



WMCA Board

Date	12 January 2018
Report title	WMCA Draft Budget and Mayoral Council Tax Precept for 2018/19
Portfolio Lead	Councillor Izzi Seccombe - Finance & Investments
Accountable Chief Executive	Deborah Cadman, West Midlands Combined Authority email: deborah.cadman@wmca.org.uk tel: (0121) 214 7200
Accountable Employee	Sean Pearce, Director of Finance email: sean.pearce@wmca.org.uk tel: (0121) 214 7936
Report to be/has been considered by	Leadership Team - 14/20 December 2017 Met. Chief Executives - 15 December 2017 Met. Leaders - 4 January 2018

Recommendation(s) for action or decision:

The WMCA Board is recommended to:

- (1) Note the consolidated revenue budget monitoring position as at 30 November 2017 and endorse the transfer into earmarked reserves of £4.8 million as a result of the change in 2017/18 of the Minimum Revenue Provision policy;
- (2) Approves for consultation and scrutiny the draft West Midlands Combined Authority consolidated revenue budget summarised in Section 4. This includes:
 - (a) the budget requirement for transport delivery 2018/19 - 2020/21 comprising of three elements:
 - (i) £114.1 million a year to be funded from the existing transport levy mechanism;
 - (ii) a transfer from earmarked reserves of £1.0 million a year for 3 years; and

- (iii) the investment of £0.6 million into the continuation of the Apprentice Concessionary Fare for the remainder of the 2018/19 Year and development funding to progress new stations work within the West Midlands Rail Franchise.
 - (b) the West Midlands Combined Authority Operational budget requirement for 2018/19 of £11.8 million to be funded by the continuation of the £25,000 Non Constituent Authority contribution and a Constituent Authority contribution that comprises of three elements:
 - (i) the continuation of the £0.25 million membership on an equal shares basis that totals £1.75 million;
 - (ii) a £0.17 million fee on an equal shares basis totalling £1.19 million with regard to the delivery of outcomes of the West Midlands Combined Authority Commissions that are consistent with the plans taken through the West Midlands Combined Authority Board prior to the 2018/19 financial year; and
 - (iii) a fee of £1.71 million representing costs already incurred and funded by the Constituent Authorities in 2017/18 within the Transport Levy and funded on the basis of population in relation to corporate services that support the West Midlands Combined Authority Operational Budget that are to be accounted for under the Operational Budget.
- (3) Agrees, as set out in Section 6, that it is minded to approve the Mayor's budget including a Council Tax Precept of £10.80 that comprises of:
 - (a) £2.00 in relation to the costs of the Mayoral Office and Network Resilience responsibilities;
 - (b) £8.80 in relation to the funding of the West Midlands Combined Authority Investment Programme to provide funding for cycling, park and ride facilities at key rail stations and Sprint bus priority schemes within the West Midlands Combined Authority's Investment Programme,

subject to the outcome of the scrutiny process and consultation and objection deadline of 8 February 2018 as set out in Section 6.3 below.
- (4) Endorses the West Midlands Combined Authority Medium Term Financial Plan as set out in Paragraph 7.2 and Table 8.
- (5) Approves for consultation and scrutiny the Transport Capital Programme as set out in Section 8 and Table 9.
- (6) Note the planned spend on the Investment Programme over the 3 year period as set out in Section 9.

1 Purpose

- 1.1 This report is intended to provide a draft budget for approval at the West Midlands Combined Authority at its meeting on 12 January 2018 that will then be subject to scrutiny and consultation.
- 1.2 The West Midlands Combined Authority Overview and Scrutiny Committee's Budget Scrutiny Task Group will undertake this scrutiny work. The views of the Budget Scrutiny Task Group will be reported back to the West Midlands Combined Authority at its meeting on 9 February 2018 where consideration by the West Midlands Combined Authority Board will be given prior to its consideration of approving the Final Budget.

2 Introduction

- 2.1 This report represents the first part of the formal process to determine the West Midlands Combined Authority's budget, levy and precept levels for 2018/19. If approved, this report will form the basis for proposals to the West Midlands Combined Authority Board on 9 February 2018.
- 2.2 The West Midlands Combined Authority was established to deliver sustainable economic growth and close the productivity gap in the West Midlands as well as add value to the work of existing West Midlands Public Sector bodies.
- 2.3 The combined gross revenue budget of the seven Constituent Members in 2017/18 was £4.7 billion and set against this is a proposal to establish a 2018/19 Gross Revenue Budget for the West Midlands Combined Authority of £177.8 million. This includes £11.8 million for the relatively new West Midlands Combined Authority Operational Budget and together this represents 0.2% of the Gross Revenue Expenditure of the seven Constituent Members.
- 2.4 The draft West Midlands Combined Authority revenue budget for 2018/19 is funded by £6.1 million of locally generated funds and £5.7 million of monies secured through the regions second devolution deal and therefore it can be seen that the region has been successful in leveraging in around £1 for every £1 raised locally to deliver the Operational Budget. In addition significant investment has been secured in addition to that contained in the operational budget through the NHS Executive and Public Health Executive in relation to the Health and Wellbeing portfolio.
- 2.5 This report presents a strategy for both 2018/19 and for the first time an indicative Medium Term Financial Plan across all Revenue and Capital Budgets. In addition, the Investment Programme covers an investment period of 30 years.
- 2.6 The draft budget brings together the impact of West Midlands Combined Authority decisions that have been taken in the 2017/18 financial year that will have an impact over the medium term that includes for example the revisions to the Minimum Revenue Provision Policy as well as the outcomes of work undertaken on West Midland Combined Authority Commissions in 2017/18. The delivery of the Commission outcomes have been modelled on a three year basis with investment proposed on a fixed term basis.
- 2.7 The development of the West Midlands Combined Authority is a result of the significant Political and operational Vision of the Constituent and Non-Constituent Authorities and the hard work undertaken in working with Central Government to develop an organisation from a concept in the early 2010s. This has resulted in substantial additional inward investment of public sector monies into the West Midlands Region that has benefited all seven Metropolitan areas and includes:

- A 30 Year 'Gain-Share' equivalent to £36.5 million per year where these monies would have normally been passed to Central Government;
- The ability to capture the total increase in business rates that result from economic growth across the Constituent Authority area against the 'Business Rates' Baseline that Central Government set when it introduced the Business Rates Retention System in 2013 worth tens of millions per year. This is in marked contrast to the majority of the Country who only received 50% of that growth;
- Funding to unlock landmark infrastructure investments as part of the Investment Programme, the largest of which relates to the HS2 Connectivity package and the latest confirmed funding being the recently announced Central Government Funding for the Wednesbury to Brierley Hill Metro Extension;
- Innovation in the creation of revolving investment funds that offer opportunities for the region to access funding to support a whole range of investment activities that range from Research and Development into Very Light Rail to unlocking Housing Developments that have proved hitherto uneconomical; and
- Leverage of further Central Government, 3rd sector and private sector funding alongside Constituent Authority and Non-Constituent Authority contributions in key areas such as Public Health, Mental Health and Public Sector reform.

2.8 The development of the West Midlands Combined Authority has ensured that all the region benefits from both better outcomes as well net new investment with the intention of all areas benefitting from the delivery of Inclusive Growth. The key headlines for the draft budget as follows:

- A revenue outturn forecast for 2017/18 within the budget set in February 2018;
- Cash leverage of on average £6 million a year from Central Government as part of the Devolution 2 deal that broadly matches the proposed contribution levels from the Constituent Authorities together with other significant locally generated funds;
- A reduction in the contributions proposed for the Constituent Members of the West Midlands Combined Authority of £4.5 million and maintenance of the Non-Constituent Authority contributions for 2017/18;
- A indicative plan for Transport for West Midlands over the medium term to deliver services within a flat cash target;
- Investment into the Apprentice Concession and new stations development; and
- A Capital plan for the West Midlands Combined Authority that provides £106,288 million of new investment in the transport infrastructure for the West Midlands.

2.9 This report provides recommendations that would enable the West Midlands Combined Authority to deliver its ambitious plans for driving inclusive economic growth in the West Midlands region and building a healthier, happier, better connected and more prosperous West Midlands. The approach to preparing the budget is in accordance with the medium term financial plan set out in section 7. The Medium Term Financial Plan sets out the anticipated budget position for 2018/19, 2019/20 and 2020/21 and reflects the West Midlands Combined Authority's Strategic Economic Plan and the Mayor's Renewal Plan.

2.10 Some elements of funding, particularly around the phasing of the Devolution Deal monies are still subject to confirmation at the time of writing this report and so a verbal update will be provided at the Board .

3 Revenue budget monitoring 2017/18

- 3.1 The West Midlands Combined Authority's forecast outturn for 2017/18 at Month 8 (November 2017) indicates a favourable position on both transport delivery and operational spending for the West Midlands Combined Authority. This forecast represents actual performance for eight months of the 2017/18 financial year together with a forecast for the remaining four months. Net spending for the Mayor's office is anticipated to be in line with the original budget. The following table illustrates the overall revenue position at the end of November 2017:

Table 1: West Midlands Combined Authority Revenue Budget 2017/18

£m	Original Budget	Budget to Date	Actual to Date	Variance to Date	Forecast Outturn	Forecast Variance
Transport Delivery	121.5	81.5	81.0	0.5	115.8	5.7
WMCA Operational Budget	4.3	2.8	2.4	0.4	4.1	0.2
Mayor's Office	0.4	0.3	0.2	0.1	0.4	-
Mayoral Election	5.0	5.0	4.8	0.2	4.9	0.1
Investment Programme	30.0	20.0	20.0	-	30.0	-
Total	161.2	109.6	108.4	1.2	155.2	6.0

- 3.2 The forecast indicates a favourable variance of £6.0 million for the year and primarily relates to:
- savings on payments to operators in respect of the English National Concessionary Travel Scheme (ENCTS), owing to lower patronage than was anticipated when the budget for 2017/18 was set; and
 - an amendment after the budget for 2017/18 was set to the Capital Financing Policy leading to savings of £4.8 million per annum for 7 years commencing in 2017/18.
- 3.3 The one-off costs on the Mayoral Election was funded from Gain Share resources as approved by the February 2017 West Midlands Combined Authority Board. The net saving will accrue into the West Midlands Combined Authority's General Reserve which is set out as follows:

Table 2: Net Savings accruing into the Authority's General Reserve

General Reserve	£m
Balance brought forward 1 April 2017	1.8
Contribution in year 2017/18	4.8
Carried forward 31 March 2018	6.6

- 3.4 Approval is sought for the transfer into earmarked reserves of £4.8 million with the intention is to utilise the carry forward reserve to support financial planning in the following ways:
- £3.0 million (£1.0 million a year for the 3 years 2018/19 – 2019/20) set aside to support the transport delivery revenue budget which has enabled a corresponding levy reduction in each of the 3 years.
 - £1.8 million earmarked for Transport for West Midlands rebranding and a contribution to emerging investment requirements.

4 The draft 2018/19 Consolidated Revenue Budget

4.1 The draft consolidated revenue budget position for 2018/19 is set out in the following table:

Table 3: Consolidated Draft Revenue Budget

£m	Total	Operational	Transport	Mayoral Precept	Investment Programme
Income					
Transport Levy	114.1	-	114.1	-	-
Devolution Deal Grants	42.2	5.7	-	-	36.5
Business Rates Growth	4.5	-	-	-	4.5
<u>Constituent Members</u>					
Membership	4.6	1.8	-	-	-
Commissions	-	1.1	-	-	-
Corporate Services	-	1.7	-	-	-
Non Constituent Members	0.4	0.4	-	-	-
Investment Income	0.5	0.5	-	-	-
Mayoral Precept	7.5	-	-	7.5	-
3rd Party Income	0.2	0.2	-	-	-
Use of Reserves	1.4	0.4	1.0	-	-
Sub Total	175.4	11.8	115.1	7.5	41.0
Expenditure					
Transport Delivery	115.1	-	115.1	-	-
Operational Budget	11.8	11.8	-	-	-
Interest Payable	3.6	-	-	-	3.6
Investment Programme Governance	1.0	-	-	-	1.0
Mayoral Office	0.9	-	-	0.9	-
Network Resilience	0.6	-	-	0.6	-
Capital Expenditure Financing	45.4	-	-	6.0	36.4
Sub Total	175.4	11.8	115.1	7.5	41.0
Net	-	-	-	-	-

4.2 Further detail is provided in the following sections on how this budget has been built up. The proposed contributions from Constituent Authorities based on this draft budget will reduce by £4.5 million from 2017/18 and the split is set out in the table that follows.

Table 4: West Midlands Combined Authority Contributions from Constituent Members

Allocations	2017/18	2018/19	Change
Birmingham	47.9	45.9	(2.0)
Coventry	15.1	14.7	(0.4)
Dudley	13.8	13.3	(0.6)
Sandwell	14.0	13.5	(0.5)
Solihull	9.3	9.0	(0.3)
Walsall	12.1	11.7	(0.4)
Wolverhampton	11.2	10.8	(0.4)
Total	123.3	118.8	(4.5)

- 4.3 Proposed contributions have been worked up with thanks to and through consultation with Constituent Member Finance Directors and a pragmatic solution reached in terms of allocation mechanisms to the different West Midlands Combined Authority functions in the spirit of consensus. Funding for the WMCA is by agreement of all constituent members as set out in Paragraph 5.3. If agreement cannot be reached then the default position is to allocate funds in proportion to population.
- 4.4 The current assumption is that the contribution for Non-Constituent Authorities remains flat at £25,000 per annum for 2018/19 and will be subject to annual review over the medium term. For clarity this schedule is presented below.

Table 5: Non Constituent Authority Contributions

Allocations	2018/19
Redditch Borough Council	25,000
Cannock Chase District Council	25,000
Herefordshire Council	25,000
North Warwickshire Borough Council	25,000
Nuneaton and Bedworth Borough Council	25,000
Rugby Borough Council	25,000
Stratford-on-Avon District Council	25,000
Shropshire Council	25,000
Tamworth Borough Council	25,000
Telford and Wrekin Council	25,000
Warwickshire County Council	25,000
Black Country LEP	25,000
Coventry & Warwickshire LEP	25,000
Greater Birmingham and Solihull LEP	25,000
The Marches LEP	25,000
West Midlands Fire & Rescue Authority	25,000
West Midlands Police	25,000
Total	425,000

Transport for West Midlands

- 4.5 The current medium term budget for Transport for West Midlands was set out in the February 2017 Budget report approved by the West Midlands Combined Authority Board.
- 4.6 The planning approach to setting the 2018/19 Transport for West Midlands budget has been to consider any changes that may be required to financial planning within the current policy framework and maintain investment into services in accordance with the current medium term financial plan.
- 4.7 An additional financial year, 2020/21 has been added to the planning horizon for Transport for West Midlands in order to provide an indicative Medium Term Financial Plan alongside a statutorily set budget proposal for 2018/19.
- 4.8 The proposed budget confirms the delivery of all existing policies, protects sustainability and continues to transition technology as well as deliver key transport initiatives. The proposed budget for Transport for West Midlands and associated levy for 2018/19 – 2020/21 is summarised in the following table and supported by a detailed analysis in Appendix 1.

Table 6: Summary Transport Revenue Budget 2017/18 to 2020/21

£m	2017/18		2018/19		2019/20		2020/21	
English National Concessions Travel Scheme	52.5	43.2%	51.4	44.6%	51.8	45.0%	51.4	44.7%
Finance Related	18.9	15.5%	12.7	11.0%	11.1	9.6%	10.8	9.4%
TFWM Policies	45.5	37.4%	47.2	41.0%	48.2	41.9%	48.7	42.3%
Business Services, Elected Members and WMR	4.7	3.8%	3.9	3.4%	4.1	3.6%	4.2	3.6%
Total	121.5		115.1		115.1		115.1	
Use of Reserves	0.0		(1.0)		(1.0)		(1.0)	
Proposed Levy	121.5		114.1		114.1		114.1	

- 4.9 The summary above illustrates a proposed levy in 2018/19 of £114.1 million. This represents a reduction from the 2017/18 levy of £121.5 million. The most material movements can be summarised as follows:

- £4.8 million 6 Year change to the MRP policy

This relates to the annual financial impact of the revised Minimum Revenue Provision Policy approved by the West Midlands Combined Authority Board in November 2017. The reduction in the MRP charge is for a 6 year period (2018/19 to 2023/24 inclusive) whereupon the MRP charge will revert to its current levels.

- £1.0 million Reserves support to reduce the levy

This relates to the 2017/18 reduction in the MRP charge to the Transport for West Midlands Budget of £4.8 million that is being transferred to Reserves. As set out in Section 3 of this report. £3 million is planned to be released into the Transport for West Midlands budget in equal measure over each year within the Medium Term Financial Plan. £1.8 million is planned to be set aside to fund rebranding and capital expenditure requirements in 2018/19.

- £1.7 million Transfer of corporate services costs

This relates to the transfer of corporate services costs across the other two areas of the West Midlands Combined Authority to recognise that these corporate services are consumed by other areas of the organisation following the first year's operations of the Mayoral Combined Authority. The transfer of costs has been accompanied by an equivalent transfer of funding.

4.10 In addition, the preceding table above sets out a reduced forecast requirement for Concessions reimbursement to bus operators. The Portfolio Lead for Transport recommends that the following two investments are therefore made into the service to deliver improved outcomes for residents and service users.

- a. £0.25 million Continuation of the Apprentice and Trainee concession

The West Midlands Combined Authority currently operates a successful concessionary half fare travel to all children aged five to 15 and 16-18 scholars (in full time education) residing in the West Midlands. Specifically, the half fare offer has been widened to apprentices and trainees aged 16-18.

It is proposed to set aside funding to extend the scheme fully for the remainder of the 2018/19 financial year from the initial pilot. A full report will be provided to the West Midlands Combined Authority Board to confirm the design and operation of this scheme prior to the end of the 2017/18 Academic Year for approval and the extent to which this scheme is incorporated into TfWM policy.

- b. £0.35 million Development funding for the new rail franchise Stations

The new West Midlands Rail Franchise commenced on 12 December 2017. The West Midlands Combined Authority now hold the commissioning responsibility for this franchise and will need to develop investment plans for new stations within this franchise.

Delegated Authority to the Portfolio Lead for Transport is requested to develop a programme of work with regard to the new franchise station development within the recurrent revenue allocation of £0.35 million.

4.11 The budget reflects the final year of the 3 year Ring & Ride funding strategy with a further reduction of £0.2 million in funding for the service acknowledging the policy & delivery review of ring & ride service will continue to be progressed during 2018. In terms of Policy review in 2018/19, Transport for West Midlands will be considering the ways in which service outcomes can be delivered within a forecast budget envelope. This is consistent with the intentions articulated for the service in the previous financial and business planning round.

5 WMCA Operational Budget

5.1 The proposed West Midlands Combined Authority Operational Budget is summarised in the following table. Appendix 2 sets out in more detail each Portfolio areas.

Table 7: Summary WMCA Operational Budget 2017/18 to 2020/21

£m	2017/18	2018/19					2019/20	2020/21
		Membership	Commissions	Support	Devolution	Total		
Income								
Constituent Members	1.8	1.8	1.1	1.7	-	4.6	4.6	4.6
Non Constituent Members	0.4	0.4	-	-	-	0.4	0.4	0.4
Investment Income	0.5	0.5	-	-	-	0.5	0.5	0.5
Gainshare & Discount	1.6	-	-	-	-	-	-	-
Devolution Funding	1.2	-	-	-	5.5	5.5	6.7	4.9
3 rd Party	0.1	-	-	-	0.2	0.2	0.1	0.6
Reserves	-	-	0.4	-	0.2	0.6	0.2	-
Sub Total	5.6	2.7	1.5	1.7	5.9	11.8	12.5	11.0
Expenditure by Portfolio								
Economic Growth	1.2	1.1	0.1	-	0.6	1.8	1.7	1.6
Housing and Land	0.1	0.1	-	-	1.0	1.1	2.5	2.6
Health and Wellbeing	0.2	0.2	0.5	-	-	0.7	0.7	0.7
Public Service Reform	0.5	0.4	0.2	-	0.2	0.8	0.6	0.6
Skills and Productivity	1.9	0.3	0.3	-	4.1	4.7	4.3	2.7
Collective Investment Fund	0.4	-	-	-	-	-	-	-
Transport	0.1	-	-	-	-	-	-	-
Leadership and Support	1.2	0.6	0.4	1.7	-	2.7	2.7	2.8
Sub Total	5.6	2.7	1.5	1.7	5.9	11.8	12.5	11.0
Total	-	-	-	-	-	-	-	-

5.2 The preceding table splits the Constituent Authority Contributions into three parts to ensure consistency with the design principles for the West Midlands Combined Authority and these are summarised below.

a. £1.8 million Constituent Authority Membership Fees

This represents the ongoing costs of the West Midlands Combined Authority Operational Budget and the maintenance of the principle of the fixed £0.25 million per year membership fee per Constituent Authority representing the equal membership status of each authority.

b. £1.1 million Constituent Authority contributions based on Commission approvals

This represents the costs of delivery of each Portfolio across the medium term based on the outcomes and delivery plans approved by the West Midland Combined Authority Boards and/or Commissions. This budget sets out the financial impact of those decisions across the medium term that require funding from the Constituent Authorities.

The funding is broadly consistent with the run rate of expenditure incurred in 2017/18 and can be met through the budgets available within the seven Constituent Authorities following MRP reductions in the Transport for West Midlands Levy. This represents fixed term investment over the medium term that deliver specific outcomes and will be subject to annual review.

c. £1.7 million Constituent Authority contributions to support corporate services

This represents the costs of Business Services that were on the whole previously allocated and recovered within the Transport for West Midlands Levy that have been transferred to the West Midlands Combined Authority Operational Budget based on the activities actually supported by these teams.

To ensure consistency of funding and therefore no net change in contributions from the Constituent Authorities, the basis on which these costs are recovered from them are based on Population to ensure that there is no impact on Constituent Authority contributions from the transfer in accounting terms.

5.3 When taken together, the Constituent Authority funding mechanism for the West Midlands Combined Authority Budget is now based on a 63% fixed membership fee and a 37 % population based split. The seven Constituent Authority Finance Directors have been consulted from a technical perspective.

5.4 The Housing and Land Commission identified measures to increase supply of land for housing and employment, helping meet the levels of growth set out in the Strategic Economic Plan and now set out for delivery in the Land Action Plan.

5.5 Set out below is more detail with regard to the proposals have been developed with the support of Lead Portfolio Holders and Lead Chief Executives and therefore support for approval of the Budget are significantly in five Portfolio areas, those being:

a. £0.1 million Economic Growth

£0.1 million (£60k) in relation to two cultural studies as agreed through the Portfolio Holder for Culture and Tourism Enquiry and Pilot.

- b. £0.5 million Health and Wellbeing
- £0.3 million in relation to four posts to deliver the outcomes of the Mental Health Commission approved through the West Midlands Combined Authority Board in 2017/18. This investment lever in significant matched funding in excess of £8 million into the Region to support the delivery of the findings of the Mental Health Commission. The Mental Health Commission has undertaken research into mental health and its impact on the public sector, launched the Thrive West Midlands action plan and will be holding the first Thrive Mental Health Commission Awards in January.
- £0.1 million to drive forward and implement the 'West Midlands on the Move' Strategy
- £0.1 million to support 3 Health and Wellbeing Pilots that lever in significant additional resources from NHS England, Public Health England and local universities
- c. £0.2 million Public Service Reform
- A policy officer post to assist in the development and production of the outline business cases for the Public Sector Reform programme;
- Consultancy support for the commission pilot & priority areas around social care, education and collaboration
- d. £0.3 million Skills and Productivity
- The Productivity & Skills Commission sets the investment to enable strategic targeting of areas where there is potential to boost productivity and re-ignite under-performing industry, helping to reduce unemployment and underemployment and ultimately tackle a widening skills gap. In addition to the significant Devolution Deal monies, local contributions are required for the following activities.
- Delivery of the automotive skills strategy; and
 - Delivery of the Regional Employer and Learner offer.
- e. £0.5 million Leadership and Support
- £0.1 million advisor fees retained for Funding for Growth work representing a reduction from £0.4 million included in the prior year 2017/18 budget;
- £0.2 million for West Midlands Combined Authority marketing, promotion, stakeholder engagement, lobbying, conferences and other promotional spend that whilst consistent with the allocation in the 2017/18 Operational Budget is yet to be deployed for 2018/19; and
- £0.2 million of additional resource to support scrutiny, legal and financial processes over the medium term financial plan as the gross expenditure and activity has increased over and beyond the 2017/18 levels.

5.6 The commitment to fund the delivery of the Commission Outcomes has been successful in levering in significant Central Government and local matched funding. Across the West Midlands Combined Authority Operational Budget the level of Devolution Deal 2 monies represents almost a 100% cash match against local resources.

- 5.7 In addition, and particularly with regard to the Health and Wellbeing Portfolio a significant investment from Partners has been levered in to increase the investment across the region on these activities. Were the local contributions from Constituent Authorities to be put at risk then this level of match and financial support from Partners may be put at risk. Further detail across each Portfolio and Expenditure plans is provided within Appendix 2.
- 5.8 The Board is recommended to approve the inclusion of these budget allocations into the West Midlands Combined Authority Draft Budget based on the Portfolio Lead and Lead Chief Executive support for these proposals together with the business cases.

The West Midlands second Devolution Deal

- 5.9 The second Devolution Deal between Central Government and West Midlands Combined Authority and the financial contributions available to the West Midlands Combined Authority are set out in Table 7. This reflects the confidence that Central Government has in the region responsible for almost a third of all new private sector jobs in the UK over the last 12 months.
- 5.10 Funding to create a Delivery Team to drive an ambitious house-building programme and investment in high-tech economic sectors forms the focus of the new deal initially announced by the Chancellor in November. The deal recognises that the region is outperforming others in terms of start-ups and economic growth, and lays the foundations to further improve this performance. The new Housing Delivery Team will provide additional capacity to work with local authorities, developers and investors to help the West Midlands unlock the new homes needed in the region by 2030. The deal also provided support in the form of £5 million investment to expand construction skills. It puts the region at the vanguard of accessing the £44 billion earmarked for housing and infrastructure by the Chancellor in his budget.
- 5.11 To support jobs growth in emerging technologies, the deal commits to the West Midlands' role as a global centre for new automotive development such as in electric and driverless cars. This builds on the West Midlands' existing strengths in this sector, focused around Coventry, but with wider benefits to the whole region. The West Midlands recently secured £31 million of Central Government investment to undertake testing of driverless vehicles on key routes in the region, working alongside the private sector and has an £80 million bid for a battery research and development institute currently being considered.

Coventry City of Culture 2021

- 5.12 The West Midlands Combined Authority Board approved a report at its November 2017 meeting outlining its support for the bid for Coventry to become the UK City of Culture in 2021. This included a potential consideration of a financial contribution from the West Midlands Combined Authority of £4.0 million as part of its normal budget setting process. Coventry received the fantastic news that it was successful in its bid in early December 2017.
- 5.13 The Coventry City of Culture Trust is now reviewing its business plan and establishing with more certainty the funding streams and funding profiles that they are able to secure to deliver a truly transformational build-up programme (2018-2020), the delivery year (2021) and a legacy year (2022) for both the city and the region.
- 5.14 The Portfolio Lead for Finance has agreed to work with the Leader of Coventry City Council to firm up the exact revenue request for financial support from the West Midlands Combined Authority and a further paper will be provided to the West Midlands Combined Authority Board in March 2018.

6 Mayor's Budget and Precept

- 6.1 On 5 May 2017, six mayors were elected for the first time to lead combined authorities in: Cambridgeshire and Peterborough, Greater Manchester, Liverpool City Region, the Tees Valley, the West of England and the West Midlands. The six combined authority areas account for a total population of 9.5 million people, almost 20% of the population in England.
- 6.2 From 2018/19 elected Combined Authority mayors can raise additional resources through a precept on local council tax bills. This will therefore be the first financial year for which mayoral combined authorities have been required to consider issuing a precept.
- 6.3 The Mayor must notify the West Midlands Combined Authority of his draft budget before 1 February 2018 and this report represents that notification. The Combined Authority must review the Mayor's Budget and may make a report on it to the Mayor setting out whether they would approve it in its current form and may include recommendations. This must take place before 8 February 2018 otherwise the Mayor's Budget will be deemed approved. If the Combined Authority makes a report then the Mayor must have at least 5 working days to respond and can either make the required changes or not.
- 6.4 The West Midlands Combined Authority must then decide whether to accept the original (or revised) budget or veto it and approve the budget with their amendments. Decisions of the West Midlands Combined Authority are by a 2/3rds majority for setting of the Mayoral budget.
- 6.5 In his Renewal Plan, the Mayor committed to raising no precept before 2018, and to convene a panel of experts to examine the alternatives to raising a precept, such as business rates supplements, public sector pension fund investment, land value capture and a public sector reform Gainshare fund. The West Midlands Combined Authority Funding for Growth Programme has been established with finance experts from the private sector, local government and academia, and has examined the potential alternatives to a precept since May 2017.
- 6.6 The funding sources examined have significant potential but are more focused on the medium and long term. The Mayor has however committed to keeping the precept as low as possible, whilst fulfilling his manifesto commitments to the people of the West Midlands. Set out below are three groups of activities which will be funded from the precept, all of which were key mayoral pledges during his election campaign and are aligned to the WMCA's agreed policy priorities:
 - a. Mayor's office & delivery of the Mayor's Renewal Plan;
 - b. Network Resilience and Congestion Reduction; and
 - c. Contribution to the Investment Programme.

Mayor's Office and delivery of the Mayor's Renewal Plan

- 6.7 The Mayor put forward an ambitious programme of activities in his Renewal Plan, and the Mayor's Office exists to support the Mayor in delivering his manifesto commitments:
 - Support the Mayor's schedule of events, meetings and media appearances;
 - Ensure the Mayor can listen to and communicate with citizens in the West Midlands effectively;
 - Support with briefings and policy review; and
 - Oversee the delivery of the Mayor's policy priorities.

- 6.8 The Mayor's Budget includes the staffing costs of the Mayor, the senior team, support staff, policy advisors as well as resources to deliver communications, customer response and events. The proposed budget includes development of capacity to deliver specific Mayoral initiatives from the Mayor's Renewal Plan, these include 4 areas of focus:
- a. Homelessness Taskforce: To "design out" homelessness in the West Midlands with a co-ordinated organisations from the public, private and voluntary sectors;
 - b. Leadership Commission: To reshape the leadership of the West Midlands across industries to more closely reflect the make-up of the region;
 - c. Mayor's Mentors: To provide mentoring opportunities for young people in the West Midlands to drive career aspiration; and
 - d. Funding for Growth Programme: To identify new ways of funding and financing the ambitions of the West Midlands Combined Authority.

Network Resilience and Congestion Reduction

- 6.9 Transport for West Midlands plans to deliver an ambitious programme of new Metro lines, rapid bus Sprint routes, and re-opening rail stations and lines. Other major developments in the region, such HS2 and motorway improvement schemes, in addition to the existing levels of transport congestion, have the potential to cause significant disruption which will hold back the region's economic performance and negatively impact people's lives.
- 6.10 The Mayor's Precept incorporates the anticipated costs of delivery of the network resilience and congestion reduction business plan in 2018/19 that has been formulated by the Director of Network Resilience. These network resilience and congestion reduction activities are included in the proposed Mayor's Precept based on the Mayor's devolved powers to address road traffic reduction and highways/traffic management.
- 6.11 A congestion management plan will be developed to tackle the challenges the region will face over the coming years. This plan will include:
- Development of congestion action plans for each route on the Key Route Network;
 - Strategic co-ordination of traffic management activities across the region, for example, exploring a joint traffic control centre and a joint permit scheme;
 - Improved protocols for co-ordination between organisations involved in traffic management, for example through the Ministerial Network Resilience Group;
 - Behaviour change activities to encourage people to shift to public transport, cycling and walking, and reduce the demand on roads in the region; and
 - Investment in road infrastructure to improve traffic flow.

Investment Programme.

- 6.12 The West Midlands Combined Authority works across the biggest challenges which the region faces, and decides collectively where to focus its resources through its Investment Programme. In particular, there are a number of schemes which aim to reduce congestion across the West Midlands. The Mayor's Precept incorporates a contribution to the West Midlands Combined Authority's Investment Programme that will support the funding of these congestion busting investments in the West Midlands as envisaged in the West Midlands first Devolution deal and the Mayoral Renewal Plan.

- 6.13 The financing of the West Midlands Combined Authority's Investment Programme as agreed by its constituent members in 2015/16 included a contribution from a future mayoral precept, and no viable substitute funding mechanism has been identified by the Funding for Growth Programme for 2018/19 at this stage. The Funding for Growth programme will develop plans to support, complement and add to the existing funding mechanisms included in the Investment Programme over the medium term.
- 6.14 Funds raised from the Precept will be earmarked for Investment Programme projects that can be clearly demonstrated to fall within the Mayoral powers and plans are in place for delivery of the investment in 2018/19.
- 6.15 Specific schemes relevant to reducing congestion schemes already included in the approved Investment Programme are as follows:
- Investments designed to encourage cycling including the development of separate cycle lanes;
 - Investment in park & ride facilities at key rail stations designed to encourage commuters to use public transport such as the scheme to provide new park & ride facilities at Longbridge; and
 - Investment in developing Sprint bus priority schemes along key corridors such as the scheme for the A45.
- 6.16 The forecast costs of the overall schemes relevant to reducing congestion when taken in aggregate are in excess of the funding intended to be developed through the Precept.
- 6.17 Mayoral powers to raise a Precept for the purposes of providing funding for the Investment Programme are limited to those projects which will improve congestion and have a direct impact on car usage and road safety as being functions that are within the mayoral powers.
- 6.18 The proposed budget for the Mayor's Office, network resilience and congestion reduction initiatives and a contribution to the Investment Programme to fund relevant schemes currently indicates a precept of £7.5 million which equates to a Band D council tax of £10.80 or 21p per week. The proposed budget is set out in Appendix 3.
- 6.19 The costs of administering future Mayoral elections cannot be included in the Precept and will need to be met through the West Midlands Combined Authority Constituent Member contributions. A funding strategy will therefore need to be agreed.

7 The Medium Term Financial Plan

- 7.1 The Medium Term Financial Plan contained within the budget setting papers for 2017/18 has been reviewed and updated to reflect revised funding levels receivable from Constituent Authorities and devolution funding granted by Central Government as well as other funding streams for specific projects. The financial planning horizon has been extended by one year to 2020/21 and for the first time the Medium Term Financial Plan includes the following:
- The West Midlands Combined Authority Transport Levy for Transport for West Midlands;
 - The West Midlands Combined Authority Operational Budget;
 - Investment Programme Governance and Interest Payable costs; and
 - The Mayoral Combined Authority Precept.
- 7.2 A summary of the Consolidated West Midlands Combined Authority is set out in the following table:

Table 8: Consolidated Medium Term Financial Plan

£m	2017/18	2018/19	2019/20	2020/21
Income				
Transport Levy	121.5	114.1	114.1	114.1
Devolution Deal Grants	36.5	42.2	43.2	41.3
Business Rates Growth*	0.0	4.5	6.0	7.5
Constituent Members				
Membership	1.8	1.8	1.8	1.8
Commissions	-	1.2	1.2	1.2
Corporate Services	-	1.7	1.7	1.7
Non Constituent Members	0.4	0.4	0.4	0.4
Investment Income	0.9	0.5	0.5	0.5
Mayoral Precept	-	7.5	7.5	7.5
3rd Party Income	0.0	0.2	0.1	0.5
Use of Reserves/Other	0.0	1.3	1.0	1.0
Sub Total	161.2	175.4	177.5	177.5
Expenditure				
Transport for West Midlands Levy	121.5	115.1	115.1	115.1
Operational Budget	4.3	11.8	12.4	10.9
Investment Programme: Interest Payable	-	3.6	7.6	10.8
Investment Programme Governance	0.7	1.0	1.0	1.0
Mayoral Election / Office	5.4	0.9	0.9	0.9
Mayoral Precept for Network Resilience	-	0.6	0.6	0.6
Revenue Financing of Capital Expenditure	29.3	45.4	42.9	41.2
Subtotal	161.2	175.4	177.5	177.5
Net	-	-	-	-
* Whilst income from business rates growth has been calculated as receivable in 2017/18, it was not included in the original budget				

- 7.3 The indicative Medium Term Financial Plan for 2019/20 and 2020/21 assumes a cash flat funding requirement from Constituent Authorities both in terms of the Transport for West Midlands levy over the three year period and their contributions to the West Midlands Combined Authority Operational Budget in the latter two years. Whilst this currently represents the planning assumption, it is acknowledged that this creates a potential financial risk specifically with regard to inflationary increases, pay and legislative changes and demand in terms of patronage and the impact of these risks will be kept under review.
- 7.4 Assumptions have been made around pay and price rises and the Consumer Prices Index along with changes in patronage and fares. Any variation on this for 2018/19 will need to be managed within the available resources. These clearly may change significantly over the medium term meaning a cash flat position may not be achievable without changes to policy.
- 7.5 The announcements around the West Midlands Fire and Rescue Services and the Office of the West Midlands Police and Crime Commissioner will require one off costs and the West Midlands Combined Authority will be working with partners to identify how these will be funded.

7.6 The Medium Term Financial Plan incorporates a broad estimate of the financial impact of the following risks and sensitivities:

- Demographic growth and demand pressures specifically where transport payments and services are directly affected by patronage demands;
- Inflation;
- Brexit, to the extent that there may be potential for increased costs of supply of labour, good and services; and
- Business Rates Retention Scheme and the achievement of growth targets, including the retention mechanism currently being developed through the West Midlands Finance Directors' Group.

7.7 These assumptions will be kept under review with the Finance Directors of the seven Constituent Authorities.

8 Transport Medium Term Capital Programme

8.1 The Transport Capital Programme is summarised in the table below and set out in detail within Appendix 4. The table below outlines the planned capital transport interventions to be delivered by Transport for West Midlands between 2018/19 and 2020/21 with the aim of provided best in class public transport services across the West Midlands.

Table 9: Summary Transport Capital Programme

£m	2018/19	2019/20	2020/21	Total
HS2 Connectivity Programme	58.6	111.3	132.0	301.7
Metro Birmingham Eastside Extension	21.0	41.0	31.9	94.0
Metro East Birmingham to Solihull	3.6	6.0	17.0	26.6
Metro Wednesbury to Brierley Hill	13.7	12.6	38.9	65.2
TfWM Investment Programme Schemes	96.8	170.9	219.8	487.5
Asset Renewal and Replacement	1.3	1.2	1.2	3.7
Project Development	1.9	0.9	-	2.8
Metro, Rail and Bus Minor Works	1.3	1.5	2.3	5.1
Key Route Network	0.8	1.0	1.0	2.8
Sustainable Travel	4.2	-	-	4.2
Other Capital Programmes	9.4	4.6	4.5	18.5
Total	106.3	175.5	224.2	506.0

8.2 The programme predominantly consists of Transport for West Midlands direct delivery of schemes to support the Devolution Deal One Investment Programme in the form of Metro extensions, Sprint network delivery and Rail investment.

8.3 The programme also contains the agreed Transport for West Midlands Minor Works programme which is funded from Integrated Transport Block and is focused on Asset Renewal and Replacement programmes in addition to the initial development of larger schemes. In addition, other programmes such as Managing Short Trips and Longbridge Connectivity which are funded by Local Growth Funding are included in the programme.

9 Investment Programme

- 9.1 The West Midlands Combined Authority Investment Programme consists of an £8 billion package of measures designed to stimulate and grow the West Midlands economy. The programme is funded through a broad range of sources, including a substantial borrowing commitment from West Midlands Combined Authority.
- 9.2 The approved Investment Programme planned spend 2018/19 – 2020/21 is currently £531.5 million and is set out in Appendix 5 for noting.
- 9.3 All schemes continue to be subject to the assurance approvals process and the financial monitoring and reporting requirements and estimates of spend are in accordance with latest scheme submissions.
- 9.4 A focus, as part of the Strategic Economic Plan is to invest into priorities for driving economic growth in the West Midlands region and building a healthier, happier, better connected and more prosperous West Midlands. These include
- **HS2 and the Midlands Growth Strategy** – as part of the West Midlands Combined Authority Strategic Economic Plan, the region is geared up to capitalise on the unprecedented opportunities HS2 will bring – tens of thousands of new jobs, a new level of connectivity to the great northern cities as well as London and new opportunities for young people with the HS2 College.
 - **Metro Extension Programme** - Once complete this extension will provide regeneration opportunities and put hundreds of thousands of people within easy reach of HS2, will align employment, education, health and tourism plans along the route, stimulating investment in the Black Country and creating thousands of jobs and new homes, as well as more than halving journey times from some of the stops along the route into central Birmingham.
 - **Delivering housing growth** – new housing is central to economic growth and achieving the SEP target by 2030.

10 Budget Calculation

- 10.1 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer, in this case, the Director of Finance, 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 a number of 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;
 - Inflation and interest rate volatility;
 - West Midlands Pension Fund Investment Performance; and
 - Unforeseen emergencies.
- 10.3 Exclusive of the set aside from the 2017/18 MRP, the General Reserve Balance as set out in Table 2 is £1.8 million. This balance represents only represents only 1.6% of the proposed 2018/19 levy.

- 10.4 The Audit Commission recommend that general fund reserves should be between 5% and 7.5% of expenditure. The proposed balance is significantly below this recommended level and consideration should be given over the medium term to increase the level of General Balances to ensure risk can be managed within the West Midlands Combined Authority without creating volatility on the Transport for West Midlands levy.
- 10.5 Members will also be aware of our obligations as a Best Value authority to make arrangements to secure continuous improvement in the way in which our functions are exercised, having regard to a combination of economy, efficiency and effectiveness, including consultation with tax payers and users as appropriate.
- 10.6 These obligations are addressed in the medium term financial planning and brought together as part of the annual budget process in this report and the February 2018 Cabinet budget report. This is supplemented by additional Cabinet reports throughout the year with regard to the approval of significant investments and reforms.
- 10.7 Despite the above risks, there are also a number of opportunities to consider to ensure optimum financial stability and security that include:
- Capital Financing, making best use of capital financing, including optimum use of access to the Public Works Loans Board; and
 - Treasury Management Activity, maximising the current market opportunities for the West Midlands Combined Authority and reviewing the borrowing strategy.
- 10.8 The Director of Finance states that to the best of his knowledge and belief these budget calculations are robust and have full regard to:
- The West Midlands Combined Authority's Strategic Economic Plan and the Mayor's Renewal Plan;
 - The need to protect the West Midlands Combined Authority's financial standing and risk;
 - The estimated financial position as at the end of 2017/18;
 - The financial policies of the government as they impact upon the West Midlands Combined Authority;
 - The Transport Capital Programme set out in Appendix 4;
 - The Investment Programme set out in Appendix 5;
 - The strength of the West Midlands Combined Authority's financial control procedures including audit considerations; and
 - The extent of the West Midlands Combined Authority's general balances and earmarked reserves.

11 Guidance on Excessive Increases in Council Tax

- 11.1 The Localism Act gives local communities the power to approve or veto excessive rises in Council Tax. The provisional Local Government Finance Settlement for 2018/19 received on 19 December 2017 confirms that the Government does not intend to apply a referendum principle to precepts set by mayors of combined authorities in 2018/19. It will therefore be for mayors to decide the level of those first precepts without reference to any referendum principles. Government expects that mayors will exercise restraint and set a council tax precept which is proportionate to their needs and not burdensome to their residents. It remains open to Government to review the level of the mayoral precepts that are set in 2018-19, and any application of council tax referendum principles in subsequent years.

Council Tax Base

- 11.2 The Constituent Authorities are currently in the process of setting their tax bases for 2018/19. This is the equivalent number of band D properties in the Constituent Authorities' area. The current information provided to the West Midlands Combined Authority is included within Section 6. Should changes occur to these tax bases then an adjustment will be made in time for the report to the West Midlands Combined Authority Board in February 2018.
- 11.3 It is not anticipated that any change in tax base information will result in a materially different proposal to that set out in this report.

Collection Fund Surpluses

- 11.4 In future years the West Midlands Combined Authority will benefit from a share of any surpluses declared by Metropolitan Authorities on their 'Collection Funds'. This surplus would be available as a one-off income stream and will be included in the West Midlands Combined Authority Budget Paper in February 2019.

12 Scrutiny

- 12.1 Scrutiny of the 2018/19 budget proposals is being undertaken by the Overview and Scrutiny Committee's Budget Task and Finish Review Group which is meeting with the Mayor, the Portfolio Lead for Finance and key senior officers to complement the work already being carried out by the Transport Delivery Committee.
- 12.2 The conclusion of this work will inform the Overview and Scrutiny Committee which will be meeting during week commencing 29 January 2018 to consider what comments it wishes to make to the West Midlands Combined Authority Board as part of the budget consultation.
- 12.3 A copy of the commentary will be made available in time for the West Midlands Combined Authority Board on 9 February 2018.

13 Fulfilling the Public Sector Equality Duty requirements

- 13.1 The West Midlands Combined Authority will continue to have due regard to proactively addressing the three elements of the Public Sector Equality Duty in all relevant areas – in particular the planning and delivery of our services. The West Midlands Combined Authority will continue to assess the equality impact of all relevant transformational change programmes and will ensure that the West Midlands Combined Authority Board has sufficient equalities assessment information to enable it to have due regard to the three elements of the Equality Duty when considering the budget for 2018/19.
- 13.2 The West Midlands Combined Authority will continue to ensure best practice is followed with regard to these requirements and will summarise its position in the February Report to the West Midlands Combined Authority Board following the finalisation of the Budget proposal.

14 Legal Implications

- 14.1 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. In particular, 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.

- 14.2 Resources from the West Midlands Combined Authority's investment programme will be drawn down to fund some of these activities. To the extent that these fall within the remit of the Mayoral functions as defined in the Order, or are considered to be associated or connected with the discharge of those functions it would be acceptable for the Precept to be used for providing funding to the Investment Programme, limited to those projects which will improve congestion and have a direct impact on car usage and road safety. The proposal for the 2018/19 Mayoral precept averaging £10.80 per Band D equivalent is to use the funding raised to deliver new segregated cycle paths and other capital investment supporting cycling, park & ride facilities at key rail stations and development SPRINT bus priority schemes along key corridors. These projects can be clearly demonstrated to fall within the Mayoral powers and plans are in place for delivery of the investment in 2018/19.
- 14.3 Independent legal assurance has also been sought over the operation of the precept and the application of the monies raised. The proposals contained in this report are considered to be appropriate for inclusion within a mayoral precept.
- 14.4 As a public authority which has the power to levy for transport functions and to raise a precept, the West Midlands Combined Authority must set a budget every year which is agreed through its formal decision-making processes. This year for the first time the mayoral budget is also being set and this report outlines the legal and governance processes that need to be completed including consideration by Overview and Scrutiny Committee and the West Midlands Combined Authority Board.

15 Appendices

Appendix 1 – Transport Delivery Revenue Budget

Appendix 2 – WMCA Operational Budget

Appendix 3 – WMCA Mayoral Precept

Appendix 4 – Transport Capital Programme

Appendix 5 – Investment Programme

Proposed Transport Revenue Budget

The proposed transport budget and levy for 2018/19 – 2020/21 are set out below.

	2017/18 Revenue Budget		2018/19 Revenue Budget		2019/20 Revenue Forecast		2020/21 Revenue Forecast	
Expenditure Category	£'000	%	£'000	%	£'000	%	£'000	%
National Policy								
English National Concessions Travel Scheme	52,519	43.2%	51,368	44.6%	51,776	45.0%	51,425	44.7%
Finance Related								
Capital Financing	17,499	14.4%	11,381	9.9%	9,745	8.5%	9,531	8.3%
Deregulation Pension Deficit	1,356		1,307		1,307		1,307	
TFWM Policies								
Child Concessions	9,609	7.9%	9,538	8.3%	9,634	8.4%	9,652	8.4%
Subsidised Services	8,588	7.1%	9,086	7.9%	9,100	7.9%	9,100	7.9%
Accessible Transport	7,369	6.1%	7,169	6.2%	7,171	6.2%	7,172	6.2%
Passenger Information	5,531	4.6%	5,790	5.0%	5,891	5.1%	5,986	5.2%
Rail and Metro Concession	4,409	3.6%	4,456	3.9%	4,769	4.1%	4,962	4.3%
Bus Services	4,213	3.5%	4,542	3.9%	4,633	4.0%	4,726	4.1%
Rail Services	3,025	2.5%	3,460	3.0%	3,522	3.1%	3,586	3.1%
Strategic Development	1,771	1.5%	2,040	1.8%	2,075	1.8%	2,105	1.8%
Safety and Security	924	0.8%	845	0.7%	1,161	1.0%	1,169	1.0%
Sustainable Travel	60	0.0%	253	0.2%	259	0.2%	265	0.2%
		37.4%		41.0%		41.6%		42.1%
Other								
Business Services	4,049	3.3%	3,031	2.6%	3,199	2.8%	3,253	2.8%
Elected Members	304	0.2%	304	0.3%	305	0.3%	309	0.3%
West Midlands Rail	316	0.3%	578	0.5%	600	0.5%	600	0.5%
		3.8%		3.4%		3.6%		3.6%
Total	121,542	98.8%	115,148	98.9%	115,148	98.6%	115,148	98.6%
Use of Reserves	0		(1,000)		(1,000)		(1,000)	
Proposed Levy	121,542	100.0%	114,148		114,148	100.0%	114,148	100.0%

The levy has reduced by £7.4 million from 2017/18 to 2018/19 and after use of £1m of reserves expenditure has reduced by £6.4 million due in the main to the following movements:

- (i) Reduction in Capital Financing which includes the agreed reduction in MRP, along with debt rescheduling, interest/borrowing savings and a reduction in transport development funding
- (ii) Reduction in ENCTS costs due to continued reducing trend on patronage
- (iii) Transition of corporate services
- (iv) Reduction in Child Concessionary costs due to the release of a provision for fare and patronage increases that is no longer required
- (v) Increase in Subsidised Bus Services costs due to a number of funding pressures from network changes and contract price increases.
- (vi) Investment in the extension of the Apprentice Concession
- (vii) Investment into the planning for new stations within the Rail Franchise
- (viii) Investment and expansion of the contact centre
- (ix) Infrastructure maintenance & cleaning cost increases
- (x) Increase in strategic development costs to support the delivery of the Transport ambition
- (xi) Sustainability previously funded by government grant

£51.4 million English National Concessions Travel Scheme (ENCTS)

This represents the reimbursement for ENCTS and is regulated by the Secretary of State with guidance provided by the Department for Transport. The latest price information and patronage figures from bus operators have been taken into account in forecasting the ENCTS requirement. The current scheme extends entitlement from 9.30am to the last bus. The proposal is for this to continue for 2018/19.

£11.4 million Capital Financing

The capital financing costs relate to loan interest, minimum revenue provision requirements and transport development costs.

£1.3 million Deregulation Pension Deficit

The deregulated pension costs relate to the pension commitments arising from deregulation in 1986, when a significant number of employees transferred from the Transport Authority to Transport for West Midlands, but their pension rights accrued to that date remained an obligation of the Passenger Transport Executive.

£9.5 million Child Concessions

The provision of concessionary half fare travel is provided to all children aged five to 15 and 16-18 scholars (in full time education) residing in the West Midlands. The Child Concessions amount now also includes a half fare offer for apprentices and trainees aged 16-18 which has initially been introduced as a pilot from the end of September 2017 and is now proposed to be extended until at least the end of the 2017/18 financial year.

£9.1 million Tendered Services

Where standards for access to the network are not met commercially, services are categorised into an order of priority giving a focus on journeys to work and access to shopping and health facilities. In residential areas, the maximum desirable walking distance to bus services in continuously built-up areas is 400 metres during the hours of 07.00 to 19.00 on Monday to Saturday and 700 metres at other times. The current access standards state that where passenger boarding exceeds eight and the cost per head is less than £1.60, then a service will be provided.

£7.1 million Accessible Transport

This expenditure funds services for 17,500 registered users, making around 0.85 million journeys per annum. In addition to the Ring and Ride service, a Walsall and Birmingham shopper's service is provided for older people who are primarily based in sheltered housing and a prison visitors service provides assistance for families, especially mothers with young children, to visit family members in prison.

£5.8 million Passenger Information

Passenger information expenditure relates to providing real time information across the network; customer information at bus stops, bus stations, on line, and includes the customer services teams and telephone support. This is provided in conjunction with the operators as part of the network commitments, which also includes a number of promotional campaigns throughout the year.

£4.5 million Rail and Metro Concessions

In the West Midlands the free national bus scheme has been extended to residents to include local Rail and Metro services within the region, enabling cardholders to travel after 9.30am up to midnight on weekdays and all day at weekends and bank holidays.

£4.5 million Bus Services

These costs cover the operation of bus stations and all management and maintenance associated with bus stations, as well as over 12,200 stops and shelters.

£3.5 million Rail Services

These costs cover the operation of the Metro and Rail and Metro car park and ride facilities.

Rail and Metro car parks are provided free of charge within the Metropolitan area. This policy provides in excess of 9,000 parking spaces.

£2.0 million Strategy Development

This represents the costs of Policy and Strategy development within Transport for West Midlands.

£0.9 million Safety and Security

Safety and security expenditure relates to the Safer Travel Police Team and the CCTV centre based in 16 Summer Lane. The CCTV centre will continue to be expanded as part of the drive to utilise this facility across the districts.

£0.3 million Sustainable Travel

This represents the costs of Sustainable travel work within Transport for West Midlands 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.

£3.0 million Corporate Services

This covers the costs of 16 Summer Lane and the provision of ICT, Legal, Procurement, Health and Safety, Equalities, Programme Management, Finance, Human Resources, Business Management and general business infrastructure and support.

£0.3 million Elected Members

This represents the cost elected members.

£0.6 million West Midland Rail

This relates to firstly the undertaking of Transport for West Midlands Rail responsibilities including Rail Partnerships, Rail scheme development and industry engagement and secondly the WMCA contribution to WMR Limited (a consortium of 16 local authorities) which has specific co-responsibilities with the Department for Transport for managing the West Midlands Rail franchise.

Transport for West Midlands Levy

The Transport for West Midlands levy is allocated to each district based upon the latest published population figures. For 2018/19 the proposed levy on each district is as follows:

	Estimated Resident Population MID-2016	%	Proposed Levy Allocation 2018/19
BIRMINGHAM	1,124,569	39.3%	44,806,630
COVENTRY	352,911	12.3%	14,061,167
DUDLEY	317,634	11.1%	12,655,612
SANDWELL	322,712	11.3%	12,857,937
SOLIHULL	211,763	7.4%	8,437,354
WALSALL	278,715	9.7%	11,104,948
WOLVERHAMPTON	256,621	9.0%	10,224,648
TOTAL	2,864,925	100.0%	114,148,295

Proposed West Midlands Combined Authority Operational Budget

The proposed operational budget for 2018/19 – 2020/21 is set out below.

WMCA Operational Forecast	2017/18 Budget £'000	2018/19 Budget £'000	2019/20 Budget £'000	2020/21 Budget £'000
ECONOMIC GROWTH	1,235.9	1,796.6	1,700.2	1,572.2
HOUSING & LAND	100.0	1,148.6	2,498.6	2,648.6
HEALTH & WELLBEING	230.0	676.9	678.0	690.0
PUBLIC SERVICE REFORM	480.0	758.6	566.7	575.0
SKILLS & PRODUCTIVITY	1,945.0	4,743.3	4,324.1	2,661.8
COLLECTIVE INVESTMENT FUND	350.0	-	-	-
TRANSPORT	81.5	-	-	-
LEADERSHIP & SUPPORT	1,227.1	2,698.2	2,754.3	2,811.7
TOTAL EXPENDITURE	5,649.5	11,822.2	12,521.9	10,959.3

Projects and workstreams that will be delivered in 2018/19:

Economic Growth will deliver:

- Development of the **Local Industrial Strategy**
- **WMCA Performance Management Framework** in line with the Local Industrial Strategy
- **Funding for Growth Programme**
- **Economic growth evaluation** via the Dynamic Economic Investment Model
- Investment in the **West Midlands Growth Company**
- **The Cultural Investment Inquiry**
- **Culture & Tourism pilots** via the West Midlands Growth Company
- **Film and Convergent Media Development**
- **Office of Data Analytics**

Housing and Land will deliver:

- Development and maintenance of a **Prioritised Site Pipeline**
- Development of a **Spatial Investment and Delivery Plan**
- The **Housing Deal**
- Development and implementation of **Development Briefs/Programmes for Strategic Investment Opportunities with relevant councils**

Health & Wellbeing will deliver:

- The **Supporting People into Work** workstream
- The providing **safe and stable places to live** workstream
- The **Mental Health and Criminal Justice** workstream
- Project work to get the **community involved** and **work with other cities and regions** to develop **approaches to mental health care**
- The **MoveWM Programme** focussing on building movement and physical activity into transport, housing and land
- **Workplace Wellbeing Physical Activity offer** pilot scheme with SMEs to explore how to develop less sedentary workplaces

- Wellbeing pilots including **Healthy Active Streets & a pilot wellbeing programme in schools**

Public Service Reform will deliver:

- A **Public Value Framework** as set out in the Barber review
- Engagement with **government**
- Development of approaches to **social care, education and collaborative savings**

Skills & Productivity will deliver:

- **Productivity and Skills Strategy and Delivery Plan**
- Sector Skills Strategies for **Automotive, Construction and Digital**
- Development of **Skills Advisory Panels**
- Development of **Career Learning Pilots**
- Development of **Employment Support Framework Agreement**
- Development of **Support to Return to Work Framework Agreement**
- Working with the Department for Education to influence **Adult Education Budget funded provision in the West Midlands region** during the 2018/19 academic year
- The employment and skills aspects of the **HS2 Growth Strategy**
- Delivery of a comprehensive **construction skills programme**
- Delivery of a comprehensive **careers strategy** and collaborative work with Further Education colleges to support readiness to deliver including employer engagement, teacher CPD and development of workplace opportunities

Proposed West Midlands Combined Authority Mayoral Precept 2018/19

Mayoral Precept 2018/19	2018/19 £m
Mayor's Office	
Staffing costs	0.757
Running costs	0.073
Corporate support	0.058
Sub-total	0.888
Network Resilience	
Staffing costs	0.472
Congestion mitigation	0.100
Sub-total	0.572
Contribution to Investment Programme	
Contribution to projects that reduce congestion	6.000
Total Precept Requirement	7.460

APPENDIX 4 : Transport Capital Programme

PROGRAMME	PROJECT DETAILS	FORECAST SPEND			Grand Total
		2018 / 19	2019 / 20	2020 / 21	
HS2 Connectivity Programme (METRO)	Metro Centenary Square Extension	18,972,997	13,142,601		32,115,598
	Metro Edgbaston Extension	9,794,086	24,255,911	24,861,657	58,911,654
	Metro Wolverhampton City Centre Extension	1,495,966	14,084,010	4,225,203	19,805,179
HS2 Connectivity Programme (SPRINT)	SPRINT - Hagley Road	2,434,522	1,255,199	8,530,482	12,220,203
	SPRINT - A45	6,583,520	14,700,000	11,700,000	32,983,520
	SPRINT - Longbridge to Birmingham	299,498	4,100,000	5,200,000	9,599,498
	SPRINT - A34 Walsall to Birmingham	1,299,105	2,400,000	4,300,000	7,999,105
	SPRINT - Hagley Road Phase 2 and Halesowen	6,772,187	7,400,000	17,000,000	31,172,187
	SPRINT - Dudley to Birmingham	700,000	2,900,000	5,500,000	9,100,000
	SPRINT - Hall Green to Interchange via Solihull	100,000	100,000	100,000	300,000
	SPRINT - Sutton Coldfield to Birmingham via Langley	1,798,187	2,000,000	7,500,000	11,298,187
HS2 Connectivity Programme (RAIL)	Rail -Camp Hill Line Local Enhancements			2,453,000	2,453,000
	Bordesley Chords	4,400,000	6,200,000	10,100,000	20,700,000
	Water Orton			5,000,000	5,000,000
	Water Orton Local Enhancements		1,900,000	3,600,000	5,500,000
	Snow Hill Lines	700,000	1,200,000	1,100,000	3,000,000
	Sutton Coldfield Interchange and City Link	179,000	600,000	1,800,000	2,579,000
	Walsall to Wolverhampton Local Enhancements	1,500,000	7,000,000	9,000,000	17,500,000
	Stourbridge to Round Oak Line Canal St Station	1,500,000	8,000,000	10,000,000	19,500,000
Metro Birmingham Eastside Extension	Metro Birmingham Eastside Extension	21,046,000	40,999,999	31,916,822	93,962,821
Metro East Birmingham to Solihull Extension	Metro East Birmingham to Solihull Extension	3,585,579	6,014,544	17,000,004	26,600,127
Metro Wednesbury to Brierley Hill Extension	Metro Wednesbury to Brierley Hill Extension	13,680,398	12,597,589	38,884,963	65,162,950
SUB TOTAL - TFWM INVESTMENT PROGRAMME SCHEMES		96,841,045	170,849,852	219,772,131	487,463,028
Asset Renewal and Replacement	Network Wide Bus Station Refurbishment Phase 1	205,131			205,131
	Asset Management Replacement and Renewal Programme	1,074,675	1,200,000	1,200,000	3,474,675
Metro Minor Works	Park & Ride Delivery (Metro)			2,270,530	2,270,530
Project Development	Perry Barr Station and Interchange Development	303,686			303,686
	Dudley Bus Station Development	200,000	100,000		300,000
	Tipton Park & Ride	39,171			39,171
	Snow Hill 3rd Access	1,000,000	800,000		1,800,000
	Bus Lane Review	50,000			50,000
	Generic Project Development	303,886			303,886
Rail Minor Works	Park & Ride Delivery (Rail)		1,500,000		1,500,000
	Longbridge Connectivity Package	816,035			816,035
Bus Minor Works	Transforming Bus Travel Programme	500,000			500,000
Key Route Network	Improvements to the Key Route Network Programme (Safety & Congestion)	750,000	1,000,000	1,000,000	2,750,000
Sustainable Travel	MST (SAN01) Smethwick:Galton Bridge to Bromford Rd Towpath	428,138			428,138
	MST (WOL01) Wednesfield link to New Cross Hospital	423,000			423,000
	MST (SAN03) Smethwick:Bromford Rd to Albion Rd Junction	146,250			146,250
	MST (WOL02) Wolverhampton:Dixon Street to Deepfields Junction Bridge	591,463			591,463
	MST (SAN07) Sandwell:Tame Valley Towpath Improvements at Friar Park	452,000			452,000
	MST (DUD04) Coseley:Deepfields Bridge to Factory Jn Towpath improvements	441,000			441,000
	Smethwick:Bromford Lane to Dudley Border	1,273,000			1,273,000
	Network Wide Cycling Programme	125,000			125,000
	Snow Hill 3rd Access	150,000			150,000
	Snow Hill Public Realm	150,000			150,000
Ticketing	Network Wide Swift Procurement	24,000			24,000
SUB TOTAL - OTHER PROGRAMMES		9,446,435	4,600,000	4,470,530	18,516,965
GRAND TOTAL		106,287,479	175,449,852	224,242,661	505,979,993

APPENDIX 5 : WMCA Contributions to Externally Delivered Investment Programme Schemes

PROGRAMME	PROJECT DETAILS	FORECAST PROJECT SPEND (£)					Grand Total £
		2017 / 18	2018 / 19	2019 / 20	2020 / 21	2021 / 22	
Coventry Regeneration	Coventry City Centre South	7,338,618	35,924,000	7,867,000	26,290,000	20,977,400	98,397,018
	Friargate	211,000	49,317,000	385,000	406,000	429,000	50,748,000
Solihull	Infrastructure	3,544,620	10,683,970	25,867,500	56,720,070	41,388,000	138,204,160
	Interchange	1,702,137	8,707,890	6,613,290	2,303,327	1,343,390	20,670,033
Coventry UKC	City Centre First	-	13,297,811	30,118,328	6,122,248	1,461,613	51,000,000
	UKC North	140,000	1,230,000	1,375,000	1,116,000	8,666,000	12,527,000
	Coventry South	256,000	4,779,311	14,619,180	16,115,000	26,240,509	62,010,000
	Coventry VLR	-	6,349,645	2,605,730	1,716,464	1,256,829	11,928,667
Business Innovation	Business Innovation	-	1,075,000	3,300,000	11,375,000	12,875,000	28,625,000
Land Remediation Fund	Black Country Land & Property Investment Fund	5,000,000	25,000,000	25,000,000	25,000,000	75,000,000	155,000,000
	Brownfield Land and Property Development Fund						
Collective Investment Fund	Investments	39,760,000	30,000,000	30,000,000	30,000,000	30,000,000	159,760,000
	Investments Repaid	-	(3,600,000)	(39,760,000)	(30,000,000)	(30,000,000)	(103,360,000)
TOTAL		57,952,375	182,764,627	107,991,027	147,164,109	189,637,740	685,509,878