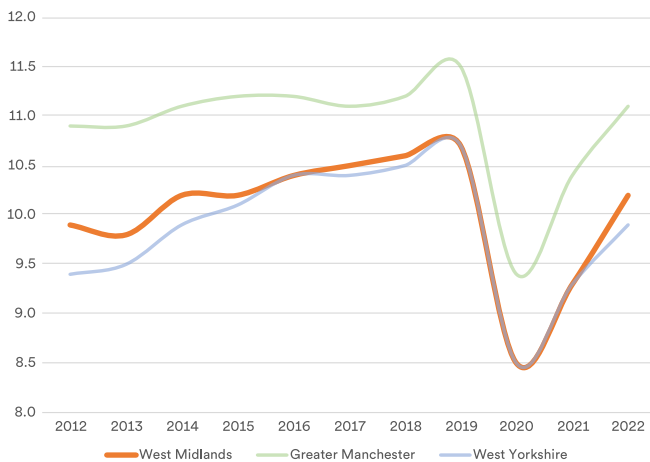
### Why is this important?

Connected communities mean how easily people can interact with the world around them. This includes physical and digital connectivity. Physical connectivity helps people to reach places to live, work, have fun and meet up. Digital connectivity and inclusion helps people to learn and get connected, for instance, through using a device and data.

### What are the current conditions?

The COVID-19 pandemic imposed wholesale lifestyle changes – but some trends appear to be returning to pre-pandemic levels. Traffic delays and miles travelled by road are both increasing, despite a higher proportion of residents undertaking journeys on foot.

#### Vehicle journeys have returned to near pre-pandemic levels.

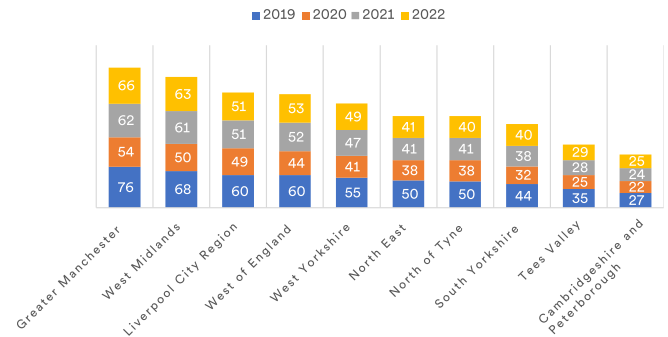


**'A' roads in the WMCA area are the second-most congested of all UK mayoral combined authority areas, after Greater Manchester.**

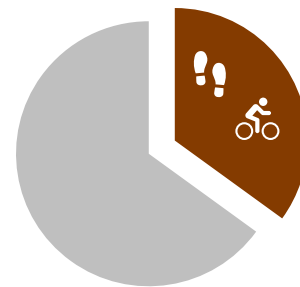
Drivers faced average delays of 63 seconds per mile when using the area's A-roads in 2022<sup>35</sup>.

This reflects the built-up urban environment of the West Midlands conurbation, which generated some 10.2 billion vehicle miles in 2022, just shy of the 10.7 billion vehicle miles pre-pandemic in 2019.<sup>36</sup>

### Congestion in the WMCA area is the second highest after Greater Manchester.



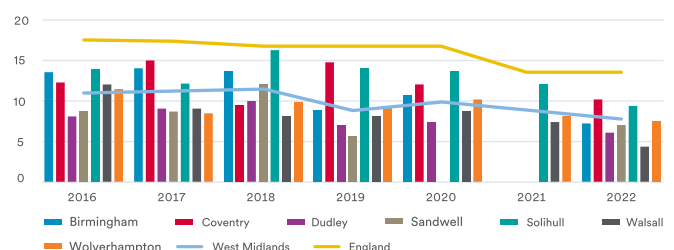
Over a third (35%) of journeys in the WMCA area involve active travel such as walking or cycling as the main mode in the twelve months to September 2023. This has increased from before the pandemic. This compares to 32% for GMCA and 33% for England as a whole (2022).



The proportion of journeys made on foot in 2022 increased by 7 percentage points from 2019.<sup>37</sup> This may be driven by cost of living pressures.

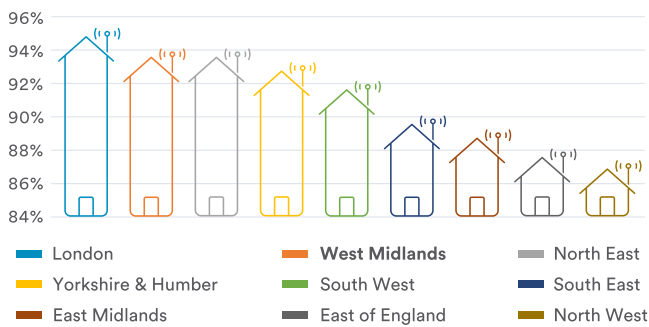
The proportion of journeys made on a bike saw a consistent decrease between 2016 and 2022.<sup>38</sup> There are some differences across local areas, with one in ten residents in Coventry riding a bike at least once a month, compared to less than one in twenty residents in Walsall.

The proportion of people cycling at least once a month has declined overall and in each of our local authority areas.

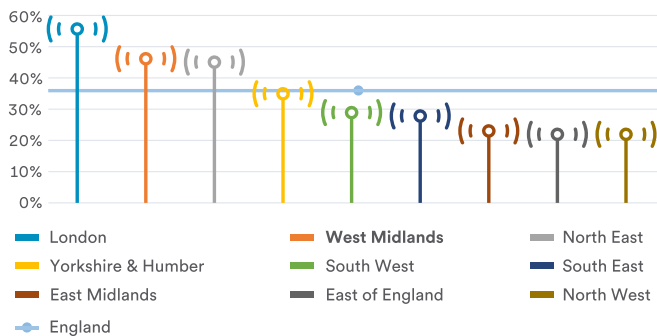


**The WMCA area remains amongst the best digitally connected region with amongst the best for 5G coverage and broadband connectivity.** 51% have 5G access, amongst the highest in the country<sup>39</sup> and an overwhelming majority of households, just under 99%, have access to basic broadband at speeds of over 30 megabits per second.<sup>40</sup>

**The vast majority of people in the WMCA area have access to the internet at home.**



**The West Midlands region has the best 5G coverage outside of London.**



### What can be, and is being done?

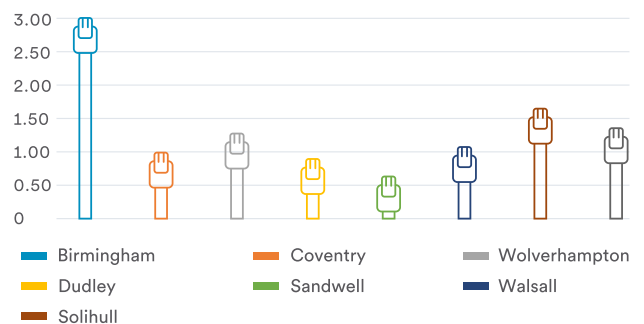
**Continued investment into public transport and road networks, as outlined in the Local Transport Plan, are essential to unlock the economic potential of the region, enabling residents and communities to access employment opportunities as well as leisure and cultural events with friends and family.** The Local Transport Plan sets out ‘six big moves’ which improves connectivity to access key services and shift travel modes to be more sustainable and accessible, and improve travel by designing out emissions. The WMCA is working on further expansion of the West Midlands Metro network such as from Wednesbury to Brierley Hill, rail improvements such as the work to reopen the Camp Hill Line, and plans for new stations for the Sutton Park line will help improve

connectivity across the region. The WMCA also recognises that the vast majority of residents in the West Midlands are served by the bus network – therefore funding is also set aside to ensure network stability.

**Active travel is an important and growing component – ensuring walking and cycling access to major housing and employment sites are just as important.** This means ensuring that walkways are safe and well-maintained. The National Travel Attitudes Survey identified that improvements to safety and infrastructure including off-road and segregated cycle paths, safer roads, and well-maintained road surfaces for cycling are essential to increase cycling uptake. In 2020, the WMCA launched the Starley Network, a network of cycling and walking trails in the West Midlands covering 500 miles of connected safer cycling and walking routes. To maximise their effectiveness, walking and cycling needs to be better connected to housing and employment opportunities creating opportunity for active travel.

**While the vast majority of households have access to broadband, some households remain digitally excluded.** The West Midlands Digital Roadmap sets out five missions to securing access for everyone to digital opportunities, particularly those in poverty; sharing and using data to improve people’s lives; becoming the UK’s best-connected region; realising the potential of digital to transform our economy and build economic resilience; and using digital public services to build a fairer, greener, healthier region.

**A minority of households are still unable to access basic broadband of at least 30 megabit per second.**



## Education and learning

### Why is this important?

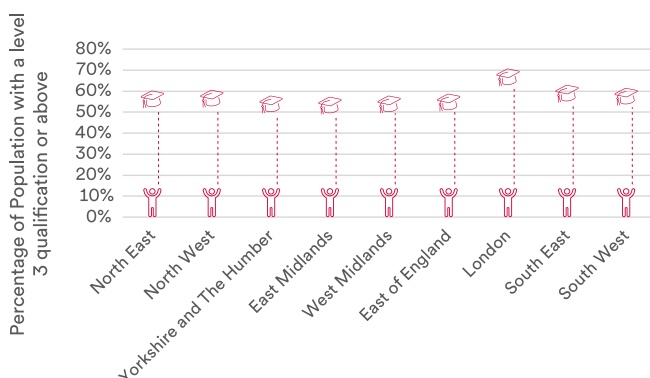
Education and learning opportunities are important for everyone at any age, to enable them to flourish and reach their potential. From giving children and young people the best start in life, to providing opportunities for working aged and older adults to gain new skills, retrain for a new job or just pursue their own interests for leisure. All types of learning are important for an inclusive society.

### What are the current conditions?

In 2021, just 54.9% of the working aged population in the WMCA area was qualified to level 3 or above (A-level or equivalent). While this has increased from around 42.2% a decade ago, this trails the West Midlands Region's rate of 57.2% and national rate of 61.5%. Research shows that people with a level 3 qualification are more likely to be employed, earn more when employed and less likely to claim out of work benefits than those qualified at level 2 or below.

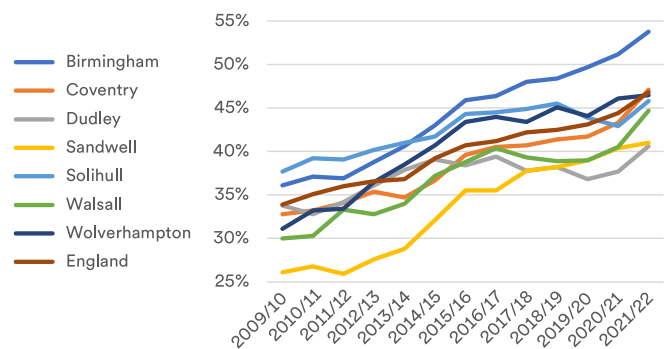
On average, level 3 qualifications result in a 16% earnings return and a 4% increase in the likelihood of being employed. The WMCA is focused on improving the level 3 skills offer, with a focus on getting our residents into employment; upskilling and reskilling to respond to the regional economy and to net zero; providing a good basic education up to Level 2 for those who need it; and supporting our communities to be stronger and to benefit from inclusive growth.

**The proportion of the working aged population in the West Midlands qualified to a level 3 qualification lags behind other regions.**



**The proportion of school leavers progressing to higher education has increased right across the WMCA area.** Education is critical driver of social mobility, meaningful careers, and life satisfaction. Encouragingly, more young people are entering higher education: more than half of Birmingham's young people enter higher education, and regional disparities in higher education participation have decreased – with Sandwell in particular making significant progress.

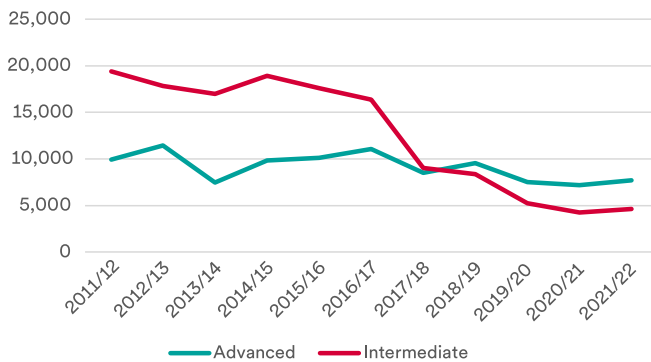
**Not only is the proportion of young people in the WMCA area entering higher education increasing – but the gap with the England average has also narrowed.**



**There has been a decline in the uptake of apprenticeships across the WMCA area, with 2021/22 seeing under half of the enrolment figures seen in 2011/12.** This correlates with national figures and can partially be explained by the introduction of the Apprenticeship Levy in 2017 which has resulted in falls in apprenticeship starts and the proportion of apprenticeships reaching young people aged 19 or below.<sup>41</sup> Significantly, intermediate level apprenticeships have been much more adversely impacted than advanced apprenticeships, but both levels have seen sizeable declines in their uptake across the region.



### Apprenticeship starts have decreased.

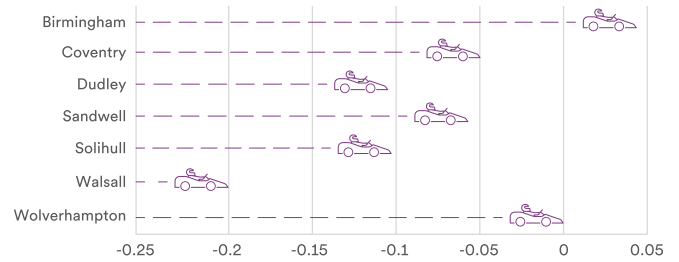


**Pupils finishing secondary school in the WMCA area, and the broader West Midlands region generally end up with lower levels of attainment and make less progress than expected overall compared to London or the average for England.** Outcomes at the end of Key Stage 4 (Year 11) are measured using the *attainment 8 benchmark* (an average of pupils’ grades across 8 qualifications including English and Maths at GCSE); and the *progress 8 benchmark* (a measure of the progress made between Year 6 and Year 11).

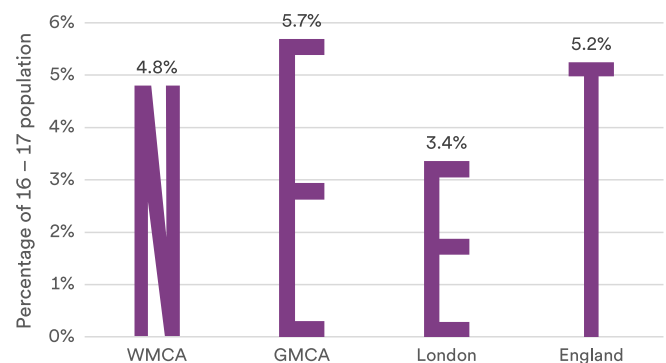
**Across the West Midlands region, the average attainment 8 benchmark is 44.8 out of a possible 78 (9 being the top grade across 8 subjects), 1.5 points below the average for England and 0.4 points below five years ago (pre-pandemic).** Across WMCA area authorities, no single local authority area in the WMCA achieves higher than the England average. This means that on average, pupils completing Year 11 in the WMCA area end up with lower grades than those on average across England.

**In terms of our progress 8 benchmark, the average in the West Midlands region is -0.09 (-0.08 in 2017/18). This is a negative figure which suggests that pupils are completing Year 11 with lower grades than they would otherwise be expected to get, given their progress at the end of Year 6 (primary school).** There are multiple reasons why pupils in the West Midlands region may not be doing as well as those in other parts of England, many of which bear no reflection on the quality of education they receive. Neither attainment 8 nor progress 8 can account for all the effects of factors such as socioeconomic circumstances which impact a child’s learning.

### In the WMCA area, only Birmingham has a positive progress 8 benchmark.



**However, fewer young people aged 16–17 end up not in education, employment, or training (NEET), with the NEET rate at just 4.8% in the WMCA area in 2023 (2022: 5.1%).** This was below Greater Manchester and the England average, but above London. However, there has been a concerning increase in *not knowns* – that is, young people whose destinations are unknown.



**School absences has skyrocketed nationally, and the West Midlands region is no different; with 6.6% of sessions missed.** Pupils who regularly attend school are more likely to do well in exams, get a better job, and reach their potential as adults. Before the pandemic, in the 2018/19 academic year, across state-funded primary, secondary, and special schools, around 4.8% of school sessions were missed in the West Midlands region, and 4.7% nationally. So far in the 2023/24 academic year, between 11 September 2023 and 8 December 2023, the absence rate has increased to 6.6% for both the West Midlands region and England. Week-to-week data suggest that local authorities in the WMCA area may have even higher absences.<sup>42</sup> This may put additional pressures on workforce skills in the years ahead.





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## What can be, and is being done?

**The implementation of the deeper devolution deal creates opportunities for the WMCA to better align post-16 and post-19 education and skills provision between our colleges and the growth sectors identified in our *Plan for Growth*.** This includes all non-apprenticeship adult skills funding and functions, including ensuring that residents aged 19 and over in their area, who are eligible for funding, have access to appropriate education and training; encouraging and providing adults with the skills and learning they need to equip them to progress into, or within, work; or equip them for an apprenticeship or other learning; and provision of statutory entitlements to provide free courses for adults; so that the WMCA area can reduce the proportion of working age residents with no qualifications; increase the proportion of working age residents qualified to level 3 or above; and further reduce proportion of young people who are NEET.

## Health and wellbeing

### Why is this important?

Health and wellbeing are about people living longer, healthier, and happier lives, regardless of their social circumstances, which has often placed a limit on their prospects for a healthy life.

Health is more than the healthcare system: it is not just about NHS hospitals, doctors, or nurses. Health is about people's lives. People's health is often determined by their social and economic circumstances, such as their communities – access to a good network of family and friends; prospects – access to good jobs and education; and housing and environment – living in a good neighbourhood and with access to good quality green spaces.

### What are the current conditions?

**Currently, the regional picture for health and wellbeing exposes large inequalities between areas, with residents in some areas expected to have healthy lifespans that are eight years shorter than those elsewhere in the WMCA area.** On average, these residents are less physically active, more likely to smoke, and more likely suffer from health complications linked to air pollution. These differences in health are entirely avoidable and preventable. People's lives are being cut needlessly short. Failure to address these pressing issues will stain any growth enjoyed by affluent pockets of our region in the future and puts a flat ceiling on our potential to thrive.

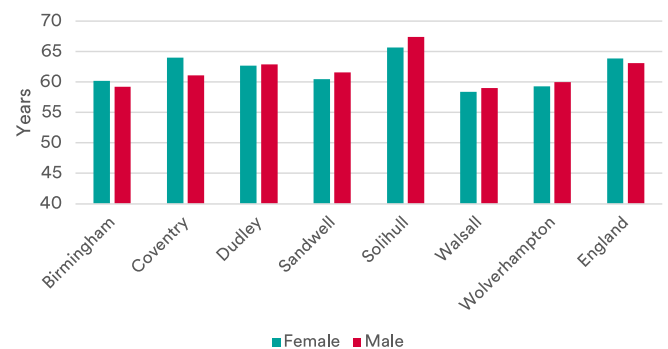
**People in the WMCA region continue to have shorter life expectancies at birth than the England average (women by 1.2 years and men by 1.8 years on average).** Aligning with national trends, life expectancy in the WMCA is declining (albeit very slightly).

	2016 - 18		2018 - 20	
	Female	Male	Female	Male
WMCA	82.2 years	78.0 years	81.9 years	77.6 years
England	83.2 years	79.6 years	83.1 years	79.4 years

**The impact of poor health extends beyond individuals and families, affecting the ability of our region's economy to thrive and generate value for reinvestment in our communities.** The Health of the Region report estimates the cost of lost output in England due to avoidable deaths has risen by over 20% since the Covid-19 pandemic – from £6.3bn in 2019 to £7.7bn in 2021, equivalent to over £250,000 per person who died in 2019 rising to almost £290,000 in 2021.<sup>43</sup>

**Over the last decade, people's healthy life expectancy has also stagnated nationwide. The WMCA area is almost universally below the national average, with only residents in Solihull enjoying a higher healthy life expectancy than the England average.** This data sheds light on startling disparities between parts of our region, with the deficit between the highest and lowest healthy life expectancy in the WMCA area standing at eight years in 2020.<sup>44</sup>

**There are disparities in healthy life expectancy for men and women across the seven constituent local authorities.**

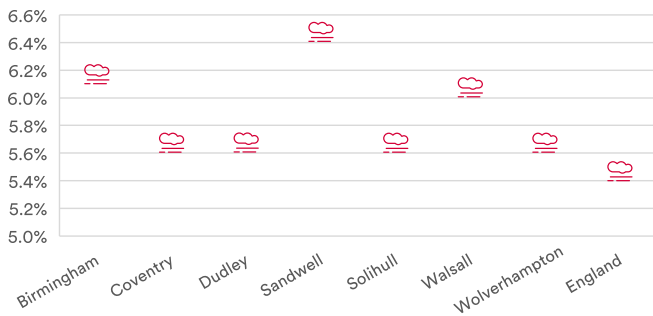


**Key elements that impact life expectancy are personal wealth, lifestyle choices, behaviours, and the local environment.<sup>45</sup> Poor air quality is a sure-fire indicator of poor public health, for example. It leads to premature deaths and exacerbates people's pre-existing health conditions.** One way in which we can measure poor air quality is through the presence of particulate matter – small particles and droplets in the air that are produced by vehicles and other sources. Particulate matter can cause harm to humans when it enters the lungs and bloodstream, making it critical to track. Given the link between vehicles and particulate matter, it is not surprising that the highest concentration of it in the WMCA area was uncovered along the M6 and

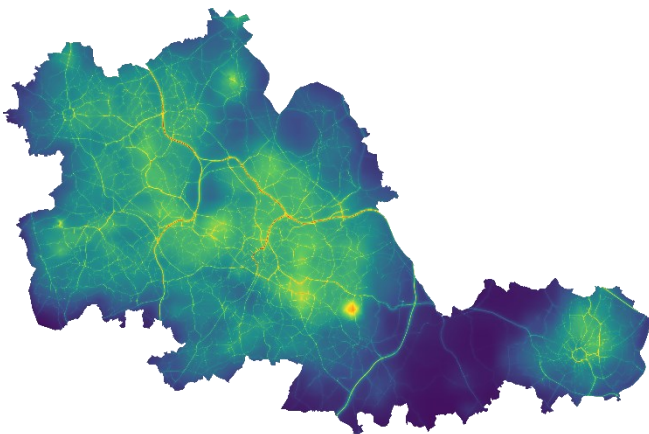
Aston Expressway in 2021.

**Deaths attributed to particulate air pollution have declined in recent years along the region's improving air quality<sup>46</sup>** – from 6.8% of deaths in 2018 to 5.5% in 2021. Nevertheless, there is still significant progress to be made, not least because each part of the WMCA area endures a higher proportion of deaths because of particulate air pollution than the England average.<sup>47</sup>

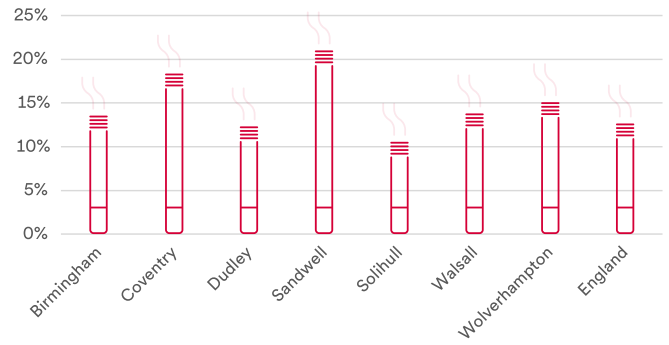
**The proportion of mortality attributable to particulate air pollution in all of the seven districts remains higher than the England average.**



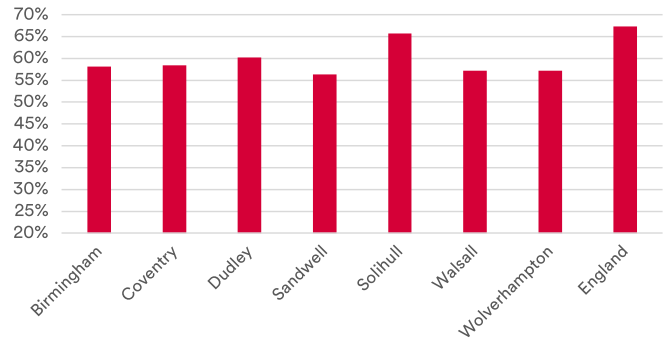
**The annual mean particulate matter PM<sub>2.5</sub> concentration across much of the WMCA area remains higher than the World Health Organisation recommended maximum of 10 µg/m<sup>3</sup>.**



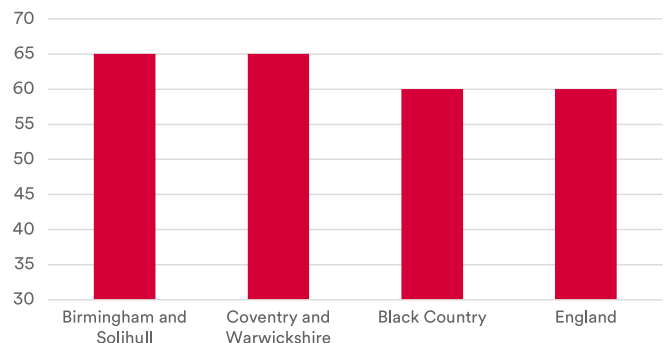
**The vast majority of people in the WMCA area do not smoke.** And rates are declining slowly too, from 15.7% in 2015 to 13.4% in 2022.



**One third of adults in the WMCA area are not physically active in 2021/22** – a greater proportion than the England average. Since 2015/16 activity levels have varied little, being estimated at 63.8% 6 years ago and 63.4% in 2021/22.



**The number of GPs per 100,000 people in the West Midlands region is relatively high,** with two of the three regional NHS Integrated Care Board areas having more than the average number for England. While this may be the case, it should be remembered that the number of GPs does not reflect how easy it is to get an appointment.



**The overwhelming majority of residents in the West Midlands region are satisfied with their lives,** with 95% indicating moderate to high levels of life satisfaction. This is consistent with the proportions reported elsewhere in the UK in 2023 and the same as 2022. Having fallen away as the country emerged from the shadow of the pandemic, anxiety is on the rise once more. The West Midlands region is no



exception to this, with the ONS estimating that 22% of the population deal with high levels of anxiety every day (no change since 2022) – with some evidence suggesting that this particularly impacts young people, especially girls and young women.

## What can be, and is being done?

**By influencing and shaping the kinds of homes we live in, the way we get around, the air we breathe, and the types of employment opportunities available to us, the WMCA can positively impact residents' health.** The *Health of the Region 2023* report notes that while there has been a collective focus on addressing health inequalities in our region, the reality is that despite some improvements, significant progress in health outcomes remains elusive. The conditions that contribute to ill health and premature deaths persist, and in certain cases, they are worsening. Understanding the intricate causal chain influencing health outcomes is crucial, as change in this realm often takes a protracted period to manifest in data. For instance, the multifaceted nature of health disparities involves a myriad of interconnected factors, including social determinants, lifestyle choices, and healthcare access. These factors collectively contribute to the complex landscape of health outcomes, making it a challenge to witness immediate and transformative changes. The *Health of the Region* report identifies four primary ways in which the WMCA can play a role in transforming health and wellbeing in a more consistent, measured, and purposeful way by embedding a *Health in All Policies* approach across all of its work.

**As a convenor, galvanizing regional focus on racialised groups, shedding light on the impact of structural racism on health outcomes.** An annual Health of the Region roundtable was chaired by Mayor Andy Street to drive forward actions in this area. The West Midlands Race Equalities Taskforce was launched in 2022, an independent body, created by the WMCA Board to take action that will improve equality of opportunity for all our communities. Its five-year strategy identifies priority actions to improve health and wellbeing outcomes for racialised communities.

**As an advocate, seeking to amplify citizen voice and work towards distributive leadership as a means to reduce health inequalities,** ensuring that those most impacted by unfair health and wellbeing outcomes are able to direct policy and interventions

to improve health equity. This work ranges from our Disabled Citizens Panel, the Mental Health Commission, the Young Combined Authority, to smaller pilot projects like WayMap.

**As a deliverer and commissioner of services, for instance, by implementing the Thrive into Work programme,** a comprehensive employment support service grounded in the principles of Individual Placement and Support (IPS). This personalised approach is designed to assist individuals aged 18 and above who face health challenges or have disabilities in maintaining employment or securing new opportunities.

**By leveraging investment, to address key health inequalities in the region,** for instance, through the £70 million Commonwealth Games Legacy Enhancement Fund, where underspend from the Games have been repurposed to invest in the legacy of the Games and the future of the region, with two of the core themes in grant allocations dedicated to improving physical activity and mental health and wellbeing.

## Equality

### Why is this important?

Equality means that people have the opportunity to thrive and flourish regardless of their characteristics and backgrounds.

Under the Equality Act, people's protected characteristics include age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race/ethnicity, religion or belief, sex, and sexual orientation. In addition, intersectionality ensures that we understand how people's characteristics shape their experiences and identities. Therefore, the characteristics that make us who we are will not be considered in isolation from one another by this approach.

The public sector equality duty places a duty on public bodies to: eliminate discrimination, harassment, and victimisation; advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Considerations in addressing inequalities require an understanding of the drivers behind persistent inequalities. One of the drivers of inequality between people of different ethnicities in our region is employment. Our citizens should be in 'good work' which pays the real living wage, promotes good health and wellbeing, and provides security for themselves and their families. This then intersects with sex/gender, in that the impact of the cost of childcare is significant on inequality in gender employment.

### What are the current conditions? What can, and is being done?

#### Education inequality

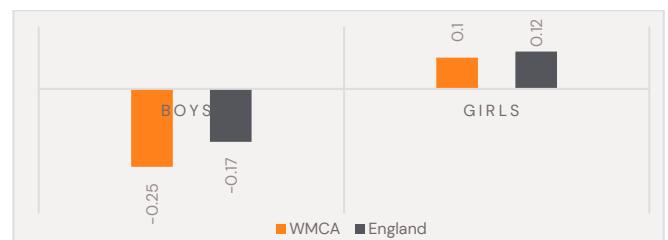
**People of an Asian or Black ethnicity in the WMCA area outperform people of a White or Mixed ethnicity and girls also outperform boys on the progress 8 benchmark, a measure of the progress made between the end of Key Stage 2 (Year 6) and the end of Key Stage 4 (Year 11).** However, performance across all groups remain below the national average.

**In the WMCA area, the average progress 8 score for boys is -0.25, for girls it is 0.10.** Across the seven districts, Walsall was the only district that had a progress 8 benchmark for girls that is below the national average. For boys, every district has a progress 8 benchmark that is below the national average. Girls are doing better than boys in our region, which falls in line with the English national picture.

However, both boys and girls perform worse in the WMCA area than nationally. Boys perform 0.8 worse at -0.25 than the national score of -0.17. Girls show a smaller gap between the WMCA area and the England national average, with a 0.02 gap between 0.10 in the WMCA area and 0.12 nationally.

The average progress 8 benchmark in the WMCA area for boys has increased by 1.2 percentage points from -0.37 in 2017/18 to -0.25 in 2022/23. The average Progress 8 benchmark in the West Midlands for girls has shown a much smaller increase of 0.01 percentage points from 0.09 in 2017/18 to 0.10 in 2022/23.

#### Progress 8 score in WMCA vs England for boys and girls in 2022/23.



**In the WMCA area, the average progress 8 score was below average for White and Mixed ethnicities but higher than the national average for Asian and Black.** This pattern is also reflected in the national picture. However, the progress 8 benchmark in the WMCA area are is not as high as those seen nationally (0.53 nationally compared to 0.41 in the WMCA area)<sup>48</sup>. Black pupils in the WMCA area also see a lower progress 8 benchmark than nationally (0.22 nationally compared to 0.15 regionally). White pupils have a lower progress 8 benchmark in the WMCA area than nationally (-0.28 and -0.14 respectively). Mixed ethnicity pupils also perform worse in the WMCA area than nationally (-0.3 and -0.04 respectively).



### Progress 8 benchmark for broad ethnic groups in the WMCA vs England in 2022/23.

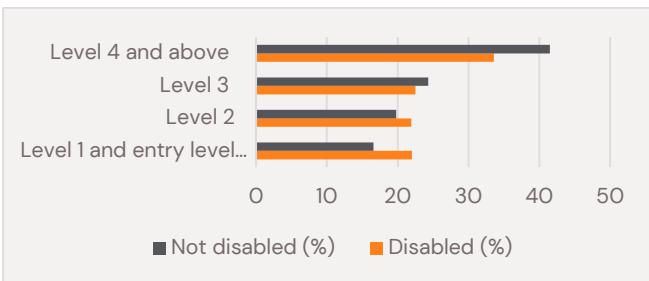


### Skills inequality

**There is a skills gap for females, White and Other ethnic minorities, and disabled people, achieving lower-level qualifications than their counterparts.**

When looking at skill levels it is also important to consider the broader context of the West Midlands whose wider population are lower qualified than nationally. The following compares qualification levels for the working aged population in the WMCA area.

**Disabled people are more likely to have a Level 1 and entry level qualifications and Level 2 qualifications as their highest level of qualification.**<sup>49</sup> This differs to that of not disabled people who are more likely to hold a level 3, level 4, or higher qualification. This highlights inequalities in access for disabled people to obtain higher level qualifications. Of disabled people of the working age population in the WMCA area, there is a lower proportion of those with a level 4+ qualification than nationally, with a difference of 5.3 percentage points with a WMCA figure of 33.6% and an England national figure of 38.9%.

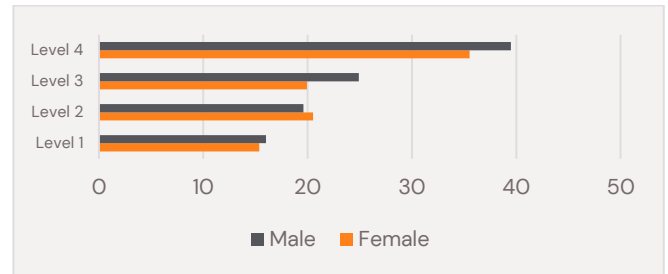


**Asian, Black, and Mixed ethnic groups are more likely to be qualified to level 3 or above. However, White, and Other ethnicity groups are underqualified.**<sup>50</sup> The WMCA area falls in line with England regarding Asian, Black, and Mixed ethnicities more likely to be qualified to level 3+. The WMCA

area also follows the national picture for White British and other ethnicities which are underqualified. However, the WMCA area differs to the England national picture, as Irish and Gypsy, Traveller, Roma, or other White ethnicities are more likely to be qualified in England however are underqualified in the WMCA area.

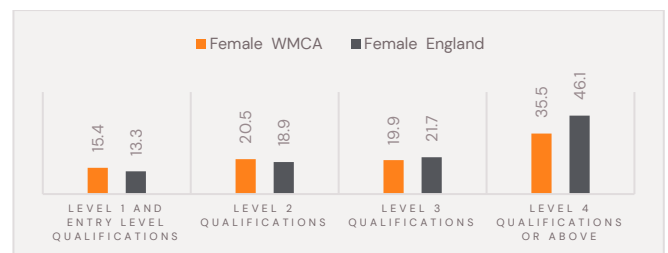


**Females are less likely to hold higher level qualifications than males.** More males than females have a qualification at all levels except level 2.<sup>51</sup> The gap between males and females sits at five percentage points at level 3 and four percentage points at level 4+.



**When comparing nationally, females in the WMCA area have lower skill qualifications.** In the WMCA area, a higher proportion have qualifications that are level 1 and below and level 2 than nationally. However, for level 3 and level 4+ qualifications, females in the WMCA are less likely to be qualified to this level.

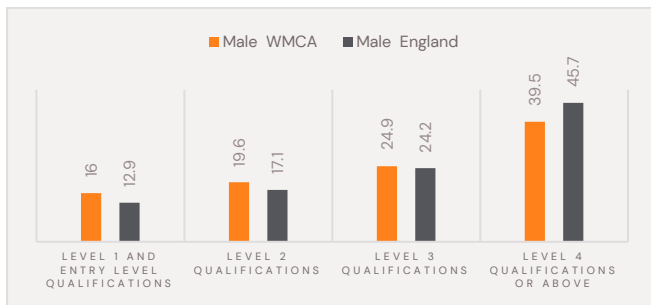
### Qualification levels of females in the WMCA area vs England in 2021.





**Males in the WMCA area also have lower skill qualifications than nationally.** In the WMCA, a higher proportion have qualifications that are level 1 and below, level 2 and level 3 than nationally. However, for level 4+ qualifications, males in the WMCA have a lower than national proportion qualified to this level, at 39.5% and 45.7% respectively.

**Qualification levels of males in the WMCA area vs England in 2021.**



**Employment inequality**

**Women, in particular, women from an ethnic minority group have lower employment rates compared to men.** Within the WMCA area, the total 16–64 employment rate in 2023 was 74.1% for White and 63.0% for ethnic minorities.<sup>52</sup> This is lower for both White and ethnic minorities than the England national figure of 77.5% and 68.5% respectively. The difference at the total level is driven by a difference in the female employment rate, which is 71.7% for white females and 54.6% for Ethnic minority females. This is lower than the England average 16–64 employment rate of 62.9% for ethnic minority females.

In the WMCA area, the total 16–64 employment rates has increased since 2019, by 1.2 percentage points from 72.9% for White and by 2.6 percentage points from 60.4% for ethnic minorities. The WMCA area economic inactivity rate is 3.7% higher than in England, 30.3% and 26.6% respectively.

**Disabled people in the WMCA area are less likely to be in employment and more likely to be economically inactive,** when comparing to not disabled people. Disabled people in the WMCA area have higher rate of economic inactivity than nationally. In the WMCA area, 49.0% of people with a disability are in employment, this consists of 52.5% male and 46.2% female.<sup>53</sup> In the WMCA area, 46.1% of disabled people are inactive, this is higher than that

of people who are not disabled which sits at 18.9%. The proportion of economically inactive disabled people is 3.8 percentage points higher in the WMCA area than in England, at 46.1% and 42.3% respectively.<sup>54</sup>

**The 16–64 economically active rate in the WMCA area was 12.3% lower for women than for men, at 68.7% and 81.0% respectively.**<sup>55</sup> The WMCA area female economic activity rate is 6.2% lower than in England, at 68.7% and 74.9% respectively.

**Pay gaps**

**Women, ethnic minorities, and disabled people are on average paid less than their counterparts in the West Midlands Region.**

**In 2022, the ethnicity pay gap ranged from –1.7% to 25.1%.** In the West Midlands region, Black, Mixed, and other ethnic groups earned less than their White counterparts in 2022.

In the West Midlands region, Mixed ethnicities earned the least when compared to their White counterparts, earning £9.82 and £13.11 respectively, representing a 25.1% gap. Asian employees earned more than their White counterparts, at £13.33 and £13.11 respectively, representing a 1.7% gap.

Broad ethnic group	Median pay (£)		Pay gap (%)	
	West Midlands region	England	West Midlands region	England
White	13.11	14.43	-	-
Asian	13.33	14.83	-1.7	-2.8
Black	11.55	13.66	11.9	5.3
Mixed	9.82	15.42	25.1	-6.9
Other	12.50	15.04	4.7	-4.2

Compared to the England average, the West Midlands region has a smaller pay gap between Asian and White employees, meaning Asian employees still earn more than their White counterparts however by a smaller proportion.

Compared to the England average, the West Midlands region has a bigger pay gap between Black, Mixed and Other ethnicities compared to their White counterparts. The biggest difference between the national figure and the West Midlands region was for Mixed, which showed a 25.1% gap in the West Midlands region and a 6.9% nationally. This highlights an important area to target when reducing the ethnic pay gap.

To tackle these persistent ethnic inequalities the

West Midlands Race Equalities Taskforce was developed. Launched in 2022 the West Midlands Race Equalities Taskforce is an independent group of leaders who have come together to tackle race inequality and make the region fairer.<sup>56</sup> In 2023, the Taskforce launched 'Race Forward 2023-2028', its independent strategy. The strategy sets out a number of priorities are outlined, including: jobs, living standards, skills, and education; transport and connectivity; housing and homelessness; health and wellbeing; criminal justice; and improving data, leadership diversity and cultural intelligence.

**The gender pay gap between women and men was 10.8% in the West Midlands region in 2022.**

This means that women earn less than their male counterparts in the West Midlands region. In 2022, the median pay gap was lower for full-time employees at 8.6% compared to 14.5% for all employees.<sup>57</sup> The gender pay gap is higher among all employees than full-time employees because women fill more part-time jobs, which tend to be lower paid per hour in comparison to full-time jobs.<sup>58</sup> This presents an important opportunity to target the gender pay gap for part-time employees to decrease the overall pay gap. The pay gap for all employees was lower in the West Midlands region than the English national average, at 14.5% and 15.3% respectively. The median pay gap in the West Midlands region was the same as the England national average for full time employees, at 8.6%.

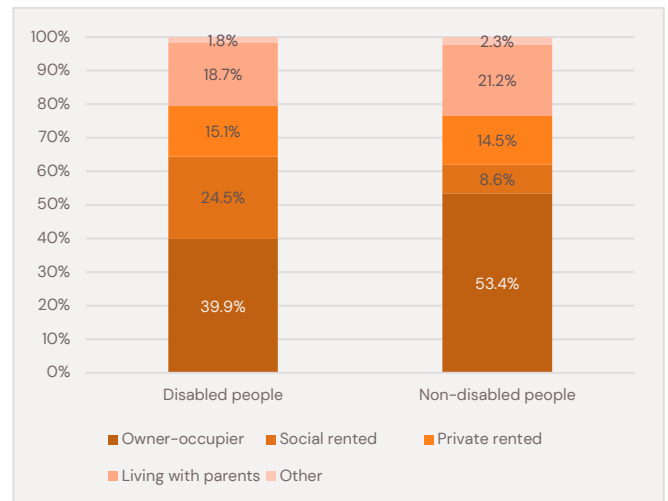
**The disability pay gap between disabled people and non-disabled people was 14.7% in the West Midlands region in 2021.**

The median pay of disabled employees is £11.16 per hour, 14.7% lower than of non-disabled employees who have a median pay of £13.09 per hour.<sup>59</sup> The wider West Midlands has shown a 3.7 percentage point increase in the disability pay gap from 2014, however a 0.3 percentage point decrease between 2020 and 2021. The West Midlands region had a disability pay gap that is 0.6% higher than the English national average, at 14.7% and 14.1% respectively. The median pay of disabled employees in England in 201 was £12.17, this is £1.01 more than in the West Midlands.

**Housing inequality**

**Ethnic minorities are more likely to live in social rented or private rented housing than to be a home owner-occupier. Disabled people are more likely to live in socially rented housing than to be a home owner-occupier.**

**A quarter of disabled people occupy a socially rented property.** In the West Midlands region, disabled people are more likely to rent social housing, with 24.5% of disabled people aged 16 to 64 years occupying a socially rented property, compared with 8.6% of non-disabled people aged 16-64, a difference of 15.9 percentage points.<sup>60</sup> This falls closely in line with the English national figures of 24.0% for disabled and 7.7% for non-disabled.



Conversely, disabled people are less likely to be owner-occupiers, with 39.9% of disabled people aged 16 to 64 years being owner-occupiers, compared to 53.4% of non-disabled people aged 16 to 64, a difference of 13.5 percentage points. This falls closely in line with the English national figures of 40.1% for disabled people and 52.7% for non-disabled people.

Lower skill level coupled with lower employment opportunities and less high-paid employment opportunities means disabled people are more likely to live in social housing and less likely to be able to afford to own their home.

The West Midlands region has a higher proportion of disabled people living in social rented accommodation or living with parents, than the English national. The West Midlands region has a lower proportion has a lower proportion of disabled people living in owner occupier and private rented accommodation, than the English national.

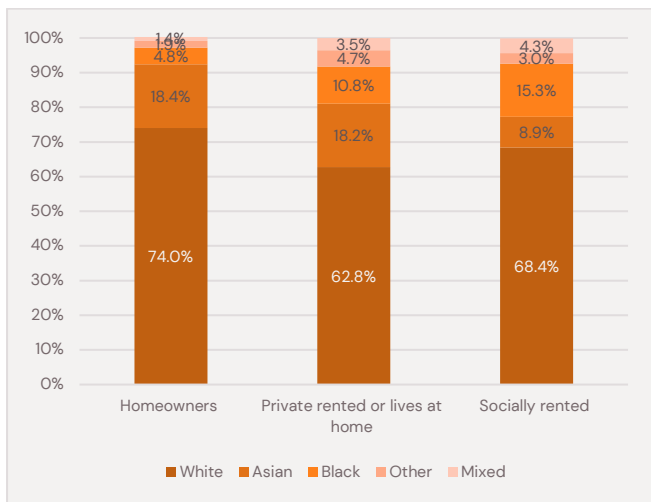
Disabled people in accommodation that is...	West Midlands region (%)	England (%)
Owner-occupied	39.9	40.1
Social rented	24.5	24.0
Private rented	15.1	17.4
Living with parents	18.7	16.3





**People from an ethnic minority background are disproportionately likely to face housing deprivation, homelessness, poor housing conditions and overcrowded accommodation.** In the WMCA area, 68% of White British households were homeowners compared to 50% for non-White British households. Overcrowding in the region and nationally is four times higher for ethnic minority communities (10%) than White British (2%).

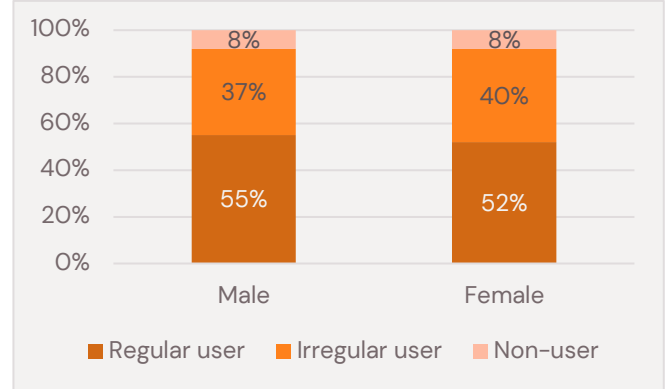
This falls in line with the national picture, which shows that White ethnicities are more likely than ethnic minorities to be homeowners. Ethnic minorities are also more likely to live in private rented accommodation both nationally and in the WMCA area. Social rented housing is more likely to be accommodated by Black and Other ethnicities in England; this is a similar pattern to seen in the WMCA area.



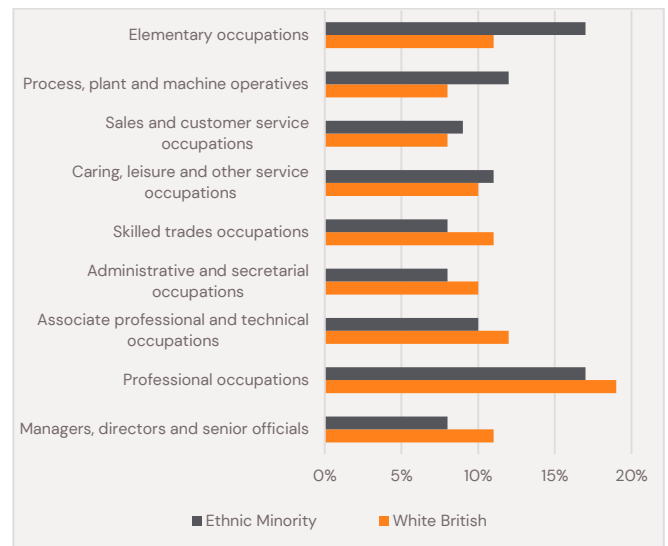
Lower employment opportunities and less high-paid employment opportunities means ethnic minorities are more likely to live in social housing or private rented accommodation and are less likely to be able to afford to own their home. Ethnic minorities earn less than their White counterparts which means that there are more likely to live in deprived housing and face overcrowding.

### Transport inequality

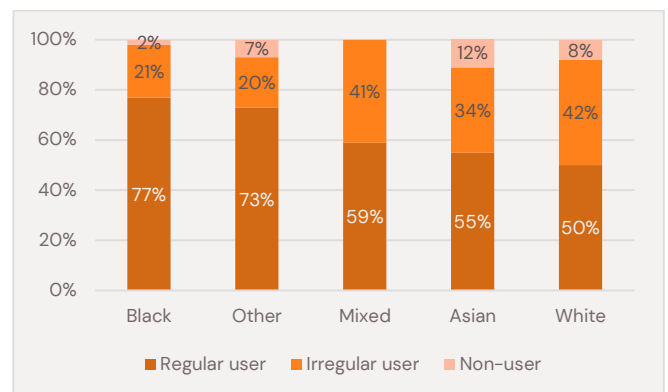
**Regular transport users are more likely to be from Black (77%) ethnic groups than any other ethnic groups.**<sup>61</sup> Mixed, Asian, and Black ethnic groups have a higher likelihood than White to travel frequently by public transport. Regular public transport users are defined as those travelling by either bus, rail, or metro once a week or more.



Ethnic minorities tend to predominately be in the lowest five paid occupation categories, while White British groups have a greater proportion working in the top five highest paid occupations. While these factors do not necessarily relate directly to poor transport availability and accessibility, economic status and income are a determining factor in transport choices and access.



**Both males and females have similar likelihood to travel frequently by public transport at 55% and 52% respectively.**



## Further information

Included as part of the West Midlands State of the Region 2023/24 report is a metrics dashboard, data downloads, and an immersive virtual reality experience.

This can be found at [wmca.org.uk/research](https://wmca.org.uk/research).

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<sup>4</sup> Office for National Statistics (2022) *Population and household estimates, England and Wales: Census 2021, unrounded data*. Available at:

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<sup>5</sup> Office for National Statistics (2023) *Age (c) and ethnic group*. Available at: <https://www.ons.gov.uk/datasets/RM032/editions/2021/versions/1/filter-outputs/c3008580-830f-4dc2-9f01-f2142935eeaf>

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<sup>10</sup> Office for National Statistics (2023) *Gender identity, England and Wales: Census 2021*. Available at:

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<sup>20</sup> Department for Transport (2023) *Electric Vehicle Charging Infrastructure Statistics*. Available at: <https://www.gov.uk/government/collections/electric-vehicle-charging-infrastructure-statistics>

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West Midlands **State of the Region** 2023-2024

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## WMCA Board

<b>Date</b>	09 February 2024
<b>Report title</b>	WMCA Budget 2024/25
<b>Portfolio Lead</b>	Finance - Councillor Bob Sleigh
<b>Accountable Chief Executive</b>	Laura Shoaf, West Midlands Combined Authority email: laura.shoaf@wmca.org.uk
<b>Accountable Employee</b>	Linda Horne, Executive Director of Finance and Business Hub email: linda.horne@wmca.org.uk
<b>Report has been considered by</b>	Executive Board – 30 January 2024 WMFDs – 30 January 2024

### Recommendation(s) for action or decision:

#### The WMCA Board is recommended to:

1. Approve an increase in the Transport Levy for 2024/25 from £119.4m to £122.9m, representing an increase of 3%.
2. Subject to approval of (1) above, approve the budget requirement for Transport delivery 2024/25, totalling £198.3m and comprising three elements:
  - i. £122.9m to be funded from the existing transport levy mechanism;
  - ii. Use of £70.4m of grant income including £24.9m of Network Stabilisation grant;
  - iii. Use of windfall gains from Treasury management of £5.0m.
3. Approve the budget requirement for Portfolio delivery in 2024/25 of £262.0m comprising of six elements:

- i. £142.0m Adult Education (including Free Courses for Jobs) spending to be funded from Adult Education Budget funding devolved by the Department for Education;<sup>1</sup>
  - ii. £104.4m to be funded from other grants;
  - iii. £2.3m to be funded from other income, notably investments;
  - iv. £4.6m to be funded from Constituent Authority fees (fees to remain at the same level as 2023/24);
  - v. £0.4m to be funded from Non-Constituent Authority and observer fees (fees to remain at the same level as 2023/24);
  - vi. Use of £8.3m Business Rates retention income.
4. Approve the Mayoral Office budget for 2024/25 of £7.0m, of which £0.9m to be funded from additional Mayoral Capacity Funding and a further £6.1m to be funded from reserves.
5. Note that there will be no Mayoral Precept during 2024/25.
6. Approve the first year (2024/25) of the indicative WMCA Capital Programme, totalling £706.8m, as set out in Appendices 5 and 6, noting the indicative onward programme thereafter.
7. Note the planned spend on the Investment Programme over the period.
8. Note and have regard to the advice of the Director of Finance in relation to the robustness of the budget and the adequacy of reserves.
9. Note the West Midlands Combined Authority's ongoing commitment to work with the Mayor and Leaders over 2024 to discuss a sustainable funding solution for transport which will meet the scale of ambition for the network.
10. Delegate authority to the Director of Finance in consultation with the Portfolio Lead for Finance and Investments to make any final changes that may result from the Final Local Government Finance Settlement as set out in paragraphs 2.3 to 2.5.
11. Delegate authority to Executive Directors to progress expenditure within this budget that is in furtherance of WMCA Board approved local policy.
12. Approve the following policies and strategies, which contain items as required by statute:
  - a) The West Midlands Combined Authority Treasury Management Policy Statement as set out in section 8 and Appendix 7
  - b) West Midlands Combined Authority Treasury Management Strategy including the 2024/25 Investment Strategy and criteria for specified and non-specified investments as set out in section 8 and Appendix 8
  - c) The West Midlands Combined Authority Capital Strategy and Minimum Revenue Provision Statement as set out in section 9 and Appendices 9 and 10 respectively: and
  - d) The West Midlands Combined Authority Pay Policy Statement as set out in section 11 and Appendix 11.

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<sup>1</sup> The 2024/25 Adult Education Budget to be devolved from Department for Education will be confirmed in early 2024 and an update provided to Board once known.

## **1.0 Purpose**

- 1.1 The WMCA has a statutory obligation to set a balanced budget for 2024/25 and this report forms a key part of the budget setting process by setting out the forecast funding and expenditure for that year. Additionally, in order to ensure the Authority's finances for the medium term are maintained on a sound basis, this report also sets the assumptions around income and expenditure for the following four years.
- 1.2 This report is intended to present the final budget for consideration by the West Midlands Combined Authority Board at its meeting on 09 February 2024. A draft budget was presented to and approved by the West Midlands Combined Authority Board on 12 January 2024.

## **2.0 Background**

- 2.1 This report represents the final stage of the budget setting process for the West Midlands Combined Authority and incorporates the final Revenue and Capital Budget for 2024/25, as well as the associated policies as required by statute. There are no changes from the overall financial plans as included within the Draft Budget report as considered by West Midlands Combined Authority Board on 12 January 2024, apart from revisions to the indicative capital programme to remove unfunded schemes. Across the period to 2027/28, the indicative capital investment has reduced from £2.2bn as presented in the draft report to £1.9m as shown in this report.
- 2.2 The Mayor and West Midlands Combined Authority have considered feedback on the Draft Budget report since 12 January 2024 Board meeting, from both Constituent Members of the Combined Authority and other key stakeholders.
- 2.3 This report incorporates assumptions based on the Provisional Local Government Finance Settlement for 2024/25. The Final Local Government Finance Settlement will be presented to the House of Commons in early 2024, which is likely to be after finalisation of this report. It is unlikely that there will be any material changes will affect the WMCA proposed budget, however in the event that there are any, a verbal update on the Provisional Local Government Finance Settlement will be provided at the West Midlands Combined Authority Board meeting on 09 February 2024.
- 2.4 Delegation is requested to the Finance Director, in consultation with the Portfolio Lead for Finance, to make any final changes that result from the Final Local Government Finance Settlement should they be required.
- 2.5 This report is also being prepared in advance of the Chancellor of the Exchequer's next Budget, setting out the government's tax and spending plans, which is scheduled to be held on 06 March 2024. The Combined Authority will continue to monitor any announcements made by central government in relation to any further funding made available to support the region and report as necessary as part of the Financial Monitoring Reports during 2024/25.

2.6 Following ratification of the West Midlands Deeper Devolution Trailblazer Deal by the WMCA Board in October 2023, the 2023 Autumn Statement confirmed a single pot of funding for the West Midlands on a 4 year allocation cycle, leaving local leaders to decide for themselves on how best to allocate the money to help level up the region. The final Memorandum of Understanding (MOU), which will include the formulae for the allocations, that will govern this arrangement is due to be ratified by WMCA Board in March 2024. Discussions will continue with Government over 2024 until the Autumn Spending Review statement in respect of the quantum of funding, but this is a significant milestone and benefits the region in terms of greater financial certainties and the avoidance of competitive bidding for funding. Payments will start at the next Spending Review period, expected to be in 2025. The process is being guided by the principle that the WMCA should not take on any additional responsibilities that are not properly resourced. As a matter of prudence, no attempt has been made to reflect any potential outcomes of single settlement within existing financial plans at this stage.

2.7 At the time of writing this report, there is ongoing consultation on the proposed transfer of Police and Crime Commissioner (PCC) functions to the Mayor of the West Midlands Combined Authority, scheduled to end on 31 January 2024. The consultation was done to enable the Home Secretary to gather views to allow him to make a decision on whether to lay an order before Parliament transferring PCC functions from the next mayoral election in May 2024. If a transfer took place, the Mayor's PCC functions would include:

- issuing a Police and Crime Plan for the West Midlands
- setting the police budget
- appointing the Chief Constable
- addressing complaints about policing services
- providing commissioning services for victims of crime
- working in partnership to ensure that the local criminal justice system is efficient and effective.

If the Home Secretary decides to proceed with the transfer and the necessary secondary legislation is approved by Parliament, these functions will be transferred from the mayoral election in May 2024, including the transfer of all assets, liabilities, funding and budgets. A verbal update will be provided at the WMCA Board meeting on this.

### **3.0 Forecast Outturn 2023/24**

3.1 The Financial Monitoring Report was considered by West Midlands Combined Authority Board on 12 January 2024 and included a 2023/24 forecast showing a surplus position of £1.3m. The agreed savings programme also remains on track with the expectation that the full £3m of efficiency savings for 2023/24 would be delivered.

3.2 Since the completion of this forecast, nothing has come to the attention of the Finance Director to suggest that any material change to this forecast position is required. The final detailed forecast for 2023/24 is currently being compiled and will be presented to West Midlands Combined Authority Board in March 2024.



#### 4.0 Revenue Budget 2024/25

4.1 The proposed revenue budget shows a balanced position for 2024/25, in line with statutory requirements. There have been no changes made to the draft budget as reviewed by West Midlands Combined Authority Board on 12 January 2024.

4.2 The key headlines for the 2024/25 budget are as follows:

- No Mayoral Precept to be introduced for 2024/25.
- Total revenue expenditure of £506.9m, alongside a capital programme totalling £719.8m for 2024/25.
- Transport Levy to be increased by 3.0% compared with 2023/24, in line with the expected rise in general Council tax allowable without the need for a referendum. The increase recognises the continued risks and ongoing pressures within the Transport network.
- Non-Constituent and Observer fees from April 2024 are set at £30,000 per Non-Constituent Authority, the same level as in 2023/24.
- Inflationary uplifts including 3% for pay and non-pay elements and 15% uplift for energy.
- Continued subsidy of West Midlands Metro operation and support for the West Midlands Cycle Hire scheme.
- Core funding of £0.7m for the West Midlands Growth Company and £0.4m for WM5G.
- Capital financing and investment income based on latest views, including £6.1m for MRP charges.

4.3 The proposed funding sources for the 2024/25 West Midlands Combined Authority Transport Budget are therefore confirmed as:

- i. £122.9m to be funded from the existing transport levy mechanism. This represents a proposed increase of 3% over the 2023/24 levels.
- ii. Use of £70.4m of grant income, including use of £24.9m of the Network Stabilisation grant provided as part of the Network North funding stream following the cancellation of the northern leg of HS2.
- iii. Use of £5.0m of windfall gains from Treasury Management activities.

4.4 In policy terms, the budget covers the English National Travel Concessions Scheme (ENCTS), the locally agreed extension of the concessions scheme to the local rail and tram networks, the Subsidised Bus network, accessible transport and child travel concessions. In 2024/25, concessions account for approximately £59.0m of the expenditure budget with finance and debt commitments a further £11.3m, and the balance spent on managing and maintaining the network, developing policy and strategy and providing organisational support for TfWM. It should be noted that ENCTS is a national travel concessions scheme and so effectively £47.2m of the budget is not within local control. Government has recently proposed a revised calculator for reimbursement of providers. There is a risk of increased funding for providers, but this will be managed within the overall budget.

- 4.5 The proposed funding sources for the 2024/25 West Midlands Combined Authority Delivery Portfolio Budget are therefore confirmed as:
- i. £142.0m Adult Education spending to be funded from Adult Education Budget funding devolved from Department for Education. As indicated previously, the value of the grant is still to be confirmed, but a prudent estimate based on previous year allocations has been used for budget setting.
  - ii. £104.4m to be funded from other devolution deal grants
  - iii. £2.3m to be funded from other income, notably investments
  - iv. £4.6m to be funded from Constituent Authority fees (unchanged from 2023/24)
  - v. £0.4m to be funded from Non-Constituent Authority and observer fees (unchanged from 2023/24)
  - vi. Use of £8.3m Business Rates retention income
- 4.6 As can be seen from the breakdown above, the Delivery Portfolio is predominantly grant funded (94%), and services have been successful over the years in leveraging in additional grants to delivery benefits for the region. Unlike previous years where Housing and Regeneration was fully grant funded, there is a call on local resources of £1.9m since all revenue grant funding provided with initial housing funds has now been fully utilised.
- 4.7 The proposals for the Mayoral Office remain unchanged – operation of the Mayoral Office is to be funded by a Mayoral Capacity Fund grant, with total expenditure for the Mayoral Office of £0.9m. Of this amount, 87% relates to costs of staffing and the remaining 13% relates to running costs for the Mayor’s Office. Additionally, costs of £6.1m for the upcoming Mayoral elections to be funded from earmarked reserves.
- 4.8 The Investment Programme remains unchanged, with a proposed budget of £39.6m funded from the £36.5m annual devolution grant from Government plus £3.1m of investment income.
- 4.9 The final consolidated Revenue Budget for 2024/25 is set out in the following table:

**Table 1: West Midlands Combined Authority 2024/25 Revenue Budget**

	Total	Transport	Housing & Rengen	Strategy, Economy & Net Zero	Economic Delivery, Skills & Delivery	Portfolio Central Funding & Support	Investment Programme	Mayoral
	£m	£m	£m	£m	£m	£m	£m	£m
Transport Levy	122.9	122.9						
Revenue Grants & Other Income (Transport)	70.4	70.4						
Revenue Grants & Other Income (Portfolios)	105.4			45.6	58.8	0.1		0.875
Adult Education Funding	142.0				142.0			
Investment Programme	36.5						36.5	
Share of Business Rates	8.3	-				8.3		
Grants from Constituent Members	4.6					4.6		
Grants from Non Constituent Members	0.4					0.4		
Investment Income	5.4					2.3	3.1	
Use of Treasury Windfall Income	5.0	5.0						
Use of Reserves	6.1							6.1
<b>Total Income</b>	<b>506.9</b>	<b>198.3</b>	<b>-</b>	<b>45.6</b>	<b>200.8</b>	<b>15.7</b>	<b>39.6</b>	<b>7.0</b>
Transport Delivery	198.3	198.3						
Housing & Rengeneration	1.9		1.9					
Strategy, Economy and Net Zero	51.0			51.0				
Economic Delivery, Skills & Communities	205.6				205.6			
Portfolio Support	3.7					3.7		
Investment Programme	39.6						39.6	
Mayoral Office	0.9							0.9
Mayoral Election	6.1	-	-				-	6.1
<b>Total Expenditure</b>	<b>506.9</b>	<b>198.3</b>	<b>1.9</b>	<b>51.0</b>	<b>205.6</b>	<b>3.7</b>	<b>39.6</b>	<b>7.0</b>
<b>Net Expenditure</b>	<b>-</b>	<b>-</b>	<b>(1.9)</b>	<b>(5.3)</b>	<b>(4.8)</b>	<b>12.0</b>	<b>-</b>	<b>-</b>

A full breakdown of the revenue budgets can be found in Appendices 1 and 2 of this report.

4.10 The budget has been set in the context of agreed Aims and Objectives, specifically:

- Promote inclusive economic growth in every corner of the region;
- Ensure everyone has the opportunity to benefit;
- Connect our communities by delivering transport and unlocking housing and regeneration schemes;
- Reduce carbon emissions net zero and enhance the environment and boost climate resilience;
- Secure new powers and resources from Central Government; and
- Develop our organisation and our role as a good regional partner.

Appendix 4 of this report sets out the overarching business plan for the organisation at a summary level, using the financial resources outlined in this report. Key Activities) set out how services will deliver against the organisation's aims and objectives. The detailed Business Plan will be finalised and published in early 2024, with regular reporting to be undertaken on achievement throughout the year. For 2024/2025, the performance roadmap will be improved with a move towards more predictive and prescriptive performance reporting based on outcome indicators, out of which will be determined a smaller set of key performance indicators. This will allow for demonstration of the Authority's efficiency and value for money.

4.11 The final contributions from Constituent Authorities are as set out in the following table. The proposed Transport Levy is allocated to Constituent Members based on statutory populations (mid- year population estimates June 2022, updated November 2023). Constituent Member contributions are proposed to be held at £4.6m, £2.9m of which is split equally between members, the remaining £1.7m is split based on statutory populations. This apportionment method was confirmed in December 2023.

**Table 2: West Midlands Combined Authority 2024/25 Constituent Member contributions**

<b>Allocations</b>	<b>2023/24 £m</b>	<b>2024/25 £m</b>	<b>Net Change</b>
Birmingham	47.89	49.26	(1.37)
Coventry	14.76	15.44	(0.68)
Dudley	13.83	14.13	(0.30)
Sandwell	14.59	14.94	(0.35)
Solihull	9.38	9.61	(0.22)
Walsall	12.20	12.49	(0.29)
Wolverhampton	11.35	11.71	(0.36)
<b>Total</b>	<b>124.00</b>	<b>127.58</b>	<b>(3.58)</b>

- 4.12 The final contributions from Non-Constituent Authorities and Observers are as set out in Table 3 below and are set at £30,000 per annum for 2024/25. These will continue to be subject to annual review over the medium term.

**Table 3: West Midlands Combined Authority 2024/25 Non-Constituent Member contributions**

<b>Non-Constituent Member Allocations</b>	<b>2024/25 £</b>
<b><i>Non-Constituent</i></b>	
Cannock Chase District Council	30,000
North Warwickshire Borough Council	30,000
Nuneaton and Bedworth Borough Council	30,000
Redditch Borough Council	30,000
Rugby Borough Council	30,000
Shropshire Council	30,000
Stratford-on-Avon District Council	30,000
Tamworth Borough Council	30,000
Telford and Wrekin Council	30,000
Warwickshire County Council	30,000
<b><i>Observers</i></b>	
Fire partner contribution	30,000
Police partner contribution	30,000
Warwick District Council	30,000
<b>Total</b>	<b>390,000</b>

**Note:** Warwick District Council has applied to change its current status from Observer to Non-Constituent. This application will follow the usual processes.

## **5.0 Medium Term Revenue Position**

- 5.1 The Medium Term Financial Plan (MTFP) was initially presented to the WMCA Board in May 2022 and subsequently revised during following months, including engagement with Mayor and Portfolio Leaders and Constituent Authorities.
- 5.2 Recognising the significant budget pressures and funding challenges being faced by Constituent Authorities which prevented significant increases in their contributions, the WMCA committed to deliver £2.4m of efficiency savings within its transport function and to utilise £5m of the windfall gains to reduce the deficit in 2024/25.

- 5.3 In addition, it was acknowledged that due to risks in the external economic climate, wider public sector funding challenges, risks associated with the transport network and importantly potential opportunity arising from single settlement, then a one year funding solution would be sought that would lead to a balanced budget for 2024/25. This would leave a financial pressure in the medium term, ranging from £66.7m in 2025/26 to £96.5m by 2028/29 to be considered early in 2024, recognising that the Network Stabilisation grant would partially support this.
- 5.4 One of the most significant financial pressures is the continued risk associated with the bus network. The bus delivery options work is underway to report to WMCA Board in summer 2024. Alongside other options for stabilising the network beyond the end of the current operator agreement in December 2024 are being considered bearing in mind that Network Stabilisation grant is only a temporary resource, covering a maximum of 5 years. This would avoid a cliff-edge situation once the grant has been fully utilised. Updates will be provided to the WMCA Board during the course of the year.
- 5.5 The medium term position is summarised in Table 4 below.

**Table 4: Medium Term Financial Plan**

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	£m	£m	£m	£m	£m	£m
Transport Levy	119.4	122.936	122.9	122.9	122.9	122.9
Revenue Grants & Other Income (Transport)	51.5	70.4	6.5	6.0	6.0	6.0
Revenue Grants & Other Income (Portfolios)	42.8	105.4	1.6	1.4	1.4	1.4
Adult Education Funding	141.4	142.0	141.4	141.4	141.4	141.4
Share of Business Rates	12.0	8.3	14.5	15.3	15.9	16.7
Constituent Membership	4.6	4.644	4.6	4.6	4.6	4.6
Non Constituent Members	0.4	0.390	0.4	0.4	0.4	0.4
Investment Programme	36.5	36.5	36.5	36.5	36.5	36.5
Investment Income	4.7	5.3680	5.9	5.9	5.9	5.9
Use of Treasury Windfall Income	0.0	5.0	0.0	0.0	0.0	0.0
Use of Reserves	9.2	6.1	0.0	0.0	0.0	0.0
<b>Total Funding</b>	<b>422.5</b>	<b>506.9</b>	<b>334.3</b>	<b>334.4</b>	<b>335.0</b>	<b>335.8</b>
Transport for West Midlands	184.8	198.3	196.1	215.2	219.9	225.4
Strategy, Economy and Net Zero	5.0	51.0	6.5	6.7	6.9	7.1
Economic Delivery, Skills and Communities	186.6	205.6	149.5	149.6	149.9	150.3
Housing and Regeneration	1.8	1.9	1.4	1.4	1.4	1.4
Corporate Support Recharges to Portfolios	3.1	3.7	4.9	5.3	5.3	5.5
Investment Programme	40.4	39.6	41.6	41.6	41.6	41.6
Mayoral Office	0.9	0.9	0.0	0.0	0.0	0.0
Mayoral Election	0.0	6.1	1.0	1.0	1.0	1.0
<b>Total Expenditure</b>	<b>422.5</b>	<b>506.9</b>	<b>401.0</b>	<b>420.8</b>	<b>426.1</b>	<b>432.3</b>
<b>Net Expenditure</b>	<b>0.0</b>	<b>0.0</b>	<b>-66.7</b>	<b>-86.3</b>	<b>-91.1</b>	<b>-96.5</b>

*Note: 1) Table above assumes that the proposed 3% increase in the Transport Levy will be approved by Board in February 2024.*

*2) No further assumptions have been made around deployment of the Network Stabilisation grant beyond 2024/25. These will be factored into the next MTFP update.*

## 6.0 WMCA Indicative Medium-Term Capital Programme

- 6.1 The West Midlands Combined Authority indicative Capital Programme is summarised in Table 5 and set out in further detail within Appendices 5 to 6. Table 5 below summarises the current planned capital investment between 2023/24 and 2027/28, with the 2023/24 values based on latest forecasts. The actual capital budget for 2024/25 will be influenced by financial performance in 2023/24. As such, the final 2024/25 Capital Budget will be presented for approval to WMCA Board at the earliest opportunity in 2024/25 following confirmation of the 2023/24 outturn position. This report therefore recommends that WMCA Board approve the first year (2024/25) of the indicative WMCA Capital

Programme as set out in Appendix 5 and that WMCA Board note the indicative onward programme from 2025/26 onwards.

**Table 5: Summary West Midlands Combined Authority Capital Programme Expenditure 2023/24 to 2027/28**

WMCA Capital Programme (£M)	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Transport	296.1	356.2	167.3	106.2	0.4	926.2
Housing and Regeneration	35.8	94.8	72.1	18.1	18.2	239.1
Strategy, Innovation and Net Zero	6.8	13.8	0.1	-	-	20.7
<b>Total WMCA Delivered Schemes</b>	<b>338.7</b>	<b>464.9</b>	<b>239.5</b>	<b>124.3</b>	<b>18.6</b>	<b>1,185.9</b>
Transport (External)	94.9	225.5	230.6	159.4	12.9	723.3
Economy, Skills and Community (External)	12.4	16.4	-	-	-	28.8
<b>Total External Schemes</b>	<b>107.2</b>	<b>241.9</b>	<b>230.6</b>	<b>159.4</b>	<b>12.9</b>	<b>752.0</b>
<b>Total Capital Expenditure</b>	<b>445.9</b>	<b>706.8</b>	<b>470.0</b>	<b>283.7</b>	<b>31.5</b>	<b>1,938.0</b>

**Table 6: WMCA Capital Funding 2023/24 to 2027/28**

Funder (£m)	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Investment Programme Debt	177.0	132.9	31.1	21.1	12.9	375.0
Farebox Debt	7.0	32.3	8.8	24.1	0.4	72.5
UK Shared Prosperity Fund	7.9	13.3	-	-	-	21.2
CRSTS	119.4	259.0	318.0	214.2	-	910.5
TCF	24.1	5.6	-	-	-	29.7
Other DfT Grants	62.4	73.5	26.5	-	-	162.4
Other Central Government Grants	16.0	114.5	73.3	18.1	18.2	240.2
Third Party Contributions	2.1	0.1	-	-	-	2.2
Local Funding	28.6	9.2	8.5	6.2	-	52.6
Other	1.4	66.4	3.9	-	-	71.7
<b>Total Funding</b>	<b>445.9</b>	<b>706.8</b>	<b>470.0</b>	<b>283.7</b>	<b>31.5</b>	<b>1,938.0</b>

- 6.2 Around 23% of the capital programme is funded by project specific grants from Central Government, whilst the City Region Sustainable Transport Settlement (CRSTS) accounts for 47% of the funding underpinning the capital programme to 2027/28. In addition, the programme is supported by borrowing, where the revenues to support the costs of the debt and interest are underpinned by Investment Programme income or any commercial revenues expected to flow from those investments.
- 6.3 Approximately 48% of the Combined Authority's planned capital investment to 2027/28 consists of expenditure directly incurred by Transport for West Midlands in pursuance of the Investment Programme, City Region Sustainable Transport Settlement and Transforming Cities Programmes. A further 37% of the planned programme is for delivery of transport projects/programmes with work undertaken by local authorities. Another 12% is concerned with delivering the Housing and Regeneration objectives using funds secured by WMCA from Central Government. One percent is planned in delivering Net Zero ambitions, with a further 1% being used by local authorities to deliver initiatives that

contribute towards the economic resilience and regeneration of the region, promoting the resilience, health and wellbeing of communities in line with Government's Levelling Up agenda.

- 6.4 The Transport programme remains the most extensive, with the goal to deliver a world class transport system and improved infrastructure. The programme contains significant investment in expanding the Metro network, with main projects relating to Wednesbury to Brierley Hill and Birmingham Eastside. In addition, investment in developing and delivering new local rail stations in Birmingham and the Black Country is planned. The programme also continues the ambition for the delivery of high-quality cycling and walking improvements along key corridors and routes, thus moving the region closer to achieving the stated aim of wanting cycling to make up 5% of all trips in the region by 2023. Work will also continue on Phase 2 of the Sprint will complete the corridor to Walsall and Solihull, benefitting the customer in the form of more reliable, regular and predictable journey time. The Transport programme also reflects the final phase of the Transforming Cities Programme.
- 6.5 The Housing Capital Programme includes the land remediation programmes launched by the WMCA in 2016 and delivery against the various Housing capital grants awarded to the Combined Authority.
- 6.6 In addition to the traditional capital investment detailed above, WMCA will continue to operate the commercial and residential investment funds where loans to developers are made with the objective of unlocking stalled development sites which traditional lenders are unwilling to finance. The loans are held on the WMCA balance sheet under standard accounting regulations and as at December 2023, the cumulative value of loan commitments approved by WMCA totalled £258m (including £102m of loans which have since been repaid). The value of loans drawn and earning interest as at 30 November 2023 was £74m.

## **7.0 Investment Programme**

- 7.1 The WMCA Investment Programme was a product of the first devolution deal in 2016 and was designed to devolve more accountability, funding and powers out to the regions. From an expenditure perspective, the Investment Programme is a package of measures for the region containing projects centred around key economic prosperity drivers such as HS2, city centre regeneration and the remediation of brownfield sites.
- 7.2 Government agreed to provide a gainshare grant of £36.5m per year for 30 years, subject to a five yearly gateway review. WMCA are in contact with the Department for Levelling Up, Housing and Communities in respect of an interim gateway review which is expected to complete in February 2024.
- 7.3 The current affordable Investment Programme approved by the WMCA Board is investment of £871m across the region.
- 7.4 A comprehensive summary is provided within the WMCA Capital Strategy at Appendix 10.

## **8.0 Treasury Management Strategy and Policies**

8.1 WMCA as a public body is required to have regard to the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) in discharging all its financial responsibilities. The CIPFA Code was last revised in December 2021 and requires the setting out of the responsibilities and duties of members and officers, allowing a framework for reporting and decision making on all aspects of treasury management. The Code recommends the creation and maintenance of:

- A Treasury Management Policy Statement (TMPS), stating the policies and objectives of its treasury management activities; and
- Suitable Treasury Management Practices (TMPs) setting out the manner in which the organisation will seek to achieve those policies and objectives and prescribing how it will manage and control those activities.

The WMCA's Treasury Management Policy is set out in Appendices 7.

8.2 The West Midlands Combined Authority is required to review its Treasury Management Strategy on an annual basis. The Treasury Management Strategy defines how West Midlands Combined Authority will adhere to its own Treasury Management Policy Statement and provides a framework for its Treasury team to operate within. The proposed strategy for 2024/25 is set out in Appendix 8.

8.3 The Audit, Risk and Assurance Committee, at its meeting of 30 January 2024, reviewed and endorsed the above policies and strategies ahead of them being presented for final approval at this meeting.

## **9.0 Capital Strategy and Minimum Revenue Provision**

9.1 The Treasury Management Code of Practice and the Prudential Code requires authorities to have in place a Capital Strategy, which sets out the context in which capital expenditure and investment decisions are made, having regard to both risk and reward and impact on the achievement of specified Aims and Objectives. The Capital Strategy is presented as Appendix 9 for approval by West Midlands Combined Authority Board.

9.2 The Local Government Act 2003 requires the Authority to have regard to the DLUHC's Guidance on Minimum Revenue Provision (MRP) most recently issued in 2018. The broad aim of the Guidance is to ensure that capital expenditure is financed over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. In other words, where capital expenditure is financed by debt, resources have been put aside to repay that debt in later years.

9.3 The Minimum Revenue Provision Statement, presented in Appendix 10 for approval by West Midlands Combined Authority Board, identifies the Authority's approach in complying with the DLUHC guidance. The key elements include:

- For capital expenditure incurred before 1st April 2008 MRP will be determined as 2% of the capital financing requirement in respect of that expenditure;



- For unsupported capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset as the principal repayment on an annuity with an annual interest rate of 2%, starting in the year after the asset becomes operational;
- For capital expenditure on loans to third parties where the principal element of the loan is being repaid in annual instalments, the capital receipts arising from the principal loan repayments will be used to reduce the CFR instead of MRP.

## 10.0 Budget Calculation

- 10.1 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer, in this case, the Finance Director, as Section 151 Officer, to report to the West Midlands Combined Authority when it is setting the budget and the precept. The report must deal with the robustness of the estimates included in the budget and the adequacy of reserves.
- 10.2 The budget currently provides for the financial implications of the West Midlands Combined Authority's policies to the extent that these are known or can reasonably be assessed. However, there are risks which are beyond the West Midlands Combined Authority's control and for which it is not possible to be precise:
- The West Midlands Combined Authority's demand-led services.
  - Economic and community cost of living impact.
  - Impact of the Russia/ Ukraine war and Middle East conflict.
  - Policy changes or different priorities following elections in 2024.
  - Inflation and interest rate volatility leading to different outcomes than that assumed for budget planning.
  - West Midlands Pension Fund Investment Performance.
  - Regional local authorities' financial difficulties and the impact on the delivery of capital programmes.
  - Unforeseen emergencies.
- 10.3 The existing General Reserve balance is £4.4m. The General Reserve is held to cover the net impact of risks and opportunities and other unforeseen emergencies. This balance represents 3.4% of the aggregate proposed 2024/25 Constituent Authority contributions but only around 1% of expenditure.
- 10.4 Whilst the appropriate level of general fund reserves is a matter for judgement by the Finance Director (Section 151 Officer) it is generally accepted for general fund reserves to be between 3% and 5% of expenditure. The proposed balance is below this recommended level, however WMCA does carry earmarked reserves in order to ensure that existing commitments can be delivered. It is also noted that it would not be appropriate for WMCA to sit on extensive general reserves whilst Constituent Members face funding challenges of their own.
- 10.5 WMCA is obliged to ensure that all resources are applied in a way which secure the best value for the region, and to continually review its performance and financial position.
- 10.6 These obligations are addressed through an annual review of the MTFP, culminating in the draft and final budget reports presented to WMCA Board in January and February

respectively. WMCA Board also receive the latest available financial position at each Board meeting throughout the year, with additional papers presented to seek approval for significant investments or revisions to budget.

10.7 Whilst no budget is risk-free, WMCA does still have opportunities to improve its financial position:

- reducing all Capital Financing costs through accessing best value financing available, including the Public Works Loans Board and UK Infrastructure Bank; and
- optimising returns on all cash investments, continually reviewing the market for additional funds to invest in which meet WMCA's Treasury Management Strategy guidelines.

10.8 The Finance Director states that to the best of her knowledge and belief the 2024/25 Final Budget calculations are robust and have full regard to:

- The expected financial position as at the end of 2023/24
- The Transport Revenue Budget as set out in Appendix 1
- The Portfolio Revenue Budget as set out in Appendix 2
- The Capital Programme as set out in Appendix 5 and 6
- The strength of WMCA's financial control procedures including audit considerations
- The extent of WMCA's General and Earmarked reserves
- The policies of Her Majesty's Government as they impact upon the WMCA.

## **11.0 Pay Policy Statement**

11.1 Sections 38 - 43 of the Localism Act 2011 require the Authority to produce a policy statement that covers a number of matters concerning the pay of the Authority's staff, principally its Chief Officers and the Authority's lowest paid employees. The Pay Policy Statement meets the requirements of the Localism Act 2011 and clarifies the West Midlands Combined Authority strategic stance on pay to provide direction for members and officers making decisions on pay and to provide the citizens of the West Midlands with a clear statement of the principles underpinning decisions on the use of public funds.

11.2 The statement provides transparency with regard to the Authority's approach to setting the pay of its employees by identifying:

- the methods by which salaries of all employees are determined.
- the detail and level of remuneration of its most senior staff as defined by the relevant legislation.
- the Committee responsible for ensuring the provisions set out in this statement are applied consistently throughout the West Midlands Combined Authority and for recommending any amendments to the statement to the West Midland Combined Authority Board.

11.3 The West Midlands Combined Authority Pay Policy Statement is attached at Appendix 11.

- 11.4 Changes in the Pay Policy Statement include the different pay structure for Operational director and senior managers.

## **12.0 Legal Implications**

- 12.1 Under powers granted by the Combined Authorities (Finance) Order 2017, Elected Mayors may raise a precept on Constituent Authorities Council Tax bills under section 107G of the Local Democracy Economic Development and Construction Act 2009. A Mayoral Precept may only be issued in relation to the costs of the Mayor or of discharging Mayoral Functions. The Mayoral functions are set out in Article 22 of the West Midlands Combined Authority (functions and amendments) Order 2017. There are powers for the Mayor to engage in highway management activity, works permit schemes, road safety measures and road traffic reduction activity amongst others. The Order also gives the Mayor a functional power of competence to do anything that is associated, incidental or connected with those powers in order to undertake those activities.
- 12.2 As the Mayor did not include setting a precept as part of his 2021 Election Manifesto, the funding of budget proposals in respect of Mayoral functions is expected to be met from alternative funding sources until 2025/26 at the earliest.
- 12.3 As a public authority which has the power to levy for transport functions and to raise a precept, WMCA must set a budget every year which is agreed through its formal decision-making processes. This report outlines the legal and governance processes that need to be completed including consideration by Overview and Scrutiny Committee and the WMCA Board.

## **13.0 Equalities Information**

- 13.1 There is no direct equality impact in relation to the 2024/25 budget proposals as funding has been maintained and service provision is not affected. However, there are risks and financial uncertainties due to general economic conditions, supply chain issues and relatively higher inflation levels.
- 13.2 A number of mitigating measures have been considered as part of budget planning which should help mitigate any negative impact, but the scale of change may result in the need for additional considerations in relation to assisted travel policies. The protected characteristics most likely to be affected are those on lower incomes with fewer economic resources who are more reliant on public transport. This would include young people, women, single parents, people from lower socio-economic groups, ethnic minorities and disabled people.
- 13.3 Future policy options would need to undergo in-depth equality impact assessments and engagement/consultation with affected groups to ensure negative impact is mitigated as far as practically possible.

## **14.0 Inclusive Growth Implications**

14.1 West Midlands Combined Authority will continue to have due regard to proactively delivering inclusive growth in the West Midlands region. The budget proposals contained in this report reflect that commitment.

## **15.0 Geographical Area of Report's Implications**

15.1 The budget proposals encompass the West Midlands region.

## **Appendices**

Appendix 1 – Transport Delivery Revenue Budget

Appendix 2 – WMCA Delivery Budget (Portfolios)

Appendix 3 – Mayoral Office and Election Budget

Appendix 4 – WMCA Activity for 2024/25

Appendix 5 – WMCA Delivered Capital Programme

Appendix 6 – Externally Delivered Capital Programme

Appendix 7 – Treasury Management Policy Statement 2024/25

Appendix 8 – Treasury Management Strategy 2024/25

Appendix 9 – WMCA Capital Strategy 2024/25

Appendix 10 – Annual Minimum Revenue Provision (MRP) Statement 2024/25

Appendix 11 – Pay Policy Statement 2024/25

## Appendix 1 – Proposed Transport Revenue Budget

	2023/24 Budget £000	2024/25 Budget £000	2025/26 MTFP £000	2026/27 MTFP £000	2027/28 MTFP £000	2028/29 MTFP £000
Transport Levy*	119,355	122,936	122,936	122,936	122,936	122,936
Network Stability Grant**		24,854				
Business Rates	4,674					
Use of Reserves	9,201					
Use of Treasury Windfall Income		5,000				
<b>TOTAL FUNDING</b>	<b>133,229</b>	<b>152,790</b>	<b>122,936</b>	<b>122,936</b>	<b>122,936</b>	<b>122,936</b>
National Bus Concession	(47,248)	(47,695)	(49,983)	(52,048)	(53,102)	(54,187)
Metro / Rail	(4,574)	(4,581)	(4,589)	(4,594)	(4,704)	(4,828)
Child Concession	(7,166)	(6,773)	(7,630)	(7,921)	(8,260)	(8,357)
<b>Concessions</b>	<b>(58,988)</b>	<b>(59,049)</b>	<b>(62,202)</b>	<b>(64,563)</b>	<b>(66,067)</b>	<b>(67,373)</b>
Bus Stations / Infrastructure	(5,934)	(7,114)	(9,338)	(9,684)	(10,091)	(10,598)
Subsidised Network	(14,255)	(24,433)	(17,816)	(18,930)	(20,038)	(21,129)
Bus Network Support			(30,000)	(30,000)	(30,000)	(30,000)
Accessible Transport	(6,633)	(6,718)	(6,745)	(6,764)	(7,000)	(7,243)
<b>Bus Services</b>	<b>(26,823)</b>	<b>(38,265)</b>	<b>(63,899)</b>	<b>(65,378)</b>	<b>(67,128)</b>	<b>(68,970)</b>
Metro Services	(10,899)	(16,051)	(15,353)	(31,136)	(31,510)	(31,860)
Rail Services	(4,852)	(5,010)	(5,265)	(5,397)	(5,510)	(5,671)
<b>Rail and Metro Services</b>	<b>(15,751)</b>	<b>(21,061)</b>	<b>(20,618)</b>	<b>(36,534)</b>	<b>(37,020)</b>	<b>(37,531)</b>
Safety and Security	(2,778)	(2,905)	(2,990)	(3,048)	(3,115)	(3,192)
Passenger Information	(6,537)	(7,175)	(7,522)	(7,778)	(8,097)	(8,523)
Sustainable Travel	(1,956)	(2,147)	(3,785)	(3,523)	(3,147)	(3,169)
<b>Integration</b>	<b>(11,271)</b>	<b>(12,227)</b>	<b>(14,296)</b>	<b>(14,349)</b>	<b>(14,358)</b>	<b>(14,885)</b>
<b>Network Resilience</b>	<b>(3,197)</b>	<b>(3,386)</b>	<b>(4,392)</b>	<b>(4,510)</b>	<b>(4,666)</b>	<b>(4,865)</b>
<b>Business and Democratic Support</b>	<b>(4,999)</b>	<b>(4,944)</b>	<b>(5,574)</b>	<b>(5,577)</b>	<b>(5,622)</b>	<b>(5,843)</b>
<b>Strategic Development</b>	<b>(4,840)</b>	<b>(4,813)</b>	<b>(5,354)</b>	<b>(5,077)</b>	<b>(5,750)</b>	<b>(6,048)</b>
<b>Transport Governance</b>	<b>(141)</b>	<b>(147)</b>	<b>(154)</b>	<b>(160)</b>	<b>(167)</b>	<b>(175)</b>
<b>Capital Finance Charges</b>	<b>(10,219)</b>	<b>(11,297)</b>	<b>(13,097)</b>	<b>(13,125)</b>	<b>(13,210)</b>	<b>(13,725)</b>
<b>Efficiency Target</b>	<b>3,000</b>	<b>2,400</b>				
<b>TOTAL EXPENDITURE</b>	<b>(133,229)</b>	<b>(152,790)</b>	<b>(189,585)</b>	<b>(209,275)</b>	<b>(213,988)</b>	<b>(219,415)</b>
<b>NET EXPENDITURE</b>	<b>0</b>	<b>0</b>	<b>(66,650)</b>	<b>(86,340)</b>	<b>(91,052)</b>	<b>(96,479)</b>

Note that specific revenue grants of £45.5m are netted against expenditure lines in the table above.

\* the table above assumes that the proposed 3% increase in the Transport Levy will be approved by Board in February 2024.

\*\* no further assumptions have been made around deployment of the Network Stabilisation grant beyond 2024/25. These will be factored into the next MTFP update.

### ENCTS (National Bus Concession) £47.7m

- Free Travel for all entitled to national pass from 9.30am to 11pm
- Reimbursement regulated by Secretary of State with guidance provided by DfT
- Current discretionary scheme extension 11pm to last bus

### Child Concessions £6.8m

- Half fare travel

- Children 5-15 Years
- Young adults in education 16-18 Years
- Apprentices and Trainees 16-18 Years Weekdays before 9.30 am & between 15.00 & 18.00 Hrs

#### **Rail and Metro Concessions £4.6m**

- Extensions of national bus scheme to rail and metro
- After 9.30pm to midnight weekdays, all day weekends and bank holidays
- These are around 125,657 active users making use of the Rail and Metro concession (75,945 for rail and 49,712 for Tram).
- Users of the concession are making 1,376,168 trips per annum (807,657 for Rail and 568,511 for Metro).

#### **Subsidised services £24.4m**

- Policy criteria -Minimum 8 passengers per journey
- The current VFM Thresholds are £4.10 for tendered contract
- Access criteria 400m (7am -7pm) 700m (all other times)

#### **Accessible Transport £6.7m**

- Ring & Ring is operated by National Express Accessible Transport currently but in 2024 this contract will end and the commissioning / tendering out of the service may change with a new operator in place. The procurement exercise for this has already started.
- Currently there are 4,447 active users taking circa 185,000 trips per annum. The number of trips is rising each month at a steady pace.

#### **Passenger information £7.2m**

- Real time information across the network
- Customer information is a focus in all formats: at bus stops, shelters, bus stations & online
- Travel Information Centres
- We continue to provide and invest in customer service teams and telephone support

#### **Bus Stations/Infrastructure £7.1m**

- Management and Maintenance of 12 Bus stations, circa 12,000 stops and shelters
- Infrastructure Costs –cleaning, repairs, rates, CCTV, Electricity, routine maintenance
- Bus policy development options

#### **Rail Services £5.0m**

- Provision, management, on-going maintenance and operation of 45 Park and Ride sites, circa 9,100 spaces
- Delivery of TfWM Rail responsibilities including capital projects and industry engagement
- WMCA contribution to WMR Limited (a consortium of 16 local authorities) which has co-responsibilities with the DfT for managing the West Midlands Rail franchise

#### **Metro Services £16.1m**

- Subsidy and franchise assumptions continue to be reviewed in light of pandemic recovery

#### **Safety and Security £2.9m**

- Safer Travel police team, CCTV at Bus & Rail Stations including interchanges, CCTV control Centre

**Business & Democratic Support £4.9m**

- This covers the transport related element of support and overhead costs attributable to 16 Summer Lane, ICT, Legal, Procurement, Health & Safety, Equalities, Programme Management, Finance, Human Resources, & general business infrastructure & support

**Strategic Development £4.8m**

- Transport Team delivering plans for devolution, strategic economic plan proposals, developing business cases and related policy and strategy development.

**Capital Finance Charges £11.3m**

- Loan interest on existing loan book and anticipated future borrowing
- Resumption of MRP charges following end of MRP holiday period
- Past Pension costs and deficit funding arrangements

**Network Resilience £3.4m**

- Resource to work on managing congestion and mitigating impact of the wider transport investment programme
- Resource to assist in embedding the Key Route Network as part of an integrated transport system to support economic performance and keep people safe and well informed
- Costs associated with operating the RTCC (Regional Transport Coordination Centre)
- To deliver both agreed and emerging policies (e.g. Congestion Management Plan, Highways Investment Plan, Regional Road Safety Strategy)

**Sustainable Travel £2.1m**

- This represents the costs of Sustainable travel work within TfWM including the West Midlands Cycle charter, oversight of cycling strategy and investment across the West Midlands and delivery of the West Midlands Bike Hire project.

**Transport Governance £0.1m**

- This represents the cost of elected members related to the responsibilities of the Transport Delivery Overview and Scrutiny Committee

## **Appendix 2 – Proposed West Midlands Combined Authority Portfolio Budgets**

**Annex A** – Employment and Skills

**Annex B** – Housing and Regeneration

**Annex C** – Economy & Innovation

**Annex D** – Culture and Digital

**Annex E** – Health & Communities

**Annex F** – Levelling Up

**Annex G** – Environment, Energy and HS2

**Annex H** – Inclusive Communities

**Annex I** – Funding for Growth

**Annex J** – Energy Capital

**Annex K** – Central Funding & Recharges

**Annex L** – Definitions of Key Budget Headings



**Employment and Skills**

<b>Employment and Skills</b>	<b>2023/24 Budget £</b>	<b>2024/25 Budget £</b>	<b>Movement £</b>
Grant Income	178,818,744	191,958,029	13,139,285
Use of reserves	532,596	-	(532,596)
<b>Total Income</b>	<b>179,351,340</b>	<b>191,958,029</b>	<b>12,606,689</b>
Employees	4,395,651	5,299,340	(903,689)
Transport-related Expenditure	12,186	10,475	1,711
Supplies & Services	17,931,993	45,025,386	(27,093,393)
Third Party Payments	158,877,067	143,278,515	15,598,552
Support Services	408,580	582,423	(173,843)
<b>Total Expenditure</b>	<b>181,625,476</b>	<b>194,196,140</b>	<b>(12,570,664)</b>
<b>Net Expenditure</b>	<b>2,274,136</b>	<b>2,238,111</b>	<b>36,025</b>

**Housing and Regeneration Portfolio**

<b>Housing &amp; Regeneration</b>	<b>2023/24 Budget £</b>	<b>2024/25 Budget £</b>	<b>Movement £</b>
Grant Income	1,837,194	-	(1,837,194)
Use of reserves	-	-	
<b>Total Income</b>	<b>1,837,194</b>	<b>-</b>	<b>(1,837,194)</b>
Employees	946,978	1,011,845	(64,867)
Premises-related Expenditure	211,370	183,273	28,097
Supplies & Services	678,846	677,471	1,374
<b>Total Expenditure</b>	<b>1,837,194</b>	<b>1,872,589</b>	<b>(35,395)</b>
<b>Net Expenditure</b>	<b>0</b>	<b>1,872,590</b>	<b>(1,872,590)</b>

**Economy & Innovation Portfolio**

<b>Economy and Innovation</b>	<b>2023/24 Budget £</b>	<b>2024/25 Budget £</b>	<b>Movement £</b>
Grant Income	1,323,374	4,426,007	3,102,633
<b>Total Income</b>	<b>1,323,374</b>	<b>4,426,007</b>	<b>3,102,633</b>
Employees	1,199,977	1,337,309	(137,332)
Supplies & Services	2,153,714	4,131,595	(1,977,881)
Support Services	50,000	85,387	(35,387)
<b>Total Expenditure</b>	<b>3,403,691</b>	<b>5,554,292</b>	<b>(2,150,601)</b>
<b>Net Expenditure</b>	<b>2,080,317</b>	<b>1,128,284</b>	<b>952,033</b>

**Culture and Digital Portfolio**

<b>Culture and Digital</b>	<b>2023/24 Budget £</b>	<b>2024/25 Budget £</b>	<b>Movement £</b>
Grant Income	679,282	521,881	(157,401)
<b>Total Income</b>	<b>679,282</b>	<b>521,881</b>	<b>(157,401)</b>
Employees	186,223	299,756	(113,532)
Supplies & Services	881,278	702,257	179,022
Third Party Payments	-	325,000	(325,000)
Support Services		3,625	(3,625)
<b>Total Expenditure</b>	<b>1,067,502</b>	<b>1,330,637</b>	<b>(263,136)</b>
<b>Net Expenditure</b>	<b>388,219</b>	<b>808,756</b>	<b>(420,537)</b>

**Health & Communities**

Health and Communities	2023/24 Budget £	2024/25 Budget £	Movement £
Grant Income	390,336	4,373,233	3,982,897
<b>Total Income</b>	<b>390,336</b>	<b>4,373,233</b>	<b>3,982,897</b>
Employees	1,095,693	822,549	273,144
Supplies & Services	261,723	4,197,310	(3,935,587)
Support Services	-	80,000	(80,000)
<b>Total Expenditure</b>	<b>1,357,416</b>	<b>5,099,859</b>	<b>(3,742,443)</b>
<b>Net Expenditure</b>	<b>967,080</b>	<b>726,626</b>	<b>240,454</b>

**Levelling Up**

Levelling Up	2023/24 Budget £	2024/25 Budget £	Movement £
Grant Income	59,788	42,605,121	42,545,333
Use of reserves	-	74,513	74,513
<b>Total Income</b>	<b>59,788</b>	<b>42,679,634</b>	<b>42,619,846</b>
Employees	1,066,689	1,888,405	(821,716)
Supplies & Services	541,780	41,992,642	(41,450,862)
Support Services	-	701,530	(701,530)
<b>Total Expenditure</b>	<b>1,608,469</b>	<b>44,582,577</b>	<b>(42,974,108)</b>
<b>Net Expenditure</b>	<b>1,548,681</b>	<b>1,902,943</b>	<b>(354,262)</b>

## Annex G

Environment, Energy and HS2

Environment and Energy, HS2	2023/24 Budget £	2024/25 Budget £	Movement £
Grant Income	-	1,666,625	1,666,625
Investment Programme Funding	688,763	33,950	(654,813)
Other Income		40,000	40,000
<b>Total Income</b>	<b>688,763</b>	<b>1,740,575</b>	<b>1,051,812</b>
Employees	431,616	685,963	(254,347)
Supplies & Services	1,121,537	2,146,314	(1,024,777)
Support Services		28,163	(28,163)
<b>Total Expenditure</b>	<b>1,553,153</b>	<b>2,860,440</b>	<b>(1,307,287)</b>
<b>Net Expenditure</b>	<b>864,390</b>	<b>1,119,865</b>	<b>(255,475)</b>

## Annex H

Inclusive Communities Portfolio

Inclusive Communities	2023/24 Budget £	2024/25 Budget £	Movement £
Grant Income	469,828	420,630	(49,198)
Use of reserves	68,000	17,000	(51,000)
<b>Total Income</b>	<b>537,828</b>	<b>437,630</b>	<b>(100,198)</b>
Employees	748,960	774,344	(25,385)
Transport-related Expenditure	-	624	(624)
Supplies & Services	727,286	634,872	92,414
Support Services	10,000	8,413	1,587
<b>Total Expenditure</b>	<b>1,486,246</b>	<b>1,418,253</b>	<b>67,993</b>
<b>Net Expenditure</b>	<b>948,418</b>	<b>980,623</b>	<b>(32,205)</b>

**Funding for Growth**

<b>Funding for Growth</b>	<b>2023/24 Budget £</b>	<b>2024/25 Budget £</b>	<b>Movement £</b>
Use of reserves	-	700,000	700,000
<b>Total Income</b>	<b>-</b>	<b>700,000</b>	<b>700,000</b>
Supplies & Services	700,000	1,400,000	(700,000)
<b>Total Expenditure</b>	<b>700,000</b>	<b>1,400,000</b>	<b>(700,000)</b>
<b>Net Expenditure</b>	<b>700,000</b>	<b>700,000</b>	<b>0</b>

**Energy Capital**

<b>Energy Capital</b>	<b>2023/24 Budget £</b>	<b>2024/25 Budget £</b>	<b>Movement £</b>
Grant Income	-	410,829	410,829
Investment Programme Funding	284,044	50,000	(234,044)
<b>Total Income</b>	<b>284,044</b>	<b>460,829</b>	<b>176,785</b>
Employees	465,481	808,166	(342,685)
Supplies & Services	264,998	150,000	114,998
<b>Total Expenditure</b>	<b>730,479</b>	<b>958,166</b>	<b>(227,687)</b>
<b>Net Expenditure</b>	<b>446,436</b>	<b>497,338</b>	<b>(50,902)</b>

**Central Funding & Recharges**

<b>Central Funding &amp; Recharges</b>	<b>2023/24 Budget £</b>	<b>2024/25 Budget £</b>	<b>Movement £</b>
Business Rates Growth Income	7,326,431	8,258,851	932,420
Contribution - 7 Met Council's	4,643,814	4,643,814	-
Contribution - Non Constituent Members	420,000	390,000	(30,000)
Notional Interest Receivable	793,500	2,278,818	1,485,318
Grant Income	86,648	124,914	38,266
Other Income	500,000	-	(500,000)
<b>Total Income</b>	<b>13,770,393</b>	<b>15,696,397</b>	<b>1,926,004</b>
Employees	105,000	160,127	(55,127)
Supplies & Services		57,680	(57,680)
Support Services	3,447,718	3,478,455	(30,737)
<b>Total Expenditure</b>	<b>3,552,718</b>	<b>3,696,262</b>	<b>(143,545)</b>
<b>Net Expenditure</b>	<b>(10,217,675)</b>	<b>(12,000,135)</b>	<b>1,782,460</b>

## DEFINITIONS OF KEY BUDGET HEADINGS

<b>Employees</b>	Includes all employee related costs, both direct and indirect. Direct employee costs are Salaries, Employers National Insurance contributions, Employers pension contributions, agency staff and employee expenses. Indirect costs include recruitment costs, training, staff professional fees and health and safety.
<b>Premises</b>	Includes costs directly related to the running of premises and covers repairs, maintenance, energy costs, rents, rates, water charges, fixtures, fittings, cleaning, facilities management, CCTV and premises insurance.
<b>Transport</b>	Includes all costs associated with the provision, hire or use of transport, including car allowances, travel expenses and public transport expenses.
<b>Supplies and Services</b>	Includes all direct supplies and service expenses to the authority. It covers equipment, furniture, uniforms, materials, printing, stationery and general office expenses, external advice costs, postage, IT licences and applications and subscriptions.
<b>Third Party Payments</b>	A third party payment is a payment to an external provider in return for the provision of a service.
<b>Support Services</b>	These are charges for all support services. These costs are apportioned or allocated to the services they support and include the costs of finance, IT, HR, office accommodation, legal services, internal audit, procurement, organisational development etc.
<b>Government Grants</b>	Specific grants from Government to fund programmes and projects. Includes grants with and without conditions.
<b>Investment Income</b>	Income arising from Treasury Management activities.
<b>Use Of Reserves</b>	Drawdown from reserves, mainly as a result of carried forward grants from prior years.

### Appendix 3 – Mayoral Office and Election Budget 2024/25

Mayoral Office	2023/24 Budget £	2024/25 Budget £	Movement £
Grant Income	945,271	916,458	(28,812)
Other Income	-	75,000	75,000
<b>Total Income</b>	<b>945,271</b>	<b>991,458</b>	<b>46,188</b>
Employees	838,368	859,873	(21,504)
Supplies & Services	97,170	121,854	(24,683)
Support Services	9,732	9,732	0
<b>Total Expenditure</b>	<b>945,271</b>	<b>991,458</b>	<b>(46,187)</b>
<b>Net Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>
Mayoral Election	2023/24 Budget £	2024/25 Budget £	Movement £
Use of reserves	-	6,100,000	6,100,000
<b>Total Income</b>	<b>-</b>	<b>6,100,000</b>	<b>6,100,000</b>
Local Authority Mayoral Election Costs	-	6,100,000	(6,100,000)
<b>Total Expenditure</b>	<b>-</b>	<b>6,100,000</b>	<b>(6,100,000)</b>
<b>Net Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>



## Appendix 4 – Activity for 2024/25

The following Key Activities are proposed in order to support delivery of the WMCA Aims and Objectives for 2024/25.

Key Activity	Aim & Objective
<b>Transport for West Midlands</b>	
Regional Transport Planning: Maintain & publish a statutory West Midlands Local Transport Plan and embed transport policy and investment strategy (inc CRSTS / Single Pot) in the plans and programmes of the wider WMCA & partners	3.1
Transport User Research: Develop and maintain a deep understanding of the needs, attitudes and perceptions of people who use the West Midlands transport system	3.1
Transport Data: Continue to develop and maintain a robust common data environment for the West Midlands transport system	3.1
Network Insight: Analyse the transport system to provide deep insight, recommend actions and produce robust evidenced based business cases for schemes and funding programmes	3.1
Smart Payment & Journey Planning: Develop and operate the Swift eco-system for easy to use and affordable ways to plan and pay for travel across the whole transport system	3.1
Branding: Taking forward a strong, unified brand for the West Midlands transport network will make us: Easy to see, and easier to choose	3.1
Manage Transport Network: Managing the West Midlands Transport Network through improved coordination with the Regional Transport Co-ordination Centre	3.1
Security and Policing: Improving perceptions of passenger safety to increase trust and confidence in using public transport services, enabled where necessary by new technologies. Keep the transport system safe and secure	3.1
Key Route Network: Develop, enhance, manage the performance of the KRN to a high standard and make sure it is safe, reliable and well maintained for all road users	3.1
Behaviour Change Hub: Enabling sustainable travel across the West Midlands, considering both their environmental impact, and the increasing effects of climate change	6.2
Traffic Signal Technology: Collaborating with stakeholders and local authority partners to maximise the performance of the West Midlands traffic signals network	3.1
RTCC, Events and Emergencies: Improving the performance of the Transport Network and co-ordinating the delivery of regional events, LRF activities and the TfWM Emergency Plan.	3.1
Progress Midlands Rail Hub	3.1
Introduce train services on new infrastructure	3.1

Key Activity	Aim & Objective
<b>Transport for West Midlands (cont)</b>	
Meet future demand and improve the Customer experience	3.1
Fund and effectively manage essential supported services that provide a social benefit including concessions, ring and ride, and tendered bus services	3.1
Customer Experience. Deliver high quality customer facing services across a range of customer touchpoints throughout the organisation through Safety and Security, brand, transport network, web and media channels including front line services at bus stations, interchanges, cycle hire, e-scooters.	3.1
Ensure strategic and operational Health and Safety aims and key deliverables are communicated and embedded throughout the WMCA	3.1
Creating and maintaining accurate and reliable public transport travel information including the requirements set out in the National Bus Strategy and Vision for Bus.	3.1
Metro interface - Develop with MML a 5 Year Business Plan and ensure the Asset Strategy and lifecycle renewal works are delivered for Metro.	3.1
Metro - Ensure MML have the resource to deliver the WBHE Extension	3.1
Deliver the transport capital programme under CRSTS, ATF and other legacy funds	3.1
Programme Integration: The development of integrated of programmes to ensure that alignment to wider WMCA objectives	3.2
Develop new and Improved Stations	3.2
Greater Influence in the provision of train services for the West Midlands	3.2
Deliver a review of the regions Bus Delivery Options with a clear recommendation to WMCA Board on the regulatory framework and any changes.	3.2
Delivering our bus vision and BSIP to support inclusive growth.	3.2
To strengthen the reporting on the capital programme life cycle to ensure transport projects and programmes delivered on behalf of TfWM and the LA's - to provide regular reporting to the transport Delivery, Overview and Scrutiny committee to track progress against programme, budget including risks and issues through the transport portfolio office.	3.2

Key Activity	Aim & Objective
<b>Transport for West Midlands (Cont)</b>	
Network Infrastructure. Developing assets to support better access to the transport system including making our transport assets more affordable by increasing commercial revenues	3.4
Strategic Partnerships: The development of strategic partnerships at a regional, national and international level aligned to TfWM objectives	4.1
Future Transport Zone: Continue to support and grow a vibrant low carbon transport innovation eco-system which improves user experiences and furthers LTP outcomes through grant funded programmes and commercial collaborations	4.4
HS2: Ensure that the West Midlands maximises the benefits of HS2 to the region in line with HS2 Growth Strategy	4.4
Mass Rapid Transit: Development of option assessment studies for priority routes as identified in the LTP	4.4
Maximising future funding opportunities	5.2
Transport Skills Academy: Inspire the future workforce to consider Transport as a viable option for career choice within the West Midlands transport sector	6.3
Develop Delivery Directorate: Develop the Delivery Directorate team to become the best delivery team in the West Midlands, with a relentless focus on cost, programme and delivery quality becoming trusted partners both across TFWM, WMCA and the Local Authorities	6.4

Key Activity	Aim & Objective
<b>Employment, Skills, Health &amp; Communities</b>	
Procure a consortium delivery contract to expand the supply chain of organisations delivering SWAP provision provider	1.3
Broaden the portfolio of bootcamp provision to include business and professional occupations	1.3
Number of unemployed residents who have moved into work after participating in WMCA-funded 'into employment' provision.	1.3
Number of residents starting training on a SWAP or gateway programme, funded by WMCA and delivered by our grant-funded or contracted providers	1.3
Number of unemployed residents who have moved into work after participating in WMCA-funded SWAP or gateway programme delivered by our grant-funded or contracted providers	1.3
Number of residents starting training on a bootcamp programme at any level, funded by WMCA and delivered by our grant-funded or contracted providers	1.3
Number of unemployed residents who have moved into work after participating in WMCA-funded skills bootcamp delivered by our grant-funded or contracted providers	1.3
Develop and implement a behavioural insights 'Know How' campaign targeting those at work to take up learning	2.1
Number of residents starting training on a level 3 course, funded by WMCA and delivered by our grant-funded or contracted providers	2.1
Number of residents starting any training, funded by WMCA through the Adult Education Budget or Free Courses for Jobs, and delivered by our grant-funded or contracted providers	2.1
Number of residents starting training on a level 3 bootcamp programme, funded by WMCA and delivered by our grant-funded or contracted providers	2.1
Work with Local Authorities to develop a delivery model for Universal Support	2.3
Number of residents supported by WMCA-funded programmes to improve their physical and mental wellbeing.	2.3
Number of residents supported to improve their mental or physical health by participating in WMCA-funded Thrive programmes.	2.3
Number of residents improving their well-being through participating in WMCA-funded community learning provision.	2.3
Number of residents supported to access physical activity through WMCA-funded programmes.	2.3

Key Activity	Aim & Objective
<b>Strategy, Economy &amp; Net Zero</b>	
Agree the local growth and place pillar of the single settlement for the next Spending Review using the outputs of the Strategic Productivity and Innovation Partnerships	1.1
Use the Strategic Innovation Partnership to increase public R&D funding to the region and the coherence of universities	1.1
Manage the funding agreement with the West Midlands Growth Company to deliver the programmes impacts of Global West Midlands.	1.2
Deliver the Business Growth West Midlands business support ecosystem inc. strengthening links with the private sector w/ a focus on i) consistency of service across WM ii) a high quality service iii) informing Strategic Productivity Partnerships and Single Settlement discussions iv) ensuring regional programmes are fully embedded in the service	1.2
As part of Business Growth West Midlands, ensure effective local delivery by partners of the UKSPF-funded business support programmes, including ongoing improvement of and liaison between LAs and WM-wide "core hub" activities	1.2
Deliver £40m of regional business growth programmes in line with the objectives in those business cases and fully aligned to Business Growth West Midlands and Plan for Growth	1.2
Plan For Growth - Lead the mobilisation of the West Midlands Plan for Growth with priorities including i) leading a coherent and cohesive approach to cluster leadership and growth priorities for each of eight clusters plus tech as an underpinning theme ii) ensuring there are key thematic interventions and clear strategic direction for each cluster	1.2
Develop, agree and implement a West Midlands CA Culture, Creative Industries and Digital combined strategy that provides thought leadership for WM partners, connects across sectors and has a clearly defined agreed regional USP. Completed strategy by March 2025.	1.4
Develop, agree and implement a WMCA Creative Industries strategy that maps onto DCMS Creative Industries Sector Vision outcomes but also understands and develops the WM CI specific sector approaches and opportunities. Completed strategy by March 2025.	1.4

Key Activity	Aim & Objective
<b>Strategy, Economy &amp; Net Zero (Cont)</b>	
Delivery of the full CWGLEF Culture Pillar Programme and evaluation across the four missions of 1) Cultural engagement, communities and social value; 2) Civic Pride, Placemaking and Cultural Infrastructure; 3) Futureproofing our cultural sector; and 4) Globally connected West Midlands Cultural Sector.	1.4
Delivery of final year of CDF underspend grant activities with focus on Wolverhampton, Sandwell and Dudley.	1.4
Ensure the delivery of a CWGLEF-wide evaluation that demonstrates the positive impact that the CWGLEF has had on the region	1.5
Deliver the recommendations made in Race Forward. Convene the Race Equalities Taskforce, Members Advisory Group and associated task groups to influence and enable the West Midlands Combined Authority, our partners and wider stakeholders to achieve the vision that your ethnicity, race or heritage will not be a barrier.	2.2
Facilitation and development of a varied portfolio of citizen engagement activity across the WMCA to ensure decisions are shaped by citizens and that our policies, practices and investments deliver real value for everyone living and working in the region.	2.2
Deliver the ambition to design out homelessness through ongoing facilitation of the Homelessness Taskforce, Members Advisory Group and associated task groups, including delivery of proof of concept activity, oversight of externally funded projects and programmes and developing alternative models for preventative activity.	2.3
Ensure the successful integration of the Police and Crime Commissioner functions into the West Midlands Mayoralty in May 2024, and identify, develop and deliver synergies and opportunities following integration.	2.3
Support systems and processes for devolving and delivering more effective energy infrastructure and remove barriers to investing in clean energy assets	4.1
Work with partners to develop and deliver projects to tackle fuel poverty in the region and progress towards the target of getting the region's homes to Net Zero by 2041	4.1
Grow SMART Hub capacity to support local authorities to access funding, intelligence and expertise to retrofit homes to reduce carbon emissions	4.1

Key Activity	Aim & Objective
<b>Strategy, Economy &amp; Net Zero (Cont)</b>	
Commence delivery of Net Zero Neighbourhood Demonstrator programme to pilot place-based approaches to retrofit and wider decarbonisation, building a pipeline of projects, establishing the first Net Zero Neighbourhood and commencing works to homes in this area	4.1
WM Industrial Symbiosis Demonstrator (WMIS)	4.3
Local Investment in Natural Capital (LINC) programme	4.5
Local Nature Recovery Strategy (LNRS)	4.5
Defra and DLUHC Air Quality behaviour change and sensor network	4.5
Community Environment Fund (CEF)	4.5
Climate Adaptation	4.5
Greener Together Citizens Panel	4.5
To develop, integrate and socialise Inclusive Growth across the West Midlands through the development of Inclusive Growth products, communications, and events.	5.1

Key Activity	Aim & Objective
<b>Strategy, Economy &amp; Net Zero (Cont)</b>	
Design, develop, deliver and communicate research programme undertaken by WMCA's research and intelligence community to stakeholders across the West Midlands ecosystem	5.1
Deliver the West Midlands Outcomes Framework by which the West Midlands can measure the extent to which we are achieving our Inclusive Growth fundamentals.	5.1
Deliver outcomes as defined by the WMCA Digital Roadmap through a programme of integrated activity and partnership working across each of the five missions.	5.1
Implement the public affairs strategy, including lobbying plans and the Public Affairs Network, to secure WMCA influence within national policy and policymaking processes and with national thought leaders; and to establish our role as a regional public affairs convenor.	5.1
Maintain capacity for disseminating policy ideas, information and research across the organisation, to support the WMCA's capacity for innovative policymaking.	5.1
Facilitate the implementation of the trailblazer deeper devolution deal and support colleagues resolve the most important and/or challenging elements of implementation, with a particular focus on business case delivery and MP Questions.	5.2
Undertake a devolution review in 2024 to identify the WMCA's future devolution priorities	5.2
Deliver the 9 workstreams required to implement the single settlement.	5.2
Embed plans and activities for the organisation's internal and external functions to meet the requirements as set out in the WMCA equality scheme. Deliver the workplace wellbeing strategy and support.	6.5



Key Activity	Aim & Objective
<b>Housing, Property &amp; Regeneration</b>	
Lead WMCA Strategic Acquisitions, Disposals and Asset Management programmes	3.3
Organise and lead a series of industry led taskforces to provide critical insight, challenge, advocacy and support to the work of the Housing and Land Board	3.3
Deliver a comprehensive programme supporting the effective implementation of the public land charter through collaborative working with the Cabinet Office, LGA, industry taskforces & local partners via overseeing and managing the development and delivery of the regional One Public Estate and Place Pilots Programmes.	3.3
Develop and support Board approved policy development work e.g. Homes for the Future and West Midlands Design Charter	3.3
Establish new and strengthen existing partnerships, ventures and joint approaches with public and private sector partners across the whole of the region to deliver local priorities leading to the development of an Affordable Housing strategy and Affordable Homes Programme for the region.	3.4
Produce the annual West Midlands Investment Prospectus and deliver associated partner engagement	3.4
Support local authorities and other partners on policy, projects, funding bids and investment plans in town centres	3.4
Influence & Engage with Govt on behalf of the region on a diverse range of housing, land and regeneration matters	3.4
Delivery of prescribed requirements and output targets of the 2018 Housing Deal & subsequent funding deals and agreements with HMG, as part of our nationally pioneering approach to brownfield regeneration and delivery innovation	4.2
Lead the implementation of the new funding, powers and leveraging of private sector investment for Housing Property & Regeneration, in alignment with the Devolution Deal, Single Settlement and Plan for Growth .	4.2
Manage and deliver modern high-class Facilities and workplace services for WMCA and its estate tenants	6.1

Key Activity	Aim & Objective
<b>Enabling Services</b>	
Embed plans and activities for the organisation’s internal and external functions to meet the requirements as set out in the WMCA equality scheme. Deliver the workplace wellbeing strategy and support.	6.5
Transport Skills Academy: Inspire the future workforce to consider Transport as a viable option for career choice within the West Midlands transport sector	6.3
Develop Delivery Directorate: Develop the Delivery Directorate team to become the best delivery team in the West Midlands, with a relentless focus on cost, programme and delivery quality becoming trusted partners both across TFWM, WMCA and the Local Authorities	6.4
Prepare WMCA SAF in readiness for Single Settlement to drive WMCA improvement in Programme Management Capability	6.7
Oversee and strategically lead on the production of a sustainable medium term financial plan (MTFP), which is aligned to priorities and takes account of resourcing forecasts, financial impact of future service demands, changes in legislation and other factors. This includes reporting and advising on the planning process and its outcomes to key stakeholders, developing strategies with stakeholders to resolve identified funding gaps in order to maintain financial resilience and to realign resources as necessary to ensure that the WMCA is directing our limited resources to where they make the most difference.	6.1
In conjunction with key stakeholders, deliver balanced revenue and capital budgets for 2024/25, which are robustly monitored and reviewed in accordance with corporate protocols and internal control procedures (including monthly reporting and quarterly forecasting) and for which risks are appropriated managed and mitigated as necessary.	6.1
Support our Business World ERP system users to get their jobs done quickly and efficiently and improve our user satisfaction rating	6.1
Maximising Digital Opportunities to enhance our ways of working as a Digital First and Data Lead Organisation	6.4
Provide legal advice to support the organisation’s strategic objectives and business activities including the delivery of key projects/ schemes, ensuring compliance with laws, regulations and internal governance	6.7
Deliver, implement & continually test our People & Culture Strategy throughout 2024/2025	6.3

## APPENDIX 5 - WMCA Delivered Capital Programme

### Transport

TRANSPORT CAPITAL PROGRAMME (£M)		2023 / 2024	2024 / 2025	2025 / 2026	2026 / 2027	2027 / 2028	TOTAL
Metro	Birmingham City Centre Extension	-	-	-	-	-	-
	Buy Before Boarding	3.6	7.6	-	-	-	11.2
	Metro Birmingham Eastside Extension	49.6	21.9	8.6	24.1	0.4	104.5
	Metro Centenary Square Extension	0.1	0.3	-	-	-	0.4
	Metro Edgbaston Extension	3.4	0.5	-	-	-	3.9
	Metro Wednesbury to Brierley Hill Extension	103.5	89.5	0.7	-	-	193.6
	Metro Wolverhampton City Centre Extension	7.9	-	-	-	-	7.9
	Trams	-	-	-	-	-	-
	Metro Network Enhancements	14.1	35.5	38.9	8.6	-	97.2
Metro - Other	1.8	3.2	0.2	-	-	5.2	
<b>METRO TOTAL</b>		<b>184.1</b>	<b>158.4</b>	<b>48.3</b>	<b>32.7</b>	<b>0.4</b>	<b>423.9</b>
Rail	Park and Ride	0.3	0.3	1.8	2.3	-	4.5
	Rail Package 1	16.1	26.2	7.2	-	-	49.5
	Rail Package 2	36.9	9.3	-	-	-	46.2
	Rail Station	12.2	-	-	-	-	12.2
	Snow Hill	-	-	-	-	-	-
	Very Light Rail	0.2	2.5	2.2	-	-	5.0
	Rail Developemnt	-	0.5	0.5	-	-	1.0
	Dudley Port Integrated Transport Hub	0.1	2.2	0.0	-	-	2.4
	Aldridge Station	1.0	3.1	9.6	16.3	-	30.0
	Rail - Other	0.2	0.4	5.0	15.8	-	21.3
<b>RAIL TOTAL</b>		<b>67.0</b>	<b>44.5</b>	<b>26.3</b>	<b>34.3</b>	<b>-</b>	<b>172.1</b>
Bus	Bus Station/Interchange	2.9	16.5	2.3	-	-	21.7
	Clean Bus	4.8	41.2	18.3	-	-	64.3
	Cross City Bus	2.5	7.7	11.6	-	-	21.8
	East Birmingham to Solihull Corridor	0.3	1.0	4.1	5.7	-	11.1
	Demand Responsive Bus	-	5.5	4.5	-	-	10.0
	BSIP Bus Priority Cross City Routes	1.8	7.2	23.3	26.5	-	58.8
	BSIP Retrofit Programme	0.5	0.5	-	-	-	1.0
	National Productivity Investment Fund	1.2	-	-	-	-	1.2
<b>BUS TOTAL</b>		<b>13.9</b>	<b>79.6</b>	<b>64.1</b>	<b>32.2</b>	<b>-</b>	<b>189.8</b>
Sprint	Hagley Road	0.5	3.6	-	-	-	4.0
	Hall Green to Interchange via Solihull	0.2	-	-	-	-	0.2
	Longbridge to Birmingham	0.1	-	-	-	-	0.1
	Sutton Coldfield to Birmingham	-	-	-	-	-	-
	Sprint Ph2 A45	4.3	18.2	5.9	-	-	28.4
	Sprint Ph2 A34	3.5	13.4	6.0	0.2	-	23.1
	Sprint A45	0.7	0.8	-	-	-	1.4
	Sprint A34	0.1	0.2	-	-	-	0.3
Hagley Road Rapid Transit	0.6	2.0	2.4	5.0	-	10.0	
<b>SPRINT TOTAL</b>		<b>10.0</b>	<b>38.1</b>	<b>14.3</b>	<b>5.2</b>	<b>-</b>	<b>67.5</b>
Highways	KRN/MRN	0.6	-	-	-	-	0.6
	Highways - Other	1.7	3.3	-	-	-	5.0
<b>HIGHWAYS TOTAL</b>		<b>2.3</b>	<b>3.3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5.6</b>
Digital and Data	FMZ	3.1	2.8	-	-	-	5.9
	RTCC	3.9	-	-	-	-	3.9
	RTI	0.6	-	-	-	-	0.6
	Scheme Development and M and E	1.1	2.3	1.7	1.8	-	6.9
	Digital and Data - Other	0.3	-	-	-	-	0.3
<b>DIGITAL AND DATA TOTAL</b>		<b>9.0</b>	<b>5.1</b>	<b>1.7</b>	<b>1.8</b>	<b>-</b>	<b>17.6</b>
Other Transport	Asset Management	2.2	0.2	-	-	-	2.4
	Transport - Other	0.0	-	-	-	-	0.0
<b>OTHER TRANSPORT TOTAL</b>		<b>2.2</b>	<b>0.2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2.4</b>
Sustainable Travel	Air Quality	-	1.0	-	-	-	1.0
	Better Streets Community Fund	0.1	-	-	-	-	0.1
	Electric Vehicles	5.4	13.7	8.5	-	-	27.5
	Priority One Development	0.7	-	-	-	-	0.7
	Walk Cycle Bus	-	-	-	-	-	-
Swift ceMV Contactless Payment Broker	1.3	12.5	4.1	-	-	17.8	
<b>SUSTAINABLE TRAVEL TOTAL</b>		<b>7.5</b>	<b>27.1</b>	<b>12.5</b>	<b>-</b>	<b>-</b>	<b>47.2</b>
<b>TRANSPORT TOTAL</b>		<b>296.1</b>	<b>356.2</b>	<b>167.3</b>	<b>106.2</b>	<b>0.4</b>	<b>926.2</b>

## Housing and Regeneration

HOUSING AND REGENERATION CAPITAL PROGRAMME (£M)		2023 / 2024	2024 / 2025	2025 / 2026	2026 / 2027	2027 / 2028	TOTAL
Housing and Regeneration	Brownfield Land Fund	6.3	66.8	46.1	5.8	2.1	127.1
	Housing Land Fund	4.0	17.8	18.4	7.2	11.1	58.5
	Land Remediation Funds (BLPDF)	4.2	3.4	2.8	0.0	0.0	10.4
	Land Remediation Funds (LPIF)	21.0	4.1	0.1	-	-	25.2
	National Competitive Fund	0.2	2.7	4.7	5.1	5.0	17.8
<b>HOUSING AND REGENERATION TOTAL</b>		<b>35.8</b>	<b>94.8</b>	<b>72.1</b>	<b>18.1</b>	<b>18.2</b>	<b>239.1</b>

## Strategy, Innovation & Net Zero

STRATEGY, INNOVATION AND NET ZERO CAPITAL PROGRAMME (£M)		2023 / 2024	2024 / 2025	2025 / 2026	2026 / 2027	2027 / 2028	TOTAL
Strategy, Innovation and Net Zero	Sustainable Warmth	0.6	-	-	-	-	0.6
	Social Housing	6.0	12.4	-	-	-	18.5
	Net Zero - Other	0.2	1.4	0.1	-	-	1.6
<b>STRATEGY, INNOVATION AND NET ZERO TOTAL</b>		<b>6.8</b>	<b>13.8</b>	<b>0.1</b>	<b>-</b>	<b>-</b>	<b>20.7</b>

## APPENDIX 6 – Externally Delivered Capital Programme

### Transport

TRANSPORT (EXTERNAL) CAPITAL PROGRAMME (£M)		2023 / 2024	2024 / 2025	2025 / 2026	2026 / 2027	2027 / 2028	TOTAL
Rail - External	Very Light Rail - External	8.6	18.3	21.7	-	-	48.6
	Solihull Rail Station	-	1.8	0.3	1.9	-	4.0
	West Coast Mainline	-	1.3	1.3	1.5	-	4.0
<b>RAIL - EXTERNAL TOTAL</b>		<b>8.6</b>	<b>21.3</b>	<b>23.3</b>	<b>3.4</b>	-	<b>56.6</b>
Bus - External	East Birmingham to Solihull Corridor - External	0.8	1.3	9.5	6.4	-	17.9
	UKC - Solihull - Dorridge Bus Priority	-	0.5	1.5	2.0	-	4.0
<b>BUS - EXTERNAL TOTAL</b>		<b>0.8</b>	<b>1.8</b>	<b>11.0</b>	<b>8.4</b>	-	<b>21.9</b>
Grants to Local Authorities - Transport	City Centre Regeneration	12.9	47.4	4.0	5.3	12.9	82.4
	Cycling and Walking	12.1	23.4	-	-	-	35.5
	Highways	6.4	8.1	7.1	7.1	-	28.6
	Highways Maintenance	23.6	20.0	20.0	20.0	-	83.6
	Local Network Improvement Plan	16.0	16.0	16.0	16.0	-	64.1
	Very Light Rail - External Grants	-	-	-	-	-	-
	Grants to Local Authorities - Other	4.1	8.7	3.6	-	-	16.5
	HS2 Enabling	1.9	7.6	11.5	-	-	21.1
<b>GRANTS TO LOCAL AUTHORITIES - TRANSPORT TOTAL</b>		<b>77.1</b>	<b>131.3</b>	<b>62.3</b>	<b>48.4</b>	<b>12.9</b>	<b>331.9</b>
Sustainable Travel - External	Electric Vehicles - External	0.1	6.8	-	-	-	6.9
	Sutton Coldfield Gateway	1.0	4.0	10.0	10.0	-	25.0
	Active Travel - A45 Segregated Cycleway	0.5	2.3	5.8	5.8	-	14.3
	A38 Selly Oak to Longbridge Segregated Cycling	0.3	2.5	5.9	5.9	-	14.5
	City Centre Active Travel Connections to Interchange	0.1	2.9	5.3	6.7	-	15.0
	One Station and Smalbrook Queensway	-	2.6	2.5	9.9	-	15.0
	Snow Hill Growth Strategy	-	1.0	2.0	2.0	-	5.0
	Foleshill Transport Package	0.6	2.2	1.3	-	-	4.0
	Cov South Sustainable Transport	1.7	9.5	9.6	-	-	20.7
	Dudley Town Centre Interchange Sustainable Connectivity Package	-	2.0	2.0	0.5	-	4.5
	Stourbridge Town Centre Sustainable Connectivity Package	0.2	0.5	1.8	0.5	-	3.0
	Wednesbury to Brierley Hill Extension Sustainable Access Measures	-	4.0	8.0	4.0	-	16.0
	A461 Walk, Cycle and Bus Corridor	0.2	1.5	7.0	3.8	-	12.5
	Smethwick - Birmingham Inclusive Growth Corridor Transport Package	0.4	4.7	8.0	6.0	-	19.0
	Chester Road Corridor - Segregated Cycleway and Capacity Enhancement	0.2	0.8	2.0	3.8	-	6.8
	Dickens Heath to Solihull Town Centre LCWIP Scheme	0.3	0.8	9.2	-	-	10.3
	Knowle to Solihull Town Centre LCWIP Scheme	0.3	0.7	7.0	-	-	8.0
	Multi-modal Access to HS2 Enhancement	-	1.0	1.5	1.5	-	4.0
	Bus, Cycle and Walk Access - Darlaston and Willenhall Train Stations	-	1.5	1.5	-	-	3.0
	A454 Walk, Cycle and Bus Corridor	0.9	3.9	6.8	6.7	-	18.2
	A41 Moxley Iron Park to Walsall Town Centre Walk, Cycle and Bus Corridor	0.5	0.6	8.0	10.0	-	19.0
	Bus, Cycle and Walk Access - Walsall Town Centre Interchange	-	-	0.5	0.5	-	1.0
	Black Country Walking and Cycling Package	-	3.0	2.0	3.0	-	8.0
A4123 Walk, Cycle and Bus Corridor	0.5	5.1	11.4	12.0	-	29.0	
A449 Walk, Cycle and Bus Corridor	0.7	2.0	8.6	5.3	-	16.5	
Wolverhampton City Centre Movement - Walk, Cycle and Bus Package	-	5.5	6.5	1.5	-	13.5	
<b>SUSTAINABLE TRAVEL - EXTERNAL TOTAL</b>		<b>8.4</b>	<b>71.2</b>	<b>134.0</b>	<b>99.2</b>	-	<b>312.8</b>
<b>TRANSPORT (EXTERNAL) TOTAL</b>		<b>94.9</b>	<b>225.5</b>	<b>230.6</b>	<b>159.4</b>	<b>12.9</b>	<b>723.3</b>

## Economy, Skills and Community (Externally Delivered)

ECONOMY, SKILLS AND COMMUNITY CAPITAL PROGRAMME (£M)		2023 / 2024	2024 / 2025	2025 / 2026	2026 / 2027	2027 / 2028	TOTAL
ESC External	UKSPF	12.4	16.4	-	-	-	28.8
<b>ECONOMY, SKILLS AND COMMUNITY TOTAL</b>		<b>12.4</b>	<b>16.4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28.8</b>

## APPENDIX 7 – Treasury Management Policy Statement 2024/25

WMCA's Treasury Management Policy Statement defines the policies and objectives of its treasury management activities, as follows:

- (1) Treasury management activities are defined as the management of the Authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and pursuit of optimum performance consistent with those risks.
- (2) WMCA regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their implications for WMCA, and any financial instruments entered into to manage these risks.
- (3) WMCA acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employ suitable comprehensive performance measurement techniques, within the context of effective risk management.
- (4) The Authority's high level policies for borrowing, borrowing in advance and investments:
  - i. The Authority's borrowing will be affordable, sustainable, and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken, and the type of borrowing should allow the Authority transparency and control over its debt.
  - ii. This organisation will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.
  - iii. The Authority's primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Authority's investments followed by the yield earned on investments remain important but are secondary considerations.

## **APPENDIX 8 – Treasury Management Strategy 2024/25**

### **Introduction**

Treasury management is the management of WMCA's cash flows, borrowing and investments, and the associated risks. WMCA has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to WMCA's prudent financial management.

Treasury risk management at WMCA is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code) which requires WMCA to approve a treasury management strategy before the start of each financial year.

This report fulfils WMCA's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

The strategy for 2024/25 covers the following main areas:

- the current treasury position;
- prospects for interest rates;
- the borrowing strategy;
- debt rescheduling;
- policy on borrowing in advance of need;
- the investment strategy and creditworthiness policy;
- the policy on use of external service providers; and
- treasury indicators which limit the treasury risk and activities of the Authority.

These elements cover the requirements of the Local Government Act 2003, DLUHC Investment Guidance, and the CIPFA Treasury Management Code.

The Authority is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. The key function of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested with counterparties or instruments commensurate with the Authority's risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the WMCA's capital plans. These capital plans provide a guide to the borrowing need of the authority, essentially the longer-term cash flow planning, to ensure that the authority can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Authority risk or cost objectives.

The contribution the treasury management function makes to the Authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income



arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as *non-treasury* activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.

### **Current Treasury Position**

The overall treasury management portfolio as at 31<sup>st</sup> March 2023 and for the position as at 31<sup>st</sup> December 2023 are shown below for both borrowing and investments.

**Table 1 Treasury Management Portfolio**

	<b>Actual</b>	<b>Actual</b>	<b>Current</b>	<b>Current</b>
	<b>Mar 23</b>	<b>Mar 23</b>	<b>Dec 23</b>	<b>Dec 23</b>
<b>Treasury Investments</b>	<b>£m</b>	<b>%</b>	<b>£m</b>	<b>%</b>
Call Accounts - Banks	2.05	0.3	0.75	0.1
Local Authorities / Housing Associations	623.50	89.0	767.57	87.4
Banks / Financial Institutions	59.95	8.4	90.00	10.3
Money Market Funds	26.50	1.6	15.00	1.7
<b>Total Managed In House</b>	<b>712.00</b>	<b>99.3</b>	<b>873.32</b>	<b>99.5</b>
Property Funds / REITs	4.71	0.7	4.65	0.5
<b>Total Managed Externally</b>	<b>4.71</b>	<b>0.7</b>	<b>4.65</b>	<b>0.5</b>
<b>Total Treasury Investments</b>	<b>716.71</b>		<b>877.97</b>	
<b>Treasury External Borrowing</b>				
PWLB	484.67	95.4	476.19	71.7
Banks	19.56	3.9	119.35	18.0
Temporary Borrowing	0.00	0.0	64.50	9.7
Transferred Debt	3.67	0.7	3.67	0.6
<b>Total External Borrowing</b>	<b>507.90</b>		<b>663.71</b>	
<b>Net treasury investments/(borrowing)</b>	<b>208.81</b>		<b>214.26</b>	

The Authority's central forward projections for borrowing are summarised below. The table shows the actual external debt forecast against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

**Table 2: WMCA Gross External Debt vs. CFR**

£M	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Opening External Debt	511	597	581	562	553	540
New Borrowing	100	-	-	-	-	-
Repayments	14	16	19	9	13	13
<b>Forecast Closing External Debt</b>	<b>597</b>	<b>581</b>	<b>562</b>	<b>553</b>	<b>540</b>	<b>527</b>
Capital Financing Requirement (CFR)	826	992	968	951	930	905
Under Borrowing	229	411	406	398	390	378

WMCA has an increasing CFR – rising from a forecast £826m at the end of 2023/24 to £992m at the end of 2024/25 - due to its capital programme, mostly driven by the delivery of the Investment Programme. The Authority is currently ‘under borrowed,’ meaning that internal cash-backed resources such as balances, reserves, and working capital (predominantly capital grants received in advance) can be deployed to offset external borrowing.

CIPFA’s Prudential Code for Capital Finance in Local Authorities recommends that WMCA’s total debt should be lower than its highest forecast CFR over the next three years. Table 2 shows that WMCA expects to comply with this recommendation during 2024/25 to 2028/29.

### **Limits to Borrowing Activities**

**The Operational Boundary** - This is the limit beyond which external debt is not normally expected to exceed. This figure has been set to mirror the CFR – and therefore higher than the forecast debt levels in Table 2 - for risk mitigation in case interest rates were to rise faster than currently forecast.

**Table 3 WMCA Operational Boundary**

£M	2024/25	2025/26	2026/27	2027/28	2028/29
Operational Boundary	992	968	951	930	905

**The Authorised Limit for external debt** - This is a key prudential indicator and represents a control on the *maximum* level of borrowing. This represents a *legal limit* beyond which external debt is prohibited, and this limit needs to be set or revised by the Board. It reflects the level of external debt which, while not desired, could be afforded in the short-term, but is not sustainable in the longer-term.

This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all local authority plans, or those of a specific authority.

**Table 4 WMCA Authorised Limit 2024/25 – 2028/29**

£M	2024/25	2025/26	2026/27	2027/28	2028/29
Authorised Limit	1,022	998	981	960	935

### **Prospects for Interest Rates**

WMCA has appointed Link Group as its treasury advisor and part of their service is to assist the Authority to formulate a view on interest rates. Link provided the following forecasts on 8th January 2024. PWLB forecasts are for certainty rates, 20 basis points below PWLB standard rates, to which WMCA has agreed access.

Link Group Interest Rate View	08.01.24												
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
<b>BANK RATE</b>	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	5.00	4.50	4.00	3.50	3.30	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.80	4.30	3.80	3.30	3.20	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.60	4.10	3.70	3.20	3.20	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

Link expect the MPC will keep Bank Rate at 5.25% until the second half of 2024, to combat on-going inflationary and wage pressures, even if they have dampened somewhat of late. They do not think that the MPC will increase Bank Rate above 5.25%.

They expect rate cuts to start when both the CPI inflation and wage/employment data are supportive of such a move, and when there is a likelihood of the overall economy enduring at least a slowdown or mild recession over the coming months (although most recent GDP releases have surprised with their on-going robustness). Naturally, timing on this matter will remain one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

In the upcoming months, forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine, and Gaza and Israel.

#### **The balance of risks to the UK economy: -**

- The overall balance of risks to economic growth in the UK is even.

#### **Downside risks to current forecasts for UK gilt yields and PWLB rates include: -**

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, could keep gilt yields high for longer).
- **The Bank of England** has increased Bank Rate too fast and too far over recent months, and subsequently brings about a deeper and longer UK recession than we currently anticipate.
- **Geopolitical risks**, for example in Ukraine/Russia, the Middle East, China/Taiwan/US, Iran and North Korea, which could lead to increasing safe-haven flows.

**Upside risks to current forecasts for UK gilt yields and PWLB rates: -**

- Despite the tightening in Bank Rate to 5.25%, the **Bank of England allows inflationary pressures to remain elevated** for a long period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project.
- **The pound weakens** because of a lack of confidence in the UK Government's pre-election fiscal policies, which may prove inflationary, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Projected **gilt issuance, inclusive of natural maturities and QT**, could be too much for the markets to comfortably digest without higher yields compensating.

## **Borrowing Strategy**

As at 31 December 2023 WMCA currently holds £596m of long-term loans, an increase of £83m on the previous year following the draw down of £100m in August 2023 and net of other repayments of principal in year. The £100m facility was a fixed rate forward funding loan arranged in 2022 to unwind a proportion of WMCA's previous under borrowing and mitigate against interest rate increases. WMCA may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing.

**Objectives:** WMCA's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should WMCA's long term plans change is a secondary objective.

**Strategy:** The Authority is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy - that is, the Bank Rate increases implemented throughout 2022 and 2023.

Against this background and the risks within the economic forecast, caution will be adopted with the 2024/25 treasury operations. The Director of Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates, then any further borrowing will be postponed.*
- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.*

Any decisions will be reported to the appropriate decision-making body at the next available opportunity.

Additionally, WMCA will look to identify suitable forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period and may help to de-risk commercial borrowing models.

WMCA may also borrow using short-term loans to cover unplanned cash flow shortages.

**Sources of borrowing:** The approved sources of long-term and short-term borrowing are:

- HM Treasury's lending facility (i.e., Public Works Loan Board)
- UK Infrastructure Bank
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body

- UK public and private sector pension and insurance funds (except West Midlands Local Government Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

**Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

**Short-term and variable rate loans:** These loans leave WMCA exposed to the risk of short-term interest rate rises and are therefore will be subject to the interest rate exposure assessment prior to utilisation. Consequently, financial derivatives may be used to manage this interest rate risk (see section below).

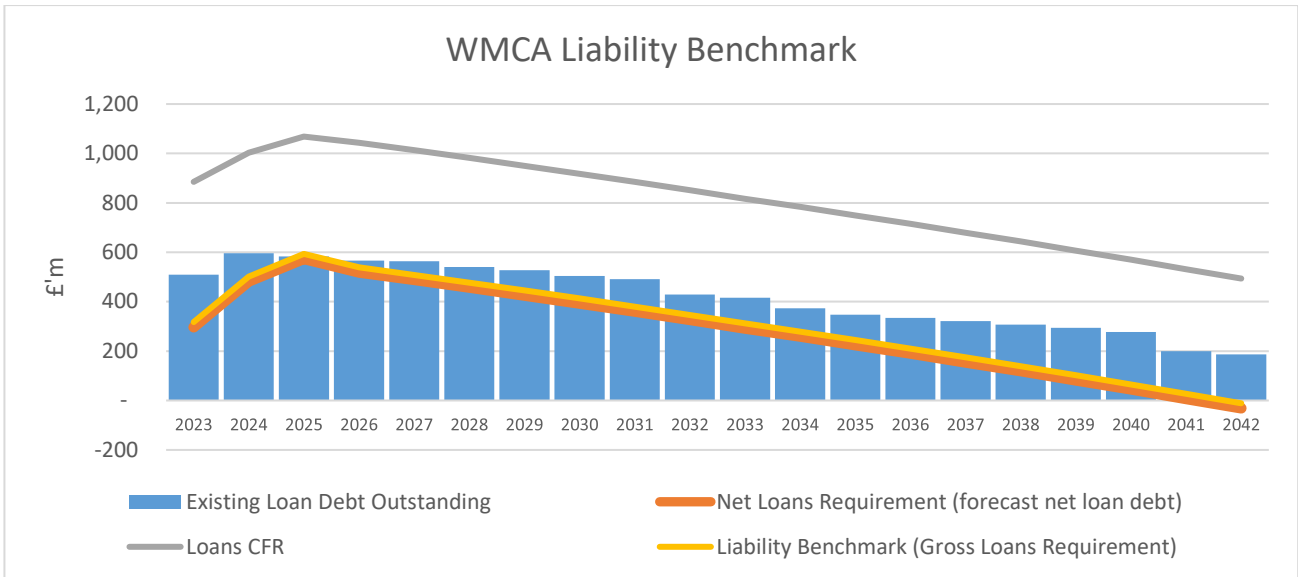
### **Liability Benchmarking**

In accordance with the Code of Practice, the Authority is required to estimate and measure its Liability Benchmark (LB) for the forthcoming financial year and the following two financial years, as a minimum. WMCA's benchmark (see below) includes measurements up to 2043 (20 years)

There are four components to the LB: -

1. **Existing loan debt outstanding:** the Authority's existing loans that are still outstanding in future years.
2. **Loans CFR:** this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP. In practice this means that for WMCA our Loans CFR peaks after two years based on the timelines within WMCA's approved capital programme. This creates an anomaly given all other inputs are projected forward for 20 years+.
3. **Net loans requirement:** this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
4. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance. Short-term liquidity allowance means an adequate allowance for a level of excess cash to be invested short-term to provide access to liquidity if needed. For WMCA this is set at £50m.

The outcome of the above produces a benchmark for new borrowing/refinancing which can be assessed against interest rate forecasts for sensitivity. The chart below shows WMCA's revised benchmark for 2024/25 onwards which is heavily influenced by the borrowing need arising from the WMCA Investment Programme as per the first devolution deal in 2016:



**Debt rescheduling**

The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. WMCA may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

**Policy on Borrowing in Advance of Need**

WMCA will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within the forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Authority can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

## **Annual Investment Strategy**

### **Investment policy – management of risk**

The Department for Levelling Up Housing and Communities (DLUHC) and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).

The Authority’s investment policy has regard to the following: -

- a) DLUHC’s Guidance on Local Government Investments (“the Guidance”)
- b) CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 (“the Code”)
- c) CIPFA Treasury Management Guidance Notes 2021.

The Authority’s investment priorities will be security first, portfolio liquidity second and then yield, (return). The Authority will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Authority’s risk appetite. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs. However, where appropriate (from an internal as well as external perspective), the Authority will also consider the value available in periods up to 12 months with high credit rated financial institutions, as well as a wider range of fund options.

The above guidance from the DLUHC and CIPFA places a high priority on the management of risk. This Authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

- a) Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
- b) Other information: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Authority will engage with its advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.
- c) Other information sources used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- d) This Authority has defined the list of types of investment instruments that the treasury management team are authorised to use. See Annex 2.
  - i. Specified investments are those with a high level of credit quality and subject to a maturity limit of one year *or* have less than a year left to run to maturity if originally they



were classified as being non-specified investments solely due to the maturity period exceeding one year.

ii. Non-specified investments are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

e) The Authority has determined that it will limit the use of non-specified investments for periods in excess of one year to £25m.

f) Lending limits and transaction limits (amounts and maturity) for each counterparty and type of investment will be set through applying the matrix shown at Table 5.

g) Investments will only be placed with counterparties from countries with a specified minimum sovereign rating.

h) This Authority has engaged external consultants, Link Group, to provide expert advice on how to optimise an appropriate balance of security, liquidity, and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

i) All investments will be denominated in sterling.

j) As a result of the change in accounting standards for 2023/24 under IFRS 9, this Authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the MHCLG, concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31.3.23. More recently, a further extension to the over-ride to 31.3.25 has been agreed by Government.

However, this Authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the year.

### Creditworthiness Policy

The primary principle governing the Authority's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Authority will ensure that: -

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and
- It has sufficient liquidity in its investments. For this purpose, it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Authority's prudential indicators covering the maximum principal sums invested.

The Executive Director of Finance and Business Hub will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Board for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Authority may use, rather than defining what types of investment instruments are to be used.

Credit rating information is supplied by Link Group, our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of the longer-term bias outside the central rating view) are provided to officers almost immediately after they occur, and this information is considered before dealing.

The criteria for providing a pool of high-quality investment counterparties, (both specified and non-specified investments) is:

**Table 5: Approved investment counterparties and limits**

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	n/a
Supranational and Multilateral Development Bank bonds (SSAR Bonds)	50 years	£30m	Unlimited
Local authorities & other government entities	50 years	£30m	Unlimited
Secured investments *	25 years	£20m	Unlimited
Banks and Building Societies (unsecured) *	13 months	£20m	50% of portfolio
Registered providers (unsecured) *	5 years	£5m	£20m
Money market funds *	n/a	£30m	Unlimited
Strategic pooled funds	n/a	£5m	£10m
Real estate investment trusts	n/a	£5m	£10m
Other investments	5 years	£2m	£10m

**This table must be read in conjunction with the following notes.**

\* **Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than **A-**. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be considered.

For entities without published credit ratings, investments may be made where external advice indicates the entity to be of similar credit quality.

**Government / Supranational and Multilateral Development Bank bonds (SSAR Bonds):**

Loans, bonds and bills issued or guaranteed by national governments, regional authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Full regard will therefore be given to other available information on the credit and environmental, social, and governance (ESG) quality of the organisations in which it invests. No investments will be made with an organisation if there are substantive doubts about its credit or ESG qualities, even though it may otherwise meet the above criteria.

Investments with the UK Government are *deemed* to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

**Local authorities and other government entities:** Although most UK local authorities have not opted to obtain a formal credit rating from either Moodys, Standard and Poors, or Fitch, they are considered as quasi-governmental by advisors and therefore assigned a AA- rating for the purposes of establishing credit criteria. No local authority has ever defaulted on its loan arrangements. The above notwithstanding, WMCA will apply the following criteria when selecting UK Local Authority counterparties:

- No deposits (or further deposits) with authorities that have issued a S114 notice that is yet to be rescinded;
- No forward dated trades beyond 1 month ahead; and
- No trades with authorities where audited accounts are not available for the preceding financial year

In addition to the above WMCA will assess a range of benchmark metrics (debt/income, balance of reserves/income, etc.) to monitor counterparty financial performance prior to trade agreements taking place.

**Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

**Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

**Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in

Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

**Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

**Strategic pooled funds:** Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

**Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

**Other investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Authority's investment at risk.

**Operational bank accounts:** WMCA may incur operational exposures, for example through current accounts, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £1m per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed in than made insolvent, increasing the chance of WMCA maintaining operational continuity.

### Investment Strategy

WMCA holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2023/24 year to date WMCA's treasury average monthly investment balance has ranged between £820m and £990m. Levels are expected to fall in overall terms in 2024/25 but this is subject to the timing of government grant receipts and/or delays in capital expenditure profiling.

**Objectives:** The CIPFA Code requires WMCA to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. WMCA's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, WMCA will aim to achieve a total return that is equal to or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

**Strategy:** Investments will be made with reference to WMCA core balances and cash flow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that is the case at present, but there is the prospect of Bank Rate having peaked in the second half of 2023 and possibly reducing as early as the second half of 2024 so an agile investment strategy will be appropriate to optimise returns.

Accordingly, while most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer-term investments will be carefully assessed.

**Investment returns expectations:** Based on the current prospects for interest rates appraisal by Link Group and amended for risk appetite the suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

Average earnings in each year	
2024/25	4.6%
2025/26	3.1%
2026/27	3.0%
2027/28	3.3%
Long term later years	3.3%

For its cash flow generated balances, the Authority will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits, in order to benefit from the compounding of interest.

**Business models:** Under the IFRS 9 standard, the accounting for certain investments depends on WMCA’s “business model” for managing them. WMCA aims to achieve value from its internally managed treasury investments via a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

**Risk assessment and credit ratings:** Credit ratings are obtained and monitored by WMCA’s treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made;
- any existing investments that can be recalled or sold at no cost will be; and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “rating watch negative” or “credit watch negative”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

**Other information on the security of investments:** WMCA understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, WMCA will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security.

**Investment limits:** In order that WMCA’s reserves will not be put at significant risk in the case of a single default, the maximum that will be lent to any one organisation (other than UK Government – see Investment Criteria) will be £30 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits are also placed on fund managers and foreign countries as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country since the risk is diversified over many countries.

**Table 6: Additional Investment limits**

	Cash Limit
Any group of pooled funds under the same management	£30m per manager
Non UK Sovereigns (AA- minimum)	Up to 25% of portfolio (maximum 15% AA+ or below)

**Liquidity management:** WMCA utilises short, medium-term, and long-term cash flow forecasts to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of WMCA being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to WMCA’s medium-term financial plan and cash flow forecast.

**Use of External Providers**

£5m of WMCA funds is externally managed on a pooled basis by CCLA Local Authority Property Fund and Fundamentum Social Housing Real Estate Investment Trust (REIT)

The Authority fully appreciates the importance of monitoring the activity and resultant performance of its appointed external fund manager(s). In order to aid this assessment, the Authority is provided with a suite of regular reporting from its manager(s). This includes:

- Monthly valuation updates and factsheets;
- Quarterly dividend statements;
- Annual reports / conference places; and
- Access to online fund reporting sites.

In addition to formal reports, the Authority also meets with representatives of the fund managers on a semi-annual basis. These meetings allow for additional scrutiny of the manager’s activity as well as discussions on the outlook for the fund as well as wider markets.

### **Treasury Management Indicators**

WMCA measures and manages its exposures to treasury management risks using the following indicators.

**Security:** WMCA has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

<b>Credit risk indicator</b>	<b>Target</b>
Portfolio average credit	A minus

**Liquidity:** WMCA has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

<b>Liquidity risk indicator</b>	<b>Target</b>
Total cash available within 3 months	£50m (min)

**Maturity structure of borrowing:** This mandatory indicator is set to control WMCA’s exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

<b>Refinancing rate risk indicator</b>	<b>Upper Limit</b>	<b>Lower limit</b>
Under 12 months	75%	0%
12 months and within 24 months	50%	0%
24 months and within 5 years	70%	0%
5 years and within 10 years	70%	0%
10 years and above	70%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

**Principal sums invested for periods longer than a year:** The purpose of this indicator is to control WMCA’s exposure to the risk of incurring losses by seeking early repayment of its

investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

<b>Price Risk Indicator</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
Limit on principal invested longer than a year	£25m	£25m	£25m

### **Related Matters**

The CIPFA Code requires WMCA to include the following in its treasury management strategy.

### **Financial Derivatives**

Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g., interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g., LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e., those that are not embedded into a loan or investment).

WMCA will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that WMCA is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

In line with the CIPFA Code, WMCA will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

### **Markets in Financial Instruments Directive**

WMCA has retained professional client status with its providers of financial services, including advisers, banks, brokers, and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of WMCA's treasury management activities, the Section 151 Officer considers this to be the most appropriate status.

### **Investment Training**

The CIPFA Treasury Management Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.



The needs of the Authority's treasury management staff for training in investment management are assessed every twelve months as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change. Staff regularly attend training courses, seminars and conferences provided by Link Group and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, the Association of Corporate Treasurers and other appropriate organisations.

As noted in the cover report (1.4) ARAC members receive an annual overview of the regulatory environment and WMCA's Treasury Management Practices with our treasury advisors, Link Group, to coincide with the publication of the Treasury Management Strategy.

### **Treasury Management Consultants**

WMCA uses Link Group as its external treasury management advisors.

The Authority recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services to acquire access to specialist skills and resources. The Authority will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

## ANNEX 2

### TREASURY MANAGEMENT PRACTICE (TMP1) – CREDIT AND COUNTERPARTY RISK MANAGEMENT

The DLUHC issued Investment Guidance in 2018, and this forms the structure of the Authority's policy below. These guidelines do not apply to either trust funds or pension funds which operate under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for local authorities to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective, the Guidance requires this Authority to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. In accordance with the Code, the Director of Finance has produced its treasury management practices (TMPs). This part, TMP 1(1), covering investment counterparty policy requires approval each year.

**Annual Investment Strategy** - The key requirements of both the Code and the investment guidance are for the Authority to set an Annual Investment Strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of the following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments that the Authority will use. These are high security and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the Authority is:

**STRATEGY GUIDELINES:** The main strategy guidelines are contained in the body of the Treasury Management Strategy Statement.

**SPECIFIED INVESTMENTS:** All such investments will be sterling denominated, with **maturities up to a maximum of 1 year**, meeting the minimum 'high' quality criteria where applicable. (Non-specified investments which would be specified investments apart from originally being for a period longer than 12 months, will be classified as being specified once the remaining period to maturity falls to under twelve months.)

These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with: -

- The UK Government (such as the Debt Management Account Deposit Facility (DMADF), UK Treasury Bills or a Gilt with less than one year to maturity).
- Supranational Bonds of less than one year's duration.
- A Local Authority, Housing Association, Parish Council or Community Council.

- Pooled investment vehicles (such as Money Market Funds) that have been awarded a high credit rating by a credit rating agency e.g., Standard and Poor's, Moody's and/or Fitch rating agencies.
- A body that is considered of a high credit quality (such as a bank or building society) This category covers bodies with a minimum Short-Term rating of F-1 (or the equivalent) as rated by Standard and Poor's, Moody's and / or Fitch rating agencies.

**NON-SPECIFIED INVESTMENTS:** Investments with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

Any investment not meeting the definition of a specified investment is classed as non-specified. Due care will be taken to consider the exposure of the Authority's total investment portfolio to non-specified investments, countries, groups, and sectors. WMCA has determined that it will limit the maximum total exposure to non-specified investments as follows:

	<b>Non-Specified Investment Category</b>	<b>Limit (£ or %)</b>
a.	<p><b>Supranational Bonds greater than 1 year to maturity</b></p> <p><b>(a) Multilateral Development Bank bonds</b> - These are bonds defined as an international financial institution having as one of its objectives economic development, either generally or in any region of the world (e.g., European Reconstruction and Development Bank etc).</p> <p><b>(b) A financial institution that is guaranteed by the United Kingdom Government</b></p> <p>The security of interest and principal on maturity is on a par with the Government and so very secure. These bonds usually provide returns above equivalent gilt-edged securities. However, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>	£25m
b.	<p><b>Gilt edged securities</b> with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>	£25m
c.	<p><b>The Authority's own banker</b> if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.</p>	£20m
d.	<p>Any <b>Bank or Building Society</b> that has a minimum long-term credit rating of A-, for deposits with a maturity of greater than one year</p>	£20m
e.	<p><b>Other fund:</b> The use of these instruments <i>can</i> be deemed to be capital expenditure, and as such will be an application</p>	£5m

(spending) of capital resources. This Authority will seek guidance on the status of any fund it may consider using.	
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## ANNEX 3

### Environmental, Social and Governance (ESG) Risk Management

#### WMCA ESG Policy

Key Message:

**Environmental, Social and Governance (ESG) considerations are important considerations when selecting investment counterparties: however, Security of public funds, followed by Liquidity and then Yield remain our primary drivers in line with CIPFA Guidance.**

WMCA treasury operation focuses on managing all categories of risk that may impact first and foremost the security of any given investment product. From that perspective ESG considerations are about understanding what ESG risks a counterparty is exposed to and what they may mean for the Authority's risk in choosing to make a particular investment.

In line with the Authority's declaration of a Climate Emergency, we will therefore aim to assess and monitor ESG factors when selecting investment options. Specific assessment is however somewhat restricted by the fact that, at the time of writing, there is no consistent rating framework to measure and benchmark all specific counterparty ESG metrics. Until this market data gap is fully resolved, our Policy is as follows:

We continue to prioritise Security, Liquidity and Yield (in that order) as required by CIPFA's Treasury Management Code of Practice.

As large, global institutions our high-quality counterparties operate across the full range of marketplaces in which they are legally able to, and as a result climate change and other ESG considerations are rightly an increasingly important and heavily scrutinised part of their overall business.

Recognising this, the Ratings Agencies (Moody's, Fitch, Standard and Poor's) existing headline ratings on our counterparties now incorporate ESG risk assessments alongside more traditional financial risk metrics and so provide both a holistic risk measure and a proxy for ESG 'scoring' in the absence of anything more robust.

Excluding any one counterparty will likely mean others will similarly have to be avoided and thus impact the Authority's capacity to mitigate risk through diversification. The Authority does not have any identified long-term surplus balances with which to consider specific 'impact' or 'sustainable' investments, so Supra-national counterparties who offer access to high-quality (typically AAA-rated) ESG exposure will continue to

proportionately form part of our investment portfolio where bonds or other permitted structures matching our liquidity requirement can be sourced.

## APPENDIX 9 - WMCA Capital Strategy 2024/25

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1	Introduction
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## 1 Introduction

WMCA have prepared this Capital Strategy for the following purposes:

- (a) To explain to stakeholders how the WMCA's capital programme is designed to align with the organisation's key aims and objectives;
- (b) To provide an update on key decision-making, delivery and financial matters associated with the WMCA's capital programme; and
- (c) To comply with the requirements of the CIPFA Prudential Code.

The Prudential Code is a professional code of practice developed by the Chartered Institute of Public Finance and Accountancy (CIPFA). The aim of the Code is to ensure that capital finance decisions of local authorities are prudent and sustainable. It requires local authorities to approve and publish an annual Capital Strategy to demonstrate how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services, along with an overview of how associated risk is managed and the implications for future financial sustainability. Reference should be made as appropriate to prudential indicators for overall fiscal sustainability.

The Capital Strategy should set out the long-term context in which capital expenditure and investment decisions are made. This will help to ensure that WMCA takes decisions in line with service objectives and properly takes into account stewardship, value for money, prudence and affordability.

The Capital Strategy also forms a key part of WMCA's integrated revenue, capital and balance sheet planning.

The Capital Strategy has been written in an accessible style to enhance members' understanding of these sometimes-technical areas. It aims to provide a clear and concise view of how WMCA determines its priorities for capital investment, decides how much it can afford to borrow, and sets its risk appetite. More detailed policies are referenced as appropriate.

### Capital Expenditure

Capital expenditure is essentially expenditure on assets, such as property or infrastructure that will be used for more than one year.<sup>2</sup> In local government this includes spending on assets owned by other bodies, via loans and grant awards to these bodies, which enables them to buy, develop or construct assets (such expenditure qualifies as 'REFCUS' - Revenue Expenditure Funded by Capital under Statute). This is particularly relevant where WMCA is

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<sup>2</sup> In local government, there are generally three routes for qualification as capital:

- (a) Acquisition, construction or enhancement of non-current asset;
- (b) Expenditure defined as capital by regulation; and
- (c) Capitalisation directions / ministerial approval.

providing capital grants to local authorities from the WMCA Investment Programme and the CRSTS programme.

The distinction between capital and revenue expenditure is important in local government finance because local authorities are only permitted to borrow for capital expenditure.

Decisions made next year on capital and treasury management will have financial consequences for the Authority for many years to come. They are therefore subject to both a national regulatory framework and to local policy framework.

The Capital Strategy should be read in conjunction with WMCA's Treasury Management Policy detailed in Appendix 7.

## **2 Capital Priorities and Objectives**

### Assessing Capital Priorities

The Capital Programme directly contributes to delivering Aim 3 *'to connect our communities by delivering transport, and unlocking housing and regeneration'*, and Aim 4 *'to reduce carbon emissions to net zero, enhance the environment'*, whilst indirectly enabling inclusive economic growth throughout the region.

Capital expenditure is prioritised based on its alignment with WMCA's mission statement and the six key aims within the Annual Business Plan. The West Midlands Mayor and the Constituent member leaders jointly decide which capital projects will be considered for inclusion within the WMCA capital programme, based on this initial alignment and fit with WMCA's long-term plans (including the 'Movement for Growth' Strategic Plan and HS2 Growth Strategy).

Those programmes/projects which best align with WMCA's objectives and demonstrate highest value for money, with consideration also given to leverage of funding and deliverability, are then presented to WMCA Board as appropriate.

From this point, all projects within WMCA's capital programme are required to meet the requirements of WMCA's Single Assurance Framework in order to formally secure funding.

The WMCA Capital Programme is a varied portfolio, comprising projects providing a wide scope of outcomes and outputs, from public transport to housing & regeneration, improved environmental sustainability and next generation technologies.

Looking ahead, WMCA officers are working to ensure the region is able to maximise the benefits from the 'Trailblazing' Deeper Devolution Deal and West Midlands Single Settlement secured with Central Government. It is WMCA's intention to ensure that all parts of the region continue to benefit from its capital programme, whilst also identifying specific, strategic sites for targeted, focused investment to accelerate delivery.



## HS2 Growth Strategy

The WMCA set out the ambition within its HS2 Growth Strategy for over two million residents to be able to access three or more strategic centres by public transport within forty-five minutes.

The Prime Minister announced on 4<sup>th</sup> October 2023 that only Phase 1 of HS2 would be completed, whilst Phase 2 was cancelled. Nonetheless, HS2 is considered to still provide vital economic and connectivity benefits to the region, and the aims of the HS2 Growth Strategy remain applicable.

## 'Trailblazing' Devolution Deal and Single Settlement for West Midlands Combined Authority

Central Government published the West Midlands 'Trailblazer' Devolution Deal on 15<sup>th</sup> March 2023 (part of the Spring Budget 2023),<sup>3</sup> which was formally ratified by WMCA on Friday, 13<sup>th</sup> October 2023.

Key highlights of the deal include:

- Single Settlement;
- Levelling Up Zones (incorporating Investment and Growth Zones); and
- Long-term commitment to Business Rates retention arrangements.

The deal will give the WMCA a longer-term funding settlement and greater power over the investment of that funding. WMCA will receive a single capital and revenue funding settlement ('Single Settlement') at the next Spending Review, which will replace the numerous specific grants WMCA currently receives.

Consequently, WMCA will be better equipped to re-prioritise its capital programme in the future based on local and emerging priorities. WMCA will have the ability to address cost pressures on its capital programme whilst working in accordance with the accountability framework.

It should be noted that projects within the pre-existing City Region Sustainable Transport Settlement and WMCA Investment Programme are not expected to be affected by the new deal.

## Levelling Up Zones (incorporating Investment Zones and Growth Zones)

Investment Zones are a national policy offer from Government whereas Growth Zones were agreed with Government under the TDD arrangements (for WMCA and Greater Manchester Combined Authority only). A Growth Zone or Investment Zone site is located in each of the seven Constituent Authorities.

Growth Zones allow for 100% of business rates to be retained for a period of 25 years above a pre-determined baseline which in turn is expected to facilitate investment and development in those areas, which Local Authorities put forward as priorities.

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<sup>3</sup> [\[Title\] \(publishing.service.gov.uk\)](#)

With regards to the West Midlands Investment Zone, this has been confirmed as the full WMCA Constituent Local Authority area, plus the Warwick District Council boundary (the Giga-park site). This will ensure the maximum potential for re-investment within the West Midlands' priority sector (advance manufacturing, including green and health-tech industries). Within the WM Investment Zone, three sites have been identified which will benefit from a mixture of tax incentives, business rates retention and / or direct funding. These are:

- West Midlands Gigafactory site (Warwickshire)
- Birmingham Knowledge Quarter – based from Aston University
- Wolverhampton Green Corridor



*A Computer-Generated Image of how the West Midlands Gigafactory could look.*

Work to develop the delivery arrangements for Investment Zones is currently underway between WMCA, Local Authorities and DLUHC. Ultimately it is expected that the financial advantages attached to Investment Zones (being direct funding, tax incentives and business rates retention) will stimulate private sector investment as well as support borrowing for accelerated development. The sites under development have potential to yield very significant long-term benefits for the entire region, through increased high-quality employment opportunities, a positive domino effect on the supply chain and a general enhancement to the region's economy and reputation.

The Authority is committed to working with its constituent members, non-constituent member authorities and the private sector to maximise the opportunities for capital investment within the region presented by Investment Zones and Growth Zones.

The financial arrangements for Investment Zones and Growth Zones have the potential to significantly affect WMCA debt and borrowing levels dependent upon decisions with respect to how debt, risk and reward are managed. These issues will be worked through with the Local Authorities in the coming months with WMCA Board receiving updates as appropriate.

### Key Capital Projects

Since the previous 2023/24 budget, considerable progress has been made towards delivering WMCA's capital programme.

Within the transport portfolio, work continues on the second phase of the £56m Sprint Bus Rapid Transit A34 and A45 projects linking Walsall, Birmingham and Solihull to further connect residential and employment areas across the region, after the first phase of the projects was completed ahead of the Commonwealth Games in Summer 2022. Further development of the region's Sprint network is also underway with design work being undertaken for the Hagley Road scheme.

The new bus corridors will reduce rush hour commuting time by 20% and the articulated, environmentally friendly zero-emission Sprint vehicles will provide greater comfort to passengers than traditional buses. Other Sprint routes will cover areas such as Dudley, Longbridge and Sutton Coldfield, while also connecting strategic centres including HS2 interchanges and metro extensions.

The regional Metro network extension projects and Rail packages will similarly contribute to enhanced connectivity across the region, promoting use of greener methods of travel than petrol/diesel vehicles.

The key updates in respect of the WMCA's metro programme include:

- The full opening of the Wolverhampton City Centre Extension within FY23-24;
- Construction work in progress for the first phase of the Wednesbury to Brierley Hill Extension, which is expected to be completed within FY24-25; and
- The completion of Section 1 of the Birmingham Eastside Extension and a temporary solution agreed to realise benefits from the scheme ahead of the full scheme delivery which is expected after the completion of HS2 works at Curzon Street.

Rail Package 1 will deliver two new, fully accessible railway stations at Darlaston and Willenhall on the rail line between Walsall and Wolverhampton. The original Full Business Case was approved in January 2021. During summer 2023, the original construction partner for the delivery of the two stations entered administration which had the potential to cause considerable operational delays. However, WMCA quickly facilitated the novation to a new construction partner within two months, who are now fully engaged and delivery on site is progressing well.

Rail Package 2 will deliver three new stations (Pineapple Road, Kings Heath and Moseley Village) in South Birmingham along the Camp Hill Line. These sites also experienced a number of issues which impacted the schedule (including the need to relocate protected wildlife, listed architecture and underground structures) but works are at an advanced stage and progressing well.

### Partnership and Investment Activity

As well as working to directly deliver capital transport infrastructure throughout the region, WMCA is also continuing to work closely with its constituent members to deliver capital projects

as part of the WMCA Investment Programme and City Region Sustainable Transport Settlement (CRSTS).

These programmes include investment in HS2-related infrastructure, city centre regeneration, land reclamation & remediation, and active travel. The WMCA Investment Programme and CRSTS are funded from devolved funding supplemented by local funding leveraged to maximise the benefits across the region and achieve the maximum possible value for public money.

The WMCA Investment Programme has seen significant capital expenditure within the FY23-24 financial year to date, with high capital spend also expected within FY24-25.

The region's Brownfield Land and Property Development Fund (BLPDF) is funded from the WMCA Investment Programme. This fund is being used to redevelop and regenerate land that was previously used for industrial or commercial purposes to build new homes and communities. This fund totals £50m and it is now fully committed to deliver the clean-up of brownfield sites across the West Midlands. Through this fund, WMCA is working with Sandwell Council on the Friar Park Urban Village which will be a new residential community and is the largest brownfield development for housing in the West Midlands.

WMCA is also providing crucial investment to the Coventry City Centre South scheme, by way of a £98.8m grant award from the Investment Programme and a £12.2m grant from the Housing Fund. This scheme aims to transform Coventry City Centre into a mixed-use development. After a review, the scheme is now predominantly residential (new homes) focused, but also includes non-residential space. WMCA is working closely with Coventry City Council to update the original planning consent to set out updated numbers of the expected residential and commercial units within the scheme.

Delivery of this project is expected to begin in summer 2024 and continue in phases to completion in year 2034. As well as delivering an updated urban development, this scheme will create hundreds of new, permanent jobs.

As well as the Coventry City Centre South scheme, WMCA have facilitated further investment in Coventry City Centre by providing a £51m grant for the Friargate Business District project and £39m toward the Rail Station refurbishment.

Friargate, Coventry has become an established destination offering commercial and residential units in a mixed-use development next to Coventry Rail Station. The works for the Two Friargate building are now complete, and it is expected that all available IP funding for this project will be drawn down by the end of the 2023/24 financial year.

Within the Black Country, WMCA has provided funding for the Land and Property Investment Fund, which includes the Phoenix 10 scheme, as well as the City of Wolverhampton Technical Centre.

Within Solihull, WMCA continue to fund projects within the UK Central programme which are geared towards maximising the benefits from the HS2 Interchange.

Due to national inflationary pressures, the DfT in summer 2023 presented a 'once in a programme' opportunity to recipients of the CRSTS grant to rebase their CRSTS programmes. The WMCA took this opportunity to work with constituent members to address the increased costs within the CRSTS project portfolio through rephrasing and descoping of some projects. It

is important to note that this exercise did not change the overall £1.05bn CRSTS funding awarded to the WMCA, and that key priority projects, including development of the innovative Very Light Rail project, continue to be supported by the programme.



*An image of the Very Light Rail demonstrator vehicle.*

In October 2023, Central Government announced its national Network North plan to improve connectivity and local journeys. As part of this plan, the Department for Transport have written to WMCA confirming additional funding available for Highways Maintenance activities within FY23-24 and FY24-25, as well as setting out an indicative profile of further annual funding to follow during the 9-year period from FY25-26 to FY33-34.

WMCA and its constituent members are currently working together to agree detailed short and long-term plans for the additional resurfacing and highways maintenance work, as well as the reporting/monitoring arrangements.

#### *Other Capital Investment*

Other notable items within the WMCA Capital programme include the Brownfield Housing Fund and an array of sustainability and decarbonising projects such as Ultra-Low emission vehicles, investment in Electric Bus and WM2041.

The Brownfield Housing Fund is a trailblazing brownfield regeneration programme creating new homes, jobs and communities across the West Midlands. The capital funding helps unlock the region's most challenging sites to secure the delivery of high-quality new homes and jobs. These projects breathe new life into former industrial sites to create sustainable neighbourhoods and thriving communities while providing much needed housing in the region.

WMCA also continue to operate a highly successful Commercial Investment Fund and Revolving Investment Fund, which help to provide vital financing for projects which generate economic prosperity for the region.

### Long-Term Investment Needs within the WMCA Region

As the population within the WMCA region is forecast to grow by half a million over the next 20 years, demand continues to grow for new, quality homes, services and jobs. Large-scale regenerations in Birmingham, Coventry and Wolverhampton are opening opportunities for workplaces, retail, hospitality, leisure and housing. Beyond the region's city centres, strategic growth corridors where development can be prioritised, aligned and accelerated have been identified, namely Walsall to Wolverhampton and Sandwell to Dudley. Between Walsall and Wolverhampton, transport upgrades will support the construction of over 4,500 new homes. WMCA is committed to building homes, communities and vibrant places where people can live and work with pride.

WMCA, working through Transport for West Midlands (TfWM), is responsible for setting the Local Transport Plan alongside wider powers and duties including those previously held by the Integrated Transport Authority, Passenger Transport Executive and additional powers granted through devolution agreements. This includes managing and maintaining some of the region's public transport infrastructure. Alongside the more traditional metro, rail and sprint transport infrastructure provision, WMCA is committed to providing green and sustainable transport options across the region. This can be seen through the number of active travel (cycling and walking projects) included within the City Region Sustainable Transport Settlement ('CRSTS') programme.

WMCA's submission as part of CRSTS detailed how the proposed programme of investment had been carefully selected to maximise growth outcomes and improve accessibility, especially in underserved areas of the region. The recent pandemic has exacerbated longstanding inequality issues in the region. Transport investment remains key to opening opportunities across the whole region. The pandemic has accelerated the use of digital platforms to engage with the public on TfWM's services. Our Keeping the West Midlands Moving initiative is a thriving online community of over 1,000 residents who share their views on key transport issues. For individual schemes, detailed and comprehensive stakeholder engagement processes will be (or have already been) followed for development and approval – including extensive consultation with political and civic leaders, alongside statutory consultees, contractors and delivery partners.

WMCA also holds devolved funding for housing provision and land regeneration, all of which are administered through its Single Commissioning Framework. This framework puts inclusive growth and placemaking front and centre of every investment decision. In order to access these funds, essential criteria have been determined, including a minimum 20% affordable housing (defined based on the household income levels in the local area) and a demonstrable commitment to Advanced Methods of Construction. Additional desirable criteria include densification of housing at key transport nodes and public transport corridors, compliance with WMCA's Inclusive Growth Toolkit<sup>4</sup> and compliance with WMCA's Regional Design Charter.<sup>5</sup>

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<sup>4</sup> WMCA [Inclusive Growth Toolkit](#)

<sup>5</sup> WMCA [Regional Design Charter](#)

### 3 Capital Expenditure

In 2024/25, the Authority is planning capital expenditure of £706.8m as summarised below:

Table 1: WMCA Capital Expenditure 2023/24 to 2027/28

WMCA Capital Programme (£M)	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Transport	296.1	356.2	167.3	106.2	0.4	926.2
Housing and Regeneration	35.8	94.8	72.1	18.1	18.2	239.1
Strategy, Innovation and Net Zero	6.8	13.8	0.1	-	-	20.7
<b>Total WMCA Delivered Schemes</b>	<b>338.7</b>	<b>464.9</b>	<b>239.5</b>	<b>124.3</b>	<b>18.6</b>	<b>1,185.9</b>
Transport (External)	94.9	225.5	230.6	159.4	12.9	723.3
Economy, Skills and Community (External)	12.4	16.4	-	-	-	28.8
<b>Total External Schemes</b>	<b>107.2</b>	<b>241.9</b>	<b>230.6</b>	<b>159.4</b>	<b>12.9</b>	<b>752.0</b>
<b>Total Capital Expenditure</b>	<b>445.9</b>	<b>706.8</b>	<b>470.0</b>	<b>283.7</b>	<b>31.5</b>	<b>1,938.0</b>

The number of individual capital projects within the capital programme with an approved budget in place exceeds one hundred.

Just under a half of the Combined Authority's planned capital investment in the 5 years to 2027/28 consists of expenditure in pursuance of WMCA-delivered transport projects. This includes the Metro extensions, rail packages and bus and Sprint corridors. Another 12% will be spent in delivering the Housing and Regeneration objectives using funds secured by WMCA from Central Government and just under 40% of all capital expenditure in the next 5 years will be incurred via the provision of grants to local authority partners to fund the delivery of their transport projects. These grants are largely funded by the CRSTS programme and the West Midlands Investment Programme.

The expected capital spend for 2024/25 and future years are estimates based on current information held by project teams. Every April the Combined Authority revises the capital budget to take account of the actual outturn in the previous year and a 'rebased' position is then presented for approval by WMCA Board around June each year. Therefore, it is likely there will be differences between the capital budget approved in February and the final 2024/25 capital budget.

In addition to the traditional capital investment detailed above, WMCA will continue to operate the commercial and residential investment funds where loans to developers are made with the objective of unlocking stalled development sites which traditional lenders are unwilling to finance. The loans are held on the WMCA Balance Sheet under standard accounting regulations and are not included within Table 1.

Capital projects are subject to a wide array of recurring risks (legal, planning, stakeholder, etc) covered later in this document, as well as recent exceptional items (economic conditions, inflation, cost of living) which may result in project slippage. It should be noted that funding remains to be secured for a considerable proportion of capital expenditure budgeted within the latter half of the MTFP period.

### Cost Pressures

The last few years has seen a number of capital projects experience increased costs due to a series of adverse external factors which created a difficult delivery environment effecting bodies delivering public infrastructure throughout the UK. WMCA project teams have usually managed these pressures using contingencies, re-visiting scope, securing additional funding or through employing commercial strategies to achieve more efficient ways of working.

These increases in costs have not been matched by increased levels of funding as most transport projects in construction phase were budgeted for and approved before these global factors emerged. WMCA have therefore taken steps to use existing funding pots where possible to transfer funding to cover schemes that have imminent contractual obligations. All changes are subject to WMCA Single Assurance Framework and Governance requirements with WMCA Board also being required to note or approve the financial impact of the changes as necessary.

The rebasing of the CRSTS programme also offered an opportunity to address emerging cost pressures within the existing CRSTS portfolio and introduce existing sustainable transport projects into the programme.

### Revenue Consequences of Capital Expenditure

Revenue implications of capital expenditure and capital finance, including running costs and financing costs, are properly taken into account within the option appraisal process and reflected in the revenue budget as necessary. Where a capital investment is expected to be income-generating, risks to the income stream are considered during the business case evaluation (such as business interruption, fall in patronage, etc.).

Running costs from major capital investment decisions have been included within the latest Medium Term Financial Plan (MTFP). These are carefully considered alongside competing priorities for limited revenue funding available to WMCA.

Capital expenditure carries the risk of abortive costs, particularly during early development phases of a project, and de-recognition from capital to revenue. This risk is monitored within the financial risk register maintained by WMCA finance staff.

WMCA is also conscious of the needs of its constituent members and the impact that the regional capital investment may have on their limited revenue resources. WMCA attempts to engage early with its constituent members to ensure that revenue impacts of capital expenditure can be managed within the circumstances of each member.

### Asset management

To ensure that capital assets continue to be of long-term use, the Authority has a Strategic Asset Management Plan in place. This sets the high-level strategic framework for managing WMCA's asset and property portfolio effectively. It guides future strategic property decisions to ensure WMCA manage its property portfolio sustainably and efficiently so that WMCA can adapt to remain fit for future developments and support frontline delivery.



#### 4 Capital Financing (Debt and Borrowing)

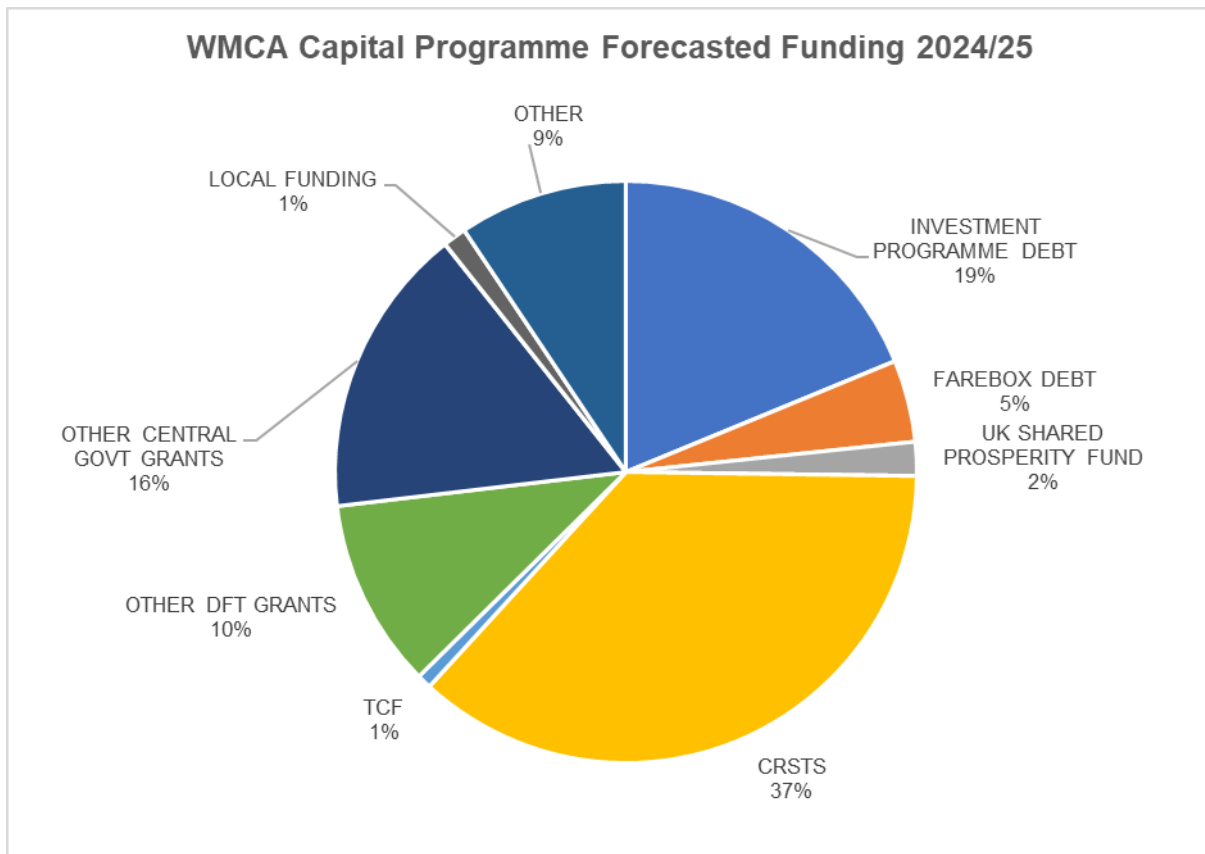
All capital expenditure must be financed from external sources (e.g., capital grants, external contributions from third parties), the Authority's own resources (e.g., capital receipts, revenue resources/reserves) or temporarily by debt. WMCA is clear that expenditure will not be incurred until the required funding has been secured. The planned funding of the capital expenditure presented in **Section 3** is as follows:

Table 2: WMCA Capital Funding 2023/24 to 2027/28

Funder (£m)	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Investment Programme Debt	177.0	132.9	31.1	21.1	12.9	375.0
Farebox Debt	7.0	32.3	8.8	24.1	0.4	72.5
UK Shared Prosperity Fund	7.9	13.3	-	-	-	21.2
CRSTS	119.4	259.0	318.0	214.2	-	910.5
TCF	24.1	5.6	-	-	-	29.7
Other DfT Grants	62.4	73.5	26.5	-	-	162.4
Other Central Government Grants	16.0	114.5	73.3	18.1	18.2	240.2
Third Party Contributions	2.1	0.1	-	-	-	2.2
Local Funding	28.6	9.2	8.5	6.2	-	52.6
Unfunded	-	-	-	-	-	-
Other	1.4	66.4	3.9	-	-	71.7
<b>Total Funding</b>	<b>445.9</b>	<b>706.8</b>	<b>470.0</b>	<b>283.7</b>	<b>31.5</b>	<b>1,938.0</b>

Exact funding forecasts across a five-year period are difficult as the projects with multiple funding sources can be used in multiple sequences depending on a number of factors, for example the conditions of specific grants, funding periods and the rate of borrowing. Best endeavours have been made to accurately present the funding underpinning the 2024/25 capital expenditure, however, this is subject to change based on changes to the underlying capital expenditure and any funding decisions taken.

The pie chart below represents the capital funding for 2024/25 as currently forecast.



The funding for WMCA internally delivered capital projects is supported mostly by project-specific grants or borrowing. The cost of debt and interest are underpinned by the Investment Programme or commercial revenues. The S151 officer requires adequate assurance that future revenue can be recouped from investments before relying on them to underpin any borrowing.

Under the arrangements of the CRSTS programme set out by DfT, WMCA has authority to award funding to projects within the agreed CRSTS programme locally, save in instances where projects have been retained by DfT. All funding awards are subject to the processes within the WMCA Single Assurance Framework and applicable requirements being met.

It should be noted that the overarching CRSTS programme is subject to a number of conditions, including the requirement to source a minimum amount of funding from locally derived sources ('local contribution').

The Investment Programme is currently subject to an affordable limit of £871m, which was approved at WMCA Board on 19<sup>th</sup> March 2021. This remains the limit whilst arrangements to secure additional funding sources into WMCA are developed and delivered.

#### Capital Expenditure Funded Temporarily from Borrowing

Since 1st April 2004 local authority borrowing for the purposes of capital expenditure has been governed by the CIPFA Prudential Code. The Code replaces the previous borrowing regime and WMCA is able to undertake further borrowing as long as it complies with the Code and can demonstrate that it is affordable, sustainable and prudent. Each year, WMCA Board is asked to approve parameters for borrowing as part of the Code.

WMCA's cumulative outstanding amount of debt finance is measured by its capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP / loans fund repayments, capital receipts and revenue resources applied to replace debt. WMCA's CFR is expected to increase by £166m during 2024/25. Based on the above figures for expenditure and financing, the Authority's estimated CFR is as follows:

Table 3: WMCA Capital Financing Requirement 2023/24 to 2028/29

£M	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Opening External Debt	511.0	597.0	581.0	562.0	553.0	540.0
New Borrowing	100.0	-	-	-	-	-
Less : Repayments	14.0	16.0	19.0	9.0	13.0	13.0
<b>Forecast Closing External Debt</b>	<b>597.0</b>	<b>581.0</b>	<b>562.0</b>	<b>553.0</b>	<b>540.0</b>	<b>527.0</b>
Capital Financing Requirement (CFR)	826.0	992.0	968.0	951.0	930.0	905.0
Under Borrowing	229.0	411.0	406.0	398.0	390.0	378.0

*CFR projections are only indicative and are subject to change if alternative funding strategies are pursued or additional funding unlocked reducing the need for capital expenditure financed by borrowing.*

Whilst the CFR has increased substantially from 2023/24 to 2024/25, the WMCA has applied a significant sum of direct revenue financing where the expenditure could be classified as revenue as opposed to capital. This is in addition to charging Minimum Revenue Provision (MRP) which is the statutory minimum revenue charge in respect of unfinanced capital expenditure (i.e., within the CFR). WMCA constantly monitors opportunities to reduce the CFR using any excess revenue resources available. This is to ensure that the long-term financial security of WMCA is not unduly sacrificed to meet short-term pressures.

Treasury staff at WMCA prepare forecasted levels of external debt and use of internal borrowing to support capital expenditure, compare with the capital financing requirement and establish an appropriate liability benchmark. Further details can be found at **Appendix 8 – Treasury Management Strategy Statement**.

WMCA determines how much it can borrow by reviewing its Liability Benchmark and considering the need for any risk mitigation. WMCA's Operational Boundary has been set to mirror the projected CFR balances at Table 3 to mitigate the risk of faster interest rate increases compared with current forecasts.

Any external borrowing decisions inherently carry risk and have a long-term impact of WMCA's financial position, so are carefully considered to minimise any risk from underwrite to WMCA's constituent member authorities.

WMCA will not investment in any capital expenditure primarily for yield (financial return). This a condition for access to the Public Works Loan Board, which is a valuable financing option for WMCA. WMCA's treasury team constantly monitor the requirements of PWLB to ensure compliance with their conditions and continued access.

There are no restrictions that apply to WMCA's capacity to borrow in respect of Housing Revenue Account, Police Funds, or other statutorily ring-fenced resources.

Provision for repayment of debt over the life of the underlying assets is made by regular review of cash flow forecasts and financial models to ensure resources required for debt repayment are appropriately earmarked and budgeted.

As part of prudent provision planning, WMCA's MRP policy is critical to assessing the ongoing cost of investment and assessing WMCA's debt repayment arrangements. WMCA sets out within the MRP policy at **Appendix 10** how it will ensure that prudent provision for future MRP is made.

It should be noted that expenditure incurred within the WMCA Investment Programme remains a major component of the increases forecasted in respect of WMCA's Capital Financing Requirement.

The WMCA Investment Programme was a product of the first devolution deal in 2016 and was designed to devolve more accountability, funding and powers out to the regions. The £2bn of funding expected to be provided by WMCA was to be funded by WMCA generating locally sourced income to support borrowing which in turn could be used to accelerate the development.

Whilst progress has been made to date in respect of regional business rates retention arrangements, risks surrounding this income source and the current interest rate environment mean that the current affordable limit of the WMCA Investment Programme remains at £871m.

### Capital Finance Hierarchy

WMCA aims to utilise capital financing in the sequence which maximises value for money for the public.

In order to achieve this, external and highly restrictive sources of funding are typically applied first to finance capital expenditure, before internal and less restrictive sources of funding, and then finally borrowing (which attracts additional financing costs).

Typical Capital Financing Sources and Hierarchy:

1. Specific grants & contributions
2. General grants & contributions
3. Capital receipts
4. Revenue resources and reserves
5. Borrowing / credit arrangements

However, each project is considered on an individual basis, and compliance with funding terms and conditions remains the foremost concern.

## 5 Treasury Management

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Authority's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account.

As at 31 December 2023 the Authority has £596m borrowing. It is not expected, but possible, that WMCA could need to borrow further externally in the coming years in order to support its Capital Expenditure. Statutory guidance states that no Authority should borrow above its Capital Financing Requirement. As shown previously at Table 3, WMCA expect to comfortably remain within this requirement. An element of internal borrowing, being the use of cash-backed reserves to defer the need to borrow externally, will be utilised alongside external borrowing to optimise the financing arrangements of capital expenditure.

A further key requirement is that WMCA must not breach an external debt cap agreed with HM Treasury and Department for Levelling Up, Housing and Communities (DLUHC, formally known as MHCLG). The existing agreed limit for 2023/24 is £1,234m and £1,277m for 2024/25. Debt caps for 2025/26 and beyond are expected to be finalised with HM Treasury during 2024/25. Should the value remain static at £1,277m, WMCA do not expect to breach the external borrowing debt cap before March 2028 based on the current and projections of capital expenditure contained within this report.

It should be noted however, that should the Office of the Police and Crime Commissioner be incorporated into the WMCA and / or if Local Authorities agree to WMCA aggregating the debt associated with Investment Zones and Growth zones centrally, there is scope for upward pressure on the debt cap agreed with HMT. In such instances, WMCA would need to renegotiate the cap and HMT have previously advised they are open to discussions where a change in circumstance requires the cap to be adjusted. The WMCA Finance Team will monitor this issue carefully and approach HMT as necessary. Any agreed amendments to the cap would be notified to WMCA Board as part of the regular Financial Monitoring Report.

Alongside the external debt cap agreed with HM Treasury, WMCA is also legally obliged to set an affordable borrowing limit each year, known as the Authorised Limit. This limit is subject to annual review to reflect any changes to planned Capital Expenditure. A second lower limit, known as the Operational Boundary, is also set each year to serve as a warning limit to those charged with governance of WMCA. The proposed Authorised Limit and Operational Boundary for 2024/25 onwards are included within Table 4. WMCA expect to remain comfortably within both of these limits over the course of the period covered by this report but will review this based on the potential events detailed above.

Table 4: WMCA Authorised limit and Operational Boundary for External Debt

£M	2024/25	2025/26	2026/27	2027/28	2028/29
Forecast Closing CFR	992.0	968.0	951.0	930.0	905.0
Forecast Closing Debt	581.0	562.0	553.0	540.0	527.0
Operational Boundary	992.0	968.0	951.0	930.0	905.0
Authorised Limit	1,022.0	998.0	981.0	960.0	935.0

Recent long-term borrowing executed within 2021/22 and 2022/23 was taken out to underpin capital expenditure within the WMCA Investment Programme, which will be repaid over the 30-year devolution period ending on 31 March 2046. Borrowing to be repaid from income realised over the 30-year devolution period in respect of the WMCA Investment Programme is subject to an overarching affordable limit, last updated and endorsed by WMCA Board in March 2021.

As noted in the Treasury Management Strategy, WMCA will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Where borrowing in advance of need has been undertaken, WMCA can demonstrate value for money in borrowing in advance of need and its plans to ensure the security of such funds.

As previously referenced, further information on WMCA's approach to treasury management including processes, due diligence, risk appetite, investments and liabilities can be found within the full Treasury Management Strategy at **Appendix 8**.

## 6 Commercial Activity

WMCA does not invest in any assets for the primary reason of investment income/yield.

Where WMCA plans to provide equity, in the case of the West Midlands Co-Investment, or debt financing from the Collective Investment Fund and Revolving Investment Fund, the primary purpose of decision is for the public benefit to the region.

Any property acquisitions are undertaken based on a need for delivery, and not for financial returns from rental income or capital appreciation.

## 7 Capital Receipts

Capital receipts are receipts to WMCA arising from the sale/disposal of assets such as land, property and equipment. Their use is normally restricted under the Local Government Finance regulations to capital expenditure and repayment of debt.

WMCA is not currently forecasting any material future capital receipts.

## 8 Capital Risk Management

The WMCA Capital Programme and its achievability is inherently exposed to uncertainty and a wide array of risks. As mitigation, each project is required to have a risk management

strategy in accordance with HMT Green Book and the Five Case Model, which is appraised under the Single Assurance Framework (SAF). A live capital risk register is maintained of project-specific risks which is kept up to date by the relevant accountants and monitored monthly by the finance senior leadership team.

In the delivery of any capital expenditure programme, risk must be managed in line with the organisation's risk appetite.

Risks with respect to funds provided to Local Authorities are managed and mitigated through the use of legally binding funding agreements, covering issues such as delivery, performance and clawback conditions. Where possible, WMCA acts as the funder of last resort to allow maximum benefit from opportunity and project savings (should they arise) to flow back to WMCA for re-investment.

Mitigating against all these risks are the knowledge and skills of WMCA staff. All members of the Finance Leadership Team are fully qualified and experienced finance professionals, and on-going training is provided to all Finance staff. Where Finance Leadership Team feel specialist guidance is required, appropriate advice will be taken from external advisers.

## **9 Prudential Indicators for Capital**

Prudential indicators are means of assessing the overall fiscal sustainability and affordability of capital expenditure and associated external borrowing / long-term liabilities. The CIPFA Prudential Code provides prudential indicators required for inclusion within the Capital Strategy. Compliance with the Code is a statutory requirement under the Local Government Act 2003.

For the WMCA's Capital Strategy, the relevant Prudential Indicators required under the Code against which WMCA are reporting are:

- Estimated Capital Expenditure; and
- Estimated Capital Financing Requirement;
- In-year Borrowing Requirement; and
- Ratio of Financing costs to net revenue stream<sup>6</sup>

It should be noted that these indicators are designed to support and record local decision making; they are not designed to be comparative performance indicators and the Code does not include suggested limits or ratios.

The indicators for capital are complementary to treasury management indicators. Treasury Management Indicators are disclosed within the Treasury Management Strategy at **Appendix 8**.

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<sup>6</sup> This ratio shows the estimated annual revenue costs of borrowing, less net interest receivable on investments, as a proportion of annual income from constituent members - levy and fees - and central government (net revenue stream).

## **10 Updates to Regulations and Accounting Standards**

When preparing this Capital Strategy, officers of WMCA have given due regards to regulatory updates.

WMCA are in regular discussions with its external auditors in respect of the UK government's ongoing consultation on changes to the capital framework with respect to Minimum Revenue Provision. This is considered at **Appendix 10**.

Recent changes to accounting standards, such as IFRS 16 Leases, have been considered and have not had a material impact on WMCA's Capital Strategy.

## **11 Governance Arrangements**

Decisions around capital expenditure, investments and borrowing should align with the processes established for the setting and revision of the budget for WMCA, which is why the Capital Strategy is appended to the annual WMCA Budget for approval by WMCA Board, the body with responsibility for the annual budget.

This process is also appropriate because the CIPFA Prudential Code recommends that where budget decisions are made by an elected mayor, as is the case for WMCA, the Capital Strategy and prudential indicators are expected to follow the same procedures as the budget.

Although detailed implementation and monitoring of capital investment is delegated to sub-committees and officers as appropriate, ultimate responsibility for decision-making and ongoing monitoring in respect of capital expenditure, investment and borrowing remains with WMCA Board.

There are processes in place within the WMCA to ensure the capital programme is governed correctly from the initial business case through options appraisal to delivery, monitoring & evaluation and post project appraisal.

The Single Assurance Framework (SAF) is a set of systems, processes and protocols designed to provide the organisation with a consistent approach for appraisal, assurance, risk management and performance throughout the lifecycle of projects and programmes. It sets out key procedures for ensuring accountability, probity, transparency and legal compliance and for ensuring value for money is achieved across its investments.

Ensuring all capital projects deliver value for money is of utmost importance within the governance process. Value for money is required to be demonstrated within the economic case of all business cases passing through the SAF and significant projects are also required to provide analysis on accost benefit ratio.

Once a business case has gone through the SAF and an agreed amount of funding has been awarded to achieve a set outcome, any changes required will follow the Change Control process. This is the process through which all requests to change the approved baseline of a project, programme or portfolio are captured, evaluated, and then approved, rejected or deferred. The Change Request is required when the tolerances that were set out in the approved Business Case are or will be breached. These include changes to time, cost and scope.



Monitoring and evaluation arrangements are agreed within the business case. These monitoring indicators include the project budget, data collection and reporting.

### Capitalisation Policy

WMCA sets out its processes and procedures to ensure correct classification of expenditure and compliance with Local Authority Capital Accounting regulations within its capitalisation policy.

In accordance with Local Authority Capital Accounting regulations, only expenditure which is directly attributable to bringing an asset into working condition is to be capitalised.

The capitalisation policy sets out guidance on specific types of expenditure such as feasibility studies, professional fees, design works, training, incidental overheads, software, financing costs and maintenance.

It also stipulates how salaries may be capitalised, which assets are classified under “Assets under construction”, the maintenance of WMCA’s fixed asset register, how depreciation is to be charged, estimated useful lives of assets and conditions under which an asset is to be derecognised.

The capitalisation policy is reviewed and updated annually to reflect any changes to regulations and advice from external accounting professionals.

### Reporting

After a project budget has been approved, WMCA financial regulations require that any proposed increase to this budget in excess of 10% is reported to, and approved by, WMCA Board (or by subsidiary Boards including WMCA Investment Board, based on the delegations stated within the WMCA Single Assurance Framework). As well as this, any unfunded budgets are required to be reported to WMCA Board.

## **12 Knowledge and Skills**

The Capital Strategy and the Treasury Management Strategy are prepared and managed by teams of professionals with local government experience and qualified accountants. The Audit, Risk and Assurance Committee scrutinises the capital programme and Treasury Management Strategy at regular scheduled intervals to ensure rigorous control over these functions.

The correct accounting treatment is applied across the capital programme and Treasury functions in accordance with CIPFA 2022/23 Code of Practice on Local Authority Accounting.

WMCA has professionally qualified staff across a range of disciplines related to capital investment including finance, legal, commercial, housing, transport. Staff engage in ongoing continuous professional development and seek external professional advice where necessary.

## **13 Affordability and Sustainability**

The fundamental objective in the consideration of the affordability of WMCA’s capital plans is to ensure that the total capital investment of the authority remains within sustainable limits. As a combined authority, WMCA should have due regard for potential impacts on its

underlying member authorities. Much of the West Midlands capital expenditure is in respect of funding

awarded to its constituent members and related to HS2, which will be shown within the capital strategies of these bodies. The members of WMCA play a crucial role shaping WMCA's strategy and risk appetite.

When assessing affordability and sustainability, it is critical that a balance is reached between capital and revenue expenditure needs. Therefore, revenue consequences of capital decisions are carefully taken into account. It is also important to ensure that investment in new/enhanced assets is balanced against need to maintain the service potential and economic benefits of existing assets.

At present, there are increasing constraints upon available revenue resources, with local authorities coming under increasing pressure to balance the short term. WMCA remains committed to delivery its capital programme to ensure WMCA does not prioritise short-term sustainability over long-term sustainability.

It is of utmost important to the WMCA that the long-term interests of the region are safeguarded, and the public pound is protected. There are layers of protection applied to the capital programme to ensure the affordability and deliverability of the capital programme. For example, each supplier must demonstrate their solvency and ability to deliver contracted outcomes.

Within the financial case of each projects business case, project managers should demonstrate cost estimates are robust and if necessary, that contingency is included and earmarked separately.

The WMCA seeks to maximise opportunities to leverage third party investment to complement the capital programme and strategically recycle funding where possible for reinvestment within the region.

Despite these layers of protection, the WMCA capital programme is being delivered in challenging economic conditions. The impact of high inflation and increased interest rates have added considerable pressure to capital delivery budgets, particularly in respect of construction materials and financing costs.

These external economic factors are causing pressures to emerge across the WMCA capital programme. An update was recently provided to ensure accountability and transparency at WMCA Board in December 2022.

The WMCA Board and senior officers of the organisation are continually monitoring the capital programme to ensure the best use of capital resources and the greatest possible value for money is achieved.

Where necessary, the scope and delivery timing of projects within the WMCA capital programme may be altered to ensure sound and responsible risk/financial management. Any such changes will be reported appropriately and transparently.

The first means of mitigation for a capital cost pressure is to reduce/avoid the cost increase where possible. In such circumstances, project contingency is reviewed. Next, a review of WMCA resources including soft contingencies is undertaken.

Under a worst-case case scenario, where additional funding is required and has not been secured, an increase to the levy payable to WMCA by its constituent members would be considered, which would require approval by WMCA Board.

## **APPENDIX 10 – Annual Minimum Revenue Provision (MRP) Statement 2024/25**

Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Department for Levelling Up, Housing and Communities' Guidance on Minimum Revenue Provision (the DLUHC Guidance).

In December 2023, DLUHC announced a final consultation on its MRP guidance. The consultation follows a previous exercise in 2021 which was subsequently extended following feedback from the sector. The proposed final guidance is now expected to apply prospectively from April 2024 onwards.

The broad aim of the DLUHC Guidance is to ensure that capital expenditure is financed over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The DLUHC Guidance requires the Authority to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP.

As such, WMCA will charge MRP as detailed below:

- For capital expenditure incurred before 1st April 2008 MRP will be determined as 2% of the capital financing requirement in respect of that expenditure;
- For unsupported capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset as the principal repayment on an annuity with an annual interest rate of 2%, starting in the year after the asset becomes operational;
- For capital expenditure on loans to third parties where the principal element of the loan is being repaid in annual instalments, the capital receipts arising from the principal loan repayments will be used to reduce the CFR instead of MRP.

Where no principal repayment is made in a given year or principal repayments have not been received in accordance with the T&Cs of the loan agreement or there is any uncertainty about receiving future repayments, MRP will be charged at a rate in line with the life of the assets funded by the loan.

In November 2017, WMCA Board agreed to the release of historic overpayments of MRP by suppressing the MRP charges to zero from April 2017. The policy amendment was undertaken in liaison with WMCA's external auditors (Grant Thornton) and the practice is common across UK Local Authorities. The duration of the 'zero MRP' was expected to be seven years. The value of overpayments released to March 2024 will be £30.5m meaning that all residual balances have been released. The outcome of this procedure means that the Transport Levy (i.e. the source of those original overpayments) was suppressed by a corresponding amount during the seven year period whilst still ensuring that the legacy debt WMCA held could be repaid in a prudent manner. It should be noted that as the historic MRP over payments relate to Transport assets delivered prior to April 2017, the release of the overpayment does not apply to schemes developed and delivered after this date and as such, WMCA continues to make MRP payments against Investment Programme schemes during the current planning cycle.

## **APPENDIX 11 – Pay Policy Statement 2024/25**

### **1. Introduction and Purpose**

- 1.1. The purpose of this policy is to clarify West Midlands Combined Authority's strategic stance on pay in order to provide direction for members and officers making detailed decisions on pay and to provide the citizens of the West Midlands with a clear statement of the principles underpinning decisions on the use of public funds.
- 1.2. As defined in Sections 2 (6), (7) and (8) of the Local Government and Housing Act 1989, the Authority has the power to appoint officers on such reasonable terms and conditions, including remuneration, as the authority thinks fit. This Pay Policy Statement (the 'statement') sets out the Authority's approach to pay policy in accordance with the requirements of Section 38 of the Localism Act 2011. The purpose of the statement is to provide transparency with regard to the Authority's approach to setting the pay of its employees by identifying;
  - the methods by which salaries of all employees are determined;
  - the detail and level of remuneration of its most senior staff i.e. 'Chief Officers', as defined by the relevant legislation;
  - the Committee responsible for ensuring the provisions set out in this statement are applied consistently throughout the West Midlands Combined Authority and for recommending any amendments to the statement to the West Midland Combined Authority Board.
- 1.3. Once approved by the Board, the statement will come into immediate effect and will be published by no later than 1 April each year, subject to review on a minimum of an annual basis in accordance with the relevant legislation prevailing at that time.

### **2. Legislative Framework**

- 2.1. In determining the pay and remuneration of all of its employees, the West Midlands Combined Authority will comply with all relevant employment legislation. This includes, but is not an exhaustive list, the Equality Act 2010, Part Time Employment (Prevention of Less Favourable Treatment) Regulations 2000, The Agency Workers Regulations 2010 and where relevant, the Transfer of Undertakings (Protection of Earnings) Regulations.
- 2.2. With regard to the Equal Pay requirements contained within the Equality Act, the West Midlands Combined Authority ensures there is no pay discrimination within its pay structures and that all pay differentials can be objectively justified through the use of equality-proofed job evaluation mechanisms which directly relate salaries to the requirements, demands and responsibilities of the role.

### **3. Pay Structure**

- 3.1. The purpose of pay is to encourage staff with the appropriate skills to seek to work for the Authority and then to reward them appropriately for the tasks they undertake in order to maintain their motivation and retain their services.

- 3.2. Based on the application of job evaluation processes, the West Midlands Combined Authority uses the nationally negotiated pay spine as the basis for its local grading structure (known as the main salary scale). This determines the salaries of the majority of the workforce, together with the use of other nationally defined rates where relevant. The West Midlands Combined Authority's terms and conditions of employment for non-Chief Officers/non-Senior Management will be in accordance with collective agreements negotiated from time to time by the Passenger Transport Forum (PTF) for Passenger Transport Executive Staff set out in the Scheme of Salaries and Conditions of Service (Commonly known as the "Green Book") as amended or supplemented by such local collective agreements reached with trade unions recognised by the West Midlands Combined Authority, currently Unison..
- 3.3. In determining its grading structure and setting remuneration levels for all posts, the West Midlands Combined Authority takes account of the need to ensure value for money in respect of the use of public expenditure, balanced against the need to recruit and retain employees who are able to meet the requirements of providing high quality services to the community, delivered effectively and efficiently and at times at which those services are required.
- 3.4. New appointments will normally be made at the minimum of the relevant grade, although this can be varied where necessary to secure the best candidate when a higher skill level and/or experience are applicable. From time to time it may be necessary to take account of the external pay market in order to attract and retain employees with particular experience, skills and capacity. Where necessary, the West Midlands Combined Authority will ensure the requirement for such is objectively justified by reference to clear and transparent evidence of relevant market comparators, using appropriate data sources.

#### **4. Market supplements**

- 4.1. The Authority has a policy to offer market supplements in instances where the substantive grade of the post is insufficient to attract or retain post holders in skill shortage areas, based on evidence of recruitment and retention difficulties. The Market supplement has been defined in the form of 2 additional increments added to the main salary scale, or it will consider the use of temporary market forces supplements in accordance with its relevant policies.
- 4.2. Where a temporary market supplement has been applied, this will be applied as a non-consolidated payment, not applicable to cost of living increases. The applicable market supplement will be reviewed on a periodic basis to ensure market conditions are pertaining.

#### **5. Senior Management Remuneration**

- 5.1. For the purposes of this statement, senior management means 'chief officers' as defined within S43 of the Localism Act. The posts falling within the statutory definition are set out below, with details of their basic salary as at 1st April 2023. Salaries quoted are based on the full time equivalent (FTE) of 36.5 hours per week.
- 5.2. The table lists the 90 Senior Management posts that make up 10.19% of the 883\* people employed by the West Midlands Combined Authority.

*\*Refers to the staffing count as at 26th January 2024 which includes all permanent, temporary and casual employees*

Title	Grade	Minimum	Maximum
Chief Executive	1 post	£180,000	£205,000

Title - Executive Directors	Grade	Minimum	Maximum
Exec Director of Economic Delivery, Skills & Communities Executive Director of Finance and Business Hub Executive Director of Housing, Property and Regeneration Executive Director of Strategy, Innovation and Net Zero Executive Director of Transport for West Midlands	Directors (5 posts)	£120,000	£145,000

Title - Operational Directors	Grade	Minimum	Maximum
Commercial and Investment Director Director of Law and Governance Director of Integrated Transport Services Director of Delivery - Transport Portfolio Director of Policy, Strategy and Innovation Executive Director (WMRE)/Director of Rail (TfWM) Director- Energy Capital Director of Network Resilience Director of Strategic Partnerships & Delivery Integration Delivery Director - Sustainable Transport Delivery Director - Rail Chief of Staff Technical Director - Swift Operational Director of Strategic Communications	Operational Directors (14 posts)	£93,537	£131,523

Title - Head Of Service & Subject Matter Experts	Grade	Minimum	Maximum
Head of Service & Subject Matter Expert roles will have operational and/or highly strategic responsibility for a team or function of the WMCA, leading managers and/or professionals, setting objectives, managing performance and ensuring the teams delivery of its objectives forming part of the senior management team of WMCA	Head of Service & SME (70 posts)	£64,092	£89,967

*\*Salary amounts subject to pending 2024-25 pay award*

For information the main salary scale, covering the majority of the workforce, is shown in the Annex 1.

## **6. Recruitment of Chief Officer Related Posts**

- 6.1. The West Midlands Combined Authority's policy and procedures with regard to recruitment of chief officer related posts is set out within the Constitution which can be accessed [click here](#). The West Midlands Combined Authority shall appoint seven separate Members from the Constituent Councils, the Mayor and any other additional person as required, as members of the Employment Committee. When recruiting to all posts the West Midlands Combined Authority will take full and proper account of its own policies and procedures. The determination of the remuneration to be offered to any newly appointed chief officer related position will be in accordance with the pay structure and relevant policies in place at the time of recruitment. The agreement of pay and conditions for the Chief Executive and Chief Officers are in accordance with the Joint Negotiating Committee for Chief Officers of Local Authorities'. Where the West Midlands Combined Authority is unable to recruit to a post at the designated grade, it will consider the use of temporary market forces supplements in accordance with its relevant policies.
- 6.2. Where the West Midlands Combined Authority remains unable to recruit to chief officer related posts under a contract of employment, or there is a need for interim support to provide cover for a vacant substantive chief officer related post, the Authority will, where necessary, consider engaging individuals under 'contracts for service'. These will be sourced through a relevant procurement process ensuring the West Midlands Combined Authority is able to demonstrate the maximum value for money benefits from competition in securing the relevant service. The temporary filling of a vacancy for a post of Chief Officer or Deputy Chief Officer will be reviewed after a period of no more than 12 months.

## **7. Additions to Salary of Chief Officer Related Posts**

The West Midlands Combined Authority does not normally apply any bonuses or performance related pay to its chief officer related posts. Chief Officers, known as Senior Managers, within WMCA, are employed on an incremental scale. The salary structures each have minimum and maximum range, as shown in the Annex 1. Where additional responsibility is undertaken, the Authority may apply an honorarium reflective of the additional duties undertaken.

## **8. Payments on Termination**

- 8.1. The West Midlands Combined Authority's approach to discretionary payments on termination of employment of chief officers, prior to reaching normal retirement age, is set out within its policy statement in accordance with Regulations 5 and 6 of the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006 and the Local Government Pension Scheme (LGPS) Regulations 2013 (as amended).
- 8.2. The circumstances of each individual redundancy case will be assessed, each specific case will be judged equally and fairly on its own merits.

For redundancy payment purposes the following applies to all post holders:

- All continuous service with local authority and other bodies specified by *The Redundancy Payments (Continuity of Employment in Local Government, etc) (Modification) Order*, as amended, counts towards the entitlement to and calculation of



a payment. Any service already taken into account by a Scheme employer in calculating compensation under these or similar Regulations will be excluded.

- No employee may receive a redundancy payment in a sum greater than their current annual salary as at the date of redundancy. (This excludes any payment for pay in lieu of notice).
- Statutory or enhanced redundancy pay will be paid to those with over 2 years continuous employment. Payment for each week's pay will be calculated on the number of statutory weeks, based on an employee's age and length of employment. Length of service is capped at 20 years.
- A week's pay for the calculation of statutory redundancy pay shall be that set by the statutory redundancy guidelines.
- A week's pay for the calculation of the enhanced redundancy payment shall be the actual amount of a week's pay based on the annual salary as at the date of redundancy. To calculate the enhanced redundancy payment this shall be multiplied by a factor of 1.75.

- 8.3. Any other payments falling outside the provisions or the relevant periods of contractual notice shall be subject to a formal decision made by the West Midlands Combined Authority or relevant elected members, committee or panel of elected members with delegated authority to approve such payments.

## **9. Publication**

- 9.1. Upon approval by the West Midlands Combined Authority Board, this statement will be published on the West Midlands Combined Authority's website.

- 9.2. In addition, the West Midlands Combined Authority's Annual Statement of Accounts will include a note setting out the number of staff whose total remuneration is at least £50,000 and for chief officer posts it will show the amount of

- salary, fees or allowances paid to or receivable by the person in the current and previous year;
- employer's contribution to the person's pension;
- any bonuses so paid or receivable by the person in the current and previous year;
- any sums payable by way of expenses allowance that are chargeable to UK income tax;
- any compensation for loss of employment and any other payments connected with termination;
- any benefits received that do not fall within the above.

## **10. Lowest Paid Employees**

- 10.1. The West Midlands Combined Authority has adopted the principle to pay the UK Real Living Wage. The lowest paid persons employed under a contract of employment with the West Midlands Combined Authority are employed in accordance with the minimum spinal column point currently in use within the Authority's grading structure. As at 1st April 2023 this is

£24,141 per annum and is 7 points higher than the main pay spine minimum and 7 points higher than the UK Real Living Wage minimum in the spinal column. West Midlands Combined Authority have obtained living wage foundation accreditation. Any changes to the Real Living Wage hourly rate will be implemented from the 1<sup>st</sup> April each year following the increase.

- 10.2. The West Midlands Combined Authority employs Apprentices who are not included within the definition of 'lowest paid employees' as the terms and conditions are determined by the National Apprenticeship Service. The relationship between the rate of pay for the lowest paid and chief officers is determined by the processes used for determining pay and grading structures as set out earlier in this policy statement.
- 10.3. The statutory guidance under the Localism Act recommends the use of pay multiples as a means of measuring the relationship between pay rates across the workforce and that of senior managers, as included within the Hutton 'Review of Fair Pay in the Public Sector' (2010). The Hutton report was asked by Government to explore the case for a fixed limit on dispersion of pay through a requirement that no public sector manager can earn more than 20 times the lowest paid person in the organisation. The report concluded that "it would not be fair or wise for the Government to impose a single maximum pay multiple across the public sector". The West Midlands Combined Authority accepts the view that the relationship to median earnings is a more relevant measure and the Government's Code of Recommended Practice on Data Transparency recommends the publication of the ratio between highest paid salary and the median average salary of the whole of the authority's workforce.
- 10.4. The current pay levels within the West Midlands Combined Authority define the multiple between the lowest paid employee and the Chief Executive as 1:8.35 and; between the lowest paid and average chief officer as 1:3.62. The Authority's multiplier falls well below Lord Hutton's public sector threshold.
- 10.5. As part of its overall and ongoing monitoring of alignment with external pay markets, both within and outside the sector, the West Midlands Combined Authority will use available benchmark information as appropriate.

## **11. Re-engagement and Re-employment of former Chief Officer Related Posts**

- 11.1. West Midlands Combined Authority would not normally re-employ or re-engage chief officers who were previously employed by the Authority and who on ceasing to be employed, received severance or redundancy payment. This applies to chief officers employed on permanent, temporary and external contracts.

## **12. Accountability and Decision Making**

- 12.1. In accordance with the Constitution of the West Midlands Combined Authority, the Employment Committee is responsible for decision making in relation to the recruitment, pay, terms and conditions and severance arrangements in relation to chief officer positions within the West Midlands Combined Authority. Overall the Authority aims to maintain a mid-market position on chief officer pay in comparison to similar authorities.

**West Midlands Combined Authority – Main Salary Scale**  
**INCREASED WITH EFFECT FROM 1 APRIL 2023**

	<b>NEW BASIC SALARY W.E.F.1.4.23</b>
<b>SALARY POINT</b>	<b>PER ANNUM</b>
9	£21,198
10	£21,633
11	£22,126
12	£22,191
13	£22,302
14	£22,922
15	£23,516
16	£24,141
17	£24,917
18	£25,616
19	£26,341
20	£26,915
21	£27,841
22	£28,794
23	£29,800
24	£30,835
25	£31,912
26	£33,038
27	£34,201
28	£35,414
29	£36,683
30	£37,992
31	£39,360
32	£40,424
33	£41,522
34	£42,646
35	£43,815
36	£45,019
37	£46,250
38	£47,520

39	£48,833
40	£50,183
41	£51,571
42	£53,060
43	£54,592
44	£56,171
45	£57,800
46	£59,468
47	£61,199
48	£62,974
49	£64,796
50	£66,681

<b>MARKET SCALES</b>	<b>NEW BASIC SALARY W.E.F.1.4.23</b>
<b>SALARY POINT</b>	<b>PER ANNUM</b>
51	£68,620
52	£70,620

**Operational Director Levels – Salary Scale**

<b>Operational Director Level</b>	<b>Minimum</b>	<b>Maximum</b>
OP1	£93,537	£100,317
OP2	£105,000	£111,780
OP3	£124,743	£131,523

**Senior Manager Levels – Salary Scale**

<b>Senior Manager Level</b>	<b>Minimum</b>	<b>Maximum</b>
SM1	£64,092	£69,267
SM2	£66,680	£71,855
SM3	£69,267	£74,442
SM4	£71,855	£77,030
SM5	£74,442	£79,617
SM6	£77,030	£82,205
SM7	£79,617	£84,792
SM8	£82,205	£87,380
SM9	£84,792	£89,967



## WMCA Board

<b>Date</b>	9 February 2024
<b>Report title</b>	Employment & Skills Strategy for Deeper Devolution
<b>Portfolio Lead</b>	Employment & Skills - Councillor George Duggins
<b>Accountable Chief Executive</b>	Laura Shoaf, West Midlands Combined Authority email: laura.shoaf@wmca.org.uk
<b>Accountable Employee</b>	Clare Hatton, Interim Executive Director of Employment, Skills, Health & Communities email: clare.hatton@wmca.org.uk
<b>Report has been considered by</b>	Mayor & Portfolio Leads Liaison - 26 January 2024 Overview & Scrutiny Committee - 29 January 2024

### Recommendation(s) for action or decision:

#### The WMCA Board is recommended to:

- (1) Approve the WMCA Employment & Skills Strategy 2024-27 and endorse the approach being adopted through the strategy to ensure the integration of employment and skills across the region.
  1. **Purpose**
    - 1.1 To approve the Employment & Skills Strategy for the period 2024-27, included as annex 1.
  2. **Background**
    - 2.1 In the context of the deeper devolution deal for the WMCA area, and our preparations for a single settlement, we have reviewed and refreshed our current Adult Education Budget Strategy to create a wider Employment and Skills Strategy that sets out our priorities for the next 3 years.

2.2 The strategy will also inform the development of a functional strategy for the adult skills pillar of the single settlement, though it seeks to have a broader and deeper focus given the importance of employment support and careers to our work across all local authority areas.

### **3. Approach**

3.1 The WMCA Employment & Skills Strategy builds on our current Adult Education Budget Strategy, with a stronger focus on supporting inclusive economic growth, higher level skills, the work of universities, employment support, and business support and innovation. Through this strategy, we have sought to deepen both our economic policy and social policy focus over and above our funding stream implementation and objectives.

3.2 The strategy highlights the impact of devolution to date and sets out a strategy for its future, focused on four key areas:

- building strong and inclusive communities.
- providing a good education up to level 2, as a foundation for level 3.
- moving residents into employment and supporting career progression.
- meeting future skills needs through upskilling and reskilling to level 3 and above.

3.3 The final section outlines our approach to creating an effective employment and skills ecosystem for the region, including our provider strategy, approach to employer engagement, support for workforce development, strengthened governance arrangements and focus on outcomes and impact.

3.4 The strategy brings together a wide range of development work undertaken with partners over the previous year. Throughout the drafting process, we have consulted widely with stakeholders including LA Employment and Skills Officers, Colleges, Universities, and the Skills Advisory Board, as well as with wider national, regional and sector organisations. We will continue to work with this full range of stakeholders as we implement the Strategy.

3.5 Our monthly meetings of Employment and Skills Officers along with our Skills Advisory Board will continue to develop the thematic work that will need to take place to implement the various aspects of the strategy.

3.6 Overview & Scrutiny Committee have also reviewed the strategy and provided endorsement.

### **4. Next Steps**

4.1 Subject to approval, the Employment & Skills Strategy will be launched on 15 February 2024.

4.2 The functional strategy for the adult skills pillar of the single settlement will be developed in summer 2024 along with place-based implementation plans.

4.3 A workplan taking forward the ambitions in the strategy will be developed and overseen by the Skills Advisory Board.

## **5. Financial Implications**

- 5.1 There are no direct financial implications from the proposals set out within this report and Employment & Skills Strategy. The strategy will focus investment into four themes at an estimated value of £166m per annum, which is within the agreed current allocations from DfE across AEB, Bootcamps and FCFJs of circa £169m. As part of the single settlement agreement WMCA are expected to receive at least this level of funding. All the funding streams identified are all subject to full WMCA SAF/governance processes, which include value for money assessments.

## **6. Legal Implications**

- 6.1 There are no direct legal implications from the proposals set out within this report. As activity develops legal colleagues in the WMCA will be engaged to ensure alignment with contracts developed/issued.

## **7. Equalities Implications**

- 7.1 This Employment & Skills Strategy recognises that challenges and opportunities vary considerably by place and for different groups of people. It seeks to help tackle these challenges and to deliver for both people and place. As set out, we will work closely with our Local Authority partners to ensure that this Strategy supports the delivery of local place-based plans. We will closely monitor the offer to and impact on each place and on the different communities that we serve.

## **8. Inclusive Growth Implications**

- 8.1 The ambition outlined in this paper align closely with, and support, our inclusive growth framework, in which education and learning and inclusive economy are key fundamentals. The Strategy will shape investment that supports a wide range of metrics within the framework.

## **9. Geographical Area of Report's Implications**

- 9.1 Full WMCA area

## **10. Other Implications**

- 10.1 None

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# WMCA Employment and Skills Strategy

2024-2027

## Introduction

‘Our new Deeper Devolution Deal will be an historic gamechanger. It will give local decision makers more freedom and flexibility to support people to develop new skills, to find good work, to progress in employment and to improve their quality of life as we underpin an inclusive economy’

The West Midlands is a world-class, internationally-significant economy with enormous economic potential. The success of our region is critical to the success of the UK more widely. Prior to the pandemic we were the fastest growing region outside of London, with rising productivity, jobs and employment. And while the past few years have been challenging, we have a bold ambition and clear plans to return to that trajectory, and to build a more prosperous and better-connected West Midlands, which is fairer, greener and healthier.

As part of this, we have launched our Plan for Growth, working in direct partnership with businesses to support a portfolio of high opportunity sectors across the region. The aim is to regain economic momentum and accelerate our region’s return to high growth performance. Our ambition is underpinned by a fast-developing employment and skills system that includes a regional partnership of FE colleges, adult and community education, universities, voluntary and community sector and training providers who are strategically commissioned by WMCA to meet the needs of local businesses stimulating economic growth. The engine to deliver regional change is now set to move us forward – and we are about to supercharge it.

‘The engine to deliver regional change is now set to move us forward – and we are about to supercharge it’

Our new Deeper Devolution Deal will be an historic gamechanger. Through it, we secured a budget windfall of more than £1.5 billion to level up the region alongside further influence over key policy areas including skills, careers, employment support, business support and digital inclusion. It

will give local decision-makers more freedom and flexibility to support people to develop new skills, to find good work, to progress in employment and to improve their quality of life, as we underpin an inclusive economy

From the next spending review, we also have secured a departmental-style ‘single settlement’, giving local leaders unparalleled control over spending on devolved areas including adult skills. This is an important step in taking forward our ambitions to develop an integrated employment and skills system for the region through which we can stimulate economic growth and deliver better outcomes for residents and businesses.

Implementation of the single settlement will be shaped through a combination of place-based and functional strategies. This WMCA Employment and Skills Strategy will inform the development of the functional strategy for the adult skills element of the single settlement, providing a blueprint for investment. By delivering this in conjunction with our place-based strategies, we will use the single settlement to deliver an integrated, more impactful and long-term approach to local economic development and inclusive growth; one that empowers residents to develop their technical, vocational and transferrable skills, resulting in better connected, more resilient and healthier residents.

The main vehicle of delivery will be our world-class skills system – a partnership including FE colleges, adult and community organisations, local universities and private providers – which works at scale and is designed to respond to the needs of the region’s employers, both large and small. This public-private sector approach will provide an enduring model to develop the right workforce for our regional economy as it competes in a global marketplace. The strong relationship the WMCA has built with stakeholder businesses has meant our ambitions to support residents achieve their full potential is matched by likeminded business leaders who also want to make their contribution by opening the doors to opportunity, for example supporting access to employment and progression to well-paid jobs within their firms.

This regional empowerment marks an exciting chapter in the West Midlands, but the task ahead is not easy. Despite many successful interventions across our complex and diverse region, the West Midlands faces persistent and long-standing labour market and skills challenges. While most adults are in work, employment levels are below the national average, and too many people are stuck in low paid or insecure work.

Although unemployment remains historically low, the West Midlands has one of the highest regional rates in the UK. Youth unemployment is of particular concern, as is the growing number of residents who are economically inactive due to disability and poor health.

**‘Our ambition is to develop an integrated skills system for the region through which we can stimulate economic growth, deliver better outcomes for residents and businesses, and create healthier thriving communities’**

Qualification levels across WMCA have improved but are still lower than the national average. Around 1 in 10 adults in the region have no formal qualifications, while just three-fifths (59.3%) are qualified to at least level 3, compared with two-thirds nationally (66.7%). As a result, many businesses report skills shortages, with around half of all vacancies (51%) in 2022 classed as ‘hard to fill’ and 35% vacant because of a lack of skills, qualifications or experience among applicants.

Yet, despite these challenges, at the start of 2024 the jobs market remains tight with more than 70,000 vacancies across the WMCA area. We must ensure that residents are well skilled and supported to make the most of these opportunities, whilst recognising the importance of working with partners to deliver more good jobs for the region. We must also equip residents for longer-term changes to our labour market, including those associated with technological change, automation and climate change.

These challenges vary considerably by place and for different groups of people. While some parts of our region are thriving, others are not. Young people, particularly those with fewest qualifications and with poor mental health, are finding it harder to move into the labour market. Employment and earnings outcomes are poorer for women, for disabled people and for some ethnic minorities – and compounded further when combined. In turn, this can result in even poorer health outcomes, making it even harder to take advantage of labour market opportunities.

There is much good work already underway to address these labour market and skills challenges – where the ability to use devolved funding has helped us to focus on local place-based solutions. But there is no silver bullet. Tackling complex challenges requires co-ordinated, prolonged and intensive effort from all partners to deliver the system change needed to do better for all people and places in the region.

Our ambition, as set out in this Strategy, is to develop a more integrated employment and skills ecosystem for the region through which we can stimulate economic growth, deliver better outcomes for residents and businesses, and create healthier thriving communities. For adult education and

skills we will have a single coherent funding structure where the Adult Education Budget (AEB), Free Courses for Jobs and Bootcamps will form the basis initially. We hope and will endeavour to expand this to encompass an integrated employment and skills funding stream.

And having a better integrated employment and skills ecosystem will also make it easier to align this investment with other services, such as business support and health etc, further improving outcomes in local areas.

In implementing the Strategy, our focus will be on delivering for both people and place. As such, we will work closely with our Local Authority partners to ensure that this Strategy supports the delivery of local place-based plans. We will closely monitor the offer to and impact on each place and on the different communities that we serve.

And as well as investing public funds in commissioning the delivery of employment and skills provision, it is vital that we also deploy the convening and influencing power of the Mayor, the Combined Authority and our constituent Local Authorities – engaging wider stakeholders, aligning efforts around shared priorities and leveraging private sector investment – in order to ensure we can achieve our ambitions.

It is also critical that we work with the region's businesses to ensure the creation of more good jobs across the region, to improve the diversity of the workforce, to provide more and better opportunities for upskilling and reskilling, and to increase business investment in training.

### **The impact of devolution to date – and a strategy for the future**

Since devolution of the Adult Education Budget in 2019, we have secured in excess of £700m of public funds for jobs and skills for the region, as well as attracting greater private sector investment into training. Through close collaboration with Local Authorities, adult education and community partners, with colleges, universities and training providers, and with businesses and unions, together we have:

- improved the qualifications profile of the region and worked in partnership with businesses and providers to ensure our training offer meets the needs of the local economy.
- placed a greater emphasis on getting more people into jobs, developing more higher-level skills, and being more responsive to business needs.
- aligned more of our training provision to regional priority sectors, including construction, manufacturing, digital and greener technologies, and business and professional services.
- responded quickly and flexibly to meet demand from current and emerging sectors, as well as applying flexibilities to respond to sudden demand.
- promoted the growth of higher-level skills training particularly in key sectors, delivering an increase in level 3 provision, from <1% of all learning to 9%. Since 2019, we have seen the proportion of people qualified to at least level 3 rise from 48.7% to 59.3% in 2022. This has closed the gap to the national average from 8.4 to 7.1 percentage points.
- invested in building stronger communities through family learning, digital inclusion, literacy, numeracy and language delivery in the community. Since 2019, we have seen a 14% increase in participation in Community Learning courses and a 13% increase in learners taking part in digital skills programmes.

Nonetheless, while we have made a good start in our devolution journey, persistent challenges remain – and we need to go further, go deeper and accelerate progress. This will take a co-ordinated, prolonged and intensive effort from all partners to make the systemic change needed to do better for all of our residents and businesses and to realise the benefits of inclusive economic growth.

‘Since devolution of the Adult Education Budget in 2019, we have secured in excess of £700m of public funds for jobs and skills for the region, as well as attracting greater private sector investment’

This WMCA Employment and Skills Strategy seeks to build further on this success by setting out a vision for an integrated employment and skills system for the region, through which we can stimulate economic growth, deliver better outcomes for residents and businesses, and create healthier thriving communities. Over the next three years, we will continue our focus on:

- building strong and inclusive communities.
- providing a good education up to level 2.
- supporting residents into employment and supporting career progression.
- meeting future skills needs at level 3 and above through upskilling and reskilling.

We will also invest in the development of a broader effective regional ecosystem for employment and skills, building the leadership capacity and capability to transform outcomes for residents, businesses, and the region.

## Building strong and inclusive communities

‘Strong communities made up of healthy, resilient, connected and proactive citizens are the basis for strong economic development and inclusive growth’

Our vision is to build a more prosperous and better-connected West Midlands, which is fairer, greener, and healthier. In achieving this, we want all of our communities to have access to the services and support they need to thrive.

While adult learning plays a critical role in improving the skills, qualifications and employment prospects of our residents, its impact extends far beyond this into the very fabric of our wider lives, our families and our communities. Likewise, strong communities, made up of healthy, resilient, connected and proactive citizens are the basis for strong economic development and inclusive growth.

Adult learning delivered in or by communities, helps connect individuals and families, improves their resilience, supports mental and physical health, engages those furthest away from civic and community life, and provides access to good work. Poor mental health, in particular, can have a devastating impact on the working age population, with almost 14.3m working days lost annually due to mental ill health<sup>1</sup>.

As such, adult and community learning is a vital long-term investment in individuals and in our communities. It is often the first step in a path to improved health and to acquiring the skills needed to access further learning or employment that can, in turn, deliver an even broader range of social and economic outcomes. We will continue to invest in this delivery, increasing the reach into groups and localities where people experience the most significant disadvantage.

Community based learning, delivery by adult and community education providers, housing providers, faith groups and voluntary and community sector organisations, brings together citizens from different backgrounds and socio-economic groups to increase their social and cultural capital as they develop key life skills, improve their health and well-being, and become more involved in community life. This promotes social renewal by bringing communities together.

‘We recognise the important role of learning in communities in supporting literacy, numeracy, language and digital skills, including through family learning approaches’

We recognise the important role of learning in communities in supporting literacy, numeracy, language and digital skills, including through family learning

approaches. We expect that a greater proportion of this provision will equip learners to develop the skills and competences needed for the workplace, as well as for wider life. Working closely and collaboratively with our Local Authority, housing, and voluntary and community sector partners, we are committed to further developing a strong place-based offer of numeracy, literacy, language and digital skills for communities in all parts of the region that, through application and innovative delivery:

- **Supports good health and well-being:** particularly the mental health of those experiencing isolation, for younger adults affected by the pandemic, and for adults outside of the labour market due to poor health or a disability.

<sup>1</sup> <https://www.gov.uk/government/publications/health-matters-health-and-work/health-matters-health-and-work>

- **Builds confidence:** increasing residents' resilience to face life's challenges and changes, encouraging them to think critically and creatively, and effecting behaviour change that enables them to engage in further learning, civic life and/or the labour market.
- **Improves inclusion and integration:** developing stronger communities with more self-sufficient, connected, and pro-active citizens that understand their strengths and learn from one another, leading to increased volunteering, civic engagement and social integration.
- **Develops key life skills:** equipping parents and carers to support and encourage their children's learning (for example through family learning), enabling social mobility, improving progression towards independent living, improving understanding of sustainability, and improving digital, financial and communication skills.
- **Prepares learners for employment, self-employment or further learning:** moving more people on to further learning opportunities in more formal settings.
- **Provides a first engagement of under-represented communities** in learning and employment support to overcome multiple barriers to employment, including poor mental or physical health.

Engaging and supporting residents to connect with employment opportunities is key to the success of the West Midlands economy. Following the first devolution deal, WMCA in partnership with its stakeholders, developed an Employment Support framework, outlining the key stages of support that someone may need to undertake, to secure and progress in work.

An individual can face many barriers to labour market participation (health, debt etc) and we recognise the importance of having a dedicated coach or mentor who can help navigate the support that is available. We will continue to develop a co-ordinated approach to delivering employment support, harnessing the ability of our voluntary and community sector to engage and develop a plan of action that allows residents to connect with wider support, including our skills offer.

We understand the importance of place, and the benefit of delivery in the heart of communities in ensuring that support is both consistent across the region and also reflective of local needs.

#### Since devolution, we have...

- Continued to safeguard funding to learn in the community for health and wellbeing, to support life transitions or to return to learning and overcome significant barriers such as disability, ill health or long-term unemployment.
- Worked with Adult & Community Education partners to develop an outcomes framework that demonstrates the broad contribution and impact of learning in communities.
- Developed a new digital skills curriculum, in partnership with the Good Things Foundation, to support greater digital inclusion across the WMCA. In addition to distributing more than 17,000 devices to digitally excluded residents, we have also seen a 13% increase in digital skills learners between 2019/20 and 2022/23.
- Showcased the wider outcomes of learning through our first WMCA Adult Learning Awards, which will now take place annually.
- Worked closely with DWP, Local Authority and voluntary and community sector partners to develop and implement a blueprint for youth hubs across the region, that enables better join up of services to support young people into employment.
- Developed and tested employment support models, successfully focussed on progressing those residents with significant barriers (such as health conditions or experiencing long term unemployment) to gain employment.
- Developed an Employment Support Framework, articulating the key stages and interventions required to support someone to gain and progress employment.

### We will now focus on...

- Engaging more adults from communities typically under-represented in learning and disadvantaged in the labour market. Importantly moving them towards level 2 rather than just engagement.
- Strengthening our work with the voluntary and community sector and housing providers, as a first point of engagement and support for adults.
- Reducing digital exclusion.
- Improving and accelerating outcomes for residents who need to develop their English language skills.
- Extending the youth hub concept to create more employment and skills hubs for adults in community settings, incorporating community health services.
- Developing an integrated Universal Support offer for residents with health conditions, to support them to find work and progress in employment, and to work with businesses to understand the benefits of an inclusive and accessible workforce.

We will work closely with health and community partners to expand social prescribing to learning provision within communities, as part of wider efforts to address health inequalities.

We will continue to improve digital inclusion by providing access to devices, data and learning opportunities in community settings to help residents develop the skills they need to successfully access online support for health, welfare, training or employment.

We will implement the findings of our review of English language acquisition to improve and accelerate outcomes for learners. We will ensure that provision encompasses integration support, as well as the development of cultural and social capital through enrichment activities.

We will continue to support learners in financial hardship or with learning difficulties, in order to remove barriers to learning. We will undertake a review of Discretionary Learner Support Fund (DLSF) to better support the engagement, retention and progression of adult learners.

We will develop and promote a free online offer for WMCA residents, promoting this through our KnowHow campaign, which seeks to encourage residents to engage in training that will help them find work and progress their career.

### Investment Plan

In 22/23, WMCA invested £16m into community learning. Based on our current settlement for skills investment, we expect to continue this level of investment in this priority, approx. 10% of overall investment.

In addition, Local Authority UKSPF 'communities and place' funding will continue to be closely aligned, building capacity and offering additionality in places.

## Providing a good education up to Level 2

‘We are seeking to transform the way in which foundation skills provision is delivered in the West Midlands’

Ensuring that all adults have a good education up to level 2 is essential to improving residents’ life chances and tackling inequalities. It provides the necessary foundation for progression into further learning and onward progression to level 3 and above. It helps people find employment and succeed at work. It builds confidence and self-esteem, improves health and well-being. It helps people with day-to-day activities such as managing finances and accessing public services.

And yet, according to the census, 231,400 adults aged 16-64 across the WMCA area, of which half (50%) are economically active, do not have the benefit of a good education up to level 2. Many people with low or no qualifications struggle to find employment – and those who do are often restricted to precarious contracts, often low paid, with little potential to progress or move into good work. While the proportion of people with low/no qualifications is reducing, the consequences for those who remain in this position are likely to worsen, with many low skilled roles becoming automated and businesses increasingly requiring higher level skills.

And too many of our young people continue to leave initial education without the qualifications needed to progress into further study, a good job or an apprenticeship. Across the region, just 61% of our 16-year-olds leave school with a GCSE grade 4+ in English and Maths. As such, we face an ongoing need for significant investment in providing a good education for all, if we are not to limit future opportunities for our young people.

Given the critical nature of this provision and the pressing need to ensure greater labour market participation, to support residents to access better jobs and to help boost productivity, we must ensure that our investment is working as hard as it can and is targeted on the areas and people most in need. At present, too much of our offer is focused on the achievement of singular qualifications – literacy, numeracy, language, digital skills – at the expense of providing holistic programmes of training and support that equip residents to progress into further learning or good work. As a result, the historic progression and destination outcomes for adult learners on this type of provision falls short of our ambitions for our residents.

We are therefore seeking to transform the way in which foundation skills provision is delivered in the West Midlands, based on the following principles:

‘Too much of our offer is focused on the achievement of singular qualifications at the expense of providing holistic programmes of training that equip residents to progress into further learning or good work’

- We will take a **place-based approach**, focussed on those areas in the region with the lowest skills levels and lowest levels of participation in adult education.
- Programmes should be **relevant and adaptable** to support the 47% of adults without foundation skills qualifications who are in work. We also need a more **flexible and accessible** delivery model that meets the needs and personal circumstances of learners, enabling them to study alongside their work, caring responsibilities, or wider commitments.
- Programmes should offer **clear progression pathways** into level 2 provision or good work, based on strong partnership arrangements with businesses, colleges and training providers. This will



include personalised wrap around support, strong careers education, information, advice and guidance (CEIAG), mentoring/coaching, alongside a range of enrichment opportunities.

Through our foundation skills provision, we maintain our commitment to the following:

- **Literacy and numeracy:** An estimated 1 in 4 working age adults in the WMCA area have poor literacy and numeracy skills, of which two-thirds are in employment. We are committed to ensuring that there is a comprehensive offer of high quality, locally available opportunities to improve these skills, including through statutory entitlements.
- **English language acquisition:** Census data suggests that 4.2% of adults living in WMCA require support to develop their English language skills. Like most urban areas, we experience high levels of demand for ESOL provision, well beyond our funding capacity. In 2021/22, we invested £15m in ESOL. However, outcomes from this investment are variable across providers and there is a need to deliver better progression for learners, particularly into employment. We have recently commissioned a review to evaluate how approaches to language learning, curriculum design and stakeholder partnerships can contribute to achieving improved and accelerated outcomes for learners through a more purpose-driven offer up to level 2, that will support the cultural, social and vocational development of learners, as they improve their language skills.
- **Digital skills:** Access to technology and essential digital skills is more crucial than ever. Yet digital exclusion remains a significant challenge for many residents, limiting their access to essential services and to education and employment opportunities. Research shows that over half of adults (56%) across the West Midlands lack the fundamental digital skills required for work, and the region has the highest proportion of businesses finding it difficult to hire applicants with the necessary digital skills (38%). This proportion dramatically increases for individuals with impairments making them more at risk to digital exclusion. We have developed a new Digital Curriculum in partnership with the Good Things Foundation, to help residents develop the skills they need to successfully access online support services for health, welfare, training or employment.

As part of our foundation skills offer, we will also integrate **vocational training at level 2** as a component to support progression to further learning, work or in-work progression. Specifically, we will target those occupations where high vacancy demand exists, where there is a greening of job roles to support net zero and in occupations likely to have higher proportion of workers without qualifications.

#### Since devolution, we have...

- Reduced the proportion of residents with no qualifications from 13.4% in 2019/20 to 10.6% in 2022/23, working in partnership with businesses and providers to ensure our training offer meets the needs of the local economy and helps more people into work.
- Maintained the level of investment in level 2 provision, while expanding the training offer to include a greater sectoral mix and more direct routes into employment.
- Increased the range and volume of vocationally relevant literacy, numeracy and language provision.

#### We will now focus on...

- Transforming the delivery of foundation skills provision.
- Reducing the proportion of residents with no/low qualifications.
- Improving the literacy, numeracy, language and digital skills of residents, with a particular focus on those in low paid work.
- Improving learner outcomes into further learning, employment or progression at work

- We will procure an innovative programme of foundation skills provision and work with our grant funded providers to transform their offer below level 2, with greater volumes of people in work undertaking this study.

We will work in close collaboration with Local Authorities and voluntary and community sector partners to ensure a strong local offer is available across the region, with a particular focus on areas with the lowest skills levels and lowest levels of participation.

We will work with providers to develop a flexible, relevant and accessible offer for learners who are in work.

We will implement the findings of our review of English language acquisition to improve and accelerate outcomes for learners. We will ensure that clear progression pathways are available up to level 2 including vocational provision.

We will continue to expand our digital skills offer, supported by our new digital curriculum, to reduce digital exclusion across the region.

### **Investment Plan**

In 22/23, WMCA invested more than £52m in providing residents with a good education up to level 2. Based on our current settlement for skills investment, we expect to invest £70m per annum in this priority, approx. 42% of overall investment.

## Moving residents into employment and supporting career progression

‘An into-employment offer which closely aligns with employer skills needs and provides clear pathways of progression for learners will benefit both residents and businesses’

The regional labour market remains tight, with three-quarters of working age adults in work and vacancies in many parts of the region higher than pre-pandemic levels. Despite this, regional employment levels are below the national average, and too many of our residents are in low paid or insecure work. Rising youth unemployment is of particular concern, as are persistently high levels of unemployment in some parts of the region.

At the same time, businesses across the region report persistent labour market and skills challenges, with around half of all vacancies (51%) in 2022 classed as ‘hard to fill’ and 35% vacant because of a lack of skills, qualifications or experience among applicants.

An into-employment offer which closely aligns with the skills businesses need and provides clear pathways of progression for learners, alongside the right kind of wrap around support, will benefit both residents and businesses. It will improve labour market participation and support people into good jobs. It will also help people progress at work, change careers or respond to the changing demands of the workplace, for example as a result of automation, artificial intelligence or climate change adaptation. Businesses have their role to play, and we have examples of firms working with the WMCA to first develop pathways for residents to gain entry into their workforce – and then for advice on how to retain and develop this talent within the workplace while working with our partners.

With more of our workforce experiencing ill health or a disability, and a growing proportion of residents out of work because of health-related reasons, it is essential that health and well-being support also forms an integral part of our into-employment offer.

### Since devolution, we have...

- Increased our investment in into-employment provision, which has seen a 43% progression into jobs, up from single figures pre-devolution. And developed new training opportunities working closely with employers including our construction gateway and equine management programmes.
- In consultation with the sector, introduced a new funding methodology for into-employment programmes designed to drive even better outcomes for unemployed learners in bespoke provision that moves them into employment. To ensure consistency of provision, value for money and effective curriculum design, we have established two-week and four-week programmes, which include personalised wrap-around provision, a work placement, and occupational licenses where required.
- Created a strong high-quality offer of Skills Bootcamps to meet higher level skills needs, at levels 3-5, in the digital and creative sectors. We have since expanded this offer in line with our Plan for Growth clusters to include healthcare, green technology, advanced manufacturing and engineering, and logistics Co-developed sector training plans in Health & Care, Construction, and Advanced Manufacturing and Engineering, in order to better align provision to business needs and skills gaps. Through further collaboration with sector bodies, businesses and providers we will be developing and testing further sector plans aligning provision to local economic skills gaps and business needs.

- Raised our low wage threshold to £30k, making learning more affordable and accessible for those on below average salaries. We are assessing the impact of this change and have committed to an annual review of the level at which it is set.
- Implemented two successful pilot programmes Connecting Communities (Place Based) and Thrive into Work (Health), providing our most vulnerable residents with tailored support to help them to progress into employment.
- Created a Jobs and Skills Academy to support residents in accessing employment opportunities created by the Commonwealth Games (CWG). We worked in partnership with CWG workforce team, contractors and other stakeholders to design and deliver a training offer that ensured a skilled workforce was in place to facilitate a successful Games.

#### We will now focus on...

- Improving labour market participation and helping more people into good work.
- Broadening our offer across sectors, ensuring there are pathways into sectors with good jobs.
- Supporting in work progression, helping people change career or progress out of low pay.
- Establishing a coherent employment support offer for all residents with effective triage.
- Supporting people who are ill or disabled to access education and employment.
- Tackling youth unemployment.
- Developing proposals for an all-age careers service.

We will continue to focus on the development of a high-quality into-employment offer aligned with regional economic priorities, that includes transitional support and access to further learning when

**‘We will also expand our into-employment offer to include ... those working in the gig economy and on zero hours contracts’**

in employment to at least level 2, and with options to progress to level 3. Provision will be co-developed with businesses to ensure training equips residents to move into good work and/or progress out of low pay.

We will expand our into-employment training offer to include residents who are economically inactive and those who experience inequality in the workplace or have additional challenges due to ill health or disability. We will also expand our into-employment offer to include career change programmes, including for those in work without good foundation skills and for those working in the gig economy and on zero hours contracts.

Building on our joint work and the commitment in our new devolution deal, we will continue to work closely with DWP to support unemployed residents back to work, as well as with Local Authorities and other stakeholders to develop a place-based offer that can support economically inactive adults into the labour market. We will also strengthen our training offer for employed adults, working with providers to develop flexible delivery models that cater for residents who work shifts or who can only attend weekend and/or evening provision.

We will continue to work with health sector partners to deliver Thrive Into Work, supporting people with health challenges or are disabled stay in work or find employment. As this becomes the new Universal Support offer, we will seek to target wider groups of individuals with health conditions who have the potential to work. Thrive At Work will be incorporated into Business Growth West Midlands (BGWM), to provide focused support for health and well-being in the workplace. We will also develop our offer to include Thrive at College and Thrive at Night, extending support to students and those working in the night-time economy.

We will partner with others to tackle youth unemployment by strengthening youth hubs and by using our convening and regional leadership role to encourage more businesses to offer opportunities for young people. We will make apprenticeships more accessible for young people through a new pre-apprenticeship programme and encourage businesses to take on more apprentices using levy donations secured through our Apprenticeship Levy Transfer Scheme. Through Business Growth West Midlands we will offer support to businesses looking to take on apprentices and become more youth friendly.

We will work with providers to develop a new set of Bootcamps targeted specifically at those aged under 30, providing routes into growing sectors of the economy and sectors that align with their aspirations. We will continue to develop specialist bootcamps that support groups of residents or communities delivering engagement and support and networks as people move into employment.

We will continue to work with our FE colleges on the current gaps in destination and progression data for learners, to ensure learner progression and impact of provision is clearly demonstrated. And we will continue to seek more joined up data sharing arrangements across government that would support the evaluation of outcomes.

### **Investment Plan**

In 22/23, WMCA invested £33m in into-employment programmes. Based on our current settlement for skills investment, we expect to invest £40m per annum in this priority, approx. 24% of overall investment.

## Meeting future skills needs through up-skilling and re-skilling

‘Over the next decade or so, most employment growth in the WMCA area will be concentrated in high-skilled jobs’

Higher-level skills and qualifications are becoming increasingly important to our regional economy – in strengthening existing businesses, in improving productivity and in attracting inward investment. They matter for individuals too. People with higher level qualifications and who develop higher level skills throughout their working lives are more likely to be employed, more likely to earn more when employed, and are more resilient to labour market change.

‘We must do more to ensure that our leaders and managers have the skills needed to fulfil their roles, as well as to ensure that those people in these roles better reflect our local communities’

Labour market projections suggest that over the next decade or so, most employment growth in the WMCA area will be concentrated in high-skilled jobs, with a shift towards occupations that typically require higher level skills and qualifications. This is a particularly important challenge

for the West Midlands, where around one in ten adults of working age currently have no formal qualifications and where residents are less likely than the UK average to be qualified to each level. This attainment profile not only acts as a brake on individual opportunity, but also impacts our competitiveness and potential for recovery and growth as a region.

Prior to the pandemic we were the fastest growing region outside of London, with rising productivity, jobs and employment. Our Plan for Growth and Investment Zone strategy sets out the pathway to return to this trajectory, spreading opportunity and jobs across the region. Achieving this, alongside our #2041 ambitions to meet the climate challenge, will require a better match between the skills of the people in our region and the current and future needs of our businesses. We will need to increase the volume and range of higher-level technical provision at levels 3-5 in skills gaps areas. We will also need a more accessible offer, with more part-time, evening, weekend, and hybrid delivery, to fit around the work and wider commitments of adult learners. And we will need to strengthen our engagement with businesses to stimulate demand for training and to ensure that our skills offer meets their needs.

As reflected in our Local Skills Improvement Plan (LSIP), leadership and management skills have never been in greater demand as our regional economy and businesses grapple with the challenges and opportunities brought about by Brexit, the transition to net zero and rapid technological change. We must do more to ensure that our leaders and managers have the skills needed to respond to the demands of changing technologies such as automation and artificial intelligence, as well as to ensure that those people in these roles better reflect our local communities. In doing so, we will need to harness the considerable expertise already available across the region’s universities and High Value Catapults to tackle sector challenges impacting productivity and growth. Our colleges and independent training providers will also play a key role in providing an accessible leadership and management skills offer through BGWM, enabling more SMEs to access this training to support improved productivity and growth.

We also recognise the need to improve accessibility of leadership and management training, particularly to those residents from under-represented groups, those under-employed and in low paid insecure employment where this training can lead to improved employment outcomes.

Despite the growing importance of higher-level skills and qualifications in improving business productivity and individual opportunity, business investment in training has fallen over recent years, such that training spend per employee has fallen 28% in real terms since 2005. On average UK firms now invest less than half the EU average on training their workforce, holding back competitiveness and economic growth. And while many businesses are committed to developing their workforce and investing in their talent pipeline, they are often deterred by the complex mechanisms and evidence recording requirements associated with public funding. We will work with businesses to develop new ways for them to invest in regional skills needs, thereby boosting the overall pot available.

#### Since devolution, we have...

- Significantly increased investment in higher-level skills training – at level 3 from £6.8k in 2019/20 to £26.5m in 2022/23 and at level 4 from £24k in 2019/20 to c.£1m in 2022/23. Since 2019, we have seen the proportion of people qualified to at least level 3 rise from 48.7% to 59.3% in 2022.
- Developed a more flexible higher-level skills training offer, aligned with the regional jobs market, that has supported adults to upskill and reskill for higher level jobs.
- Commissioned a flexible leadership and management offer to support growth and productivity across the region, accelerate adoption of new technologies, create healthy and inclusive workplaces and support aspiring leaders from under-represented groups.

#### We will now focus on...

- Strengthening our level 3 offer and increasing the proportion of residents qualified to level 3.
- Developing the leadership and management skills of residents to improve opportunities for career progression and boost regional productivity.
- Developing a training offer at levels 4 and 5 aligned to the requirements of businesses and the regional economy.
- Developing our approach to funding training at Level 4 and above.
- Encouraging more businesses to upskill and reskill their workforce.
- Increasing business investment in training.

In collaboration with businesses, colleges and training providers, we will expand our level 3 training offer, ensuring that it is accessible to those in work, affordable for those in low paid work, and aligned to regional economic priorities. This will require additional investment in level 3 training and for adults studying at this level, greater collaboration between providers and more flexibility in delivery. We will assess the impact of our £30k low wage threshold and review the level at which it is set on an annual basis.

We will continue to strengthen our leadership and management offer at level 4 and above, with a specific focus on supporting aspiring leaders from under-represented groups, building regional capacity for strategic leadership, creating healthy and inclusive workplaces, and stimulating the adoption of new technologies to drive the region's economic growth and productivity forward.

We will work with the region's universities, with central government and with national organisations to leverage opportunities presented by the Lifelong Learning Entitlement (LLE) and Higher Technical Qualifications (HTQs). We will invest in an expansion of the region's level 4+ offer, exploring how we can pump-prime the development of short courses, modules and HTQs aligned with Plan for Growth, Investment Zones and wider regional economic priorities.

We will work with colleges and universities to develop flexible models for level 4/5 delivery that offer the opportunity to learn in a flexible, modular way for those looking to retrain or boost their career prospects. We will explore approaches to stimulating both individual and business demand for provision at these levels.

As an enabler to developing a level 4+ offer, we will look to unlock the opportunity that collaboration between FE/HE can bring through the curation of new curriculum connecting level 3 to progression routes at level 4 and above. We will also look to this collaboration to exchange knowledge especially in areas of pedagogy to develop high quality teaching and learning content and co-delivery of skills training using shared resources.

We will also explore how we use our funding to support the development of a level 4/5 offer, that supports social mobility by equipping residents to access good jobs; that improves productivity and growth by supporting businesses with recruitment, retention and workforce development.

We will develop a 'people and skills' strand of BGWM, to stimulate greater demand for, and private sector investment in, upskilling and reskilling opportunities for residents. As part of this work, we will develop an business engagement strategy to lever greater private sector investment in training.

We will work with our Plan for Growth Cluster Leadership bodies to align training provision to meet the needs of these critical sectors for the regional economy.

We will work with our colleges on the current gaps in destination and progression data for learners – including for employed learners – to ensure learner progression and impact of provision is clearly demonstrated.

We will continue to stimulate the take up of apprenticeships through our apprenticeship levy transfer scheme. Whilst WMCA doesn't currently hold policy levers specific to apprenticeships, we will work with central government, businesses, and apprenticeship training providers to explore how we can expand apprenticeship provision particularly for young people, in SMEs and in key sectors of the regional economy.

#### **Investment Plan**

In 22/23, WMCA invested £23.3m annually in higher level programmes that support upskilling and reskilling. Based on our current settlement for skills investment, we expect to invest £40m per annum in this priority, approx. 24% of overall investment.



## Creating an effective employment and skills ecosystem for the West Midlands

'We will seek to cut through the policy silos seen at national level, to take a more holistic approach to enabling residents, communities and businesses in the West Midlands to thrive'

In making a success of our new devolution deal, the WMCA has a vital role to play in bringing together Local Authorities, education and training providers, and businesses to create a more accessible and effective skills system, for both industry and business. Our ambition is for the region to become a leader in the development of an employment and skills system that is easy to understand, straightforward to access, clear in its path to educational progression and responsive to the needs of our region's economy. Building on our successes in delivering a devolved Adult Education Budget, we will now consider how these can be applied to the wider employment and skills ecosystem.

Through a strong place-based approach, and with the flexibilities secured through successive devolution deals, we will seek to cut through national policy silos, to take a more holistic approach to enabling residents, communities and businesses in the West Midlands to thrive.

Collaboration with Colleges West Midlands, the West Midlands Provider Network and ACLA has been crucial in successfully delivering the Adult Education Budget and we will continue to work in close partnership. We will continue to strengthen our business and sector body collaboration to ensure provision will increasingly be aligned to economic and business needs.

### Provider strategy

Our provider base is critical to the successful delivery of this Strategy. We recognise the diverse range of education and skills training available across our skills-ecosystem, delivered through a variety of provider types.

While our commitment to delivering best value and quality for our residents and businesses can only be met through the combined efforts of all providers involved in the delivery of education, skills and employment support, we also recognise the need to work with particular types of providers to leverage specialisms in delivery, market responsiveness or the ability to engage specific resident groups.

To date, FE Colleges have been the recipients of the largest proportion of our funding, and we have specific responsibilities, as part of government's FE and Accountability Strategy, in shaping our ways of working.

- Our **FE colleges**, as place-based anchor institutions, play a key role in our skills system, and have made a significant contribution to our efforts to move residents into work and increase attainment at level 3. Colleges are also critical in responding to local needs.
- Local Authority **Adult and Community Education** services provide place-based learning in the community. Their role in delivering first engagement education for health and wellbeing, active citizenship and progression into further learning and employment is essential to the skills ecosystem. Adult and Community Education is uniquely placed at the centre of the skills systems, enabling residents supported by voluntary and community sector organisations to access education.
- In building an effective skills-ecosystem for the region, we recognise the need to extend our work with **universities**, particularly in relation to meeting future and higher skills needs aligned to innovation that will stimulate our economy to create more jobs. We will increase our capacity to engage with the regional universities to allow us to better understand the role and impact they have in delivering and retaining highly skilled employees for the regional economy. We will

work with universities to establish transition pathways into sustainable employment. We will seek to engage universities in the co-design and delivery of adult training by extending grant arrangements to universities who have a presence in the region, in line with the conditions we already provide to our colleges and local authorities.

- Our Plan for Growth sets out the clusters where high growth will lead to high paid and high skilled jobs. To benefit our residents and businesses, we will look to **FE/HE** to form collaborative partnerships to shape skills offers and connect progression pathways from level 3 onwards.
- Since devolution, we have focused our work with **Independent Training Providers (ITPs)** on establishing specialisms in a range of technical and vocational skill areas such as construction, digital and green technologies. ITPs provide much needed capacity and agility to respond to business demand, and we will continue to build on these specialisms by sector and place.
- Our vibrant **voluntary and community sector (VCS)** provides us with an opportunity to engage more residents through place-based approaches. Recognising that many VCS organisations may not have the band width to engage with the skills system and associated processes e.g procurement. We will build a consortium model that enables VCS organisations to work with us enabling reach to those communities and residents currently under-served by our existing training.

We will develop a **single coherent funding structure for adult skills** that will accelerate the delivery of high-quality, accessible and sustainable training, through multi-year agreements. This will improve the sustainability of our skills ecosystem and strengthen its capacity to develop high quality provision that delivers positive outcomes for our residents and businesses.

To support greater accountability, we will introduce new ways of working that will be underpinned through collaborative relationships more commonly seen in private sector supply chain arrangements, based on effective strategic and operational relationship management, to enable our provider base to plan effectively and contribute to the system design and processes underpinning it.

We will move to **accountability agreements and 3-year funding allocations** for Colleges, Adult & Community Education providers and Universities, setting out our overall expectations, and what our grant providers will deliver in return for their funding allocation. Accountability Agreements will set out regional skills priorities and associated outcomes, informed by Local Authority strategic plans and the WMCA Plan for Growth, alongside an annual accountability statement, produced by grant providers.

The deeper devolution deal enables us to use a small percentage of the funds for capital. Whilst **capital investment** will continue to be led by DfE we will work with government to look at how we best align investment in the region, and consider how we use our flexibilities to support investment aligned to the introduction of new provision.

Our **Dynamic Purchasing System (DPS)** went live in November 2022 and now has around 250 registered providers who can access our competitions. In 2024, we will introduce enhancements to our DPS which will enable us to work more effectively with registered providers and strengthen our understanding of their capacity and capability. Providers will be able to contribute to the future design of our offers and bid more effectively through regular engagement events.

**‘To support greater accountability, we will introduce new ways of working that will be underpinned through collaborative relationships more commonly seen in private sector supply chain arrangements’**

To support bidding, and in line with this Strategy document, we will publish outline specifications alongside our outcomes framework covering the themes of community and innovation, good education up to level 2, into employment and career progression; meeting future skills needs through reskilling and upskilling. We will also publish our procurement cycle broken down by quarter, enabling bidders to plan and contribute to design. Our procurement will continue to have a strong focus on people and place.

We recognise the important role of the Combined Authority and its Local Authority partners in **strengthening leadership capacity and capability** of the region to deliver an effective employment and skills ecosystem for the region. We will work with our colleges, adult and community education, and universities as place-based leaders to support them to deliver more for their local communities, and in collaboration with Anchor Institutions Networks where they exist.

Successful delivery of this Strategy is also dependent on having a **strong and well-trained workforce** across the employment and skills eco-system. We are committed to supporting the sector to develop talent in the region, for the region. We now fully-fund a range of professional development qualifications for those already working the sector, to support delivery capacity. We will also work with providers, including those in the voluntary and community sectors, to establish entry routes to support talent recruitment into the sector.

### Business engagement

‘Through this Strategy, we are committed to forging stronger links between the skills ecosystem and employers, so that our residents acquire relevant, in-demand skills that supports progression into good jobs’

A skilled workforce, across the breadth of our economy, is pivotal if we are to deliver economic growth and improve productivity in our region. Through this Strategy, we are committed to forging stronger links between the skills ecosystem and businesses, so that our residents acquire relevant, in-demand skills that supports progression into good jobs. At the same time, businesses will have access to a world-class skills system to help develop their existing workforce and provide a vital pipeline to future talent.

‘To ensure our skills ecosystem is truly fit for purpose we recognise the importance of capturing the employer voice’

As an enabler to forge links between the skills system and small medium sized businesses (SMEs), we will develop a range of people and skills products,

with an emphasis on leadership and management, to be made available through our new BGWM business support service. This will enable businesses to access the training they need to support their growth ambitions.

To ensure our skills ecosystem is truly fit for purpose we recognise the importance of capturing the business voice. Our LSIP – which surveyed businesses in the region on their skills experience – highlighted the need for improved access by businesses to the skills system. In response, Local Skills Improvement Funding (LSIF) is now allocated to support improvement in business engagement through a collaborative approach between colleges and independent training providers. To better support economic growth through skills, the region was also recently awarded funding through Innovate UK to better facilitate college engagement with businesses. We will work closely with the

provider base to ensure that investment in specific projects, to support longer term engagement with businesses, is aligned to maximise the benefits to our business community.

In a bid to encourage more inward investment into the region, while supporting large businesses already based here, we will work closely with West Midlands Growth Company in providing subject matter expertise linking our skills system to activity that will boost growth and improved productivity. We will also look to optimise our strategic key account relationships to further energise our economy, leading to good jobs for our residents.

Leveraging our Plan for Growth cluster leadership and the proposed investment zones, we will use business insight to co-design bespoke skills programmes to support the accelerated growth within those high potential areas – so stimulating further job creation, particularly in technical occupations leading to good jobs at level 4+.

### Employment and Careers

We will work with DWP, Local Authorities and other key partners to develop and implement a **regional strategy to tackle labour market challenges** and move people back into work. We will seek to adopt the principles in our employment support framework to bring coherence and reduce duplication across the offer whilst extending reach to a greater range of communities. We will seek to integrate new provision (Universal Support) in a way that enhances the ecosystem and our regional offer.

Our latest devolution deal established WMCA as the central convenor of careers provision in the West Midlands. We will develop an **all-age careers strategy** for the West Midlands, ensuring a more place-based approach to careers education.

We recognise the particular issues for learners with learning difficulties or disabilities (LLDD) in making a successful transition into to the labour market. Working with Local Authority and College partners, and informed by our expert advisory panels we will develop a blueprint for what good would look like. This will be accompanied by an investment plan that we will discuss with government.

### System infrastructure

We will strengthen our **governance** arrangements through a new Joint Oversight Board with central government, which will provide a mechanism for the strategic system oversight and increased accountability that is intrinsic to our deeper devolution deal. The Board will help inform wider UK government and devolved policy and will take a strong place-based approach to understanding and addressing employment and skills needs across and within the WMCA area.

A new Employment and Skills Board will provide insight and recommendations to both the WMCA Board and the Joint Oversight Board, supported by the work of three thematic panels focused on i) young people and careers; ii) work, health and labour markets; and iii) future skills and the economy.

We will regularly publish **data and insight** to enable providers to deploy delivery effectively to target specific residents, sectors and places. We will continue to work with central government to develop an appropriate data sharing framework that promotes information and data sharing between national government and WMCA to aid the effectiveness of employment and skills planning and delivery.

We will continue to invest in KnowHow, our regional behaviour-led **campaign to engage more adults in learning**. Where appropriate, we will adapt this to focus on particular places, resident groups and training offers.

We will closely monitor our policies and provision, to **demonstrate impact and improve our understanding of what works**. We will undertake and publish robust evaluation of our employment and skills investment and share best practice with others.



## WMCA Board

<b>Date</b>	9 February 2024
<b>Report title</b>	2024/25 Skills Bootcamps Change Request
<b>Portfolio Lead</b>	Skills & Productivity - Councillor George Duggins
<b>Accountable Chief Executive</b>	Laura Shoaf, West Midlands Combined Authority email: laura.shoaf@wmca.org.uk
<b>Accountable Employee</b>	Clare Hatton, Interim Director for Employment, Skills, Health & Communities email: clare.hatton@wmca.org.uk
<b>Report has been considered by</b>	Investment Panel - 18 December 2023

### Recommendation(s) for action or decision:

#### The WMCA Board is recommended to:

- (1) Approve receipt of £26,794,280.20 from the Department for Education to enable the extension of Skills Bootcamps programme to cover the period 1 April 2024 to 31 March 2025.
- (2) Delegate authority to the Interim Executive Director for Employment, Skills, Health & Communities, in consultation with the Monitoring Officer and the Section 151 Officer, to enter into the appropriate form of agreements and any necessary procurement activity relating to the Skills Bootcamp programme.

## **1. Purpose**

- 1.1 The purpose of this paper is to secure approval of the grant from the Department of Education (DfE) to extend Skills Bootcamps into a 5<sup>th</sup> year, and to delegate authority to enable onward commissioning activity to skills delivery providers.

## **2. Background**

- 2.1 The West Midlands Combined Authority has been delivering Skills Bootcamps since our initial pilot in 2018, securing over £34m from the Department for Education during this period. Skills Bootcamps are accelerated adult training in technical occupations found in sectors such as digital, construction and new emerging occupations e.g. Retrofit. They provide an alternative to qualifications and apprenticeships where either the job roles are new, where qualifications are not available or where accelerated models of delivery can address labour market gaps.
- 2.2 Skills Bootcamps training can support both those who are unemployed to progress into work through a guaranteed interview on completion of training, or those already in work to retrain and upskill to support onward career progression. To date 6,178 of residents across the West Midlands have benefitted from training and 2,996 unemployed residents have achieved a positive job outcome.
- 2.3 Skills bootcamps are delivered by a variety of skills providers in the region including colleges, universities, independent training providers and voluntary community sector and the training is accessed by residents through direct marketing, referral and employers seeking to upskill and retrain their staff.
- 2.4 Due to the success of Skills Bootcamps in the West Midlands, funding has been increased annually and we have now received a further grant, of £26,794,280.20 for the financial year 2024-25 specifically ringfenced for skills bootcamp delivery.

## **3. Strategic Aims**

- 3.1 The WMCA has set out in its Employment Skills strategy the importance of meeting future skills needs at level 3 and above through upskilling and reskilling. Skills Bootcamps deliver training at level 3, 4 and 5, and with the associated funding is an enabler to support the upskilling and reskilling pillar as part of our strategy.
- 3.2 Skills Bootcamps will enable us to:
- Further strengthen our level 3+ offer and increasing the proportion of residents progressing into higher skills jobs
  - Establish accelerated training in occupations aligned to the WMCAs Plan for Growth
  - Encourage more business to upskill and reskills their workforce

- Support those seeking to secure employment in technical jobs roles to access training to support this progression

3.3 We propose to scale our existing bootcamp offer and increase the number of training places across the WMCA in occupations covering Digital, Green and Sustainability and Retrofit, Advanced Manufacturing and Engineering and Logistics and a new offer in Professional Services. The additional funding will create 6,000 places for the 2024/25 financial year split across the following areas:

<b>Bootcamp Subject Area</b>	<b>Number of Individuals Trained</b>	<b>Est. Funding Allocation</b>
Digital	2,100	£11.55m
Green and Sustainability	700	£2.695m
Retrofit	1,600	£4.928m
Advanced Manufacturing and Engineering	500	£2.64m
Logistics	500	£1.925m
Professional Services	500	£2.2m
Monitoring and Evaluation and Regional Marketing Campaigns	N/A	£0.856m

#### **4. Financial Implications**

- 4.1 West Midlands Combined Authority's Skills Bootcamps allocation to £26,794.20 for the financial year 2024/25. The budget is outlined in section 3.3 above.
- 4.2 Funding is awarded by the Department for Education and ringfenced for Bootcamp delivery activity only. The grant letter and grant conditions have both been received, reviewed, and accepted by WMCA.
- 4.3 The onward award of funding to delivery partners will follow the WMCA governance routes to ensure alignment with strategic direction and represent value for money.

#### **5. Legal Implications**

- 5.1 The function of adult education provision was conferred on the WMCA by the West Midlands Combined Authority (Adult Education Functions) Order 2018.
- 5.2 WMCA has a statutory duty in respect of adult education and are the accountable body responsible and accountable for funding monies allocated to them for adult education related training in the WMCA region. As such the funding streams impose terms and conditions on WMCA that have to be met and complied with. Failure to do so could result in the funding becoming repayable in whole or in part to the funding stream. Where funding is used as a grant scheme a full subsidy analysis should have been undertaken.

- 5.3 The approval sought is a Key Decision and is on the Forward Plan.
- 5.4 WMCA has received the grant offer letter from the DfE. The grant conditions have been reviewed and accepted.
- 5.5 Contract awards must comply with the WMCA's Contract Procedure Rules and the Public Contracts Regulations 2015 as applicable.
- 5.6 The proposed agreements will be developed in consultation with Procurement and the Delivery Leads on a case-by-case basis. This is to ensure that consideration is given to the prospective providers and grant recipients capacity to deliver the Skills Bootcamp Programme outcomes to the satisfaction of the WMCA and the standards prescribed by the DfE by virtue of the provisions of the overarching Funding Agreement Rules.

## **6. Equalities Implications**

- 6.1 Through work with providers tailored and focused activity will be progressed for individuals who have faced barriers or challenges entering sectors/careers. Ensuring all residents have the opportunity to thrive.
- 6.2 Programmes are designed to support specific resident groups, including neurodiverse and ethnic minority. In addition, programmes are designed to be delivered flexibly to enable full accessibility to residents.

## **7. Inclusive Growth Implications**

- 7.1 The scheme will contribute towards Inclusive Growth within the West Midlands through provision of training for improved levels of skills, enabling our residents to flourish and realise their potential. The programme will provide residents with the opportunity to secure better employment and increase their household income and a better standard of living.
- 7.2 Programmes are aligned to employer need, labour market intelligence and the Plan for Growth and Net Zero strategy. This will enable residents to gain the vital skills needed by business and enable career transition and progression which will contribute to economic growth.

## **8. Geographical Area of Report's Implications**

- 8.1 The Scheme is being delivered in all parts of WMCA region.

## **9. Other Implications**

- 9.1 The programme supports the regional Net Zero ambitions and Plan for Growth through reskilling and upskilling residents to work in these growing sectors.

## **10. Schedule of Background Papers**

- Skills Bootcamp Change Request Form





## WMCA Board

<b>Date</b>	9 February 2023
<b>Report title</b>	Homes for the Future: Final Consideration
<b>Portfolio Lead</b>	Housing & Land - Councillor Ian Courts
<b>Accountable Employees</b>	<p>John Godfrey, Interim Executive Director of Housing, Property &amp; Regeneration, West Midlands Combined Authority Email: John.Godfrey@wmca.org.uk</p> <p>Leo Pollak, Head of Policy West Midlands Combined Authority Email: Leo.Pollak@wmca.org.uk</p> <p>Mia Higgins, Programme Support Officer, West Midlands Combined Authority Email: Mia.Higgins@wmca.org.uk</p>
<b>Report has been considered by</b>	<ul style="list-style-type: none"> <li>• March, September, November and December 2022; and May, June, September &amp; December 2023 - Housing &amp; Land Delivery Steering Group</li> <li>• April, October and November 2022; and January, June &amp; October 2023; January 2024 - Housing &amp; Land Delivery Board</li> <li>• Overview &amp; Scrutiny Committee – January 2024</li> </ul>

### Recommendation(s) for action or decision:

The WMCA Board is asked to:

- (1) Note progress with the work to date to develop the Homes for the Future programme for the West Midlands, and wide-ranging input from the Future Homes Taskforce and local authority partners across the region, among other relevant stakeholders;

- (2) Discuss and comment on the final draft of the Homes for the Future strategy and technical standard (attached as Annexes 1 and 2);
- (3) Discuss the feedback provided from the Homes for the Future event and consultation responses.
- (4) Endorse the official release of WMCA's Homes for the Future proposals.
- (5) Recommends, in light of responses to WMCA's Homes for the Future consultation, introducing an option to vary the PMV requirement, allowing alternative build method statements to accompany bids for WMCA grant where the primary operational and up-front embodied carbon standards are being met.
- (6) Consider the release of HMG's Future Homes Standard consultation
- (7) Consider WMCA's response to HMG's 'The Future Homes and Buildings Standards: 2023 Consultation; Approved Document L - Conservation of fuel and power and minimisation of greenhouse gas emissions Volume 2: Buildings other than dwellings' which considers the standard in relation to non-domestic dwellings.
- (8) Consider the letter from the House of Lords Built Environment Committee that summarises findings from the HMG's MMC inquiry
- (9) Note the progress, discuss and comment on the work to date on the Homes for the Future Comms Strategy and Implementation Plan

## 1.0 Purpose

1.1 The purpose of this report is to:

- summarise the work that has been undertaken under the leadership of the Housing and Land Board on Homes for the Future;
- set out a wider range of references and estimate for cost impacts over different timeframes;
- invite any final comments on the content of the strategy document; and
- summarise the work to date on the Homes for the Future Implementation Plan and Comms Strategy, including the launch event.

## 2.0 Background

2.1 **In April 2022, the Housing & Land Delivery Board agreed a programme of work to develop a 'Homes for the Future Strategy' in 2022/23.** The scope being to produce a coherent strategy to accelerate the development of the Future Homes Cluster in the Plan for Growth, secure delivery and investment in Advanced Manufacturing in Construction (AMC); zero carbon homes (ZCH); get the region ready for the roll-out of changes to Building Regulations (Part L) set out in the Government's emerging Future Homes Standard; and consequential reduced occupier costs in the new homes.

2.2 **WMCA's Homes for the Future builds on the work already pioneered to date around AMC and ZCH** under the Housing & Land Delivery Board.

This new integrated strategy is a **cross-cutting document** that is directly linked to a range of regional policies and programmes:

- unlocking the potential of the '*Manufacture of Future Housing*' economic cluster in the West Midlands Plan for Growth (launched July 2022);
- the West Midlands brownfield housing and regeneration programme (launched in the 2018 Housing Deal)
- WM2041
- Investment and Levelling Up Zones (March 2023 Devolution Deal)
- The Affordable Housing Programme (March 2023 Devolution Deal)
- The Public Land Programme (March 2023 Devolution Deal)
- the investment opportunity in future homes set out in the West Midlands Investment Prospectus (launched May 2023); and
- the high-level deliverables of the Housing & Land Portfolio agreed by WMCA Board in February 2023.

2.3 Housing & Land Delivery Board has previously been updated on the process to develop Homes for the Future including the appointment of Cast Consultancy; the establishment of a Future Homes Taskforce with membership drawn from across the construction and residential development industry; the launch of research projects to create an evidence base to underpin the new strategy; and the detail of a Technical Standard appropriate for the West Midlands.

2.4 **This work has been brought together in the form of a Homes for the Future strategy document – a final draft of which can be found under Appendix 1.** In addition, a report on the potential cost implication of complying with the standard can be found under Appendix 2 with the alterations requested previously by Delivering Steering Group.

2.5 Homes for the Future has been developed with the oversight of the Future Homes Taskforce. The Taskforce last met on 9th October 2023 where members expressed strong support for the programme of work and stressed the importance of showcasing industry support and early wins through landing a successful comms strategy and continuing work post-publication in the form of a wide-reaching Implementation Plan.

2.6 Homes for the Future will take steps to go further and faster than the national Future Homes Standard in order to prepare industry for the introduction of the national standard and anticipated future shifts within the construction industry, as well as supporting the WMCA's environmental commitments and addressing the climate crisis.

### **3.0 Cost implications**

3.1 At the request of Delivery Steering Group and Housing & Land Delivery Board, Cast Consultancy were commissioned to research the potential cost implications of the proposed Technical Standard which is embedded in Homes for the Future. Their draft report is attached as Annex 2 for discussion and comment.

3.2 Cast has undertaken a review of the potential cost impact of the emerging Homes for the Future Technical Standard for mid-terrace and flat typologies. Their methodology includes a number of assumptions, many of which are susceptible to change over time, particularly as the industry adopts, and adapts to, new standards:

- Their baseline of each typology is based on a 'typical' approach. The modelling then considers the potential evolution of the construction costs based on proposed standards for 2023 (Statutory Plus), 2025 and 2030 including considering the likely methodology that would be adopted to meet the standard (based on current-day costs).
- They also consider the changes that would be required to achieve the forthcoming Future Homes Standard 2025, which central Government has recently consulted on. They have sought to distinguish between the costs that would be incurred in achieving the WMCA standard and those that developers will need to prepare for regardless of the WMCA strategy, specifically national government's Future Homes Standard 2025.
- The approach described in the technical report to meeting the WMCA standard is based on a hypothetical scenario in which industry and supply chains respond to new requirements with a potential model that follows a similar cost curve to other newly adopted building components. As such, it must be understood that industry will choose its own means of meeting the targets laid out in the WMCA Technical Standard. It includes assumptions around changing to a timber panelised approach for the mid terrace property, potential foundation savings for lighter structures, and an allowance for changes to mechanical, electrical and plumbing (MEP) solutions.
- A series of assumptions around the likely cost impact of the technical standards are considered. There are clearly a variety of different approaches that could be adopted; therefore, a cost range has been included to accommodate the variation between different schemes in terms of site, context, scale etc.
- The cost assessment is presented on a £/sq ft basis. For the flat typology this has been derived from taking a typical 8 storey flat block as a baseline to assist in establishing the impact on the % cost impact of the proposed standard.

### 3.3 The findings of the research are set out in the Cast consultancy technical standard cost appraisal report and may be summarised as:

- Construction labour shortfalls are very likely to increase the baseline cost of construction whereas the WMCA approach which incentivises a shift to different construction approaches, using MMC, a different workforce model and less site labour reliance will be less affected by this trend.
- It is highly likely that the supply chain will adjust and become more efficient. By moving ahead of regulation, WMCA will stimulate the market to evolve sooner.
- It is highly likely that regulation will continue to get stronger and will mirror the approach WMCA is taking now by introducing embodied carbon reduction targets
- WMCA would also signal change sooner to the supply chain, giving regional suppliers an early mover advantage in preparing for future national change.
- The collection of data around embodied carbon that is required under all levels of the standard will prove valuable additions to an emerging data set that will better enable WMCA to understand and evaluate future potential cost differentials, as well as additional environmental benefits.
- Under WMCA's 2023 (Statutory Plus) standard, an expected additional cost of between £2,000 per development for smaller schemes up to 30 units and as high as £10,000 per development for larger schemes for collecting Whole Life Carbon data . This standard will allow developers time to transition, as well as simultaneously improving and expanding the aforementioned data set in relation to embodied carbon.

- 3.4 Further recent sector-wide studies include the Ready for Zero Report by Arcadis for the Future Homes Hub, Ready for Zero Report, which details cost uplifts associated with building in line with increased standards. The introduction of HMG’s Future Homes Standard (referred to Ref 2025) predicts a 5% cost increase in relation to current standards which include HMG’s 2021 uplifts (referred to as Ref 2021). At this stage, an additional uplift to WMCA’s Homes for the Future Standard 2025 level (referred to as CS3) would result in a 15% for cost uplift. Following the introduction of HMG’s Future Homes Standard (Ref 2025), the expected increase to adhere to CS3 is a 9% increase. The relevant data in the report can be found on pages 32-34.
- 3.5 At the request of Delivery Steering Group, an additional section, exploring the cost to detached properties, has been added to the report. This builds upon the cost analysis of flats and terraced houses.
- 3.6 Additionally, various real-world examples can provide clarity around costs:
- i. A scheme being funded by WMCA in conjunction with a local contractor and housing association, indicated a 4.4% increase in real post-tender costs as of July 2023 for the MMC homes on the site in comparison with those that were built with traditional construction methods.
  - ii. A large build to rent development in the region has recently been procured and entered in contract. From the outset, design specifications for the scheme aligned to Cat 1 MMC and 70% PMV with WMCA-equivalent build methods. This design approach and competition among suppliers to develop the scheme resulted in it being procured at a cost that was lower than the traditional build estimate for the same scheme.
  - iii. Cast benchmarking for a development in Bristol, converting a low-rise housing masterplan to achieve a net zero goal which broadly aligns with WMCA’s 2025 target, resulting in a 9% increase (for SIPs, 50% PMV) to a 15% increase (for volumetric modular, 70% PMV) compared to the baseline.
- 3.7 It is recommended for the WMCA Future Homes Standard to be introduced transitionally allowing time for supply chains to respond and any cost impacts minimised, albeit at shorter timeframes than the transition proposed for the national Future Homes Standard. This will mean that schemes being delivered through the existing pipeline and supported through funds that run to end of March 2025 will be subject to current statutory standards, with strong preference given for scheme proposals that meet most or all of the emerging WMCA standard.

Table 1: Transitioning towards the WMCA Future Homes Standard Stage of development

<b>Stage of development</b>	<b>Pre-March 31st 2025</b>	<b>Post-March 31st 2025</b>
On site	Current statutory standards apply	If planning permission secured before January 2024, 2023 (Statutory Plus) standards apply
Post-planning and procurement	<b>Current statutory standards apply</b>	Preference to meet most or all WMCA 2025 standards

Pre-application	Expectation to meet WMCA's 2023 (Statutory plus) standard, and most or all WMCA 2025 FH standards	Expectation to meet most or all WMCA standards
Expression of Interest stage	Expectation to meet most or all WMCA standards	Expectation to meet most or all WMCA FH standards

3.8 Furthermore, WMCA has considered the challenges presented by the market and from members of the group. As a result, the former 2023 standard has been amended to feature as the Statutory Plus standard instead. This will support developers with the transition and also accounts for the alterations made on a national level since the standard was first devised that would have rendered the former 2023 standard less impactful.

3.9 More broadly, further engagement with DLUHC and HMG will be required anyway to ensure intervention rates at future negotiation better reflect changing market conditions and local aspirations. This includes the national transitional period that has already commenced with the introduction of higher building regulations for operational emissions and space heating in the 2023 Building Regulations covering Parts L and F, raising decarbonisation and ventilation standards. For future embodied carbon targets, further work regionally and nationally will be needed to develop low embodied carbon material supply chains, as well as mechanisms for recycling of construction materials.

**4.0 Homes for the Future Event**

4.1 The Homes for the Future Event occurred on 8<sup>th</sup> December 2023 at the National Brownfield Institute in Wolverhampton and presented the Homes for the Future proposals to the world. Mayor Andy Street introduced Homes for the Future to the audience, speaking at the event, he said ‘we must have a proper plan in place for future housebuilding in the region. That’s what our Homes for the Future proposals do, and I’m delighted we’ve been able to launch it today.’ Speeches were also delivered from Mark Farmer, Chair of the Future Homes Taskforce and CEO of CAST Consultancy, who stated that the proposals represented ‘a true UK first, and the Pro Vice Chancellor of the National Brownfield Institute who noted key steps they were already taking to support modern building methods.

4.2 Attendees also had the opportunities to ask questions of our panel consisting of Mayor Andy Street; Mark Farmer Chair of the Future Homes Taskforce and CEO of CAST Consultancy; Mary Parsons, Regeneration & Partnerships Director, Lovell; and Councillor Ian Courts from Solihull Council. The event made use of the venue’s state of the art 360° Igloo room to present a video that showcased WMCA’s vision, culminating with the opportunity for networking amongst attendees.

4.3 The event has seen press coverage from the likes of the BBC, Express & Star, and the Birmingham Mail, among others. The proposals have also been shared on WMCA’s social media channels with a long-term comms strategy being developed to continue momentum. WMCA has also secured interviews with residents living in energy efficient homes in Coventry which will feature in a future release.

4.4 A 6 week consultation period ran from the launch event to provide feedback on the proposals until 22<sup>nd</sup> January 2024.

## **5.0 WMCA Homes for the Future Engagement Feedback**

5.1 At the Homes for the Future Event referenced above, WMCA put out a call for any final feedback on the Homes for the Future Strategy and Standard. The deadline for this feedback was 22<sup>nd</sup> January 2024.

5.2 Feedback was received from the following organisations:

- West Midlands Housing Association Partnership (WMHAP)
- Brick Development Association
- Building Alliance
- Jelson Limited
- Michelmersh

5.3 There was a general consensus that it is necessary to take steps towards zero-carbon housing. There were however concerns with the PMV target of the Homes for the Future Technical Standard. Those representatives who engaged from the brick sector expressed concerns that PMV would impact the traditional construction methods. WMHAP instead expressed their concerns with PMV lay with the ability to achieve other aspects of the standard with traditional build and that some SMEs may struggle to hit this target. A scheme (Project 80) was provided as an example of a traditional build scheme that meets HMG's Future Homes Standard.

5.4 Additionally, WMHAP has expressed concerns around:

- Unregulated energy use and how this can be measured
- The impact on shared ownership schemes
- Cost additionality
- Confusion around applying both HMG's Future Homes Standard and WMCA's Homes for the Future Standard

5.5 As such, WMHAP have proposed a more flexible approach be taken that does not apply the full standard.

5.6 As noted above, much positive feedback was received at the event itself and through informal means of communication.

5.7 Consideration is given for alternative routes to achieving the operational and embodied carbon standards where the PMV standard is not being met.

## **6.0 HMG's Future Homes Standard Consultation**

6.1 On 13<sup>th</sup> December 2023, DLUHC released the 'Future Homes and Buildings Standards: 2023 Consultation'. The consultation runs until 11:59pm on 6<sup>th</sup> March 2024 and covers changes to Part 6, Part L, and Part F of the Building Regulations for dwellings and non-domestic buildings and seeking evidence for Part O. A small element of the consultation considers existing buildings. As with the WMCA standard, the objectives of the DLUHC policy are broadly aligned with those of WMCA, to deliver (i) significant carbon savings; (ii) homes which are high quality and affordable, protecting occupants from high bills; (iii) homes which are "zero-carbon ready" - In other words, because they use electric or other renewable energy sources, no work will be necessary to allow these buildings to

achieve zero carbon emissions when the electricity grid is fully decarbonised; (iv) homes which are cost-effective, affordable, practical and safe.

## 6.2 HMG has presented three options within the consultation.

Option 0 – take no action

Option 1 (preferred option) includes:

- A notional building with:
- a high-efficiency air-source heat pump
- solar PV (photovoltaic) panels
- a wastewater heat recovery system
- increased airtightness
- a decentralised mechanical ventilation (dMEV) system
- high fabric standards to minimise heat loss from windows, walls, floors and roofs (the same as the standards set in the 2021 uplift to Part L)
- a significant increase in performance standards for domestic hot water storage
- a separate notional building for new heat networks.

Option 2 mirrors Option 1, except it does not include the following features in the notional building:

- solar PV panels
- a wastewater heat recovery system
- increased airtightness
- a decentralised mechanical ventilation (dMEV) system

Option 1 prioritises energy costs over capital costs, while Option 2 does the reverse.

## 6.3 Comparative figures are difficult to obtain between the two standards as firstly, HMG presents multiple options for the Future Homes Standard, and secondly WMCA allows flexibility in how its standard is achieved, leaving individual methods up to the individual. As such, a comparison has been outlined below where it is assumed that an individual might use Passivhaus to achieve WMCA's Homes for the Future Standard. The current minimum standard, HMG's required Fabric Standards under both Option 1 and Option 2 are outlined below, and the proposed Fabric Standards that would be required to achieve WMCA's 2025 standard if a Passive Design model were used have been outlined below.

	Minimum Standard	Proposed Future Homes Standard – Option 1	Proposed Future Homes Standard – Option 2	WMCA Homes for the Future - 2025
External Wall	U= 0.26 W/m <sup>2</sup> K	U= 0.18 W/m <sup>2</sup> K	U= 0.18 W/m <sup>2</sup> K	U= 0.15 W/m <sup>2</sup> K
Floor	U = 0.18 W/m <sup>2</sup> K	U= 0.13 W/m <sup>2</sup> K	U= 0.13 W/m <sup>2</sup> K	U= 0.11 W/m <sup>2</sup> K
Roof	U= 0.16 W/m <sup>2</sup> K	U= 0.11 W/m <sup>2</sup> K	U= 0.11 W/m <sup>2</sup> K	U= 0.11 W/m <sup>2</sup> K
Windows	U= 1.6 W/m <sup>2</sup> K	U= 1.2 W/m <sup>2</sup> K	U= 1.2 W/m <sup>2</sup> K	U= 0.8 W/m <sup>2</sup> K
Airtightness	8.0	4.0	5.0	0.6



Proposed fabric specifications have not significantly changed since Part L 2021, however there are changes to air pressure specifications.

- 6.4 While embodied carbon is considered to be out of scope for this consultation, the government plans to consult on their approach to measuring and reducing embodied carbon in new buildings 'in due course'. The consultation does not outline specific proposals around PMV.
- 6.5 In light of considerations by HMG in relation to non-domestic buildings, we would ask the board to consider WMCA's position in relation to non-domestic buildings. Considerations around non-domestic buildings are out of scope for WMCA's Homes for the Future Programme.
- 6.6 WMCA will be preparing a response to HMG's consultation with support from the Future Homes Taskforce. Several industry bodies including UKGBC, The Institution of Structural Engineers, Institution of Structural Engineers, Institution of Civil Engineers (ICE), The Chartered Institute of Building (CIOB), Construction Industry Council (CIC), CIBSE, UK Architects Declare, RIBA, RICS, Part Z, and Association for Consultancy and Engineering (ACE) have already issued public responses to the consultation, calling for the Future Homes Standard to go further and specifically to regulate embodied carbon. This request is achieved under WMCA's Statutory Plus targets.

## **7.0 UK Parliament MMC Inquiry: Modern Methods of Construction – What's gone wrong?**

- 7.1 The Built Environment Committee launched an inquiry into the future of modern methods of construction (MMC) on 24th October 2023, following the collapse and closure of several Category 1 MMC companies during 2022 and 2023.
- 7.2 The inquiry noted that HMG has stated the need for a diversified housing market which embraces innovation, including MMC technologies. Despite this, MMC manufacturers have faced significant challenges, including the many organisations stopping production or going into administration. The inquiry aims to understand barriers to increasing the delivery of MMC homes and how HMG's approach to MMC is addressing these barriers.
- 7.3 The committee's letter to HMG was published on 26<sup>th</sup> January 2024. The letter is titled 'MMC sector may continue to struggle without a fresh approach from the Government'. HMG's approach to MMC was described as 'in disarray'. They noted concern that millions of pounds of public money had been invested without 'a coherent strategy and set of measurable objectives'.
- 7.4 While it was noted that some category 1 modular MMC firms have financially failed, the Committee acknowledged that MMC could still 'play an important role in the building of much-needed housing' with the right approach.
- 7.5 The Committee noted evidence of 'some real barriers to MMC' such as insurance companies and warranty providers being risk averse, and insufficient clarity around building regulations. It suggests that HMG has not made sufficient effort in understanding and addressing these challenges. It is proposed that HMG takes a step back to gain a better understanding, establish achievable goals, and develop a coherent strategy.

## 7.6 Other findings and conclusions include:

- The committee heard contradictory evidence about whether MMC homes were more or less expensive to construct than traditionally built homes. Given the scale of public investment being made, the Government should ensure it is achieving value for money.
- The requirement to use MMC through the national Affordable Homes Programme (AHP) incentivised some housing associations to use MMC in their projects, but not enough to provide strong pipelines for Category 1 MMC businesses, given the high costs claimed for MMC.
- Measuring the Government's progress is difficult owing to a lack of data on MMC usage. The Government should publish data on the share of supported completions using MMC in the AHP as soon as possible.
- The Government's MMC Taskforce, which was allocated £10m and was expected to take forward work on data and standards, has never met. The Government should explain the justification for abandoning this approach and set out how the promised funding has been used or reallocated.
- Higher energy efficiency requirements could incentivise greater usage of MMC, particularly in Categories 1 and 2.
- The extensive time periods it can take to obtain warranties and the reticence of insurance providers to accept compliance with building regulations as sufficient has detrimental impact on the delivery of MMC homes. Warranty and insurance providers should themselves act to compile and share the data they need. The Government should set out this expectation clearly to the sector.
- The Government should take a greater interest in overseas examples of success with modular construction.

## 8.0 Implementation Plan

8.1 Through the Homes for the Future Implementation Plan, WMCA will ensure that the programme does not end with publication of the strategy. It is recognised that developers will need support with understanding the standard, sourcing the appropriate manufacturers, understanding how to apply for WMCA funding more widely, and accessing support from WMCA should they require it. This will be particularly important for SMEs and smaller developers.

8.2 Additionally, the expanding the skills base that can deliver Homes for the Future will be a key programme of work for WMCA. In order to enable the supply chain to develop, WMCA has the potential to offer support for skills development in relation to Homes for the Future. WMCA has discussed the potential of facilitating a forum upon which relevant WMCA colleagues could engage with key stakeholders to understand where support to develop skills in relation to Homes for the Future is needed, as well as bringing together relevant stakeholders to advance knowledge and research in this field, share best practice, and make meaningful connections with others in the field.

8.3 Through an evolution of the Future Homes Taskforce, three working groups are to be set up:

- Development & Delivery
- Employment & Skills
- Supply Chains & Manufacturing

These groups will support in implementing the Homes for the Future Standard, through providing support to developers in understanding and implementing the standard, developing the skills base alongside the standard as it develops, and supporting the development of the supply chain and increasing awareness of alternative methods of construction.

- 8.4 It is also noted that Mark Farmer, Chair of the Future Homes Taskforce will be stepping down from his position as Chair. He will remain with the taskforce while a new Chair is selected.

## **9.0 Next steps**

- 9.1 Comments on the final strategy and costs report are invited at this meeting. **This will be the final opportunity** for members to comment on the content of the strategy document prior to its official publication. The proposal documents are now in a brochure format and available on WMCA's website.
- 9.2 An extensive engagement programme has taken place over the summer months to ensure co-development of the document and engagement in the process. Feedback on Homes for the Future proposals will be accepted until 22<sup>nd</sup> January 2024.
- 9.3 An extensive comms programme has been worked up with communications planned throughout the coming months. Initial proposals and content from the event have already been shared via WMCA's social media channels.
- 9.4 The Implementation Plan will be fleshed out to support delivery of Homes for the Future after publication of the strategy. This will be achieved through working with developers of all sizes to support their understanding and implementation of the strategy, and expanding the skills base that can deliver Homes for the Future.

## **10.0 Financial Implications**

- 10.1 It is noted that the purpose of this report is to summarise the work that has been undertaken on Homes for the Future and to provide information on the wider range of references and estimates for the cost impacts of this strategy; and to invite final comments on the strategy document.
- 10.2 It is understood that the WMCA Homes for the Future Strategy aims to bring in standards proposed in the Government Future Homes Standard at an earlier stage in order to assist in the transition from the current building requirements to the Future Homes Standard 2025 position.
- 10.3 It is clear that there is not one agreed position on the likely cost impacts of undertaking the changes within the Future Homes Standard and the earlier implementation of the WMCA Homes for the Future Strategy; however, it is anticipated that there is likely to be an increase in costs for Developers in building new homes to the new standards, particularly in the short – medium term. Where there are cost increases resulting from the implementation of this standard, this is expected to adversely impact on the intervention rate for housing grants requested from WMCA due to increased viability gaps from building in these requirements. There is an expectation of approx. 5% - 15% uplift in costs for Developers in complying with the Future Homes Standard. In simple terms, assuming the construction cost of a small new home is £125,000 and it is part

already part funded via a grant. An increase in cost of 5% to 15% would increase the gap funding required and add a further grant requirement of £6,250 to £18,750 for each home to be developed.

- 10.4 Note, it is understood that the overall cost impact is dependent on how early in the design stage the WMCA Homes for The Future standard is factored in by a developer and that, generally, the cost increases should be tempered the earlier these requirements are included in the design. For example, “real world” tender costs show approx. 4.5% increase for a smaller terraced housing scheme (adapting ‘traditional design’ to MMC), or in the case of Smith Gardens a large build to rent scheme in Digbeth (the only advanced larger scheme typical of those coming through our pipeline comprised of apartment blocks and meeting the WMCA FH standard) a small cost saving compared to a traditional build estimate that the developer tendered for.
- 10.5 For the current Housing Funds, i.e., the Land Fund, Brownfield Housing Fund and National Competitive Fund the average intervention rate has been close to / above target without the requirement to meet Future Homes standards, due to the impact of factors such as inflation, etc.. There is, therefore, pressure on the intervention rates for the remaining funds available in order to ensure the average intervention rate for those funds is met. Based upon historic performance the existing funds will not be able to be deployed, where the intervention rates for future schemes exceed the average rate for the funds.
- 10.6 It may, also, be the case that WMCA may be unable to sell its landholdings for “the best consideration” because of the additional costs that a developer may incur in complying with the Future Homes Standard, before the legislation is in place. As a result, this may, also, impact on the intervention rate of any grant required by the developer and / or the price that WMCA can recover for its landholdings. Furthermore, if WMCA land is sold with conditions attached, i.e., requiring compliance with the Future Homes Standard before this is mandated by law, this would ordinarily bring all land disposals under the Procurement Contract Regulations. This would add time and complexity to any disposals which would require additional resource.
- 10.7 It is noted that there is to be a transition to the standard, as noted in Table 1, above, which would require schemes at an early stage in the process of requesting housing grants to comply with the Standard while those already on site or at post-planning / procurement stage to align with WMCA’s 2023 (Statutory Plus) standard (at a cost of average £3k – £10k per development, depending on the size of development, as advised by Cast Consulting, so not considered to be an onerous cost). This less onerous approach should result in a negligible impact on the viability gaps for those schemes already progressing through the grants process. It is, also, noted that those schemes aligning with the WMCA’s Statutory Plus standard will allow developers time to transition, as well as providing important data to assist in understanding the likely cost and other impacts of these changes, to inform the strategy implementation.
- 10.8 It is noted that the understanding of the findings of the Cast Report and Arcadis reports, on which the Financial Implications assessment has been based, as confirmed by HPR and as noted below.

Report	Findings	Approach	Comments
<p><b>Arcadis:</b> ‘Ready for Zero’</p> <ul style="list-style-type: none"> <li>Task Group Report - Evidence to inform the 2025 Future Homes Standard</li> <li>28.02.2023</li> </ul>	<p><b>Build cost impact ranges from - £3k to + £17k per house</b> based on achieving the Future Homes Standard 2025 requirements in 2022.</p>	<ul style="list-style-type: none"> <li>Based on end of Terraced House;</li> <li>Based on 5 Contender Specifications to capture the range of approaches to zero carbon ready homes;</li> </ul>	<ul style="list-style-type: none"> <li>Strong disagreement between Taskforce stakeholders on costs of delivering 5 Contender Specifications in new build homes in 2022;</li> <li>Report produced under Terms of Reference from DLUHC</li> </ul>
<p>Cast Consultancy</p>		<ul style="list-style-type: none"> <li>mid-terrace and flat typologies;</li> <li>detached dwellings</li> </ul>	<ul style="list-style-type: none"> <li>methodology includes a number of assumptions, many of which are susceptible to change over time “</li> </ul>
<p><b>Real world” examples:</b></p> <ul style="list-style-type: none"> <li>A scheme being funded by WMCA in conjunction with a local contractor and housing association</li> <li>A large build to rent development in the region has recently been procured and entered in contract.</li> <li>Development in Bristol, converting a low-rise housing masterplan to</li> </ul>	<ul style="list-style-type: none"> <li>4.4% increase in real post-tender costs as of July 2023</li> <li>This design approach and competition among suppliers to develop the scheme resulted in it being procured at a cost that was lower than the traditional build estimate for the same scheme</li> <li>9% increase (for SIPs, 50% PMV) to a 15% increase (for volumetric modular, 70%</li> </ul>	<ul style="list-style-type: none"> <li>Comparison of the MMC homes on the site with those that were built with traditional construction methods.</li> <li>From the outset, design specifications for the scheme aligned to Cat 1 MMC and 70% PMV with WMCA equivalent build methods.</li> <li>Based on Cast benchmarking</li> </ul>	<ul style="list-style-type: none"> <li>“Real world” examples provided by HPR – per 3.6 in this report</li> </ul>

achieve a net zero goal which broadly aligns with WMCA's 2025 target.	PMV) compared to the baseline		
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10.9 It is noted that, as per Section 6 of this report, on 13th December 2023, DLUHC released the 'Future Homes and Buildings Standards: 2023 Consultation', to consider changes to Building Regulations. It is not known what the impact of this will be for Developers, and any resulting grant request and associated intervention rate, and / or how this may impact on / differ from the proposed WMCA Future Homes Strategy. Given this, it will be important to ensure the outcomes of this DLUHC consultation are considered within the decision-making around the WMCA Homes for the Future Strategy, and any further cost implications that may arise, as a result, should be brought back to H&LDB for consideration.

10.10 It is noted that feedback has been received on the Homes for the Future consultation, including concerns with the PMV target, and this may result in changes to the approach taken by WMCA on Homes for the Future. It is noted that consideration is being given for alternative routes to achieving the operational and embodied carbon standards where the PMV standard is not being met. The cost implications of any such alternative routes, including on the Intervention Rate for any grants sought, are not known and should be considered further.

**11.0 Legal Implications**

11.1 WMCA has the power to impose a grant condition that requires compliance with the Future Homes Standard under Section 113(1)(a) of the Local Democracy, Economic Development and Construction Act 2009. This statute gives WMCA a power of competence appropriate for the purposes of carrying out any of its functions.

11.2 WMCA also has the power to impose a condition on WMCA land disposals which requires a developer to comply with the Future Homes Standard. However, it should be appreciated that to do so may mean that commercially WMCA is unable to sell its landholdings for "best consideration" because of the additional costs that a developer would incur in complying with the Future Homes Standard. Whilst WMCA has power to sell land under its economic development and regeneration function and its transportation function at less than best consideration it has no power on its own motion to do so to sell land held under its housing land and infrastructure function for less than best consideration"

**12.0 Equalities Implications**

12.1 There are no immediate equalities implications in relation to this report. However, individual strategies and delivery schemes will need to take into account local area needs and local stakeholder needs to ensure the schemes benefit local residents, including harder to reach groups. To that effect, equality impact assessments will need to be conducted to understand demographics, key inequality issues and how investment can help address key inequality gaps. Engagement and consultation with key equality stakeholders is also crucial. Long-term equalities benefits are likely to include warmer homes for residents, lower energy bills, and healthier properties.

### **13.0 Inclusive Growth Implications**

- 13.1 Homes for the Future will be used to inform WMCA's approach to growing the AMC sector, zero carbon homes and new energy standards in an equitable way, maximising economic benefits, housing quality and job/skills opportunities across the region's communities.
- 13.2 Inclusive Growth benefits are expected to include supporting tackling fuel poverty, supporting the circular economy agenda, improving the climate resiliency of homes, supporting the goal of zero-waste construction, and health and well-being benefits.

### **14.0 Geographical Area of Report's Implications**

- 14.1 The recommendations of this report apply to the whole of the WMCA area.

### **15.0 Other implications**

- 15.1 None

### **16.0. Schedule of Background Papers**

- 16.1 Housing & Land Delivery Board January 2024: Homes for the Future  
Overview & Scrutiny January 2024: Homes for the Future

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West Midlands  
Combined Authority

# Homes for the Future

Our Proposals for  
Aligning Zero Carbon  
Homes and Advanced  
Manufacturing

Cast<sup>®</sup>

usefulprojects

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# Foreword by Andy Street



**Our Proposed Homes for the Future Strategy brings together two distinct elements: our clear ambition for building zero carbon homes and the region's proven capabilities in advanced manufacturing.**

Using the latest digital technologies and innovations in construction, we aim to build more energy efficient, warmer, healthier, sustainable homes while creating brand new business, investment, and job opportunities.

We are determined to tackle the region's declared climate emergency and meet our commitment to be carbon neutral by 2041. With Homes for the Future, we have the opportunity to drive an increased supply of new homes, support existing businesses and create new ones, develop skills and improve the quality of new homes. By ensuring that our green ambition is embedded into all new construction projects from the start, we will be making our new homes liveable, sustainable, and resilient to the climate crisis.

This is a journey... a journey to ensure that the transition to zero carbon, climate resilient construction is achievable and accessible across the construction industry. This is a journey with our Future Homes Taskforce, key stakeholders, developers, housing associations, and boards, as well as our communities. I invite you to work with us and I promise that we will be there to support you every step of the way.

**There are huge advantages for us all.**

Andy Street

**Andy Street**  
Mayor of the West Midlands

# Executive Summary

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Nationally, the Government has set out a clear plan for challenging the construction industry to embrace the building of energy efficient, resilient, zero carbon homes through planned changes to Building Regulations in 2025 (the Government's 'Future Homes Standard'). The Government is also incentivising new building techniques through requirements set out in major funding programmes such as the Affordable Homes Programme, now run in the West Midlands by WMCA and Homes England following the 2023 Devolution Deal.

As a result, many of the largest housebuilders and investors in the UK construction industry are implementing radical change to their models of building, incorporating advanced manufacturing techniques to drive efficiency, productivity and quality. But we need to ensure that this advantage is spread across all businesses, large and small.

In the West Midlands, we aim to get ahead of the curve in zero carbon and changes in regulations. The construction industry has one of the highest economic multipliers of all industrial sectors – nearly £3 value add for every £1 spent – and the opportunity for this strategy is to leverage these changes to ensure a 'fit for purpose' housebuilding industry in the West Midlands and a resilient supply chain that can weather the challenges that the housebuilding sector is facing.



## Homes for the Future fundamental principles:

- 1 Aligning with emerging industry standards:**

We have sought to align the strategy with what is already happening in the region and beyond on development projects, leading industry standards such as LETI (the Low Energy Transformation Initiative) and existing standard outcome metrics such as Pre-Manufactured Value (PMV). The PMV targets have been set in line with those of Homes England. Collectively, this will provide confidence to investors and developers (and Government) on clarity, certainty, case study evidence and delivery momentum.
- 2 Signalling a long-term ambition and direction:**

The strategy and supporting Technical Standard set a clear, long-term ambition over the period to 2030, with incremental increases in requirements, enabling the construction industry to respond and invest over time, and as its capacity develops.
- 3 Securing pace and momentum:**

Building on feedback from internal and external stakeholders, and key initiatives such as our Climate Emergency, Deeper Devolution Deal and Plan for Growth, the strategy sets a trajectory that exceeds Government regulation in both scope and speed of implementation.
- 4 Enabling realistic, flexible implementation:**

Our strategy requires no one, single, technical solution. We emphasise a phased approach and compliance focused on the outcome rather than the process, allowing the sector to innovate. We also recognise the need to encourage behavioural change where we recognise that enhanced practical performance is not possible in the early years.
- 5 Suggesting practical solutions:**

Delivery is critical, so we recognise the need to be practical. The Technical Standard sets out our expectations for performance over various timeframes. It also includes guidance on how the standard can be achieved in practice.
- 6 Identifying clear evidence of successful delivery:**

To build momentum and show that it can be done, we will build a catalogue of successful projects that showcase success, and share the technical solutions used to create an environment of continuous improvement.

# Executive Summary Continued

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In terms of implementation, the strategy is also supported by the full policy and investment infrastructure of WMCA's new devolution settlement.

The strategy builds on its pioneering heritage by moving ahead of national Building Regulatory changes. At the same time, a phased incremental approach provides certainty and clarity to industry partners, with a planned transition over time ensuring that there is no negative impact on viability or deliverability. Finally, a performance-based approach adopted in the strategy, rather than a method or material prescriptive approach, will ensure that we are as inclusive as possible to all supply chains.

We have carefully aligned our standard through industry engagement, led by our Future Homes Taskforce, and drawing upon our existing Zero Carbon Homes Routemap to Net Zero Homes. We recognise that, initially, the standard will require higher upfront investment, potentially some £10-£15k per dwelling. We are confident, however, that, as capability builds, national policy changes, economies of scale emerge in the use of new technologies, and the systemic shortfalls in labour and skills drive increases in traditional construction costs, the initial cost increase of the region's technical standard will reduce, potentially to zero, by 2030.

The key to success is consistency and visibility of demand. This includes both the overall long-term quantum of homes to be commissioned, and the type of homes and technical solutions that will be required. This aggregated and standardised requirement, supported by our own interventions, will enable industry to invest, drive up the quality of new homes, drive down their environmental impact, and thereby create a UK-leading manufacturing industry.

Through our engagement with developers, investors, suppliers and other stakeholders, we are confident that this is a move that industry is starting to make already. There is a clear opportunity for the West Midlands to take a leadership position, demonstrating that change is not just possible but necessary. Through this strategy, WMCA is embracing its role as a facilitator and leader to shift the needle on this agenda, maximise the opportunities it creates and best support the region, its local authorities, businesses, developers, and residents.

# 1.0 Introduction

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Our ambition is to lead the way in the provision of high quality, sustainable and efficiently delivered new homes for residents in our region while driving forward the capability and growth of our advanced manufacturing businesses and creating new employment opportunities for our workforce.

Our Homes for the Future Strategy is the latest step in our work to encourage and incentivise the construction industry to accelerate its shift towards low and zero carbon new homes. The strategy builds on our previous work on advanced manufacturing in construction and zero carbon homes, maximising the benefit to be derived from the HMG's Future Homes Standard which will come into force in 2025.

We will go further and faster by setting out a core set of enhanced sustainability, climate resiliency and construction methodology targets. This will enable us to allocate land, funding and other support to projects that can be shown to meet our expectations. This approach will support us to achieve **WMCA's net zero target by 2041**, ahead of the UK's national target of 2050.

Homes are the highest carbon emitters in our region, accounting for **39% of emissions**, ahead of both industry and transport. Retrofitting an existing home is estimated to cost **five times more** than designing a new home which is energy efficient. By building sustainable new homes now, we will therefore reduce the need for retrofitting within the region and avoid adding to the **1.2 million homes** within the West Midlands that currently need retrofitting.

Our output-based approach will help developers to produce warmer, safer, more energy-efficient homes; tackle fuel poverty; and reduce the threat from energy price hikes. This approach will boost confidence and capability in the construction industry so that new technologies, driven by advanced manufacturing construction, become the established approach to delivering zero carbon homes, supporting a transition to greener construction, and increasing the number of green, sustainable jobs in the construction sector.

# 2.0 Policy background

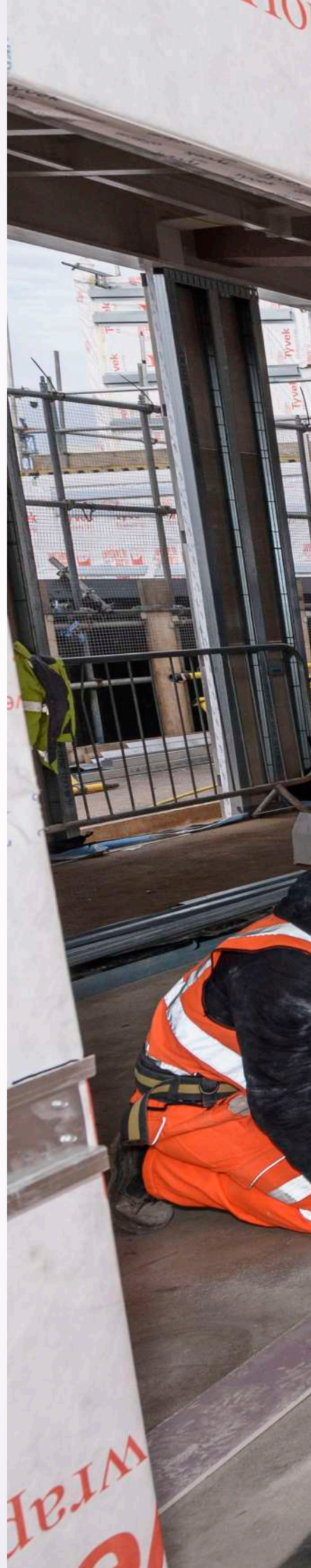
## National Policy

National Government is incentivising advanced and modern methods of construction as a means of modernising the construction sector. Building regulations will change in 2025 and further change is likely in the future.

In relation to construction skills, National Government has recognised the need to promote Advanced Methods of Construction (AMC) and Modern Methods of Construction (MMC) as a way of establishing a more productive and sustainable industry model since the Housing White Paper of 2017. This has been most clearly articulated in the 2021-2026 Affordable Homes Programme which sets mandated minimum levels of Modern Methods of Construction on supported projects including those with Homes England's Strategic Partners. Homes England reaffirmed this commitment in its latest 2023 – 2028 Strategic Plan which includes Key Performance Indicators for MMC and Sustainability Performance, including targets for both operational and embodied carbon.

In relation to sustainability, Government has recognised the inevitability of having to regulate the industry's decarbonisation journey, starting with operational carbon via the Future Homes Standard which will be introduced in 2025. While Government has not yet signalled the regulation of embodied carbon, there is increasing parliamentary receptiveness and lobbying momentum through the Part Z campaign. The perception in industry is that embodied carbon will also eventually be regulated, bringing the UK into line with several other countries including the Netherlands, France, Finland and Denmark.

At present, Government has not connected advanced or modern methods of construction with decarbonisation through policy or regulation, preferring to allow industry to develop its own solution, but there are clear signs that there will be policy shifts in future. Through making this link, WMCA sets itself apart not only from government, but also from other regional authorities.







## Regional policy


Regional policy on advanced and modern manufacturing in construction and zero carbon homes has been developing for some time. WMCA's previous work has shown that it is only through construction modernisation that net zero aspirations can be achieved at scale.

Our Roadmap for Advanced Manufacture in Construction helped us to set out expectations, on WMCA-funded projects, that new developments of a certain size should incorporate elements of Modern Methods of Construction. We recognised that the wider definition of 'AMC' had significant potential to drive a range of long-term benefits to the construction industry and that, by encouraging the use of advanced manufacturing components on new home developments in the West Midlands, we could deliver considerably wider benefits to the region.

It was also recognised that use of AMC could support five of WMCA's existing policy goals for sustainable and inclusive growth:

- Accelerating housing delivery
- Delivering a zero-carbon future
- Investing in regional and inclusive growth
- Design that reflects the character, context, and aspirations of our communities
- Creating climate resilient and future proof homes that are safer and warmer for our communities.

Following the work on advanced manufacturing, the West Midlands Zero Carbon Homes Routemap set out a series of requirements for new homes to achieve defined net zero standards in operation. The goal was set to deliver zero carbon homes in the region by 2025 and achieve net zero carbon emissions in line with WM2041. The Zero Carbon Homes Routemap sets out programmes of action over the short, medium, and long-term which enable the WMCA, and its partners, to meet these ambitious targets.



The Homes for the Future Strategy builds on this pioneering work to date. It also branches out more widely to act as an integrated strategy and a cross-cutting document that is directly linked to a range of wider regional policies and programmes including:

- unlocking the potential of the ‘Manufacture of Future Housing’ economic cluster in the West Midlands Plan for Growth (launched July 2022)
- the West Midlands brownfield housing and regeneration programme (launched in the 2018 Housing Deal)
- #WM2041
- Investment and Levelling Up Zones (March 2023 Devolution Deal)
- the Affordable Housing Programme (March 2023 Devolution Deal)
- the Public Land Programme (March 2023 Devolution Deal)
- the investment opportunity in future homes set out in the West Midlands Investment Prospectus (launched May 2023); and
- the high-level deliverables of the Housing & Land Portfolio agreed by WMCA Board (February 2023).

Through the West Midlands Plan for Growth the region has laid out a path for returning to a growth trajectory, spreading opportunity and jobs across the region and helping to level-up the UK. The Homes for the Future Strategy will help to revolutionise the modern construction industry, not least by increasing the rate of production.

Also, by expanding the skills base of the modern construction industry, WMCA can help to upskill workers, future proof jobs and increase skills in an in-demand job sector. Being a pioneer will create a skills base that will make West Midlands workers and knowledge in demand across the country.

The programme will also showcase the potential of the region, attracting further investment, confidence and funding. It will show that the region is able to lead both nationally and internationally when it comes to decarbonisation and modern methods of construction.





# 3.0 Market Perspectives

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## The construction challenge

The traditional construction sector suffers from systemic challenges which significantly and negatively affect its capacity to supply the homes of the future that the West Midlands will need.

Data from the Office of National Statistics confirms that the economically active workforce has reduced by 11% since 2019, a combination of demographics, the pandemic, migration patterns and insufficient new talent replenishment. One third of the workforce is now aged over 50 and the average age is increasing, yet in many physically intense trades most workers plan to retire at 55-60 years old and not at the state retirement age. The Construction Industry Training Board (CITB) in its most recent survey estimated that 25,000 extra construction workers are needed in the West Midlands in the next 4 years, yet societal change means a smaller talent pool is choosing construction as a career.

Amplifying the workforce challenge is anecdotal evidence that productivity has declined further since the pandemic from what was already a low base. This is now driving wage inflation and reducing relative output, creating resource scarcity which threatens viability of future projects. The combination of regulatory change relating to both carbon and safety, with a shrinking construction workforce and shortages of key traditional skills, creates an unsustainable situation.


We therefore have a national and regional productivity and resource security risk which requires immediate action to safeguard our ability to build more and better-quality homes in the future with the growing threat of a resource constrained workforce. The status quo is not an option. Homes for the Future is therefore not just an environmental necessity, but an economic one.

## Signs of change

The pivot towards more advanced methods for building homes has been slow to emerge over the last few years despite Government incentivisation and mandate through programmes such as the Affordable Homes Programme.

In the past eighteen months, however, the combination of a growing realisation of the extent of workforce erosion and the likely implications of the Future Homes Standard is starting to motivate major national housebuilders to review their construction strategies. Several major housebuilders have embarked on building factories to produce a proportion of their new homes to safeguard additional capacity despite workforce challenges, driven by recognition of the twin challenges of resource scarcity and carbon reduction.

These businesses are formally linking AMC and MMC with the ability to deliver higher performing homes in bigger numbers. While the fact that major housebuilders are now comfortable with new methods shows that past concerns about robustness and access to mortgage finance have been addressed.



A West Midlands regional agenda which formally links AMC with decarbonisation of housebuilding can therefore be seen in the context of an increasing acceptance by industry that things are changing. Businesses of all sizes need to prepare for this change by doing more than small scale pilot or research and development projects.

### **Current Manufacturing Capacity in the West Midlands**

The West Midlands AMC sector has the capacity to deliver around 4,500 new homes using AMC today which, if undertaken would represent roughly 10% of the UK-wide output. Presently, the West Midlands is delivering around 2,000 to 2,500 homes per year of that capacity. Delivery of an additional 2,000 homes per annum in the region using AMC is equivalent to 2 factories with 1,000 homes per annum capacity or one larger facility that would accommodate the entirety of the additional 2000 homes.

Evidence suggests that growth in AMC and MMC, particularly that around volumetric is highly additional and will not displace existing construction activity. Recent setbacks and high profile company failures in the volumetric sector show that this has been a challenging model to establish and mature. Residential construction is a highly cyclical sector and emergent businesses with high costs of entry into the market are particularly exposed to those cycles. As such the approach taken in our strategy is, first to drive confidence into the sector by showing leadership and increasing demand for manufactured solutions, and second to take a technology-agnostic approach through the use of PMV, enabling the market to respond in range of ways. This approach is likely to generate a considerable degree of economic value through the wider supply chain. It is anticipated that AMC and MMC activity will indirectly support 560 jobs in the supply chain, generating roughly £44m in Gross Value Added in the West Midlands.

### **The need for leadership**

As part of this process, there is a need for strong leadership as the industry remains traditionally cost conscious and focused on the near term. The uptake of advanced building techniques in the West Midlands can be accelerated using the tools and powers secured by the region through its devolution and funding deals with Government. The intelligent use of public land supply, affordable housing funding, brownfield funding, levelling up and investment zones, strategic partnerships and the use of best value procurement tools to level the playing field, can all help offset the short-term additional costs of innovation, prior to anticipated long-term cost savings.

This strategy places the West Midlands at the vanguard of a wave of change in housebuilding over the coming decade. In doing so, it will give our local supply chain a significant first mover advantage in growing capacity, capability and to scale the technical solutions that will be required nationally in the coming years.

# 4.0 Framing our strategy

The [West Midlands Inclusive Growth Framework](#) lays out our vision for delivering inclusive growth across the region. Ensuring that our residents live and work in healthy environments is vital to achieving this vision. Decent homes which are affordable, safe and fit for purpose have a huge impact on an individual's ability to thrive and access opportunities where they live. The Homes for the Future Strategy takes critical steps towards our ambition for inclusive growth, with the potential of delivering a number of significant benefits.

## Fuel poverty

Over half of all neighbourhoods in the West Midlands are in the bottom 20% when it comes to fuel poverty, nearly three times the national average. An estimated 235,512 homes are classed as being fuel poor homes. At 17.5% of all homes, this is the highest rate of fuel poverty in any English region, with some local areas experiencing much higher rates of over 40%. The Homes for the Future Strategy will help to alleviate this problem by reducing costs for occupiers, building a better physical fabric for new homes with higher insulation standards and reduced energy costs.

## Health and well-being

Well-designed and well-built homes also have an impact on our health and well-being. Since the publication of the Marmot Review in 2010, life expectancy in England has stalled and health inequalities have continued to widen. Across the region, both life and healthy life expectancy remain lower than the national average. This has been both exposed and exacerbated by the coronavirus pandemic and the cost-of-living crisis, with our ethnic minority communities among those most affected.

Cold homes can affect or exacerbate a range of health problems including respiratory and circulatory problems and increase the risk of poor mental health. It is estimated that 10% of excess winter deaths are directly attributable to fuel poverty, and a fifth of excess winter deaths are attributable to the coldest quarter of homes. Cold homes can also affect wider issues, such as educational performance among children and young people, as well as work absences.

Homes for the Future means that the region will be able to deliver more sustainable, warmer, more energy efficient, climate resilient homes that will be healthier, happier properties for residents to occupy from the outset, reducing the need for later improvements.



## Zero waste construction/Circular economy

Research conducted during the preparation of WMCA's Circular Economy Routemap found that the construction industry is responsible for over 50% of the waste produced in the West Midlands. The move to a circular economy can extend the life cycle of the resources used to make products, reducing or eliminating waste. It can also drive clean economic growth and the creation of tens of thousands of new jobs in low carbon and green technologies.

The transition to a circular economy - one which encourages the repair, reuse and regeneration of resources and materials as well the use of renewable energy - is seen as critical if the West Midlands is to achieve its target of becoming a net zero carbon region within the next 20 years. Homes for the Future will support the move towards more sustainable construction materials, generating skills and talent within the region, and will encourage a shift to more locally and sustainably sourced construction materials with a consequent reduction in the waste of construction materials.

## Retrofit

WMCA has ambitious plans to retrofit 50,000 homes across the West Midlands, targeting older homes that have low energy efficiency and cause households to pay far too much on their energy bills.

As well as supporting WMCA's ambition to become net zero by 2041, modern construction techniques will also contribute to improvements in local employment and training. The Homes for the Future Strategy also helps to ensure that we are not constructing more homes that will need to be retrofitted in the future.

## Climate adaptation and resilience

Rising temperatures bring changing weather patterns and climate-related hazards, including (but not limited to) longer and more frequent heatwaves, increased flood risk, disrupted supply chains, power cuts and water scarcity. The West Midlands built environment is designed for past and current – rather than future – climate scenarios. There is a need to adapt how we design properties and the materials we use to build them to ensure that they are resilient against climate-related impacts.

The Homes for the Future Strategy will improve the resilience of new developments to heat-related risks through consideration of:

- **passive design options**, protecting properties and occupants from the risk of heat stress and overheating
- **ventilation and airflow** to prevent overheating and improvement of air quality
- **comprehensive overheating analysis** to ensure all habitable parts of the property are comfortable and liveable for occupants
- **fabric performance** under future climate scenarios
- **the BRE Home Quality Mark** to demonstrate that property design has accounted for climate risks to health and wellbeing and running costs of the build

# 5.0 Inclusive growth and climate resilience

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Our strategy is designed to sustain the West Midlands leadership position in manufacturing and some forms of construction technologies. Our strategic response has been to set an ambitious long term performance standard for new homes, aligned to a series of realistic but challenging interim milestones. These standards are all aligned to industry benchmarks and, critically, are outcome targets which specify the performance that we require, not the technologies or solutions that might be used to achieve them. This will allow us to incentivise innovation and participation across the whole supply chain including SMEs.

**Brownfield Land** - The West Midlands already has a national leadership position in brownfield remediation through its National Brownfield Institute and multi-million-pound brownfield regeneration programme, and our strategy is intended to augment this position in the areas of advanced manufacturing in construction and net zero housebuilding.

**Plan for Growth** - The region's medium term growth strategy, the Plan for Growth, identifies the manufacture of future housing as one of eight key growth cluster opportunities for the region, with the potential to add 3,700 new, high value jobs to the West Midlands' economy.

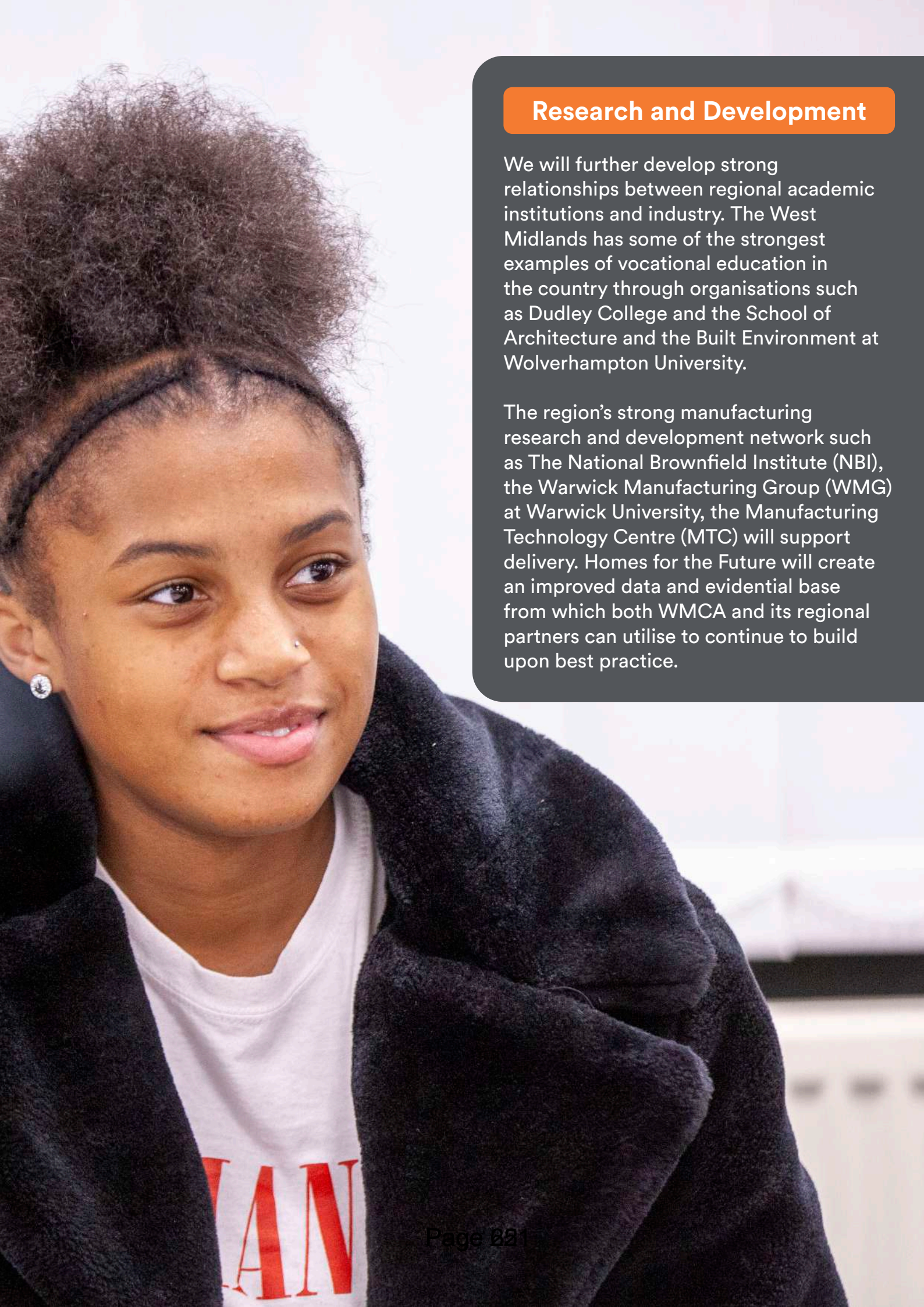
This flexibility means that the strategy can support more inclusive and diverse supply chain growth – for developers, investors, and suppliers – and will be open to any supplier or innovator who can robustly achieve the technical standard, from major businesses to start ups and SMEs.

The strategy has also been designed to ensure that we do not force the industry to move solely towards 'modular' or volumetric housing. The recent, well publicised challenges of some suppliers and housebuilders show clearly that the likely maturity profile of the UK's AMC/MMC market will require a diverse range of solutions spanning all seven of the Government's defined categories of MMC covering panelisation, sub-assembly use, innovative materials, and on-site technologies.

The outcome specification set out in our strategy will enable more hybrid approaches to AMC/MMC to be brought forward to achieve the standard.







## Research and Development

We will further develop strong relationships between regional academic institutions and industry. The West Midlands has some of the strongest examples of vocational education in the country through organisations such as Dudley College and the School of Architecture and the Built Environment at Wolverhampton University.

The region's strong manufacturing research and development network such as The National Brownfield Institute (NBI), the Warwick Manufacturing Group (WMG) at Warwick University, the Manufacturing Technology Centre (MTC) will support delivery. Homes for the Future will create an improved data and evidential base from which both WMCA and its regional partners can utilise to continue to build upon best practice.

# 6.0 Proposed Technical Standard

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Our proposed Homes for the Future Technical Standard would provide clarity around the targets that must be achieved and the potential methods of achieving them. It provides a long-term ambition aligned to short term progressive changes and allows industry to evolve solutions in response. It reflects ambitions in both national and regional policy and, as such, aims to incentivise:

- a speedier and more comprehensive adoption of more productive and assured outcome building techniques
- a higher standard of energy performance compared with the Building Regulation changes, and
- reduced embodied carbon in construction that is not part of Building Regulations at present.

## Measuring performance standards

The Technical Standard translates these objectives into measurable performance standards with increasing target levels of performance from the current baseline to 2030. Those measures and targets are considered under headings:

### Construction: More productive building techniques

- This is measured using the Pre-Manufactured Value (PMV) metric which calculates the material proportion of a building project's cost as opposed to other cost factors including plant, labour, and management. This is a proxy metric for the extent of AMC/MMC as the greater the extent of AMC/MMC, the greater the material element relative to other project costs. PMV is already used as a tool by Homes England to incentivise AMC/MMC use.
- PMV does not favour any building technology over another, and increased PMV can be achieved in a number of ways, providing developers with the space to innovate and develop efficient models of delivery without specifying which construction methodologies should be pursued.

### Sustainability: More new energy efficient homes

Through a mix of careful design, enhanced fabric efficiency and the inclusion of non-fossil fuel energy sources such as heat pumps and solar panels, the aim is to incentivise the delivery of new, more energy efficient homes. Two industry standard metrics are used to measure these requirements:

- the energy intensity of a new home: the amount of energy required to use it, proportional to its size
- the space heat demand: a measure that describes the amount of heat required to heat a building and maintain the inside at a particular temperature.

The achievement of these standards places requirements on developers to use higher performing building materials, different heating technologies, and to design for high energy performance from the outset.

### **Sustainability: Reducing life cycle carbon in construction**

- Carbon emissions are created by the materials used in constructing new homes, and by the construction process itself. This is known as embodied carbon and it can be reduced in several ways including the use of lower carbon materials, reduced material and process waste and smarter site operations such as fewer transport journeys.
- There is no requirement in building regulations or other legislation to reduce these embodied carbon emissions. To take a leadership position, however, and to align with best practice in other countries as well as the likely future trend in the industry, we will require projects funded by WMCA progressively to reduce embodied carbon. This will be measured using the whole life carbon assessment as defined by RICS and aligned to the LETI timeline. The new Net Zero Carbon Buildings Standard is currently being developed and we will ensure the carbon metrics in our strategy are aligned in terms of definitions and measurement protocols.

Overall, the achievement of these standards places requirements on developers and contractors to use higher performing building materials, different heating technologies, and to design for high energy performance from the outset.



## The Standard, Targets and Trajectory

Our technical standard and targets are being driven by future changes in national standards such as the introduction of improvements to the minimum standard of fabric efficiency required by building regulations, with a first step implemented in 2023 and a further improvement to follow in what is known as the Future Homes Standard in 2025. The precise extent of this standard is currently being fixed by Government following engagement with the sector, led by an industry group known as the Future Homes Hub. Our Construction and Sustainability Targets, as defined within the Technical Standard, this provides:

- a granular description of how the standards can be achieved
- a clearly defined trajectory increasing over time
- a definition of the evidence required for funding purposes.

Table 1 provides a snapshot of these requirements.

### 2030 Target - Achieve net zero carbon in construction and in operation

#### Energy Use Intensity:

- EUI: <35kWh/m<sup>2</sup> operational energy use (including regulated and unregulated energy).
- Space heating demand of <15KWh/m<sup>2</sup>/yr

#### Upfront Embodied Carbon:

- Embodied carbon calculation to verify target equivalent to <300kgCO<sub>2</sub>/m<sup>2</sup>

#### Modern Methods of Construction:

- All developments achieve PMV of 55%

### 2025 Target - Achieve net zero carbon in operation

#### Energy Use Intensity:

- EUI: <35kWh/m<sup>2</sup> operational energy use (including regulated and unregulated energy).
- Space heating demand:15-20 KWh/m<sup>2</sup>/yr

#### Upfront Embodied Carbon:

- Embodied carbon calculation to verify target equivalent to <400kgCO<sub>2</sub>/m<sup>2</sup>

#### Modern Methods of Construction:

- All developments achieve PMV of 50%

### Statutory Plus Target - Enhanced measurement and monitoring

#### Energy Use Intensity:

- Dwelling Emission Rate against the Target Emission Rate of Building Regulations Part L 2021

#### Upfront Embodied Carbon:

- As a minimum all delivery partners must measure embodied carbon impacts of the proposed construction.

#### Modern Methods of Construction:

- Review opportunity for PMV uplift across all MMC categories

# 7.0 How we propose to apply the Technical Standard

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The Technical Standard would be embedded in our requirements for devolved housing and land funding as part of the Single Assurance Framework process. The Technical Standard defines the minimum required outcomes and lays out the codified expectations that any applicant for residential funding should achieve, as well as how these can be achieved. Embedding this robust standard as part of our future pipeline is essential to support the delivery of new homes enabled by the Deeper Devolution Deal (March 2023). Combined with guidance documentation for investors and developers, we will ensure the provision of clarity in relation to the standard, how it can be achieved and the benefits of doing so.

## **Measuring Compliance**

The standard is based on a 'yes/no' approach to measuring compliance, meaning that its requirements can be quantitatively described, measured and assessed. This will enable transparent and consistent decision-making based on compliance with the standard, and robust reporting and monitoring of impact and performance. While some within the construction industry will welcome this shift, and some already have plans to operate above the government's standard, others can be reluctant to adopt new approaches, particularly in relation to a subject on which there is limited understanding at present. To achieve this, the Technical Standard makes provision for an 'exceptions approach' which recognises that, in some circumstances, the new standard cannot yet be achieved. In those cases, developers will retain their ability to apply for funding, subject to adopting relatively minor process changes and, crucially, measuring and monitoring the carbon performance of their projects. This is intended to drive understanding and behaviour change even where practical change is not yet possible.

## **Pre-manufactured value (PMV)**

While the region will promote the fullest definition of pre-manufacturing in calculating PMV scores, Homes for the Future has been created to incentivise the use of a wide range of manufactured solutions. The PMV metric allows developers to choose the most appropriate method for achieving the minimum level of off-site manufacture, which in turn will allow the market to decide the optimal technical solutions to achieve the performance standards required. This approach will support the establishment of a fully diverse supply chain which spans lower tech solutions such as timber framing through to more advanced panelisation techniques, sub-assemblies such as internal pods and service cupboards, innovative materials and new on-site technologies and process improvements.

## **High quality homes, high quality design**

Above all, irrespective of method and material, the West Midlands wants to promote high quality. Innovation is no excuse for poor quality, so it will be imperative that robust technical accreditation is used, testing and certification methods are utilised, combined with a competent and appropriately skilled workforce both on and offsite.

# 8.0 Projects paving the way

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Throughout the West Midlands, there are various projects, at various stages of completion, that meet at least some of the expectations of Homes for the Future, providing proof of concept and viability.



# Smith's Garden - Goodstone Living & Elements Europe

Status: RIBA Stage 4 Design

The Camp Hill Gardens site is approximately 1km southeast of Birmingham City Centre within Digbeth, previously occupied by a manufacturing business. The 550-unit scheme includes five blocks ranging from 26 to 3 storeys, all built-to-rent tenure. The development also provides shared amenity space and approx.— 1,480m<sup>2</sup> of commercial units. Once completed, Camphill will be one the largest BTR scheme in Europe to be delivered with MMC Category 1.

Godstone Living set ambitious ESG Targets for the development, including exceeding the requirements of Part L 2021, BREEAM: Very Good, FitWel: 3 Star and Wiredscore: Platinum. The project targets a 50% reduction in operational carbon against current regulations by adopting measures such as the use of electric panel heaters for space heating and air source heat pumps for hot water. The project also incorporates digital technologies to track energy performance with personalised feedback to residents, all while maintaining stringent data privacy standards. Through a data-driven strategy focusing on “behavioural change,” the objective is to encourage residents to adjust their interactions with the building, gradually reducing energy consumption.

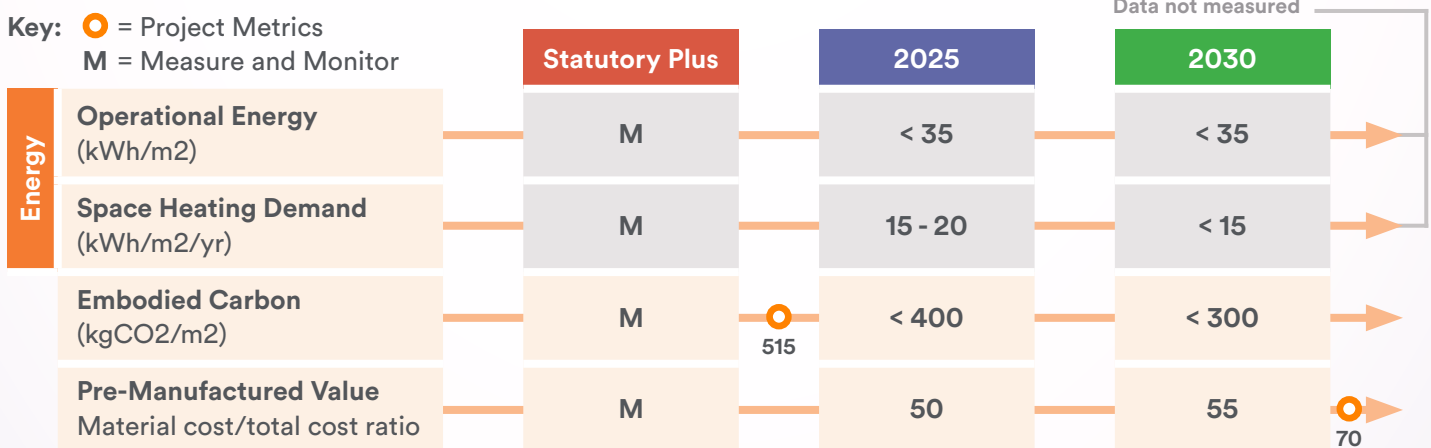
An optimum MMC-based delivery has been adopted to help support ESG targets. This approach aims to substantially decrease carbon emissions from on-site activities, transportation, and the extraction and disposal of materials. Elements Europe are appointed to design and manufacture the MMC Category 1 Volumetric Modules in parallel with delivering onsite works. The frame will be constructed via an in situ concrete transfer deck and slipform cores, with the modules installed around the cores forming the blocks.

## Key Stats:

- Upfront Embodied Carbon: 515 kgCO<sub>2</sub>/m<sup>2</sup>
- 70% PMV  
MMC Category 1



## How does this project perform against the WMCA Homes for Future Technical Standards?



# Citizen Housing Pilot Scheme - Littlethorpe

**Status:** Completed and Occupied

Citizen Housing has recognised the impact of communities in delivering small infill sites that are not possible to deliver through traditional means via the exploration of modular construction.

Citizen Housing appointed Totally Modular to provide a full turnkey solution whereby two energy-efficient houses for affordable rent were constructed using MMC Category 1 on a redundant infill site suffering from blight. The houses were installed on-site in less than 48 hours and received an A+ EPC rating compared to the national average of a D rating. The houses were completed off-site in controlled factory conditions, and they exceeded building regulations, therefore providing higher manufacturing solutions with lower risk and greater speed, cost-effectiveness, and consistency. Both houses scored a 98/100 CO<sub>2</sub> rating, predicting that each house will generate just two tonnes of CO<sub>2</sub> yearly, compared to a UK average of six tonnes.

The off-site production reduced waste by up to 80% and helped reduce CO<sub>2</sub> by 50% compared to traditional site construction. The solar panels with battery back-up guarantee residents a 20% saving on fuel bills. Annual analysis showed total running costs at £1.48 a day for the three-bedroom, five-person house. Air source heat pumps and mechanical ventilation with a heat recovery system are installed to manage air quality.

## Key Stats:

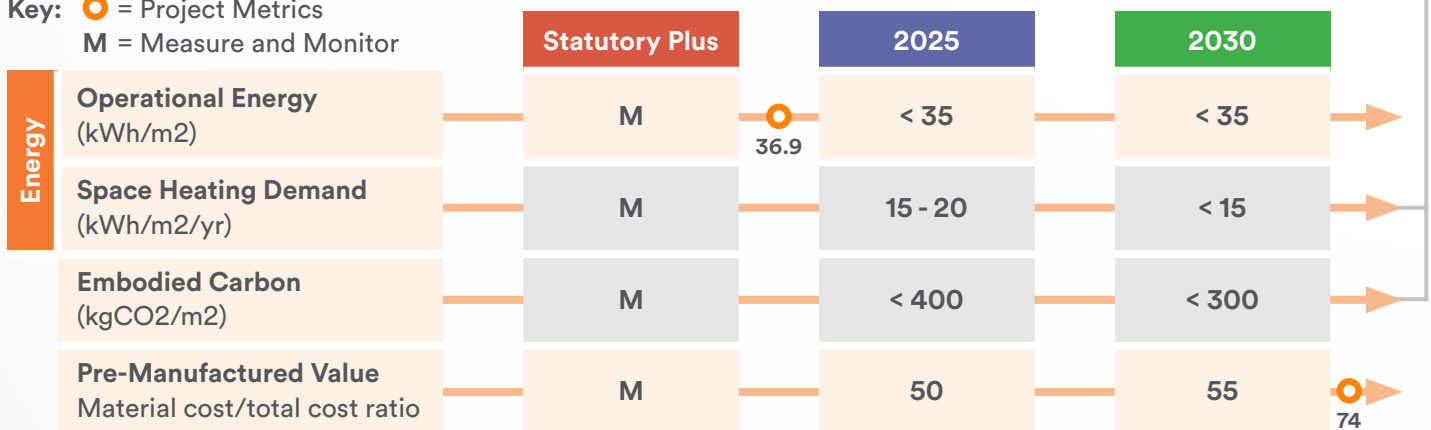
- Energy  
Operational Energy:  
(2-bed) - 37.49 kWh/m<sup>2</sup>/yr.  
(3-bed) - 36.92 kWh/m<sup>2</sup>/yr.
- Generating 2 tonnes of CO<sub>2</sub> yearly in operation compared to the UK average of 6 tonnes.
- 74% PMV  
95% of the houses built offsite



How does this project perform against the WMCA Homes for Future Technical Standards?

Key: ● = Project Metrics

M = Measure and Monitor





# Donnington Wood Way, Telford - Lovell

Status: In Construction

Donnington Wood Way is an inter-generational new community being developed through a collaboration between Telford and Wrekin Council via their wholly-owned company Nuplace, Lovell, and Wrekin Housing Association. It is set to deliver 329 new dwellings and will regenerate 15.24 ha of brownfield land. Construction commenced in Summer 2021 for completion in early 2025. The new development incorporates Affordable, Open Market Sale, Care and Dementia Care and Private Rented Homes.

As part of the Energy and Sustainability Strategy development, it was agreed that a section of the site should be used to showcase the Government's Future Homes Standard; at this point, 16 of the 329 houses have been selected for the pilot. The pilot will feature a highly efficient specification to be trailed, which aims to be a circa 80% betterment to current building regulation requirements.

The brief of achieving a best value approach to sustainability for all parties has led to the development of a strategy ensuring that all facets of sustainability were considered to provide residents with comfortable, good quality homes with low energy use and flexibility for future adaptation.

In selecting sustainability lead solutions, Lovell, in collaboration with supply chain partners, assessed various MMC solutions and opted for MMC Category 2 Closed Panel Timber Frame and Structural Insulated Panels (SIPS) as the preferred solutions to meet the fabric requirements. There is an emphasis on using a local supply chain, with over 75% of the materials being sourced locally, further reducing the upfront embodied carbon. The combined approach delivers a significant reduction in CO2 emissions across the site, due to the strong fabric performance, Air Source Heat Pumps, MVHRs and Solar PV with smart technology through battery storage.

## Key Stats:

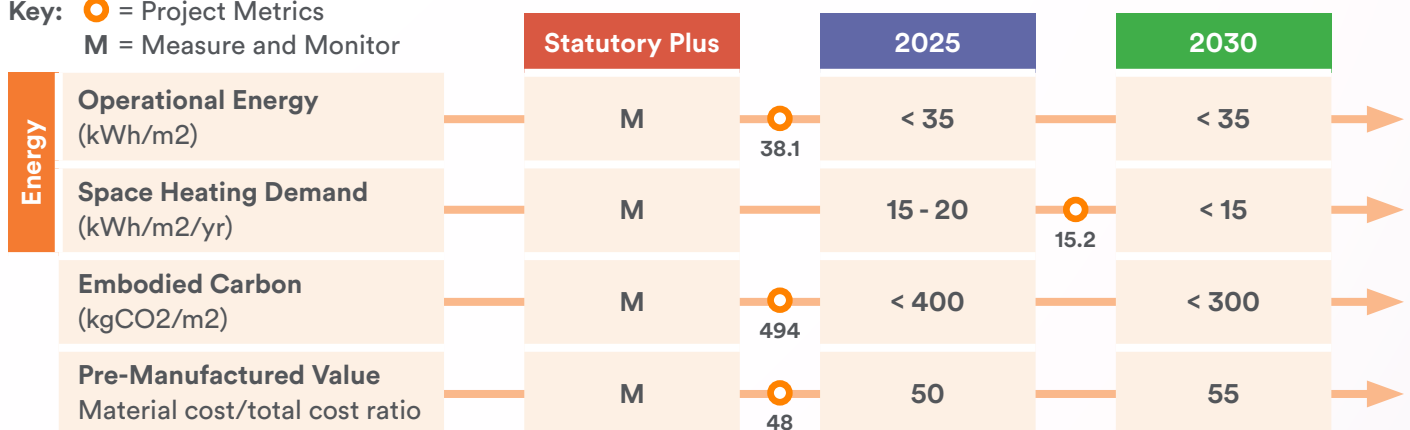
- Upfront Embodied Carbon: 515 kgCO2/m2
- 70% PMV  
MMC Category 1



How does this project perform against the WMCA Homes for Future Technical Standards?

Key: ● = Project Metrics

M = Measure and Monitor



# Brick House - Urban Splash

**Status:** Completed and Occupied

Brick House is a development comprising 37 mews houses designed by Howells for Urban Splash in partnership with Places for People and Canals and River Trust. Infused with an architectural essence reminiscent of the Georgian era, these new homes are strategically centred around a communal garden and a historic canal, emphasising car-free green streets and public green spaces. Unlike typical terraced houses, these homes aimed to prioritise air tightness and insulation, combining aesthetic appeal with enduring, high-quality construction.

What sets this project apart is the integration of digital technologies aimed at providing occupants with a seamless and enhanced living experience. Notably, the inclusion of electric room heaters controlled through online smart apps, a room thermostat, and Mechanical Ventilation with Heat Recovery (MVHR) operating at an impressive 88% efficiency marks a shift towards modern, energy-efficient solutions. In addition, the choice of electric cooking eliminates the reliance on gas or fossil fuels, aligning with sustainable practices.

This project underscores a holistic approach to seamlessly merging contemporary technologies with traditional construction, showing an incremental approach to delivering enhanced sustainability targets.

## Key Stats:

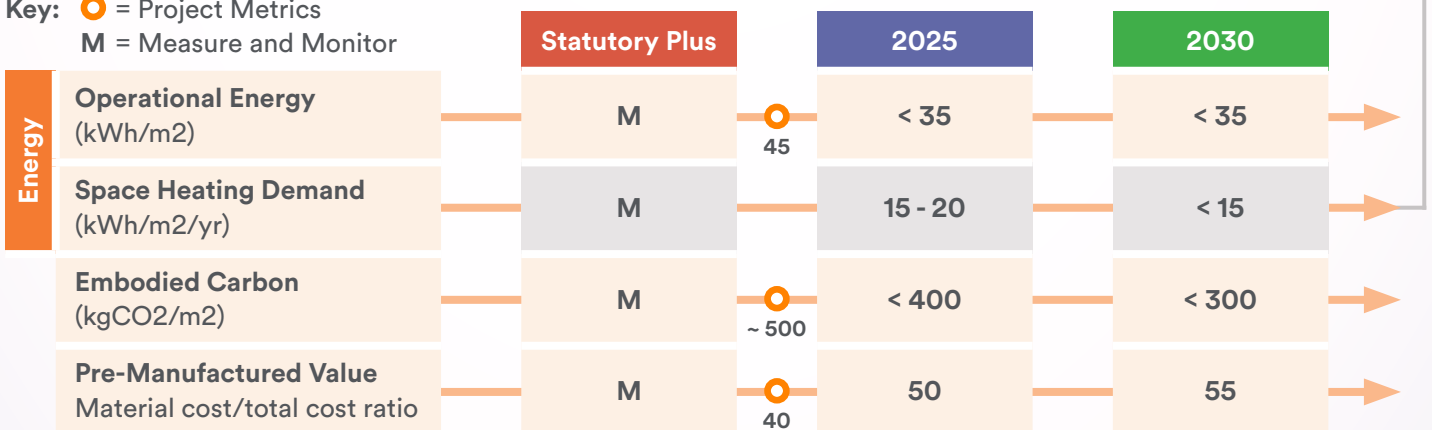
- Energy (estimated)  
Operational Energy:  
45 kWh/m<sup>2</sup>
- Upfront Embodied Carbon (unverified by third party):  
500 kgCO<sub>2</sub>/m<sup>2</sup>
- 40% PMV  
Standard brick cladding facade onto blockworks



How does this project perform against the WMCA Homes for Future Technical Standards?

**Key:** ● = Project Metrics

M = Measure and Monitor







**West Midlands  
Combined Authority**

**We welcome any and all feedback**

Please reach out to us via [invest.wmca.org.uk](https://invest.wmca.org.uk) by the 22nd January 2024



West Midlands  
Combined Authority

# Homes for the Future

Proposed  
Technical Standard

Page 233  
Rev 0

Cast 

usefulprojects

8th December 2023

# Introduction

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The Homes for the Future Technical Standard feeds into our WMCA Homes for the Future Strategy. It clearly lays out the required targets for stakeholders delivering residential development on land that WMCA owns, acquires or invests in with a tiered approach that progressively increases targets over time to allow the market and applicants to adjust to the standard.

The net-zero carbon targets have been developed in relation to the principles established in WMCA's Zero Carbon Homes Charter and Routemap. In order to meet and better our goals of delivering 18,000 high quality sustainable homes per year by 2031, we have aligned both zero-carbon principles along with AMC/MMC strategies. This will enable the scalability of zero-carbon homes, as well as addressing current challenges with the traditional skills sector. Through optimising the number of pre-manufactured components used within projects through the use of Modern Methods of Construction (MMC) there is also the potential to reduce whole life carbon of homes. The underlying aim of adopting MMC on a construction project is to drive the most efficient design and construction process. These systems work to generate a systemised approach to development, resulting in simpler designs and less overall waste, factory settings allow greater opportunities for waste to be recycled and repurposed.

The means of achieving targets however have been left up to the individual applicant, this flexibility should encourage innovation and support adaptation to the standard. Potential approaches that applicants could apply have been included within this document to provide some ideas as to how the targets could be met. These have been included within the wider context of land use and infrastructure planning that applicants could consider in order to facilitate sustainable living and further sustainable benefits.



# Homes for the Future – Principles, targets & alignment

## Principles

Homes for the Future is vital to meet WMCA's net zero carbon emissions by 2041 and deliver zero-carbon homes in the region by 2025. It has been developed on the following basis:

- Creating a policy landscape which builds certainty and consistency around the approach to delivering zero-carbon homes in the region
- Building on exemplar industry guidance and emerging standards including the RIBA and LETI challenge targets and the UK Net Zero Carbon Buildings Standard, to provide a clear trajectory for the West Midlands
- Adopting collaborative governance models and delivery processes to maximise resources and enhance knowledge-sharing
- Aligning investments to support the delivery of zero-carbon homes and demonstrating the cost effectiveness of doing so
- Building our capacity, regional skills and expertise in zero-carbon homes
- Facilitating the deployment of zero-carbon technologies to build an innovation-led green economy
- Recognising that land use and infrastructure planning have a material impact on the carbon footprint of a place, consideration of the wider principles of site selection
- Carbon is one component of sustainable placemaking alongside ecosystem resilience, sustainable mobility, circularity, wellbeing and inclusion

## Target Setting and Alignment

In order to meet our commitments and long-term objective to deliver zero carbon homes, the following targets have been set for all new homes delivered in the region.

### WMCA Net Zero Targets:

#### 2030 Target:

- Energy, EUI: <35kWh/m<sup>2</sup> operational energy use (including regulated and unregulated energy). Space heating demand of <15KWh/m<sup>2</sup>/yr
- Embodied Carbon: Upfront embodied carbon of <300kgCO<sub>2</sub>/m<sup>2</sup> (A1-A5).

#### 2025 Target:

- Energy, EUI: <35kWh/m<sup>2</sup> operational energy use (including regulated and unregulated energy). Space heating demand: <15 KWh/m<sup>2</sup>/yr
- Embodied Carbon: Upfront embodied of <400kgCO<sub>2</sub>/m<sup>2</sup> (A1-A5).

#### Statutory Plus Target:

- Dwelling Emission Rate against the Target Emission Rate of Building Regulations Part L 2021, or associated updates.
- Embodied Carbon: As a minimum all delivery partners must measure embodied carbon impacts of the proposed construction.

# Technical Standard: Overview

The standard sets out three primary requirements to be achieved for each dwelling.

## 1. Energy Use Intensity (B6)

Energy Use Intensity (EUI) should be measured using appropriate modelling software such as Passivhaus Planning Package (PHPP) for both regulated and unregulated energy, in accordance with CIBSE TM 54. Space heating demand should be reported separately. The standard sets out progressive targets to facilitate the achievement of net zero homes in operation by 2025.

Where targets cannot be achieved at a dwelling level, due to site constraints on orientation, they should be achieved on average within the development boundary. We are also requiring EUI to be assessed alongside overheating risks.

## 2. Upfront Embodied Carbon (A1-A5)

Upfront embodied carbon should be measured in accordance with RICS Whole Life Carbon Assessment Guidance.

## 3. Modern Methods of Construction

Measured using the Pre-Manufactured Value metric adopted by the Construction Leadership Council. The aim is to drive pre-manufactured solutions that enable better building performance generally but also contribute to improved sustainability performance specifically, especially relating to measures 1 and 2 above.

### 2030 Target - Achieve net zero carbon in construction and in operation

#### Energy Use Intensity:

- EUI: <35kWh/m<sup>2</sup> operational energy use (including regulated and unregulated energy).
- Space heating demand of <15KWh/m<sup>2</sup>/yr

#### Upfront Embodied Carbon:

- Embodied carbon calculation to verify target equivalent to <300kgCO<sub>2</sub>/m<sup>2</sup>

#### Modern Methods of Construction:

- All developments achieve PMV of 55%

### 2025 Target - Achieve net zero carbon in operation

#### Energy Use Intensity:

- EUI: <35kWh/m<sup>2</sup> operational energy use (including regulated and unregulated energy).
- Space heating demand: 15-20 KWh/m<sup>2</sup>/yr

#### Upfront Embodied Carbon:

- Embodied carbon calculation to verify target equivalent to <400kgCO<sub>2</sub>/m<sup>2</sup>

#### Modern Methods of Construction:

- All developments achieve PMV of 50%

### Statutory Plus Target - Enhanced measurement and monitoring

#### Energy Use Intensity:

- Dwelling Emission Rate against the Target Emission Rate of Building Regulations Part L 2021

#### Upfront Embodied Carbon:

- As a minimum all delivery partners must measure embodied carbon impacts of the proposed construction.

#### Modern Methods of Construction:

- Review opportunity for PMV uplift across all MMC categories



# Targets

2030 Target - Achieve net zero carbon in construction and in operation		Commentary and Context
2030	<p><b>Energy Use Intensity:</b></p> <ul style="list-style-type: none"> <li>EUI: &lt;35kWh/m2 operational energy use (including regulated and unregulated energy).</li> <li>Space heating demand of &lt;15KWh/m2/yr</li> </ul> <p><b>Upfront Embodied Carbon:</b></p> <ul style="list-style-type: none"> <li>Embodied carbon calculation to verify target equivalent to &lt;300kgCO2/m2</li> </ul> <p><b>Modern Methods of Construction:</b></p> <ul style="list-style-type: none"> <li>All developments achieve PMV of 55%</li> </ul>	<p>This standard sets the expectation of achieving net zero carbon in construction and operation in 2030 (in accordance with UKGBC definition). Again, pilot projects may achieve this standard sooner, although it will require significant learning and sharing of intelligence about the design and construction solutions that enable this standard to be achieved. It will also require the construction sector and materials supply chain to respond to client demand to achieve this level of performance.</p>
Page 237 2025	<p><b>Energy Use Intensity:</b></p> <ul style="list-style-type: none"> <li>EUI: &lt;35kWh/m2 operational energy use (including regulated and unregulated energy).</li> <li>Space heating demand:15-20 KWh/m2/yr</li> </ul> <p><b>Upfront Embodied Carbon:</b></p> <ul style="list-style-type: none"> <li>Embodied carbon calculation to verify target equivalent to &lt;400kgCO2/m2</li> </ul> <p><b>Modern Methods of Construction:</b></p> <ul style="list-style-type: none"> <li>All developments achieve PMV of 50%</li> </ul>	<p>This standard sets the expectation of achieving net zero carbon in operation in 2025 (in accordance with UKGBC definition). Pilot projects will likely achieve this standard sooner, and it will replace the current minimum standard in 2025.</p>
Statutory Plus	<p><b>Energy Use Intensity:</b></p> <ul style="list-style-type: none"> <li>Dwelling Emission Rate against the Target Emission Rate of Building Regulations Part L 2021</li> </ul> <p><b>Upfront Embodied Carbon:</b></p> <ul style="list-style-type: none"> <li>As a minimum all delivery partners must measure embodied carbon impacts of the proposed construction.</li> </ul> <p><b>Modern Methods of Construction:</b></p> <ul style="list-style-type: none"> <li>Review opportunity for PMV uplift across all MMC categories</li> </ul>	<p>A “statutory (plus enhanced measurement and monitoring)” standard has been developed to enable the incremental implementation of the 2025 Target standard. It is certain to be the case that developments will come forward that are at an advanced design stage and are therefore limited in the extent to which an enhanced specification can be deployed. The statutory plus standard will respond in those cases by requiring additional considerations of developers, such as a requirement to measure both whole life carbon and PMV assessments before and after completion. This is intended to drive up understanding of the core issues, solutions for enhanced performance, and ensure that as a minimum all developments start to consider the steps that will be mandatory in future.</p>

# Evidence for all standards - Energy

## Statutory Plus Target

Dwelling Emission Rate against the Target Emission Rate of Building Regulations Part L 2021.

### Planning

- Building Regulations compliance modelling to be carried out to verify as-designed energy and carbon performance against target reductions.
- Overheating analysis to be undertaken for all habitable spaces across the scheme to ensure high levels of occupant comfort are achieved (e.g., following CIBSE TM59 Design methodology for the overheating risk in homes).

### Design verification

- Planning stage studies to be verified against design updates to ensure proposals remain on track to meet their planning targets

### Post-occupancy

- The effectiveness of measures will be reviewed as part of the post completion works to ensure as-designed

## 2025 Target

<35kWh/m2 operational energy use (including regulated and unregulated energy). Space heating demand:15-20 KWh/m2/yr.

### Planning

- EUI to be assessed in accordance with CIBSE TM 54 using modelling software such as the Passivhaus Planning Package (PHPP). The assessment will include both regulated and unregulated energy so that comparison can be undertaken at post occupancy to close the 'performance gap'. Space Heating Demand should be set out as part of this assessment. The assessment shall be undertaken for a representative sample taking account of different typologies and orientation. Details of the fabric and MEP specification should be provided including thermal bridging analysis. Processes for ensuring requirements can be delivered should also be included, such as Passivhaus accreditation, air permeability testing and performance contract requirements
- A comprehensive overheating analysis of all habitable spaces across the scheme shall also be undertaken to ensure overheating risks are mitigated. This should be done in accordance with CIBSE TM59 and be modelled using future climate files

### Design verification

- Planning stage studies to be verified against design updates to ensure proposals remain on track to meet the planning and target scenario

### Construction

- Air tightness testing to be carried at construction stages to verify building airtightness against the strict targets required to achieve the low energy ambitions

### Post-occupancy

- POE verification on the buildings operational performance will be carried out to ensure a positive feedback loop to support future project delivery. POE evidence will include in-use energy consumption data and user satisfaction feedback
- Energy use guidance to be provided to all residents to support reduced operational energy of all electrical equipment, including supplementary lighting

# Evidence for all standards - Energy

## 2030 Target

<35kWh/m2 operational energy use (including regulated and unregulated energy). Space heating demand of <15KWh/m2/yr.

### Planning

- EUI to be assessed in accordance with CIBSE TM 54 using modelling software such as the Passivhaus Planning Package (PHPP). The assessment will include both regulated and unregulated energy so that comparison can be undertaken at post occupancy to close the 'performance gap'. Space Heating Demand should be set out as part of this assessment. The assessment shall be undertaken for a representative sample taking account of different typologies and orientation. Details of the fabric and MEP specification should be provided including thermal bridging analysis. Processes for ensuring requirements can be delivered should also be included, such as Passivhaus accreditation, air permeability testing and performance contract requirements.
- A comprehensive overheating analysis of all habitable spaces across the scheme shall also be undertaken to ensure overheating risks are mitigated. This should be done in accordance with CIBSE TM59 and be modelled using future climate files.
- BRE Home Quality Mark (HQM) assessment. HQM measures the quality and sustainable value considering running costs, health and wellbeing, and environmental footprint. HQM assessment is carried out a numerous stages of the design process by an independent assessor to demonstrate high-quality homes within the marketplace.
- Commitments to technologies and evidence of design strategies should be provided.

### Design verification

Planning stage design statement should be submitted to verify that design development is in accordance with planning stage carbon statements and confirm proposals remain on track to meet their planning targets.

### Construction

Air tightness testing to be carried at construction stages to verify building airtightness against the strict targets required to achieve the low energy ambitions.

### Post-occupancy

- POE verification on the buildings operational performance will be carried out to ensure a positive feedback loop to support future project delivery. POE evidence will include in-use energy consumption data and user satisfaction feedback.
- All developments to have in place a recognised monitoring regime to assess energy use, indoor air quality and risk of overheating.
- Energy use guidance to be provided to all residents to support reduced operational energy of all electrical equipment, including supplementary lighting.

# Evidence for all standards - Embodied Carbon

## Statutory Plus Target

As a minimum all delivery partners must measure embodied carbon impacts of the proposed construction.

### Planning

- Building Regulations compliance modelling to be carried out to verify as-designed energy and carbon performance against target reductions.
- Whole life carbon analysis to be carried out to estimate the predicted whole life carbon impacts of development in accordance with RICS Whole life carbon assessment for the built environment methodology.

### Design verification

- Planning stage studies to be verified against design updates to ensure proposals remain on track to meet their planning targets.

## 2025 Target

Up-front embodied carbon calculation to verify target equivalent to <400kgCO<sub>2</sub>/m<sup>2</sup> (A1-A5).

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### Planning

Whole life carbon analysis to be carried out to estimate the predicted whole life carbon impacts of development in accordance with RICS Whole life carbon assessment for the built environment methodology. Evidence of optioneering to be carried out prior to planning to ensure an optimised construction solution is taken forward. Analysis should be undertaken using BREEAM compliant LCA tools with Environmental Product Declarations for key components. This requires designs to be sufficiently developed (RIBA Stage 3) to support an elemental bill of quantities assessment or a condition to undertake this through reserved matters.

### Design verification

- Planning stage studies to be verified against design updates to ensure proposals remain on track to meet their planning targets
- Whole life carbon analysis to be carried at the end of each RIBA Stage, to ensure proposals remain on track to meet the target scenario

# Evidence for all standards - Embodied Carbon

## 2030 Target

Up-front embodied carbon calculation to verify target equivalent to <300kgCO2/m2 (A1-A5).

### Planning

- Whole life carbon analysis to be carried out to estimate the predicted whole life carbon impacts of development in accordance with RICS Whole life carbon assessment for the built environment methodology. Evidence of optioneering to be carried out prior to planning to ensure an optimised construction solution is taken forward. Analysis should be undertaken using BREEAM compliant LCA tools with Environmental Product Declarations for key components. This requires designs to be sufficiently developed (RIBA Stage 3) to support an elemental bill of quantities assessment or a condition to undertake this through reserved matters.

### Design verification

- Planning stage design statement should be submitted to verify that design development is in accordance with planning stage carbon statements and confirm proposals remain on track to meet their planning targets
- Whole life carbon analysis to be carried out at the end of each RIBA Stage, to ensure proposals remain on track to meet the target scenario

### Construction

Construction stage verification of operational and embodied carbon performance and tracking any changes made, especially material or technology choices, and including site emissions of fuels/ power/ waste

# Evidence for all standards - Construction

## Statutory Plus Target

Review opportunity for PMV uplift across all MMC categories

### DfMA and PMV

- PMV estimate at design stage and updated PMV estimate following MMC options review using the Cast MyPMV tool
- Output of MMC options review
- Verification of PMV and MMC solutions deployed

## 2025 Target

All developments achieve PMV of 50%

### DfMA and PMV

- DfMA and PMV reviews undertaken at key design stages
- Verification of 50% PMV both during design and at completion using the Cast MyPMV tool

## 2030 Target

All developments achieve PMV of 55%.

### DfMA and PMV

- DfMA and PMV reviews undertaken at key design stages.
- Verification of 55% PMV both during design and at completion using the Cast MyPMV tool

# Statutory Plus – Potential approaches

Energy	Statutory Plus Target	Potential approach	Example Specifications
Page 273	Dwelling Emission Rate against the Target Emission Rate of Building Regulations Part L 2021	<p><b>Passive Design</b></p> <p>The following passive design strategies meet the Statutory Plus performance requirements:</p> <p>At masterplan-level, priority will be given to higher density accommodation for its improved form factor and associated reductions in heat loss and overall improved massing efficiency.</p>	<p><b>Fabric specification</b></p> <p>Design of dwellings will go beyond current building regulation fabric performance standards. Therefore, we would expect dwellings to target the following fabric performance as a minimum:</p> <ul style="list-style-type: none"> <li>• Floor (W/m2.K): 0.13</li> <li>• External wall (W/m2.K): 0.18</li> <li>• Roof (W/m2.K): 0.13</li> <li>• Windows (W/m2.K): 1.40</li> <li>• Air permeability (m3/(h.m2): 5.00</li> </ul>
		<p><b>Active Systems</b></p> <p>To achieve operational performance in line with the statutory plus target we anticipate the design to consider the following key features as a minimum:</p>	<p><b>No Gas</b></p> <p>Commitment to no new gas installations across the entire masterplan.</p> <p><b>Zero Carbon Feasibility Study</b></p> <p>A low zero carbon feasibility study will be used to identify the key measures for implementation at both a site-wide masterplan level and building level.</p>
		<p><b>Renewables and Net Zero Targets</b></p>	<p><b>Renewables</b></p> <p>Maximise on-site renewable energy generation irrespective of whether carbon reduction targets are already met.</p> <p><b>PV Panels</b></p> <p>Roof-top solar PV should be optimised across the site. Evidence will be sought to validate the environmental claims of energy suppliers.</p>

# Statutory Plus – Potential approaches

	Statutory Plus Target	Strategies	Example Specifications
Embodied Carbon	As a minimum all delivery partners must measure embodied carbon impacts of the proposed construction	To demonstrate performance in line with requirements set out under the Statutory Plus target, we anticipate the following as a minimum:	<b>Lifecycle Assessment</b> <ul style="list-style-type: none"> <li>Design and completion stage lifecycle assessment of embodied carbon in accordance with BS EN 15978 and in the built environment. Reporting standards should be aligned with relevant industry guidance at the time of assessment (RICS Professional Statement for Whole Life Carbon Assessment)</li> </ul>
			<b>Key reporting standards from 2023:</b> <ul style="list-style-type: none"> <li>Assessment to include all works elements (including services, FFE, internal finishes, external works) and min., 95% of building elements as measured by cost, with the exception of on-site renewables and associated infrastructure (e.g.. battery storage), which should be reported separately. Generic values may be used for non-fixed elements (FFE) where no data available.</li> <li>'Up-front' carbon reporting (life-cycle modules A1-A5) should exclude sequestration (e.g., in timber materials)</li> </ul>
Construction	Review opportunity for PMV uplift across all MMC categories	<p>The design process should accommodate an informed reviews of construction methodology and material selection, with a focus on optimising PMV.</p> <p>PMV should be estimated at the design stage, updated to reflect which MMC options have been selected, and subsequently re-measured post-completion.</p>	<b>MMC Cat5: Non-structural Assemblies</b> <ul style="list-style-type: none"> <li>This category can also be combined with elements of categories 2, 3, 6 and 7 to drive further PMV improvement. i.e., Cat 2c frame and Cat 5a bathroom pod creates an 18% uplift to 58% PMV from traditionally built typically at 40% PMV.</li> </ul>
			<b>MMC Cat6: Traditional Building Product Led Site Labour Reduction/ Productivity Improvements</b> <ul style="list-style-type: none"> <li>This category can also be combined with elements of all other categories to drive further PMV improvement.</li> </ul>
			<b>MMC Cat7: Site Process Led Labour Reduction/ Productivity Improvements</b> <ul style="list-style-type: none"> <li>This category can also be combined with elements of all other categories to drive further PMV improvement.</li> </ul>




# 2025 Target – Potential approaches

	Targets	Strategies	Example Specifications
Energy	<p>EUI: &lt;35kWh/m<sup>2</sup> operational energy use (including regulated and unregulated energy).</p> <p>Space heating demand:15-20 kWh/m<sup>2</sup>/yr</p>	<p><b>Passive Design</b></p> <p>We anticipate the following passive design strategies and component choices to meet the 2025 targets:</p>	<p><b>Fabric specification</b></p> <p>1. Exemplary façade performance to be achieved through high performance materials specification and build ups:</p> <ul style="list-style-type: none"> <li>• Floor (W/m<sup>2</sup>.K): 0.11</li> <li>• External wall (W/m<sup>2</sup>.K): 0.15</li> <li>• Roof (W/m<sup>2</sup>.K): 0.11</li> <li>• Windows (W/m<sup>2</sup>.K): 0.80</li> </ul> <p>Dwelling design will carefully consider junction details to reduce heat loss and significantly reduce thermal bridges.</p>
			<p><b>Airtightness</b></p> <p>1. Airtightness levels to achieve 0.6 air changes per hour @50Pa. This will be achieved through rigorous standards in practice from good design to construction.</p>
			<p><b>Façade design (Glazing, solar gains and shading)</b></p> <p>1. Specification of triple glazing to limited heat loss and reduce cold draughts.</p> <p>2. Layout and orientation of homes to be considered in context of the wider masterplan site to ensure potential solar gain benefits are achieved.</p> <p>3. Glazing will be optimised to balance daylight and overheating requirements. This will account for up to 25% glazing ratio in southern elevations to avoid excessive heating demand in winter months whilst reducing the risk of summertime overheating.</p> <p>4. Potential for a natural ventilation strategy should be explored with priority given to cross ventilation.</p>

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# 2025 Target – Potential approaches

	Targets	Strategies	Example Specifications
	EUI: <35kWh/m <sup>2</sup> operational energy use (including regulated and unregulated energy). Space heating demand: 15-20 kWh/m <sup>2</sup> /yr	<b>Active Systems</b> To achieve operational energy performance in line with the 2025 targets we would anticipate the building to incorporate the following active systems:	<b>Heat Pumps</b> 1. All electric building services strategy adopting high efficiency heat pump technology. Direct electric space heating can be adopted where high fabric performance achieved.
			<b>MVHR</b> 1. Mechanical ventilation with heat recovery (MVHR) including air filtration, improving indoor air quality and reducing dust and allergens: <ul style="list-style-type: none"> <li>• MVHR heat recovery efficiency: &gt;75%.</li> <li>• MVHR electrical efficiency: &lt;0.45Wh/m<sup>2</sup></li> </ul>
			<b>Supplementary heating</b> 1. Where heating demand is low due to the passive approach, priority will be given to low energy systems that take advantage of post-air heating units within the MVHR ventilation system and/or underfloor heating. Opportunities can also be explored into the use of direct electric heating where high fabric efficiencies are achieved.
			<b>Wastewater Heat Recovery</b> 1. Shower wastewater heat recovery (SWWHR) to reclaim typically 40-60% waste heat from shower water.
			<b>Lighting Control</b> 1. Automated lighting controls with daylight and occupancy sensing.
			<b>Appliances</b> 1. Primary energy appliances: Only highly efficient appliances (A rated washing machines, dishwashers etc.) and equipment (fans, pumps, lighting etc.) must be specified.
		<b>Renewables and Net Zero Targets</b>	<b>Renewables</b> 1. Optimise the use of on-site renewable generation (15m <sup>2</sup> PV/dwelling, 2.5m <sup>2</sup> /apartment). 2. Build additional resilience into the system through the introduction of battery storage technology at both masterplan and plot level. Consumers can store solar electricity they have generated during off-peak, cheaper hours, rather than buying more expensive grid electricity.
			<b>Energy Procurement</b> 1. Ensure mechanisms are in place to enable purchase of 100% renewable energy from credible renewable energy sources. Renewable Energy Certificate's (REC) will be sought to validate the environmental claims of energy suppliers.
			<b>Net Zero Verification</b> 1. Verification process to be carried out following the UKGBC guidance for net zero carbon verification. A minimum level of reporting of the buildings' operational performance.

# 2025 Target – Potential approaches

Embodied Carbon Page 247	Targets	Strategies	Example Specifications
	Up-front embodied carbon calculation to verify target equivalent to <400kgCO2/m2 (A1-A5).	To demonstrate embodied carbon performance in line with the 2025 targets we anticipate designs will need to prioritise the following key construction items as a minimum:	<p><b>For low-rise housing (&lt;11m):</b></p> <ol style="list-style-type: none"> <li>Substructure -Incorporation of low carbon spread foundations (where technically feasible).</li> <li>Superstructure- Lightweight construction (e.g.. timber or light gauge steel construction systems), or exemplar low-concrete specifications for in-situ or precast concrete systems.</li> </ol> <p><b>For medium scale housing, requiring further innovation and commitment:</b></p> <ol style="list-style-type: none"> <li>Massing- Careful planning to minimise building envelope. Podium construction (e.g.. with ground level parking) should be avoided where possible, and basement construction is unlikely to be feasible without significant commitment to low-carbon construction methods.</li> <li>Substructure - Lean foundation systems, considering raft foundations in lieu of deep piles, where technically feasible, or low-carbon concrete piles where not avoidable.</li> <li>Superstructure - Exemplar low carbon concretes (&gt;65% GGBS or equivalent) or high recycled content (Electric Arc Furnace) structural steelwork, where used</li> </ol> <p><b>For all building scales and typologies:</b></p> <p>Envelope</p> <ul style="list-style-type: none"> <li>Lightweight facade systems (avoiding solid brick or pre-cast systems)</li> <li>Composite, timber or recycled plastic window framing (in preference to aluminum or PVC windows).</li> <li>Avoid plastic insulation products to roofs/facades, with mineral wool or natural insulation materials preferred.</li> </ul> <p>Internal Finishes</p> <ul style="list-style-type: none"> <li>Avoid internal finishes where possible, promoting 'fair-faced' elements where possible, and prioritise natural or recycled finishes (e.g.. avoid plastic floors/ carpets and minimise plasterboard quantities where possible)</li> </ul> <p>Services</p> <ul style="list-style-type: none"> <li>Best practice specifications for heat pump installations with low-GWP refrigerants (e.g.. R32 in place of R410A refrigerants in ASHPs)</li> </ul> <p>External Works</p> <ul style="list-style-type: none"> <li>Careful specification of external works materials, promoting permeable surfaces and recycled surfacing in preference to asphalt or poured concrete surfacing.</li> </ul>

# 2025 Target – Potential approaches

Construction Page 248	Targets	Strategies	Example Specifications
	All developments achieve PMV of 50 and above%	<p>A minimum of 50% PMV is required and the guidance document (to be developed) will specify the typical combinations of solutions that will achieve this.</p> <p>Developers should seek higher performing MMC solutions especially in relation to fabric efficiency to enable net zero homes in operation but should also prioritise suppliers that can substantiate enhanced embodied carbon performance.</p> <p>PMV targets should be established at the outset, alongside a commitment to DfMA principles and likely digitally enabled design and data capture approaches. PMV should be estimated at the design stage and validated post-completion. Data on PMV performance should be shared alongside carbon performance to enable continuous learning and improvement at a system-wide level.</p>	<p><b>MMC Cat1: 3D Primary Structural Systems</b> This category can also be combined with elements of categories 3 and 7 to drive further PMV improvement</p> <p><b>MMC Cat2: 2D Primary Structural Systems</b> This category can also be combined with elements of categories 3, 5, 6 and 7 to drive further PMV improvement.</p> <p><b>MMC Cat3: Pre-manufacturing Components</b> This category can also be combined with elements of all other categories to drive further PMV improvement.</p> <p><b>MMC Cat5: Non-structural Assemblies</b> This category can also be combined with elements of categories 2, 3, 6 and 7 to drive further PMV improvement. i.e., Cat 2c frame and Cat 5a bathroom pod creates an 18% uplift to 58% PMV from traditionally built typically at 40% PMV.</p> <p><b>MMC Cat6: Traditional Building Product Led Site Labour Reduction/ Productivity Improvements</b> This category can also be combined with elements of all other categories to drive further PMV improvement</p> <p><b>MMC Cat7: Site Process Led Labour Reduction/ Productivity Improvements</b> This category can also be combined with elements of all other categories to drive further PMV improvement</p>

# 2030 Target – Potential approaches

	Targets	Strategies	Example Specifications
Energy	EUI: <35kWh/m <sup>2</sup> operational energy use (including regulated and unregulated energy).	<b>Passive Design</b> To achieve the passive performance in line with the 2030 targets we anticipate the following design strategies and component choices.	<b>Fabric specification</b> Exemplary façade performance to be achieved through high performance materials specification and build ups. <ul style="list-style-type: none"> <li>• Floor (W/m<sup>2</sup>.K): 0.10</li> <li>• External wall (W/m<sup>2</sup>.K): 0.10</li> <li>• Roof (W/m<sup>2</sup>.K): 0.10</li> <li>• Windows (W/m<sup>2</sup>.K): 0.80</li> <li>• Air permeability (ach): 0.6</li> <li>• Airtightness levels to achieve 0.6 air changes per hour @50Pa.</li> </ul>
	Space heating demand of <15KWh/m <sup>2</sup> /yr		<b>Façade design (Glazing, solar gains and shading)</b> <ol style="list-style-type: none"> <li>1. Layout and orientation of homes to be considered in context of the wider masterplan site to ensure potential solar gain benefits are achieved.</li> <li>2. Glazing will be optimised to balance daylight and overheating requirements. This will account for up to 25% glazing ratio in southern elevations to avoid excessive heating demand in winter months whilst reducing the risk of summertime overheating.</li> <li>3. Specification of triple glazing to limited heat loss and reduce cold draughts.</li> <li>4. Dwelling design will carefully consider junction details to reduce heat loss and significantly reduce thermal bridges.</li> <li>5. Potential for a natural ventilation strategy should be explored with priority given to cross ventilation.</li> </ol>

Table continues on next page

# 2030 Target – Potential approaches

Energy	Targets	Strategies	Example Specifications
Energy	<p>EUI: &lt;35kWh/m<sup>2</sup> operational energy use (including regulated and unregulated energy).</p> <p>Space heating demand of &lt;15KWh/m<sup>2</sup>/yr</p>	<p><b>Active Systems</b> To achieve the operational performance in line with the 2030 targets we would anticipate the building to incorporate the following active systems:</p>	<p><b>All Electric</b></p> <ol style="list-style-type: none"> <li>All electric building services strategy adopting high efficiency heat pump technology. Direct electric space heating can be adopted where high fabric performance achieved.</li> <li>All electric heating systems to capitalise on the decarbonisation of the UK's electricity grid.</li> </ol>
			<p><b>Active Demand</b></p> <ol style="list-style-type: none"> <li>Active demand response measures to be considered to reduce peak energy demands and smooth energy consumption, including thermal and battery storage.</li> </ol>
			<p><b>MVHR</b></p> <ol style="list-style-type: none"> <li>Mechanical ventilation with heat recovery (MVHR) including air filtration, improving indoor air quality and reducing dust and allergens: <ul style="list-style-type: none"> <li>MVHR heat recovery efficiency: &gt;75%.</li> <li>MVHR electrical efficiency: &lt;0.45Wh/m<sup>2</sup></li> </ul> </li> </ol>
			<p><b>Supplementary heating</b></p> <ol style="list-style-type: none"> <li>Supplementary heating: Where heating demand is low due to the passive approach, priority will be given to low energy systems that take advantage of post-air heating units within the MVHR ventilation system and/or underfloor heating. Opportunities should also be to explored into the use of direct electric heating.</li> </ol>
			<p><b>Wastewater Heat Recovery</b></p> <ol style="list-style-type: none"> <li>Shower wastewater heat recovery (SWWHR): to reclaim typically 40-60% waste heat from shower water.</li> </ol>
			<p><b>Lighting Control</b></p> <ol style="list-style-type: none"> <li>Automated lighting controls with daylight and occupancy sensing.</li> </ol>
			<p><b>Appliances</b></p> <ol style="list-style-type: none"> <li>Primary energy appliances: Only highly efficient appliances (A rated washing machines, dishwashers etc.) and equipment (fans, pumps, lighting etc.) must be specified.</li> </ol>

Table continues on next page

# 2030 Target – Potential approaches

	Targets	Strategies	Example Specifications
Energy	<p>EUI: &lt;35kWh/m<sup>2</sup> operational energy use (including regulated and unregulated energy).</p> <p>Space heating demand of &lt;15KWh/m<sup>2</sup>/yr</p>	<p><b>Renewables and Net Zero Targets</b></p>	<p><b>Renewables</b></p> <ol style="list-style-type: none"> <li>100% annual energy requirement to be achieved through on-site generation.</li> <li>Integrate dynamic, smart grid technology to facilitate demand response, ensuring the most efficient supply of electricity for masterplan residents.</li> <li>Battery storage technology will enhance resilience and optimise use with variable tariffs bringing benefits to consumers into the system (storing solar electricity generated during off-peak, cheaper hours, rather than buying more expensive grid electricity).</li> </ol>
			<p><b>Energy Procurement</b></p> <ol style="list-style-type: none"> <li>Ensure mechanisms are in place to enable purchase of 100% renewable energy from credible renewable energy sources. Renewable Energy Certificate's (REC) will be sought to validate the environmental claims of energy suppliers.</li> </ol>
			<p><b>Net Zero Verification</b></p> <ol style="list-style-type: none"> <li>Verification process to be carried out following the UKGBC guidance for net zero carbon verification. A minimum level of reporting of the buildings operational and construction performance and third-party audit of data will be required.</li> </ol>

# 2030 Target – Potential approaches

	Targets	Strategies	Example Specifications
<b>Embodied Carbon</b>	<p><b>Embodied Carbon</b> Up-front embodied carbon calculation to verify target equivalent to &lt;300kgCO<sub>2</sub>/m<sup>2</sup> (A1-A5).</p>	<p>To achieve the embodied carbon performance in line with the 2030 targets we anticipate the following design strategies and component choices may be required.</p> <p>Lean design will be prioritised to avoid unnecessary finishes. Designs should be performance-based, and encourage maximum use of materials (e.g., structural design should seek design utilisation factors are no less than 100% with no over-specification permitted).</p> <p>Design for Manufacture and Assembly should be considered to simplify the construction process, reducing material waste where possible.</p> <p>Design considerations to ensure a comprehensive approach to tackling the embodied carbon impacts of each building element:</p>	<p><b>For low-rise housing (&lt;11m):</b> Substructure:</p> <ul style="list-style-type: none"> <li>No basement construction</li> <li>Spread foundations with low-carbon concretes (&gt;60% GGBS or equivalent)</li> </ul> <p>Superstructure:</p> <ul style="list-style-type: none"> <li>Timber frame construction throughout, or significant use of recycled/ secondary components in steel or concrete.</li> </ul> <p><b>For medium scale housing, schemes are likely to require further innovation and commitment, including incorporation and validation of emerging technologies:</b> Substructure:</p> <ul style="list-style-type: none"> <li>No basement</li> <li>Lean foundation systems, considering raft foundations in lieu of deep piles, where technically feasible, or ultra low-carbon concrete piles where not avoidable.</li> </ul> <p>Superstructure:</p> <ul style="list-style-type: none"> <li>Lean building design and massing, optimised to reduce structural grids (&lt;5-6m), minimise facade areas/ form factor, avoid excavations.</li> <li>Increase structural floor zones to minimise material (e.g., ribbed slabs in favour of flat slabs).</li> <li>Ultra-low carbon concretes (e.g., using alternative cements/ AACMs etc.) and/or re-used steelwork components.</li> <li>Consideration of structural timber, including engagement with regulatory challenges in Building Regulations Part B.</li> </ul> <p><b>For all building scales and typologies:</b> Envelope:</p> <ul style="list-style-type: none"> <li>Low-carbon rainscreen cladding systems in timber or reclaimed materials (e.g., recycled PVC window frames or rainscreen cladding)</li> <li>Promote natural and recycled insulation materials, including engagement with regulatory challenges in Building Regulations Part B.</li> </ul> <p>Internal Finishes</p> <ul style="list-style-type: none"> <li>Alternative drylining materials with high recycled content (in preference to plasterboards)</li> </ul> <p>Services:</p> <ul style="list-style-type: none"> <li>Best practice specifications for heat pump installations with low-GWP refrigerants (e.g.. R32 in place of R410A refrigerants in ASHPs)</li> <li>Careful routing to minimise material use, including distributed servicing systems.</li> </ul> <p>External Works</p> <ul style="list-style-type: none"> <li>Eliminate bulk earthworks activities with no net export.</li> </ul>



# 2030 Target – Potential approaches

	Targets	Strategies	Example Specifications
<b>Construction</b> <b>Page 253</b>	All developments achieve PMV of 55%.	<p>A minimum of 55% PMV is required and the guidance document (to be developed) will specify the typical combinations of solutions that will achieve this.</p> <p>Selection decisions for MMC suppliers will be based in part on intelligence gathered through the operation of this standard in the years leading up to the 2030 standard being implemented. This will focus on the as-built and verified performance data gathered through earlier delivery projects.</p> <p>PMV targets will be established at the outset, alongside a commitment to DfMA principles and digitally enabled design and data capture approaches.</p> <p>PMV will be estimated at the design stage and validated post-completion.</p>	<b>MMC Cat1: 3D Primary Structural Systems</b> This category can also be combined with elements of categories 3 and 7 to drive further PMV improvement
			<b>MMC Cat2: 2D Primary Structural Systems</b> This category can also be combined with elements of categories 3, 5, 6 and 7 to drive further PMV improvement.
			<b>MMC Cat3: Pre-manufacturing Components</b> This category can also be combined with elements of all other categories to drive further PMV improvement.
			<b>MMC Cat5: Non-structural Assemblies</b> This category can also be combined with elements of categories 2, 3, 6 and 7 to drive further PMV improvement. i.e., Cat 2c frame and Cat 5a bathroom pod creates an 18% uplift to 58% PMV from traditionally built typically at 40% PMV.
			<b>MMC Cat6: Traditional Building Product Led Site Labour Reduction/ Productivity Improvements</b> This category can also be combined with elements of all other categories to drive further PMV improvement
			<b>MMC Cat7: Site Process Led Labour Reduction/ Productivity Improvements</b> This category can also be combined with elements of all other categories to drive further PMV improvement

# Wider Standards for Sustainable Placemaking

## Principles

In addition to the targets laid out within the Technical Standard, applicants are invited to consider the application of Wider Standards for Sustainable Placemaking.

These are represented via four main principles:

- Principles**
- Mobility & Accessibility
  - Resilient Eco-Systems
  - Well-being & Inclusion
  - Circular Economy

It is suggested that applicants consider these principles specifically in relation to the following:

- Site selection
- Masterplan
- Home Design
- Operation of the Home

## Applicable WMCA Policy

It is suggested that consideration of the following existing WMCA policies, charters, and strategies will support applicants to address these principles:

[WM Design Charter \(wmca.org.uk\)](https://www.wmca.org.uk)

[WMCA Circular Economy \(Executive Summary\)](#)

[Section 1 - Health and health inequalities in the West](#)

[Midlands region \(wmca.org.uk\)](#)

[Equity and Inclusion Scheme 2022-24 \(wmca.org.uk\)](#)

[Briefing note - Net Zero Strategy \(wmca.org.uk\)](#)

[Natural Environment Plan \(wmca.org.uk\)](#)

[Five Year Plan \(wmca.org.uk\)](#)

[WMCA Regional energy strategy](#)

[Health and Equity Impact Assessments | WMCA](#)

Further support and guidance on implementing the standard can be obtained by reaching out to [invest@wmca.org.uk](mailto:invest@wmca.org.uk)





## WMCA Board

<b>Date</b>	9 February 2024
<b>Report title</b>	Faith Strategic Partnership Group
<b>Portfolio Lead</b>	Inclusive Communities - Councillor Kerrie Carmichael
<b>Accountable Chief Executive</b>	Laura Shoaf, West Midlands Combined Authority email: laura.shoaf@wmca.org.uk
<b>Accountable Employee</b>	Ed Cox, Executive Director of Strategy, Economy & Net Zero email: ed.cox@wmca.org.uk

### The WMCA Board is recommended to:

- (1) Note the newsletter from the independent Faith Strategic Partnership Group at Appendix 1.
- (2) Consider the implications and opportunities of working with faith communities for the WMCA and its constituent local authorities, particularly relating to the Faith Covenant.

### 1. Purpose

- 1.1 The Co-Chairs of the Independent Faith Strategic Partnership Group, Amrick Singh Ubhi, and Steve Botham will attend to share a brief update on their activity through 2023 and their developing priorities for 2024.

### 2. Background

- 2.1 The Faith Strategic Partnership Group (FSPG) was established in 2021 to ensure people of faith across the West Midlands worked together in areas of shared concern such as homelessness, education, employment, poverty, community relations and leadership where faith community groups can help work together for a better West Midlands. The FSPG creates space to allow faith leaders to influence policies and programmes and ensure faith communities' voices are reflected in the work of the WMCA. The FSPG has established three working groups – Homelessness, Mental Health and Emerging Leaders - each of which has developed a clear vision and action plan. The FSPG has also worked to promote the 'Faith Covenant' in the region.

2.2 The Faith Covenant is an initiative of the All Party Parliamentary Party on Faith and Society which calls upon faith communities and local authorities to work together around a set of principles that guide engagement, aiming to remove some of the mistrust that exists and to promote open, practical working on all levels.

2.3 The Faith Covenant principles include:

- Communities are free to practice their beliefs and religious observances without restriction, and to raise their voice in public debate and to be respected, within the framework of UK law.
- The voice, participation and solutions that faith groups bring are important and valued.
- Public services and faith-based social action groups will respect service users from all backgrounds, with no discrimination on the basis of one or more of the protected characteristics as defined by the Equality Act 2010.

2.4 Public sector signatories to the covenant commit themselves to:

- Building relationships and trust with faith groups;
- Adopting strategies for the engagement of faith communities in consultation exercises;
- Encouraging faith groups and their members to be involved in the reshaping and redesign of local services;
- Sharing training and learning opportunities between faith communities and the local authority.

2.5 In September 2023, the Mayor and other local authority leaders signed the Faith Covenant on behalf of the wider WMCA. Some local authorities have signed in their own right and all WMCA local authorities have made commitments to consider their own responses to the Faith Covenant.

2.6 Further to signing the Faith Covenant, the FSPG would like the WMCA and its constituent authorities to consider the implications and opportunities generated by these commitments. These might include:

- Better representation of faith communities on the different boards and working groups of the WMCA and its constituent authorities;
- Encouraging better 'faith literacy' within statutory bodies to break down perceived communication barriers and improve the accessibility of services;
- Support for the capacity-building of groups and organisations representing faith communities.

2.7 The FSPG would also like to promote a Regional Faith Summit to bring together a wide range of local leaders to discuss key issues of concern to the region's faith communities.

### **3. Strategic Aims and Objectives**

3.1 FSPG activity relates to the Combined Authorities' priority to: *Develop and support a varied portfolio of citizen engagement activity across the WMCA to ensure decisions are shaped by citizens and that our policies, practices, and investments deliver real value for everyone living and working in the region.*

#### **4. Financial Implications**

- 4.1 The FSPG has a small operational budget which supports events and meetings. There are no specific financial implications from the board noting this newsletter update. Any future initiatives that may require funding would come back to board for consideration.

#### **5. Legal Implications**

- 5.1 There are no legal implications arising from this report.

#### **6. Single Assurance Framework Implications**

- 6.1 None arising from this report.

#### **7. Equalities Implications**

- 7.1 The FSPG works closely with the WMCA equalities team, and those of the constituent and non-constituent Local Authorities. Engaging with faith communities can play an important role in addressing both actual and perceived inequality.

#### **8. Inclusive Growth Implications**

- 8.1 The WMCA defines Inclusive Growth (IG), as “a more deliberate and socially purposeful model of 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”.
- 8.2 Creating spaces for faith Leaders to share their insights and influence policy-making connects well with the Power and Participation Inclusive Growth Fundamental. Power and participation are about the extent to which people have a voice in influencing the things that matter to them. People who feel that they have power over their circumstances will feel a greater share in the prospects of a place.

#### **9. Geographical Area of Report’s Implications**

- 9.1 The FSPG is inclusive of representatives from all constituent members of the WMCA, and open to non-constituent members.

#### **10. Other Implications**

- 10.1 None.

#### **11. Schedule of Background Papers**

- 11.1 None

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**West Midlands  
Combined Authority**



## **A 2023 from the Faith Strategic Partnership Group**

2022 ended with a well-attended Mayor's Faith Summit and a range of challenging outcomes for us to follow through. 2023 ends with significant progress in many areas but also the tensions and distress of a conflict in the Middle East impacting many communities here in the West Midlands. This brief newsletter is to update you on progress and give you the opportunity to comment on and engage in the work of the Faith Strategic Partnership Group and the Mayor's office.

### **The Faith Strategic Partnership Group**

We bring together faith representatives from across the West Midlands. The group reflects the voices of the main faith groups, across the genders, generations, and geography of our region. It is strategic – looking at the big issues that reflect our communities. It is a partnership working closely with Mayor Andy Street and his team as they aim to invest in and develop our region. It is collaborative as we find that sharing ideas, best practice and concerns and effective ways to work together helps us all serve our different communities.

It is focused – it is good to talk – but more effective is that talk leads to action!

## Amrick Singh Ubhi, Chair Faith Strategic Partnership Group



### In 2023 we have made progress in the following areas

- Created and signed a Faith Covenant for the West Midlands. A commitment from all the councils to better understand and engage with faith and from the faith community to better serve our areas.
- Engage with young people to better understand their mental health concerns.
- Ran a series of events addressing

homelessness, sharing best practice, and identifying the preventative work we can do across our communities.

- Focused on the cost of living crisis reviewing how this was impacting our communities with a series of forums to address key issues and share best practice.
- Brought faith leaders together to address the community tensions and anxieties over the Israel / Hamas/ Gaza war.
- We committed to raise the voice and impact of the faith community and this has opened fresh conversations around health, race inequalities, the economy, shared values, and policy.

### Moving forward into 2024

These are some of the key issues we will focus on in 2024.

- Homelessness – there is a growing homelessness challenge. We will look at how we best collaborate to stop people sliding into homelessness and share the best ways to help those who are homeless.
- Mental Health – we will raise awareness of the growing challenges of mental health in our young people. We will equip faith groups to respond with compassion, understanding and practical actions and give support to addressing the impact on mental health on inequality.
- Young people – as faith communities we aim to develop and encourage young people to grow as leaders and shape future strategy.
- Cost of Living – continue to monitor the impact of the cost of living crisis, share best practice and ideas and encourage faith groups to be at the heart of community based support.
- Building community cohesion – this is a key challenge for us in the West Midlands and we are committed to addressing tensions and building peace.



## The Israel/Hamas/Gaza tension

FSPG builds friendships across the faiths. We are listening to each other's deep pain and grief and trying to understand the frustration and tensions in each community.

We acknowledge the depth of pain within Muslim and Jewish communities whilst recognising there is a fear and uncertainty across all our region. This could result in other outbreaks of intolerance and disruption.

We want to see faith on the forefront of building understanding and peace. We encourage faith leaders to talk to each other, understand the impact on our varied communities and build bridges. We commit to dialogue and working together.

## Your responses, opinions, and input

We would love to keep you engaged. Here are three questions to help us put *faith into action*. Please respond to [botham@btinternet.com](mailto:botham@btinternet.com)

1. We have identified what we think are the faith priorities working with WMCA – are there any other issues you feel we should be looking at?

2. Any comments on our priorities? Examples of good practice? Links with people/organisations engaged in these areas?

3. Any other comments

Finally, **if you would like to work with us**, please let us know – ways to work with us include:

- Being an active participant in the Faith Strategic Partnership Group – putting our faith into action across the region.
- Being an active participant in our subgroups – on **Mental Health, Homelessness, and Community Cohesion**
- Providing expertise and advice.
- Linking with us. Networking gets things done!

**Amrick Singh Ubhi**  
Chair, FSPG

**Steve Botham**  
Vice Chair, FSPG

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**West Midlands  
Combined Authority**

## **Investment Board**

**Monday 15 January 2024 at 10.00 am**

### **Minutes**

#### **Present**

Councillor Bob Sleight (Chair)  
Councillor Mike Bird  
Councillor Steve Clark  
Councillor Peter Hughes  
Councillor Karen Grinsell  
Councillor Jim O'Boyle  
Sue Summers  
Gary Taylor

Portfolio Lead for Finance  
Walsall Metropolitan Borough Council  
Dudley Metropolitan Borough Council  
Sandwell Metropolitan Borough Council  
Solihull Metropolitan Borough Council  
Coventry City Council  
West Midlands Development Capital  
Greater Birmingham & Solihull Local  
Enterprise Partnership  
City of Wolverhampton Council

Councillor Christopher Burden

#### **In Attendance via MS Teams**

Paul Brown

Business Representative

#### **Item Title No.**

#### **94. Apologies for Absence**

Apologies for absence were received from Councillor Simkins (City of Wolverhampton Council).

#### **95. Notification of Substitutes**

Councillor Stephen Simkins (City of Wolverhampton Council) had nominated Councillor Christopher Burden as his substitute.

#### **96. Minutes - 11 December 2023**

The minutes of the meeting held on 11 December 2023 were agreed as a correct record.

#### **97. Investment Programme Update and Dashboard**

The board considered a report of the Director of Commercial and Investment on the status of the Investment Programme to help set the context for decisions being made at the meeting.

It was noted that approved grant funding and administered by the WMCA to programmes within the Regional Investment Programme totals £854.2m as 31 December 2023.

The Director of Commercial and Investment, Ian Martin, reported that since the last meeting of Investment Board on 11 December 2023, there had been one business case submission approved under delegated powers in respect of grant funding which related to a Strategic Outline Case submission for the UKC Hub Access- A452 Balsall Common Transport Package. Funding had already been earmarked pending business case approval and would not increase commitments over the affordable limit.

Resolved that:

1. Approval under delegated authority by WMCA Officers of the business case submission disclosed in section 3 of the report be noted;
2. The WMCA Investment Programme funding status and current affordable limit, as outlined in section 4 of the report be noted and
3. The Regional Investment Programme delivery update detailed within the report and appendices (including the project-level summary within the WMCA Investment Programme dashboard at appendix 2) be noted.

**98. WMCA Commercial Investment Fund (CIF) - Dashboard**

The board considered a report detailing the Commercial Investment Fund dashboard as at 1 January 2024.

Resolved: That the report be noted.

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

The board considered a report detailing the Brownfield Land and Property Development Fund dashboard as at 1 January 2024.

Resolved: That the report be noted.

**100. WMCA Residential Investment Fund (RIF) - Dashboard**

The board considered a report detailing the Residential Investment Fund dashboard as at 1 January 2024.

Resolved: That the report be noted.

**101. Exclusion of the Public and Press**

Resolved:

That in accordance with Section 100A4 of the Local Government Act 1972, the press and the 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).

## **102. Coventry City Centre South - Change Request**

The board considered a report of the interim Executive Director of Housing, Property & Regeneration that sought approval of the project Change Request for Coventry City Council to be awarded up to an additional £12.24m from the Housing and Land Investment Programme to provide gap funding and assist the delivery of the City Centre South scheme.

It was noted that the intention was to draw new grant funding from the National Competitive Fund to deliver against the requirement for a Housing Start by March 2025 in accordance with the conditions of the fund set by Government.

The interim Executive Director of Housing, Property and Regeneration, John Godfrey, introduced the report and advised the board that the scheme was currently commercially unviable due to increased costs following a change to Government Building Regulations that were introduced following the fire at Grenfell and inflationary elements as a result of the re-design of the scheme.

Adam Hunt, Coventry City Council, reported that Coventry City Centre South was a key regeneration project that would significantly regenerate Coventry City Centre and outlined the key features and benefits of the scheme.

Councillor Bird reported of the need for the WMCA to advertise or promote its role in helping to fund the scheme, in conjunction with Coventry City Council and the developer, so that the general public is aware of what the WMCA does.

The Chair highlighted Section 4 of the report with regard to the independent risk and appraisal (paragraph 4.2) that recommended approval of the Change Request subject to four conditions being met.

The board supported the Change Request.

Resolved that:

1. The Housing Fund Investment allocates up to £12.24m towards unlocking the mixed-use regeneration project known as City Centre South, subject to the full verification of the viability gap and other standard due diligence be approved and.
2. Authority be delegated to approve the commercial terms and grant structure to the Interim Executive Director of Housing, Property and Regeneration and the Director of Commercial and Investment to ensure the necessary due diligence is undertaken to any associated legal agreements that are necessary to give effect to the recommendations contained within the report be agreed.

## **103. Gracechurch Centre, Sutton Coldfield**

The board considered a report of the Director of Commercial and Investment that sought loan funding from the Commercial Investment Fund (CIF) for the sum specified in the report to the 'Company' to assist with the reconfiguration/refurbishment and repositioning of c250,000 square feet of retail space at the site, Gracechurch Shopping Centre, Sutton Coldfield.

Gerald Gannaway (West Midlands Development Capital) presented the report and advised the board that development proposals would revitalise Sutton Coldfield town centre, a key regional site that was overdue for redevelopment. He reported that the loan term would be for 3 years initially, with the option to extend to 5 years at the discretion of the WMCA which would be subject to the 'Company' making satisfactory progress towards the outputs and targets as set out in the report.

Resolved that:

1. The powers and ability of the WMCA to make the proposed loan be noted;
2. The loan investment from the Commercial Investment Fund for the sum specified in the report to the 'Company' for a term of up to 5 years [contracting initially at 3 years] as per the terms and conditions set out in the report be approved and
3. The negotiation and approval of the final terms of the loan be delegated to the Director of Commercial and Investment in consultation with the Section 151 Officer and Monitoring Officer be agreed.

**104. Newater House, Newhall Street, Birmingham**

The board considered a report of the Director of Commercial and Investment that sought approval of loan funding from the Commercial Investment Fund (CIF) for the sum specified in the report to the 'Company', for a maximum 4-year period, for the refurbishment of office and ground floor retail space at Newater House, Newhall Street, Birmingham.

Gerald Gannaway (West Midlands Development Capital) outlined the key aspects of the investment proposal detailed in the report.

Resolved that:

1. The powers and ability of the WMCA to make the proposed loan be noted;
2. The loan investment from the Commercial Investment Fund for the sum specified in the report (initially limited to the sum stated, with the higher figure only being made available subject to certain defined conditions being met as outlined in the report, to be confirmed with the Director of Commercial and Investment and Section 151 Officer) to the 'Company' for a term of up to 4 years as per the terms and conditions set out in the report be approved and
3. The negotiation and approval of the final terms of the loan be delegated to the Director of Commercial and Investment in consultation with the Section 151 Officer and Monitoring Officer.

**105. Affordable Housing Pilot**

The board considered a report of the interim Executive Director of Housing, Property and Regeneration that outlined a proposed Collaborative Partnership Agreement.

The agreement is intended to leverage combined expertise, resources and capacity of a consortium of West Midlands Housing Associations and their proposed collective delivery vehicle, Homes for the West Midlands Liability Partnership (LLP), combined with WMCA expertise and assets to bring forward increased affordable housing on complex brownfield sites whilst also contributing to key WMCA policy objectives including net zero and advanced methods of construction.

Rob Lamond, Head of Strategy & Analysis (Housing, Property and Regeneration) outlined the report and advised the board that the Affordable Housing Pilot approach intends to use the Abberley Street site (to be considered as the next agenda item) as a pathfinder project to test the strategic alignment process and value for money for the approach. It was noted the pilot would be monitored and evaluated throughout its delivery.

Resolved that:

1. The proposal to work with the proposed Homes for the West Midlands Limited Liability Partnership to develop a Collaborative Partnership Agreement which enables the development of additional affordable homes on complex brownfield sites across the region be endorsed;
2. The testing of the partnership approach and process through the use of the Abberley Street site as a pathfinder project (following approval of a separate Abberley Street Disposal report) be noted and
3. The proposed governance route of the completed Collaborative Partnership Agreement be submitted to Investment Board for approval be agreed.

#### **106. Abberley Street Disposal**

The board considered a report of the interim Executive Director of Housing, Property and Regeneration that sought approval for the disposal of the site at Abberley Street to a developer for the purpose of a 100% affordable scheme.

The Head of Property & Strategic Assets, Nigel Ford and Development Manager, Acquisitions and Disposals, Anna Jones, outlined the report and responded to questions from Investment Board members.

Several members of the board expressed concern regarding the significant reduction in the value of the site from its valuation in 2020 to its current one and enquired as to how the site was originally valued by Avison Young who should be asked to explain their valuations.

The Executive Director of Finance and Business Hub reported that separate asset valuations are obtained for the WMCA's accounts and the asset value for the site aligned to its current market value which had been written down in the accounts; the WMCA did not want to put any further funds into the scheme and the proposal was the best solution for the property to enable residential development to take place.

Members also asked for information be provided with regards to the options for the site including; the position of the hospital with regards to its future plans including any expansion and the feasibility of developing the Help to Own scheme for hospital staff; the local authority's (Sandwell) opinion on the site and how it fits with its Masterplan for the area and a market valuation on the demolition of the site.

The Head of Strategy & Analysis, Rob Lamond, reported that there had been a change in the Masterplan for the area and the proposal now supports the Masterplan for less density and more family homes to be built on the site.

Councillor O' Boyle reported that Coventry City Council insists on leasehold disposals for its land which enables the council to set obligations for developers and enquired why the site at Abberley Street could not be leasehold as this would give the WMCA more control over its land. Councillor Hughes concurred with Councillor O' Boyle and added that he did not want the land to remain vacant if sold.

The Director of Commercial and Investment, Ian Martin, alerted the board to the timescales for the project which requires a start on site by March 2025.

Councillor Bird asked that advice be sought on the proposal to look at the opportunity for a better purchaser in the market as he was not convinced the solution outlined represented the best value for money.

The Chair reported that in the light of comments from members on the report and the requests for further information, he would defer the matter to the next meeting.

Resolved: The report be deferred to the next meeting.

**107. WMCA Commercial Investment Fund (CIF) - Dashboard**

The board considered a report detailing the Commercial Investment Fund dashboard as at 1 January 2024.

The board also receiving a short report on the Birmingham Hippodrome - Southside Building (scheme approved 16 October 2023) that sought approval in amending the loan to vacant possession covenant from 80% to 85%. The report outlined the reasons for the amendment.

Resolved:

1. That the report be noted and
2. The amendment of the loan to vacant possession covenant from 80% to 85% in respect of the Birmingham Hippodrome- Southside Building be approved.

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

The board considered a report detailing the Brownfield Land and Property Development Fund dashboard as at 1 January 2024.



Resolved: That the report be noted.

**109. WMCA Residential Investment Fund (RIF) - Dashboard**

The board considered a report detailing the Residential Investment Fund dashboard as at 1 January 2024.

Resolved: That the report be noted.

**110. Black Country Land and Property Investment Fund (LPIF)**

The board considered a report detailing the Black Country Land and Property Investment Fund as at 31 December 2023.

Resolved: That the report be noted.

**111. Housing & Land Fund Dashboard**

The Housing and Land dashboard was not submitted.

The meeting ended at 12.08 pm.

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## West Midlands Combined Authority

### Housing & Land Delivery Board

Wednesday 17 January 2024 at 9.30 am

#### Minutes

#### Present

Councillor Ian Courts (Chair)  
Councillor Mike Bird  
Councillor Peter Butlin  
Councillor Andy Mackiewicz  
Jo Nugent  
Councillor Richard Smith

Portfolio Lead for Housing & Land  
Walsall Metropolitan Borough Council  
Warwickshire County Council  
Solihull Metropolitan Borough Council  
Homes England  
Nuneaton and Bedworth Borough Council

#### Item Title No.

#### 18. Inquorate Meeting

The Governance Services Officer reported that the meeting was inquorate, and the decisions taken at this meeting would therefore need to be ratified at the next meeting of the board on 13 March 2024.

#### 19. Apologies for Absence

Apologies for absence were received from Councillor Jayne Francis (Birmingham), Councillor David Welsh (Coventry) and Councillor David Wright (North Warwickshire).

#### 20. Minutes - 10 October 2023

The minutes of the meeting held on the 10 October 2023 were agreed as a correct record.

#### 21. Homes for the Future (Final Consideration)

The committee considered a report of the Interim Executive Director of Housing, Property & Regeneration summarising the work that had been undertaken under the leadership of the Housing & Land Delivery Board on Homes for the Future. The report also set out a wider range of references and estimate for cost impacts over different timeframes and summarised the work to date on the Homes for the Future Implementation Plan and Communications Strategy.

The Chair commented on how the approach taken within the strategy presented organisations with flexibility in order to achieve the standards, which he welcomed. Councillor Steve Evans commented similarly that a balanced approach was required, whilst also noting that inflation and construction industry issues posed some challenges. He stressed that it was importance for current local authority projects to be impacted or delayed upon the new standards being delivered. The Chair encouraged that any issues or delays in projects because of this be raised with either himself or relevant officers. The Head of Policy did however assure members of the intention to ensure that the delivery of existing schemes or pipeline schemes was not affected, and outlined the staggered approach being taken on the introduction of the standards.

Councillor Mike Bird stressed the importance of encouraging businesses to engage more with the West Midlands to encourage them to base their operations the region. This was also echoed by the Chair and other members of the board.

Recommended:

- (1) The progress of the work to date to develop the Homes for the Future programme for the West Midlands, and wide-ranging input from the Future Homes Taskforce and local authority partners across the region amongst relevant stakeholders, be noted.
- (2) The board's comments of the final draft of the Homes for Future Strategy be noted.
- (3) Feedback provided from the Homes for Future event be noted.
- (4) The official release of the WMCA's Homes for Future proposals be endorsed.
- (5) The release of the Government's Future Homes Standard Consultation be noted.
- (6) The progress on the work to date on the Homes for the Future Communications Strategy and Implementation Plan be noted.
- (7) The WMCA's response to the Government's '*The Future Homes and Buildings Standards: 2023 Consultation: Approved Document L – Conservation of Fuel and Power and Minimisation of Greenhouse Gas Emissions Volume 2: Buildings Other than Dwellings*' which considered the standard in relation to non-domestic dwellings be noted.

## **22. Plan for Growth / Employment Land Update**

The committee considered a report of the Interim Executive Director of Housing, Property & Regeneration on the progress relating to the alignment of work on the employment land agenda and the Plan for Growth, specifically the activity of the newly established Employment Land Working Group.

The Chair requested future information on the relationship between land availability and the viability of sites, as well as those sites not viable. He also considered that officers should seek further information on assets owned and available, whilst also stressing the importance of promoting manufacturing locally.

Councillor Mike Bird highlighted potential employment land at junction 3 of the M54, as well as the need to continually seek large sites for employment purposes. Those heavy containment site that required additional funds were to be sought from the Government through engagement. He also noted that further engagement between local authorities was required to allow for better direction on those seeking employment sites.

Councillor Steve Evans highlighted that Wolverhampton had the Brownfield Institute, which should in turn be considered the capital of advanced manufacturing for the region, and offered a visit for the committee if this was of interest. He also noted that each authority had information on industrial sites and encouraged that the WMCA added value to help with the remediation of land.

Recommended:

- (1) The work relating to the employment land agenda, specifically the activity of the working group and alignment of the West Midlands Plan for Growth, be noted.
- (2) The board's comments on how the WMCA could add value to the agenda around employment land so as to align with the priorities in the Plan for Growth be noted.

**23. Place Pilots Programme: Update**

The committee considered a report from the Interim Director of Housing, Property & Regeneration providing it with a progress update on the Place Pilots programme led by the Cabinet Office and the continued work with both the Cabinet Office and Local Government Association to scope, establish and deliver the West Midlands programme.

The Chair supported the principles contained with the report but felt that further direction from Government was required. The Head of Property & Strategic Assets commented that regular meetings with the Cabinet Office were being undertaken as well as engagement with other schemes to share learning. Councillor Mike Bird suggested that a task be undertaken to seek crownland within the region.

Recommended:

- (1) The latest work undertaken in collaboration with the Cabinet Office and the Local Government Association to continue to deliver the Government's Place Pilots programme in the West Midlands be noted.
- (2) The current direction of travel with regard to delivery of the Place Pilots programme be noted and endorsed.

- (3) The potential of the programme to support regional ambitions for public land in line with WMCA's Public Land Charter be noted.
- (4) The continued engagement with the Cabinet Office and the Local Government Association to deliver the Place Pilots programme be endorsed.

**24. Affordable Housing Update**

The committee received an update from the Head of Strategy & Analysis on the engagement across the region on the Affordable Homes Programme, and information was shared on the established working groups, including representation from local authority officers, registered providers and other partners of the sector / industry bodies. It was the intention that a more in depth detailed report would be submitted to the next meeting.

Councillor Mike Bird requested that a copy of the definition of affordable housing be shared with members. The Head and Strategy & Analysis sought to provide this, but also informed members that one of the working groups implemented would be specifically focused on establishing the difference in affordability across the region.

Recommended:

The update be noted.

**25. Housing & Land Fund Update**

The Head of Strategy & Analysis provided members with a brief update on the Land Fund and the Brownfield Housing Fund and how they would be deployed against the current pipeline. Information was also shared the new fund available through the devolution deal and the negotiations and being undertaken with Government.

Recommended:

The update be noted.

**26. Date of Next Meeting**

Wednesday 13 March 2024 at 10.00am.

The meeting ended at 10.40 am.



## West Midlands Combined Authority

### Transport Delivery Overview & Scrutiny Committee

Monday 22 January 2024 at 1.00 pm

#### Minutes

##### Present

Councillor John McNicholas (Chair)	Coventry City Council
Councillor Mary Locke (Vice-Chair)	Birmingham City Council
Councillor Pervez Akhtar	Coventry City Council
Councillor Robert Alden	Birmingham City Council
Councillor Timothy Huxtable	Birmingham City Council
Councillor Carol Hyatt	City of Wolverhampton Council
Councillor Martin McCarthy	Solihull Metropolitan Borough Council
Councillor Saddak Miah	Birmingham City Council
Councillor Josh O'Nyons	Solihull Metropolitan Borough Council
Councillor Gurmeet Singh Sohal	Walsall Metropolitan Borough Council
Councillor David Stanley	Dudley Metropolitan Borough Council
Councillor Robert Tromans	Warwickshire County Council
Councillor Ian Ward	Birmingham City Council

##### In Attendance

Pete Bond	Director of Integrated Transport Services
Dan Essex	Governance & Scrutiny Manager
David Harris	Transport Strategy & Place Manager
Steven Hayes	Transport for West Midlands
Councillor Emma Marshall (MS Teams)	Redditch Borough Council
Councillor Steve Melia (MS Teams)	Sandwell Metropolitan Borough Council
Lyndsey Roberts	Statutory Scrutiny Manager
Jat Sekhon	Lead Solicitor - Infrastructure
Anne Shaw	Executive Director for Transport for West Midlands
Kate Taylor	Head of Finance Business Partnering & Strategic Planning
Jake Thrush	Associate Policy Advisor
Councillor Antony Tucker (MS Teams)	Coventry City Council

##### Item No.

##### 53. Inquorate Meeting

The Chair noted that the meeting was inquorate, and therefore the recommendations arising from the meeting would be required to be approved at the next meeting of the committee on 26 February 2024.

**54. Apologies for Absence**

Apologies for absence were received from Councillor Aqeela Choudhry (Sandwell), Councillor Amo Hussian (Walsall), Councillor Barabara McGarrity (Wolverhampton).

**55. Chair's Remarks**

The Chair reminded members of their obligations to the committee, encouraging attendance and stressing the importance of meetings being quorate.

**56. Petition - Bus Service No. 19**

Councillor John Blundell of Coventry City Council presented a petition to the committee. He requested that Transport for West Midlands work with National Express Coventry and Coventry City Council to keep bus service no. 19 (serving Tile Hill - Coventry via Cannon Park shopping centre). He reported that the service provided a vital means of transport for a large number of residents who relied on this service, including a significant number who were elderly and had no other means of transport.

Recommended:

The petition be received, and the Director of Integrated Transport Services submit it for consideration into Transport for West Midlands' petition process.

**57. Minutes - 11 December and 14 December 2023**

The minutes from the meetings were agreed as a correct record, subject to the inclusion of Councillor Robert Tromans in the list of attendees present at the meeting on 11 December, and the comments made by Councillor Timothy Huxtable in respect of the Sutton Park railway line and the Midlands Rail Hub.

**58. Question Time Policy & Delivery: Response from the Portfolio Lead Member for Transport to the observations presented to the WMCA Board on 17 November 2023**

The committee considered the response of the Portfolio Lead for Transport to the observations of this committee following the Q&A session held on 30 October 2023.

Recommended:

The responses of the Portfolio Lead for Transport be noted.

**59. The Role of Green Infrastructure in Urban Design for Air Quality and Climate Resilience**

The committee considered a presentation Emma Ferranti from the University of Birmingham on the role of green infrastructure in urban design to improve air quality and climate resilience. She explained how green infrastructure could reduce exposure to poor air quality and support climate resilience.



Councillor Ian Ward noted that the Local Transport Plan provided the WMCA with an opportunity to ensure the concepts underpinning the presentation could be implemented across the region. Councillor Martin McCarthy raised concerns about flooding and the resilience of railway stations, and suggested that the leading to a commitment from the Rail, Metro & Sprint Member Engagement Group conduct an investigation and report back to the committee on this issue.

Councillor Timothy Huxtable drew attention to pavement placement and its implications for cyclists in the Local Transport Plan. He also inquired about integrating green infrastructure into development bids, highlighting the crucial link between environmental considerations and infrastructure planning. It was noted that the Head of Environment sought opportunities to influence projects in this respect. The forthcoming Park & Ride meeting was highlighted as including a comprehensive presentation on green infrastructure, showcasing the commitment to integrating environmental considerations into future planning efforts.

Councillor Robert Tromans commended efforts to adapt recent plans, emphasising the forward-thinking approach to urban development and Councillor Emma Marshall emphasised the role of trees in temperature control. Councillor Carol Hyatt underscored the influential role of the report in shaping policy, particularly in re-evaluating the placement of bus stops on the roadside. Councillor Robert Alden emphasised the importance of considering maintenance schedules for sustained benefits, while Councillor Pevez Akhtar noted that implementing these ideas would require identifying additional resources.

Recommended:

- (1) The presentation by WM-Air from the University of Birmingham be welcomed.
- (2) In developing West Midlands Local Transport Plan, Transport for West Midlands incorporate, in relevant sections, the 'reduce, extend, protect' principle, to support the role of green infrastructure in urban transport design for air quality, and review the draft 'Green Transport Revolution' Big Move chapter to ensure it effectively encompassed the role of green infrastructure in supporting climate resilience in the West Midlands.

**60. West Midlands Local Transport Plan - Area Strategies and Implementation Plan Development Update**

The committee considered a report of the Transport Strategy & Place Manager on the West Midlands Local Transport Plan Area Strategies and Implementation Plan development. The report summarised the consultation on the Big Moves undertaken earlier in 2023, along with the four Area Strategies and the updated timeline for finalisation and adoption of the new Local Transport Plan in 2024.

Councillor Timothy Huxtable sought clarification on the impact of the cancellation of HS2 north of Birmingham, and Councillor Pevez Akhtar drew attention to the impact this would have towards rail passengers disadvantaged by the current rail network. It was confirmed that consultation on the Local Transport Plan was undertaken widely to ensure that as wide a range of opinions were heard and considered.

Recommended:

- (1) The progress to date on developing the West Midlands Local Transport Plan and next steps and timelines for finalisation and adoption be noted.
- (2) The response to, and key messages from, the Local Transport Plan Big Moves engagement which took place in 2023 be noted
- (3) The proposed approach and next steps for finalising the initial Area Strategies and developing the emerging pipeline of proposals for the City Region Sustainable Transport Settlement 2 be noted, and that a further report be submitted to the committee at an appropriate time.
- (4) It be noted that a further report on the Local Transport Plan would be submitted to the WMCA Board later in the year.

**61. Ring and Ride Target Operating Model**

The committee considered a report of the Head of Network Transformation on the Ring & Ride target operating model. The report set out the drivers of change, along with the emerging future target operating model for the region's Ring & Ride service, seeking endorsement of the proposed approach.

In response to question from the committee, the Head of Network Transformation confirmed that although depots would be centralised, cross-border travel would not be negatively affected. Financial aspects, potential cost savings and the closer alignment with health services were highlighted by Councillor Carol Hyatt and Councillor Pervez Akhtar.

Recommended:

- (1) The ongoing work to transform delivery of the region's Ring & Ride service be noted
- (2) The criteria underpinning the proposed target operating model for implementation from January 2025 be endorsed.
- (3) The Transport Delivery Overview & Scrutiny Committee valued the Ring & Ride service offered and wished to retain a service, in some form, for the most vulnerable.
- (4) The comments of the committee be noted and considered as part of the review requested by the Mayor and Portfolio Leads.

**62. Capital Delivery Programme: Update Capital Performance Report**

The committee considered a report of the Delivery Director – Transport Portfolio on the progress on key capital delivery schemes progressing within Transport for West Midlands, along with the proposed new format for presenting this information to future meetings of the committee.

Councillor Timothy Huxtable sought clarification on aspects of the Hagley Road (Phase 1), Cross City Package 1, and Package 2: Moseley, Kings Heath & Pineapple Road schemes. Councillor Pervez Akhtar suggested presentational amendments to the proposed report to help the committee digest the information provided.

Recommended:

- (1) The update and progress on key capital delivery schemes progressing within Transport for West Midlands be noted.
- (2) The proposal to iterate the reporting on the capital delivery portfolio through the 2024/25 calendar year, including local authority-promoted transport schemes funded via WMCA resources, be noted
- (3) The intention to iterate into a new reporting format for capital, and to progressively mature it over the course of the 2024/25 calendar year, taking on board feedback from this committee be noted.

**63. Member Engagement Groups – Progress Report**

The committee considered a report setting out the activity of the member engagement groups since the last meeting. Councillor Carol Hyatt, Councillor Ian Ward, Councillor David Stanley, Councillor Timothy Huxtable and Councillor Pervez Akhtar all provided updates on their respective MEGs.

Recommended:

The report be noted.

**64. Work Programme**

The work programme for future meetings of the committee was noted.

**65. Date of Next Meeting**

Monday 26 February 2024 at 1:00pm

The meeting ended at 3.30 pm.

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**Economic Growth Board**

**Thursday 25 January 2024 at 9.30 am**

**Minutes**

**Present**

Councillor Bob Sleigh (Chair)  
Tom Westley (Vice-Chair)  
Councillor Adrian Andrew  
Councillor Paul Bradley  
Councillor Bob Piper  
Councillor Bob Sleigh (Chair)  
Corin Crane  
Mike Wright

Portfolio Lead for Finance & Investments  
Business Representative  
Walsall Metropolitan Borough Council  
Dudley Metropolitan Borough Council  
Sandwell Metropolitan Borough Council  
Portfolio Lead for Finance & Investments  
West Midlands Chambers of Commerce  
West Midlands Innovation Board

**Item Title  
No.**

**43. Inquorate Meeting**

The Governance Services Officer reported that the meeting was inquorate, and the decisions taken at this meeting would therefore need to be ratified at the next meeting of the board on 6 March 2023.

**44. Appointment of Chair**

In the absence of the Chair, the board agreed that Councillor Bob Sleigh be appointed to chair this specific meeting.

**45. Apologies for Absence**

Apologies for absence were received from Councillor John Cotton (Birmingham), Councillor Matthew Dormer (Non-Constituent Authorities), Councillor George Duggins (Coventry) and Councillor Stephen Simpkins (Chair, Portfolio Lead for Economy & Innovation),

**46. Minutes - 16 November 2023**

The minutes of the meeting held on the 16 November 2023 were agreed as a correct record.

**47. West Midlands Economic Conditions**

The board considered a report of the Executive Director of Strategy, Economy & Net Zero on the latest data relating to the wider performance of the West Midlands economy as reported in the WMCA's new West Midlands Insights on Society and Economy (WISE) newsletter, as well as qualitative insights from the West Midlands Business Insight Forum and the West Midlands Regional Business Council.

Recommended:

That the current economic conditions for the West Midlands be noted.

**48. Tackling Rising Youth Unemployment in the WMCA Area Together**

The board considered a report of the Interim Director of Employment, Skills, Health & Communities following a previous report outlining the findings of a deep dive exercise undertaken into what worked in tackling youth unemployment. The report outlined a costed action plan with recommendations for tackling youth unemployment, exploring what future could be done building on the significant work undertaken by local authorities.

Councillor Ian Courts welcomed the contents of the report and the initial start in tackling youth unemployment. However, he commented that future thought was required around the mechanism in place to measure the results of the activities undertaken to tackle youth employment. He also commented that alongside the work already being undertaken by local authorities, the WMCA needed to add value, whilst also recognising that each local authority area had different context and needs and therefore the response needed to be tailored accordingly. It was also highlighted that previous apprenticeship shows were a success and required little funds to support and encouraged that these be further explored. Councillor Ian Courts also expressed the need of the WMCA to have continued engagement with other departments, employers and local authorities. A request was also made to provide him with information on apprenticeship bursaries and the evidence that demonstrated the effectiveness of that investment.

Corin Crane commented that recent data showed that apprenticeship numbers had fallen. He welcomed the pre-apprenticeship work and boot camps previously held, but noted that there was a deterrent for young people to explore apprenticeships due to the apprenticeship wage being lower than the national minimum wage.

The Chair suggested that further work be undertaken to explore the obstacles and barriers transport posted to employment.

Recommended:

- (1) The update on youth unemployment in the WMCA area be noted.
- (2) Proposals to tackle rising youth unemployment, and that these would be shaped in context by each local authority for their local areas, be noted.
- (3) The recommended actions in the Action Plan be approved.

**49. Business Growth West Midlands - Service Update & Future Funding**

The board considered a report of the Executive Director of Strategy, Economy & Net Zero updating it on the progress of the Business Growth West Midlands service in its first nine months of operation and pointing out future priorities for forecast underspend.

Corin Crane sought to further understand what analysis would be undertaken on the diagnostic work, as this would help to understand what businesses were asking for, the support required and any potential commercial gaps. He felt that more could be done on driving better collaboration between the business support and agencies across the West Midlands. He also spoke about the importance of job fairs, tourism and the hospitality sector addressing net zero with limited funds to support programmes.

Councillor Ian Courts commented on the need to ensure that youth unemployment was being embedded into this programme.

Recommended:

- (1) The progress against delivery of the Business Growth West Midlands service be noted.
- (2) The proposed commitment of forecast regional underspend from Core Hub and Strategic Relationship Management activity be supported.
- (3) The future funding models for business growth and productivity support post-March 2025 be noted.

**50. West Midlands Innovation Board - Six-Monthly Report**

The board considered a six-monthly update report of the Executive Director of Strategy, Economy & Net Zero setting out West Midlands Innovation achievements during 2023 and the recommended priorities for 2024.

The Chair thanked the Chair of the Innovation Board for his leadership. Councillor Ian Courts raised a query in relation to the ambition of the scale of regional investment funds required, and how further the region could demonstrate this ambition. Mike Write reported that not only was there further ambition for the fund but for there for be more ability to address where research funds were deployed.

Corin Crane suggested that the board receive a future item on Investment Zones to enable a greater understanding on the timetable, different zones and the skills and investment issues.

Recommended:

- (1) The 2023 activities and achievements of the West Midlands Innovation Board be endorsed.
- (2) The proposed 2024 priorities of the West Midlands Innovation Board be agreed.

**50a West Midlands Plan for Growth: Aerospace (Including Manufacturing Alternative Fuels)**

The board considered a report of the Executive Director of Strategy, Economy & Net Zero and presentation providing an overview of the activity surrounding the aerospace cluster identified within the West Midlands Plan for Growth.

Councillor Ian Courts commented that both the report and presentation showed the importance of the aviation sector in the West Midlands, along with the way climate change and decarbonisation agenda was being addressed.

Recommended:

The progress in support of the aerospace cluster for the West Midlands Plan for Growth be noted.

**50b West Midlands Growth Company Q3 Performance Report against the 'Global West Midlands' Business Plan**

The board considered a report of the Executive Director of Strategy, Economy & Net Zero updating it on the progress against the four strategy objectives and the headline targets set out in the West Midlands Growth Company's 2023-25 Business Plan – Global West Midlands.

Recommended:

The issues in relation to the West Midlands Growth Company's performance against its 'Global West Midlands' business plan for the period 1 October - 30 December 2023 be noted.

**50c Single Settlement: Local Growth & Place Functional Strategy**

The board considered a report of the Executive Director of Strategy, Economy & Net Zero providing information on the initial development of the Local Growth and Place Functional Strategy of the Single Settlement.

Recommended:

The work being undertaken by WMCA officers and constituent authorities to develop place-based strategies be noted.

**51. Economic Growth Board Work Programme**

The board received a report on its future work programme.

Recommended:

The updated work agenda for March 2024 be approved.

**52. Date of Next Meeting**

Wednesday 6 March 2024 at 2.00pm.

The meeting ended at 10.40am.





### Overview & Scrutiny Committee

Monday 29 January 2024 at 10.00 am

#### Minutes

##### Present

Councillor Cathy Bayton (Chair)  
Councillor Naeem Akhtar (Vice-Chair)  
Councillor Andrew Burrow  
Councillor Ian Kettle  
Councillor Nigel Lumby

Councillor Ewan Mackey  
Councillor Paul Moore  
Councillor Jamie Tennant  
Councillor Adrian Warwick

Association of Black Country Authorities  
Coventry City Council  
Solihull Metropolitan Borough Council  
Dudley Metropolitan Borough Council  
Shropshire Non-Constituent Local  
Authorities  
Birmingham City Council  
Sandwell Metropolitan Borough Council  
Birmingham City Council  
Warwickshire County Council

##### In Attendance

Dan Essex  
Linda Horne (MS Teams)

Councillor Emma Marshall (MS Teams)  
Lyndsey Roberts  
Laura Shoaf  
Mark Smith (MS Teams)

Kieran Stockley

Governance & Scrutiny Manager  
Executive Director of Finance & Business  
Hub  
Redditch Borough Council  
Statutory Scrutiny Officer  
Chief Executive  
Chair of Audit, Risk & Assurance  
Committee  
Head of Legal Services

##### Item Title No.

##### 170. Apologies for Absence

Apologies for absence were received from Amanda Tomlinson (Business Representative) and Councillor Vera Waters (Walsall).

##### 171. Minutes - 6 November and 14 December 2023

The minutes of the meetings held on 6 November and 14 December were agreed as a correct record, subject to the minutes of 14 December, to include reference to a question raised by Councillor Andrew Burrow in relation to Balsall Common Relief Road, financial cost, and potential impact on the budget.

## 172. Matters Arising

### (a) Letter received from the Police & Crime Commissioner (minute no. 163 (a) refers)

The Chair reported that a further letter had been received from the Police & Crime Commissioner seeking an invite to attend a meeting of the Overview & Scrutiny Committee to give evidence with regards to the amalgamation of the Police & Crime Commissioner's role into that of the Mayor.

A response had been sent to the Police & Crime Commissioner explaining that, in November 2018 the Overview & Scrutiny Committee considered the potential transfer of the functions, however at the time the request to transfer the powers required a decision of the WMCA Board. The legislation had now changed and WMCA Board consent was not required. Therefore, there was currently not a role for the committee at this time, but it could, at an appropriate time, consider the impact of the transfer of the functions on the current WMCA functions.

### (b) WMCA Air Quality Framework and Implementation Plan (minute no. 167 refers)

The Chair questioned whether local authority lead officers had received the Air Quality Framework and Implementation Plan following its approval at the WMCA Board in November 2023. The Chief Executive agreed to liaise with the lead officer within the WMCA to ensure that the report had been shared with local authority lead officers.

### (c) Joint Overview & Scrutiny Committee – Mayoral Q&A on the Proposed Draft Budget 2024/25.

In addition to the current workshops provided by the WMCA to help its scrutiny members to prepare for the Mayoral Q&A sessions on the draft budget, members considered that it would also be helpful to receive additional training from an external provider to help formulate specific questions.

## 173. Mayoral Question Time: Policy - Response to Observations Presented to the WMCA Board on 17 November 2023

The committee received a response in respect of the observations it had identified following the Mayoral Q&A session on 19 October 2023, based on WMCA policy related matters. The committee thanked the Mayor for his informative response to their observations presented to the WMCA Board on 17 November 2023.

Resolved

The response be noted.

## 174. Homes for the Future: Final Consideration

The committee considered a report of the Interim Director of Housing, Property & Regeneration on the work undertaken on Homes for the Future, including the Homes for the Future Implementation Plan, Communications Strategy and launch event.

In relation to airtightness and the use of passive house regulations, the Programme Support Officer referred to the comparative information within the report and explained that the use of passive house was the easiest way for the WMCA to compare against the Government's standard, but it was one of many methods that could be used, as the WMCA allowed flexibility in how its standard could be achieved.

Councillor Andrew Burrow enquired about the WMCA's standard and the exclusion of retrofit and non-domestic dwellings. The WMCA's Housing Team specifically looked at new builds and therefore retrofit was not included within the standard, however there was a separate piece of work ongoing by the retrofit team. In relation to non-domestic dwellings, the residential element received the most amount of funding, but both non-residential and retrofit would be considered in the future.

In addition, the Programme Support Officer assured the committee that the WMCA's Homes for the Future Standard would not impact the pace of delivery of homes being built on decontaminated sites. As part of its implementation plan, the WMCA would support and work with SMEs and smaller developers within the region on adopting and understanding the standards, sourcing appropriate manufactures, understanding how to apply for WMCA funding and how to access support from the WMCA if required.

With regards to skills, labour shortages and the potential impact on the strategy, the issues within the labour market were also addressed in the strategy, and it was envisaged that the WMCA could facilitate a skills base to encourage individuals into this specific type of construction.

Resolved

- (1) The work to date to develop the Homes for the Future programme for the West Midlands, and wide-ranging input from the Future Homes Taskforce and local authority partners across the region, among other relevant stakeholders be noted;
- (2) The comments made on the final draft of the Homes for the Future strategy be noted;
- (3) The feedback provided from the Homes for the Future event be noted; and
- (4) The Overview & Scrutiny Committee endorsed the official release of the WMCA's Homes for the Future proposals, subject to assurances sought in relation to retrofit, the commercial sector, the pace of delivery of homes on decontaminated sites and support provided for SMEs and

smaller developers.

- (5) The release of the Government's Future Homes Standard consultation be noted.
- (6) The progress on the work to date on the Homes for the Future Communications Strategy and Implementation Plan be noted; and
- (7) The WMCA's response to the Government's 'The Future Homes and Buildings Standards: 2023 Consultation; Approved Document L - Conservation of fuel and power and minimisation of greenhouse gas emissions Volume 2: Buildings other than dwellings' which considered the standard in relation to non-domestic dwellings, be noted.

#### **175. West Midlands State of the Region 2023/24**

The committee considered a report of the Executive Director, Strategy, Economy & Net Zero on the region's performance and the opportunities and challenges in the region.

The West Midlands State of the Region was a high-level report that brought to attention the most important trends in the West Midlands. It was an annual review that considered data relevant for comparison at yearly or longer-term basis.

The committee reviewed the key messages identified within the report and shared comments in relation to the inclusive growth framework, the use of doughnut economics, transparency, access to latest data figures and deprivation areas within the West Midlands.

The Chair enquired about the increase in in-work claimants and asked whether this could be measured and captured within the State of the Region report. The Head of Research, Intelligence & Inclusive Growth agreed to capture this information in future reports and agreed to review the information available in relation to the increase in home schooling caused by the pandemic.

Resolved

- (1) The key messages and recommendations set out in the State of the Region report be noted;
- (2) The areas identified by the Overview & Scrutiny Committee that it wished to review as part of its 2024/25 work programme including, areas around connectivity, commuting, air quality and retrofit skills be noted; and
- (3) The Overview & Scrutiny Committee welcomed the report and noted that information in relation to in-work claimants' figures and home schooling should be included within the report for consideration.

## 176. Employment & Skills Strategy for Deeper Devolution

The committee considered a report of the Interim Executive Director, Employment, Skills, Health & Communities that provided an update on the development of an Employment & Skills Strategy for the WMCA area.

Following a review undertaken by the Overview & Scrutiny Committee seeking to understand the impact of the devolution of the Adult Education Budget and to identify challenges and ways in which the WMCA and its constituents could most effectively use skills development to address short and longer-term challenges in the region, further consideration had been given by the WMCA's Employment, Skills, Health & Communities directorate to the emerging themes and considerations identified within the scrutiny report.

The committee discussed and shared comments in relation to skills and qualifications, an increase in youth unemployment, attainment of maths and English qualifications, common largest challenges for people to learn and upskill, benchmarking against other combined authority areas, the provision of training linked to the current and future labour market opportunities and how devolution had helped to accelerate progress on skills and employment.

The Chair enquired about the ability, through the devolution deal, to incentivise employers to invest in upskilling and training their employees. The offer to employers was provided via Business Growth West Midlands in addition to other programmes, incentives and support for businesses.

Councillor Andrew Burrow explored questions in relation to the construction industry and a Level 2 qualification, workforce planning across the region and the availability of data to demonstrate that the activities undertaken by the WMCA had an impact on the skills deficit across the key job opportunities within the West Midlands.

Resolved

- (1) The progress being made on the development of an Employment & Skills strategy for WMCA area and the development and implementation of an ESHC Benefits Realisation and Outcomes Framework be noted;
- (2) The approach being adopted through the strategy to ensure the integration of employment and skills across the region, and in establishing an overarching Outcomes Framework to ensure regional benefits were maximised through programme delivery activity be endorsed;
- (3) The key areas of focus set out in the strategy and the indicative benefits set out in the ESHC Benefits and Outcomes Framework be noted;
- (4) The implementation of an ESHC Directorate Performance Panel be noted; and

- (5) The next steps in implementation of the Employment & Skills Strategy and the Benefits & Outcomes Frameworks be endorsed.

### **177. Q3 Performance Reporting Against the Annual Business Plan**

The committee considered a report of the Executive Director of Finance & Business Hub that set out the context to the monitoring and reporting of the Annual Business Plan and provided year-to-date performance, including trends and comparisons.

In September 2023, it was agreed that performance against the Annual Business Plan would be shared twice a year with Overview & Scrutiny Committee, to provide members with assurance of Executive Board responses, particularly to the red and amber indicators.

In response to a question raised by Councillor Jamie Tennant, the Executive Director of Finance & Business Hub explained that the red indicators related to transport were reviewed by the Transport Delivery Overview & Scrutiny Committee through regular capital programme monitoring reports considered by the committee.

Following a review of the report, members considered that HDL 72 (One Public Estate and Place Pilots Programme) and HDL 114 (Investment and Modernisation of 16 Summer Lane – 10 Year Property Maintenance Plan), should form part of its work programme for 2024/25.

Resolved

- (1) The approach on how the WMCA monitored the Annual Business Plan and the assurance it provided be endorsed; and
- (2) The areas identified in relation to One Public Estate and the Investment and Modernisation of 16 Summer Lane be included in the committees work programme for 2024/25.

### **178. Scrutiny Protocol**

The committee considered a report of the Governance & Scrutiny Manager that provided an update on the publication of the Scrutiny Protocol that set out the next steps that would be undertaken to ensure that a sustained culture of scrutiny was embedded within the WMCA to ensure transparent and accountable decision-making and delivery of value for money on devolved funds.

The Governance & Scrutiny Manager provided an overview of the Government's protocol that was 'non statutory guidance' and therefore was to be considered as best practice in scrutiny, particularly for institutions like the WMCA that had Level 4 devolution and single funding settlements. It was a reflection of the existing strength of scrutiny within the WMCA that a significant part of the protocol set out activity that was already undertaken by its scrutiny committees.

The committee discussed and shared comments on the 18 key principles of good governance and the areas members considered activity needed strengthening in order to meet the aspirations of the protocol.

Further to discussions held at a recent meeting of the Combined Authorities Scrutiny Chairs Forum, the Chair reported that a consistency of membership and quoracy were issues highlighted across all combined authorities.

It was reported that the arrangements for the Mayor and MPs Q&A sessions were currently under development and a report would be presented to the WMCA Board in March.

Resolved

- (1) The publication of the Department for Housing, Levelling Up & Communities Scrutiny Protocol on 22 November 2023, be noted; and
- (2) A working group be established consisting of the Chairs and Vice-Chairs of both scrutiny committees, the Chair of Audit, Risk & Assurance Committee, and an additional member from the respective committees, to further strengthen and develop the WMCA's scrutiny function to meet the standards set out within the protocol's 18 key principles.

#### **179. Grant Register**

The committee considered a report of the Executive Director of Finance & Business Hub that provided an update on the grant register which contained all current 'live' grants where the WMCA was the accountable body and captured a comprehensive total of grants, awarding body, time period for delivery and a description of what the grant delivered.

Resolved

The Grant Register be noted.

#### **180. Work Programme**

The committee noted a work programme of items that were to be reported to future meetings of the committee and WMCA Board.

Resolved

That the work programme be noted, subject to the inclusion of items identified during the meeting, and an item on investment zones and governance arrangements to be considered during 2024/25.

#### **181. Date of Next Meeting**

Monday 4 March 2024 at 10:00am.

The meeting ended at 12:10pm

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**West Midlands  
Combined Authority**

## **Audit, Risk & Assurance Committee**

**Tuesday 30 January 2024 at 10.30 am**

### **Minutes**

#### **Present**

Mark Smith (Chair)

Councillor Richard Baxter-Payne

Councillor Dave Borley

Councillor Brigid Jones

Councillor Leslie Kaye

Councillor Ram Lakha OBE (Vice-Chair)

Councillor Rose Martin

Lisa Ritchie

Warwickshire Non-Constituent  
Authorities

Dudley Metropolitan Council

Birmingham City Council

Solihull Metropolitan Borough Council

Coventry City Council

Walsall Metropolitan Borough Council

Business Representative

#### **In Attendance via MS Teams**

Councillor Liam Preece

Sandwell Metropolitan Borough Council

#### **Item Title No.**

#### **47. Apologies for Absence**

Apologies for absence were received from Councillors Ashley, Bardsley and Jaspal.

#### **48. Chair's Remarks**

The Chair advised the committee that the WMCA Board had requested that Leaders be formally notified of the attendance of members at its boards and committees (including ARAC), due to quoracy issues arising from members not attending.

The Chair noted the recent publication by PSAA of the external audit fee rates for the year ended 31 March 2024, and the letter from DLUHC dated 9 January 2024 about the proposal for a backstop of 30 September 2024 for sign off of all local authority accounts up to years ended 31 March 2023.

The Chair also highlighted the recent report from the Financial Reporting Council around their inspection regime of major local audits. This included a proposal to not perform routine audit quality inspections of major local audits for financial years up to and including the year ended 31 March 2023, unless there is a clear public interest to do so, and to resume a programme of inspections once the system has been reset.

The Chair also provided feedback from recent meetings that he had attended including the WMCA Board on 12 January 2024 and the WMCA's Overview and Scrutiny Committee on 29 January 2024. The Chair highlighted that at this latter meeting, there had been a discussion of the Scrutiny Protocol published by DLUHC on 22 November 2023 and he noted that there were potential implications for ARAC which would be considered over the next few months.

**49. Minutes - 4 December 2023**

The minutes of the meeting held on 4 December 2023 be agreed a true record subject to the addition of the following:

The minutes of the meeting held on 4 December 2023 be agreed a true record, subject to an amendment to *minute no. 38 ('Annual Accounts 2022/23 for the West Midlands Combined Authority')* to reflect the clarification provided at that meeting that the committee had previously been given delegated authority by the WMCA Board to approve the annual accounts. In addition, it was noted that the recommendation to approve the accounts was subject to the satisfactory completion of the external audit by Grant Thornton.

**50. Matters Arising**

*Minute No. 38 Annual Accounts 2022/23 for the West Midlands Combined Authority*

Councillor Kaye reported that he would like clarity with regards to the role and responsibilities of the committee as referred to in the terms of reference, especially with regards to assurance and approving the accounts. The Executive Director of Finance and Business Hub undertook for the terms of reference to be considered at the next meeting.

*Minute No. 40 Internal Audit Update*

In relation to the Health and Safety Review audit appended to the report, Councillor Kaye reported that he was unable to attend the meeting but had submitted his comments expressing concern with regards to the lack of confirmation of health and safety procedures with contractors/sub-contractors, particularly with regards to construction as he felt this information should be covered in the report.

The Internal Liaison Officer, Loraine Quibell, reported that the Health and Safety Manager would be presenting his annual report to the next meeting of this committee, and she would ask him to provide details of the health arrangements with regards to contractors, especially construction contractors, in the report.

**51. Action List**

The Action List was noted.

The Chair highlighted the need for the new Head of Audit and Information Governance to meet ARAC, as soon as possible after he joins the Combined Authority.

**52. Summary of WMCA's Budget 2024/25**

The Chair reported that he had asked the Executive Director of Finance and Business Hub, to provide a summary of the draft WMCA Budget for 2024/25 to provide context to the work of this committee.

The Executive Director of Finance and Business Hub, Linda Horne, provided an overview of the draft WMCA's revenue and capital budgets, including the key underlying budget assumptions for 2024/25 and the medium-term financial position. A slide presentation had been circulated to the committee with the papers for the meeting.

The Executive Director of Finance and Business Hub, Linda Hub also provided updates with regards to the Mayoral Precept position, budgetary implications of the integration of Police and Crime Commissioner Office and the timeline for the Single Settlement, following questions from members. She advised that the final budget would be considered by the WMCA Board at its meeting on 9 February.

The Chair noted that transport accounted for more than 80% of the capital spend and a further 40% of the revenue budget, alongside approximately 40% of spend on Adult Education. This should be borne in mind when the Committee was looking at Risk and the programme of work of Internal Audit.

The Chair asked that the final budget position be confirmed with the Committee following its approval next month.

Resolved: That the presentation be noted.

**53. Update on Statutory Accounts**

The Head of Financial Management, Louise Cowen, provided an update the WMCA's Statutory Accounts.

It was noted that information in relation to the two key outstanding matters in relation to the audit, as highlighted at the previous meeting, being the valuation of WMCA's share of the WM Pension Fund asset and the response with regards to the sample of grants selected for testing, had now been provided to the external auditors.

The Chair reported that he had received and reviewed a final draft copy of the accounts. He noted that the principal change from the draft accounts circulated to the members of ARAC on 3 July 2023, related to the pension asset of £59.0m, which was now excluded from the balance sheet based on the interpretation of how to apply IFRIC 14 to the Combined Authority's accounts.

The Head of Financial Management reported that the WMCA hoped to publish the final version of the audited 2022/23 Annual Accounts within the few next weeks after Grant Thornton have completed their work.

Grant Patterson from Grant Thornton confirmed that he expected to complete his work and issue his final report and opinion with the next few weeks, and that he would then certify the audit closed.

Resolved: That the update be noted

#### **54. Strategic Risk Register Update**

The committee considered a report of the Executive Director of Finance & Business Hub that provided an update on the Strategic Risk Register.

The Risk Manager, Peter Astrella, outlined the key messages contained in the risk update, including issues and the latest position with regards to strategic risks.

The Chair reported that a copy of the State of the Region report had been circulated to members yesterday (following consideration by Overview & Scrutiny Committee) as he felt the document would provide a useful context with regards to the ARAC's oversight of risk management.

The Chair enquired as to whether recent consideration had been given as to the extent of the ongoing risk associated with inflation and global supply chain pressures, which is currently recorded at the highest possible risk rating. The Risk Manager confirmed that this was under review.

Councillor Kaye considered the need to look at overall risks noting the risk regarding to the transport network from strike action by operators and with regards to tram purchases and the risk of trams cracking.

The Strategic Risk Manager explained that only the strategic risks were reported to this committee, and he trusted that TfWM would have transport risks on their radar. He added that the Executive Board examine the strategic risks on a quarterly basis prior to this committee.

The Chair noted that it was difficult to strike a balance on reporting various risks to this committee but acknowledged transport was a considerable proportion of the WMCA's Capital Budget (as referenced earlier in the meeting) and considered that the committee could perhaps have sight of the transport risk register in future.

Councillor Kaye added that for the committee to fulfil its assurance role on risk, he would like to understand the extent to which risks were being mitigated and what the residual risk was after taking account of such mitigations. The Chair confirmed that this was a matter that he had discussed previously with the Risk manager and he would discuss how this might be incorporated in to future reporting.

Resolved that:

1. The key messages in the Strategic Risk Update be noted and
2. The revisions and planned revisions to the Strategic Risk Register be noted.

**55. 2024/25 Treasury Management Policy, Strategy and Practices**

The committee considered a report of the Executive Director of Finance and Business Hub that set out the draft Treasury Management Policy Statement and draft Treasury Management Strategy for 2024/25 for endorsement prior to approval by the WMCA Board in February. The report also sought agreement that the Authority's Treasury Management Practices are adequately maintained.

The Lead Treasury Accountant, Mark Finnegan outlined the report and referred to section 3.3 of the report which summarised the principal changes between the current (2023/24) strategy and those for financial year 2024/25.

The Chair highlighted the permitted use of short-term borrowings to cover unplanned cash flow shortages, which had been necessary in December 2023. It was noted that historically this had been rarely necessary, and the increase in the minimum liquidity requirement and the continued focus on cash flow forecasting would hopefully ensure that it would continue to be a rare occurrence going forward.

The Chair also reminded the Committee of the changes that had been introduced during the year, to reduce the risk associated with investments in deposits with local authority counterparties. These changes were incorporated in the Annual Investment Strategy.

Resolved that:

1. The draft 2024/25 Treasury Management Policy Statement (referred to in Section 2 of the report) be endorsed for onward approval by WMCA Board in February 2024;
2. The draft 2024/25 Treasury Management Strategy (Appendix 1) including the 2024/25 Investment Strategy and criteria for specified and non-specified investments (Appendix 2) be endorsed for onward approval by WMCA Board in February 2024 and
3. The arrangements for ensuring Treasury Management Practices are adequately maintained (Section 4 of the report) be noted and agreed.

NB Councillor Brigid Jones (Birmingham) declared a personal interest in this item as Birmingham City Council were explicitly mentioned in the report.

**56. Information Governance Annual Report**

The committee considered a report of the Data Protection Officer that set out how the WMCA is meeting its obligations under the UK General Data Protection Regulation, the Data Protection Act 2018 and other applicable laws relating to the processing, privacy and/or use of Personal Data and the Freedom of Information Act 2000.

The Data Protection Officer, Gurmit Sangha, outlined key highlights from the report that included an overview of the key enhancements made during 2023. This included strengthening the information governance structure within the WMCA, a review of information governance policies, work on technical security and cyber essentials. The report also provided an update on emerging data privacy, cyber security and information governance issues.

The Data Protection Officer also confirmed that training is in place for WMCA staff regarding data protection and regular communication messages are sent out regarding information security internet and emails.

Councillor Kaye commended the use of exercises whereby employees are sent emails which test whether they are alert to potential phishing attacks.

Resolved: That the key messages in the Annual Information Governance update be noted.

#### **57. Internal Audit Update**

The committee considered a report of the Director of Law and Governance that provided an update on the work completed by Internal Audit so far, this financial year.

It was noted that four audits had been completed since the last meeting that were appended to the report; the Budgetary Control and General Ledger had both been awarded a substantial level of assurance and Payroll and Treasury Management had both been given a satisfactory level of assurance.

In relation to the audit of two key financial systems audit that are currently in progress, accounts payable and accounts receivable, the Internal Liaison Officer, Loraine Quibell, reported that both audits should be ready to be shared with the committee for their next meeting.

The Chair also enquired as to progress on the TfWM review, which was commissioned following the report from Mazars earlier in 2023. It was noted that it was hoped that this report would be available to the next ARAC meeting in March 2024.

Resolved: That the contents of the report be noted.

#### **58. Forward Plan**

The committee considered the forward plan of items to be reported to future meetings.

The Chair highlighted the importance of Grant Thornton presenting their plan for the 2024 audit as soon as possible.

Resolved: That the report be noted.

The meeting ended at 12.15 pm.