



WEST MIDLANDS
COMBINED AUTHORITY

WMCA Board

Date	9 March 2018
Report title	WMCA Funding for Growth Programme Update
Portfolio Lead	Andy Street - Mayor of the West Midlands
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	WMCA Programme Board - 23 February 2018

Recommendation(s) for action or decision:

The WMCA Board is recommended to:

- (1) Note the approach taken to date and the next steps being undertaken.

1.0 Purpose

1.1 To update the Board on the status of the WMCA Funding for Growth Programme, membership, meetings convened so far, current areas of focus and initial findings to date.

2.0 Background

2.1 The Funding for Growth Programme is a key part of the region's approach to devolution following the first devolution deal. This Programme clearly supports the aspiration for the region to develop further income generating opportunities that support devolution of powers and decisions to the West Midlands. The Funding for Growth programme was set up to focus on generating and implementing ideas that will drive additional funding for the region in order that consideration of potential and implementation could be picked up by officers within both the West Midlands Combined Authority and its Constituent and Non Constituent partners. In particular, the programme's objectives include the following:

- Consider existing financing/funding powers and sources that are available to the WMCA, recent evolution of these, and comparison of these powers/sources to those devolved to London and selected other cities.
- Analyse the West Midlands region, in terms of levels of public expenditure and tax revenue, and assess the size of the funding gap.
- Consider the potential options available to the West Midlands, in terms of additional powers (i.e. tax revenues and control over spending) that could be devolved from Government, and incremental funding sources that could be used locally.
- Make recommendations as to how the West Midlands could increase control over local spending and, importantly, create new funding opportunities (or enhance existing mechanisms), based on the options assessed. The external experts in the programme will be key to generating new funding ideas, which may include innovative mechanisms to drive incremental property and infrastructure investment, e.g. new funding structures to increase the viability of funding brownfield site regeneration for property development.
- Consider further objectives and areas that should be considered for ongoing focus following the completion of initial evaluation and reporting, and how such further objectives can be delivered.

2.2 In addition the programme is also designed to ensure that the existing investment programme can be fully financed, as well as finding further opportunities for investment. The Funding Report, as presented to the January 2018 WMCA Board, demonstrates the need for ongoing focus on regional funding.

2.3 The programme comprises a number of public and private sector representatives, who bring with them a blend of experience across public and private sector, including representation of the WMCA, broader local government experience, relevant think-tanks, funding and finance professionals, and others from the private sector. With a broad range of areas being discussed, flexibility has been retained to bring additional expertise into the group for specific meetings, in order to facilitate discussion on particular areas of specialism.

Andy Street	Mayor	Julian Beer	BCU
Andrew Browning	Chief of Staff to the Mayor	Izzi Seccombe	Warwickshire CC
Nick Taylor	Mayoral adviser	Isabel Dedring	Arup
Deborah Cadman	Chief Exec, WMCA	Louise Bennett	Coventry & Warwickshire Chamber of Commerce
Sean Pearce	Director of Finance, WMCA	Martin Guest	CBRE
Julia Goldsworthy	Strategy Director, WMCA	John Byrne	Rothschild
Stephen Hughes	Ex BCC Chief Executive	Mike Turley	Deloitte
Bill Hughes	Legal & General	David Hutchison	Social Finance
Andrew Carter	Centre for Cities	Tony Smith	Birmingham CC
Tony Travers	LSE & London Finance Commission	Simon Collinson	CityREDI
Sarah Middleton	Black Country Consortium Limited		

2.4 In the first phase of the programme's work, up to September 2017, a team from PwC supported the programme with initial analysis of specific funding opportunities. Thereafter, support has been provided from within the WMCA.

3.0 Wider WMCA Implications

3.1 None. The WMCA is represented by the Chief Executive and Finance Director of WMCA, who have both been invited to join. This ensures the implications of the programme's work are fully understood by the WMCA, as well as ensuring that local authority finance directors are fully consulted on plans being proposed.

3.2 The programme will also leverage off existing groups, structures and taskforces within the WMCA, to avoid duplication of work. In particular, where existing structures are in place the programme will focus less on those specific areas.

3.3 Going forward, it is proposed that six monthly updates are provided to the WMCA Board, to update on progress and areas of focus, in order to continue developing the transparency of the programme's work.

4.0 Progress, options, discussion, etc.

4.1 The programme's work commenced in July 2017, focusing on consideration of new funding opportunities that the region should consider. Thereafter, work has focused on providing a high level valuation of the impact of such opportunities, as well as their deliverability and linkage with regional strategic priorities.

4.2 Meetings have been held in July, September, October, and December 2017, with the next meeting scheduled for 7 March 2018.

4.3 Work has developed along the basis of a number of 'themes', with priority work focused on the following areas:

- Public service reform
- Private sector engagement
- Housing and transport
- Other areas, including taxation and revenue raising

Whilst a further theme around Employment and Skills was considered at an early stage, work in this area has been de-prioritised on the basis that certain ideas within this theme – devolving underspends in the regional apprenticeship levy and looking further at devolving adult skills funding as examples – are already being considered more broadly, and a Funding for Growth focus on these would duplicate other efforts.

- 4.4 Sub-groups, comprising specific members of the Funding for Growth programme, have been set up in the specific areas bulleted above, to allow for more granular consideration and discussion of those areas. Sub-groups met in November 2017, before a full-group meeting in December 2017.
- 4.5 Further detail on the work undertaken is set out in the appended update pack.
- 4.6 The outputs from the initial meetings of the programme were fed into documents provided to HM Treasury to support discussions at the time of the Devo II negotiations, with a view to helping build the case for greater financial independence and innovation; Obtaining a greater level of financial independence for the West Midlands is central to the successful delivery of the strategic priorities set out in the WMCA's Strategic Economic Plan (SEP). Specifically, there are five key drivers for greater levels of financial independence:
- Locating the tools, powers and resources across the economic geography of the West Midlands that will best support growth and investment;
 - Facilitating a better coordination of local resource and a more effective use of local assets;
 - Making public services more responsive, effective and efficient;
 - Achieving greater levels of private sector participation and investment across the West Midlands; and,
 - Creating a local economic ecosystem that is more autonomous and sustainable.
- 4.7 The work so far has outlined a number of funding opportunities that are being actively pursued, however it is noted that these do not represent opportunities that can deliver funding in the near term – in some cases this is due to legislation that would need to be passed in order to allow those opportunities to be developed further, or opportunities that require larger amounts of upfront planning before they can be implemented. Further details are set out in the appended document.
- 4.8 It should be noted that, whilst a number of themes have been focused on, the programme continues to consider the full range of funding possibilities. Therefore none of the current focus areas, with the exception of the Supplementary Business Rates Powers, indicates a steer on existing or future policy.
- 4.9 Page 13 of the attached summary sets out current focus areas of the programme and the priority areas. The intention is to maintain a blend of work across the following:
- identifying practical funding opportunities on specific pipeline investment projects;
 - continuing to develop more strategic approaches to regional funding – in particular in the areas of private sector investment in the region, land value capture, and in supporting housing delivery; and
 - focusing on revenue raising opportunities, such as work connected to Supplementary Business Rates, and improving our effectiveness in bidding into government funding programmes.

- 4.10 The Chief of Staff to the Mayor intends to review the membership of the Board and the strategy for the next 12 months at its next session. This may include widening attendance to ensure potential opportunities can be considered across each part of the region's geography, particularly where implementation may be different dependent on local context. A change that has been made at this point is to appoint Sarah Middleton to the Group, Chief Executive of the Black Country Consortium Limited.
- 4.11 The West Midlands Finance Director Group currently receive a monthly briefing from the Mayoral Advisor on the progress made at the Funding for Growth Board. Given that the Board has moved on to consider project specific funding opportunities there will now be a more formal link established to the West Midlands Finance Director Group in order to funnel those ideas into a set of potential schemes that can be worked up into a more considered business case and implementation plan.
- 4.12 The intention is for the West Midlands Finance Director Group to develop plans to consider implementation of those ideas considered by the Funding for Growth Group ahead of specific work to be led by the West Midlands Combined Authority Finance Director together with local Finance Directors. Where consideration is given to specific projects, through the Finance Director Group, links will be made to Council's connected to those schemes to consider potentially opportunities going forward.

5.0 Financial implications

- 5.1 No implications at this stage.

6.0 Legal implications

- 6.1 There are no immediate legal implications arising from this report. It will be necessary to continue to keep subsequent proposals under review to ensure that they are within the legal powers available to the Combined Authority now or in the future. No specific delegations are being requested from the Board at this stage so proposals in the future may also require Board approval to implement but this can be considered as and when necessary through liaison with the Legal/Governance team within the Combined Authority.

7.0 Equalities implications

- 7.1 There are no immediate equalities implications arising from this report.

8.0 Schedule of background papers

- 8.1 None

9.0 Appendices

- 9.1 Appendix 1 – Funding for Growth Update Pack