

# Funding for Growth

## Update

*March 2018*

# Overview

This document provides an update on the progress of the Funding for Growth programme since its first meeting in July 2017.

The structure of this document is as follows:

1. Summary of meetings held, attendees and key agenda items
2. Outline of initial funding ideas debated by the programme members during initial meetings (July and September 2017).
3. Explanation of how the focus of the programme has transitioned from that early stage range of funding ideas towards a narrower focus of specific themes to develop.
4. Demonstration the further transition towards project-specific funding discussions
5. Current focus and next steps.

# Attendance

Membership of the programme is set out within the Board paper. The below summarises attendance at each full programme meeting.

## July 2017

- Andy Street
- Andrew Browning
- Nick Taylor
- Julian Beer
- Louise Bennett
- Stephen Hughes
- Julia Goldsworthy
- Mark Taylor
- Simon Collinson
- Andrew Carter
- Tony Travers
- David Hutchison
- Mike Turley

## September 2017

- Andy Street
- Nick Taylor
- Julia Goldsworthy
- Andrew Browning
- Simon Collinson
- Stephen Hughes
- Izzi Seccombe
- Julian Beer
- Tony Smith
- Tony Travers
- Isabel Dedring
- Mike Turley
- Andrew Carter
- John Byrne
- Martin Guest
- Barry Hastie (finance representative, stand-in for WMCA Director of Finance)
- David Hutchison

*[Members of PwC project team also attended]*

## October 2017

- Andy Street
- Julia Goldsworthy
- Nick Taylor
- Simon Collinson
- Stephen Hughes
- Tony Travers
- David Hutchison
- Bill Hughes
- Deborah Cadman
- Tony Smith
- Julian Beer
- Carl Pearson (*sub for Sean Pearce*)
- Martin Guest
- Louise Bennett

## December 2017

- Izzi Seccombe
- Julian Beer
- Martin Guest
- John Byrne
- Andrew Carter
- Stephen Hughes
- Simon Collinson
- Andy Street
- Andrew Browning
- Nick Taylor
- Sean Pearce
- Tony Smith
- *Patrick White (guest, presenting on Housing)*
- *Thomas Aubrey (guest, presenting on Land Value Capture)*
- *Laura Shoaf (guest, presenting on transport projects)*

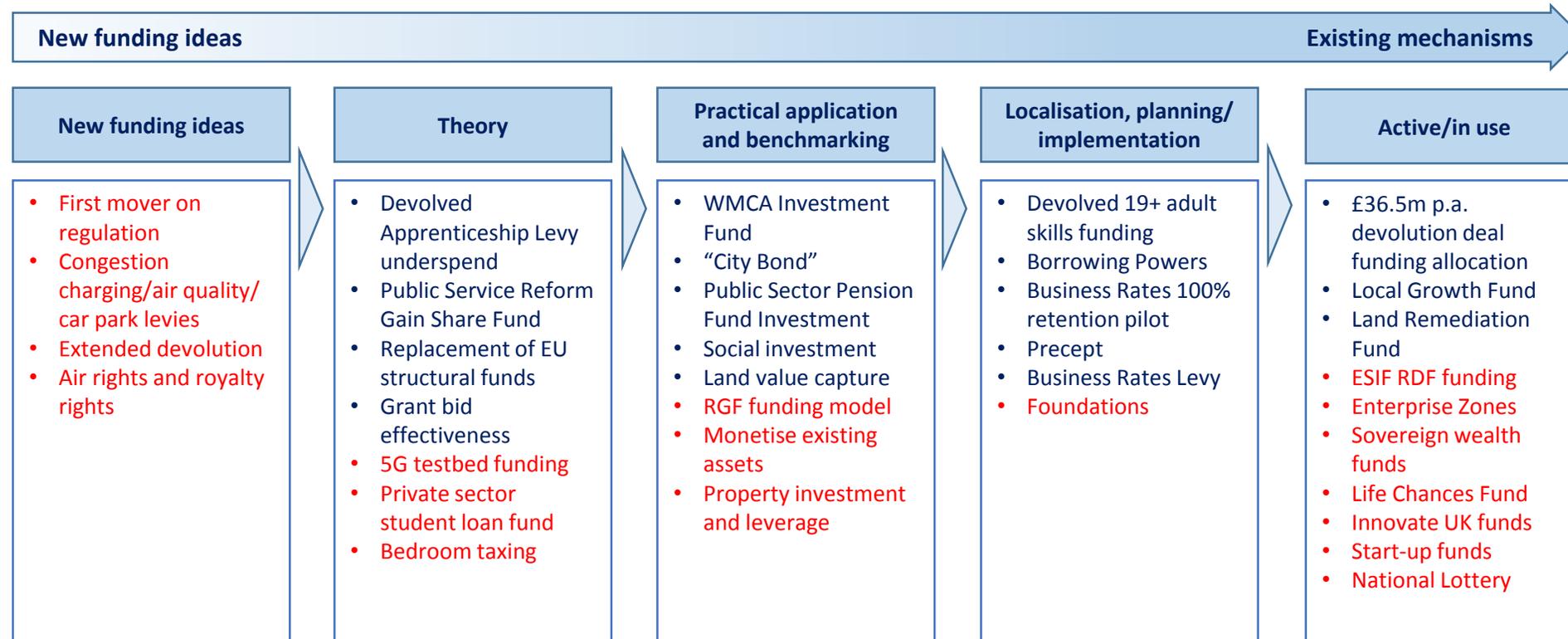
# Agenda – Funding for Growth meetings

Meeting	Outline agenda
July 2017	<ul style="list-style-type: none"> <li>• Introductory meeting, focused on rationale and objectives of the programme</li> <li>• Discussion of initial ideas, priorities and activities around funding in the region</li> </ul>
September 2017	<ul style="list-style-type: none"> <li>• Discussion of detailed analysis of potential funding options for consideration (based on work undertaken between July and September meetings by PwC project team).</li> <li>• Agreement of key themes to be progressed by the programme</li> <li>• Agreement on the continuing contribution of programme members going forward</li> <li>• Finalise key materials to form a short "prospectus" from the content, which contained a summary of key interventions and immediate priorities, and a clear vision for greater financial independence in the West Midlands going forward, with references to the scale of potential impact to help build the case for devolution.               <ul style="list-style-type: none"> <li>• The prospectus was used to support engagement with Treasury and in providing a public statement of the programme's future role.</li> </ul> </li> </ul>
October 2017	<ul style="list-style-type: none"> <li>• Update by theme, with focus on discussing quick wins to progress across these themes.</li> <li>• Deeper dive into private sector investment opportunities, to assess how best to attract incremental private sector investment</li> </ul>
November 2017	<ul style="list-style-type: none"> <li>• Individual sub-group meetings across public service reform, housing and transport, and private sector engagement.</li> </ul>
December 2017	<ul style="list-style-type: none"> <li>• Indicative presentation of scale of investment programme</li> <li>• Deeper dive into Brierley Hill metro extension funding, land value capture opportunities, and other revenue raising opportunities</li> </ul>

# Programme development

# Initial brainstorm of funding ideas – July 2017

The summary below presents initial ideas gathered in the early stages of the Funding for Growth programme. Early stage discussions were necessarily broad, in order to capture a full range of ideas generated by programme members that should be considered as a means to increasing the level of funding in the region. Such ideas have helped establish the work plan of the programme, rather than signalling policy.



*Red text denotes additional areas discussed*

# Aligning F4G options with WMCA priority outcomes and policy themes

Since the first F4G discussions took place, focus has been placed on specific themes and opportunities, which are summarised below.

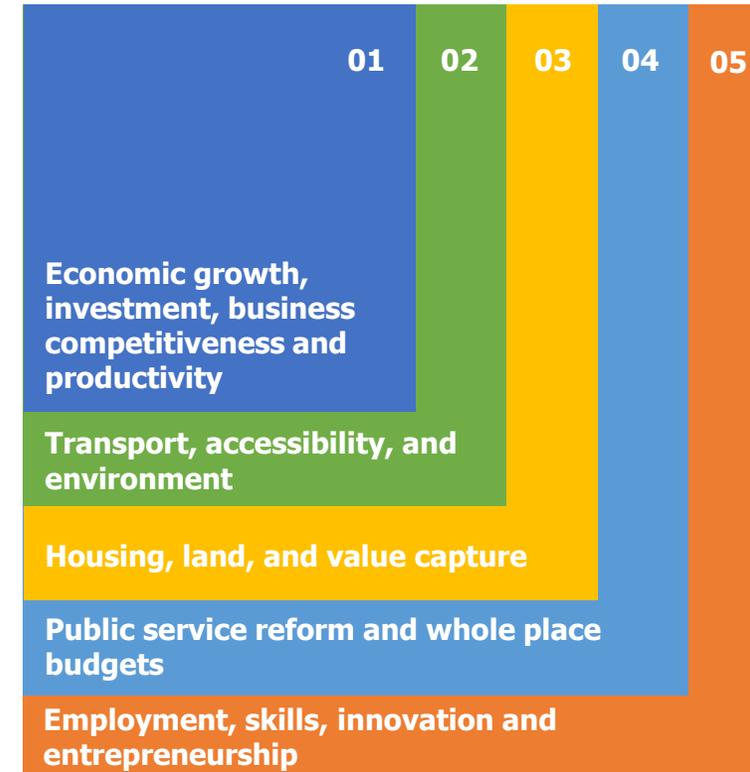
It is important not to view reforms purely as different types of financial mechanisms that are otherwise disconnected from any of the WMCA's wider policy objectives.

Rather the F4G options, and the wider search for greater financial independence, is specifically intended to help the WMCA meet its strategic priorities, as set out in the SEP.

A thematic approach was therefore developed to assessing reforms that creates a clear link between each reform and an area of strategic priority for the WMCA.

This ensures that options are not just part a "shopping list" of new tax raising initiatives with no wider policy rationale.

As part of the work undertaken subsequent to the initial Funding for Growth programme meeting in July 2017, the initial longlist of options and ideas generated was supplemented with additional ideas, then sorted into priority policy themes, which are informed by the WMCA's Strategic Economic Plan (SEP). These are summarised opposite.



# Categorisation of funding opportunities by theme

The analysis below presents the categorisation of initial funding ideas by theme, based on the early stage discussions in July 2017 and the themes set out on the previous page. The next West Midlands Finance Directors Group will consider each Priority area alongside local political and operational circumstances to consider whether regional wide implementation may be possible or a more tailored approach is required.

	New funding ideas	Theory	Practical application and benchmarking	Localisation, planning/ implementation	Active/in use
Housing and Transport	<ul style="list-style-type: none"> <li>Congestion charging/air quality/ car park levies</li> <li>Air rights and royalty rights</li> <li><b>Engagement with housing associations</b></li> </ul>		<ul style="list-style-type: none"> <li>Land value capture</li> </ul>		<ul style="list-style-type: none"> <li>Land Remediation Fund</li> </ul>
Public Services Reform		<ul style="list-style-type: none"> <li><b>Public Service Reform Gain Share Fund</b></li> </ul>			
Private sector engagement			<ul style="list-style-type: none"> <li>WMCA Investment Fund</li> <li>City Bond</li> <li><b>Public Sector PF Investment</b></li> <li><b>Social investment</b></li> <li><b>Property investment/leverage</b></li> </ul>		<ul style="list-style-type: none"> <li><b>Sovereign wealth funds</b></li> <li><b>Start-up funds</b></li> </ul>
Employment and skills		<ul style="list-style-type: none"> <li>Devolved Apprenticeship Levy underspend</li> </ul>		<ul style="list-style-type: none"> <li>Devolved 19+ adult skills funding</li> </ul>	<ul style="list-style-type: none"> <li>Brownfield Land and Property Development Fund</li> </ul>
Other	<ul style="list-style-type: none"> <li>First mover on regulation</li> <li>Extended devolution</li> </ul>	<ul style="list-style-type: none"> <li>Replacement of EU structural funds</li> <li><b>Grant bid effectiveness</b></li> <li><b>5G testbed funding</b></li> <li>Private sector student loan fund</li> <li>Hotel taxing</li> </ul>	<ul style="list-style-type: none"> <li>RGF funding model</li> <li><b>Monetise existing assets</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Borrowing Powers</b></li> <li>Business Rates 100% retention pilot</li> <li><b>Precept</b></li> <li>Business Rates Levy</li> <li>Foundations</li> </ul>	<ul style="list-style-type: none"> <li>£36.5m p.a. devolution deal funding allocation</li> <li>Local Growth Fund</li> <li>ESIF RDF funding</li> <li>Enterprise Zones</li> <li>Life Chances Fund</li> <li><b>Innovate UK funds</b></li> <li>National Lottery</li> </ul>

# Subsequent analysis to support prioritization of ideas generated (September 2017 meeting and beyond)

The key areas of focus of the early phases in the F4G programme were to build on the longlist of reforms and funding options that was developed during the first workshop (see previous pages), and to analyse the options in detail based on an assessment of their potential impact, deliverability and strategic alignment:

- **Impact:** a high-level indication of the potential “size of the prize” in monetary terms that could be generated by each option. Additional areas of analysis included the certainty of impact and volatility of income stream (where applicable) and any additional barriers, constraints, and risks to realising these impacts.
- **Deliverability:** Assessment of the potential timescales over which options could be implemented, potential risks and uncertainties, and practical issues of deliverability (e.g. legislative constraints and complexity of implementation).
- **Strategic alignment:** Focus on the extent of alignment between the option and the WMCA’s strategic priorities, pipeline of existing projects and any relevant previous schemes.

The outline of the analysis undertaken, by funding idea, is set out on the following page.

The result of this work was a further narrowing of focus of the programme into the following specific workstreams:

- Private sector engagement
- Public Service Reform
- Housing and Transport (separate themes merged into one, given the interlinked nature of funding opportunities).

This narrowing has informed the current focus of the programme, as set out on the final page of this document.

# Analysis of initial funding opportunities (1)

The analysis below and on the following pages sets out the initial ideas generated by the F4G programme, and initial consideration as to their potential impact, deliverability and alignment with regional ambitions. These ideas were used to develop the workplan, as summarised on the previous pages, rather than signalling policy in these areas. It was noted that the measures set out present medium to long term funding opportunities, rather than being sources of funding that could be monetised in the near-term.

Funding and financing option/ Intervention	Fiscal Devo Theme	Fiscal Devo Sub-theme	Policy Theme	Role for Expert Commission	Size of Prize / Impact	Delivery	Alignment	Urgency
HRA borrowing flexibilities (as part of a wider housing deal)	New Revenue and Investment Powers	New Borrowing and Investment Powers	Housing, land, and value capture	Housing working group, with representation from the Land Commission, and value capture experts  Develop a land and housing strategy with clear evidence base of the challenges, clear objectives, existing programmes, and potential interventions	2	1	8	High priority
City Bonds	New Revenue and Investment Powers	New Borrowing and Investment Powers	Economic growth, investment, business competitiveness and productivity	Financing and investment working group to assess applicability and priority	5	5	8	Medium priority
Borrowing Powers	New Revenue and Investment Powers	New Borrowing and Investment Powers	Economic growth, investment, business competitiveness and productivity	No immediate role - important to link outcomes of Devo Deal into the financing and investment working group	8	7	8	In Devo Deal 2 (High priority)
Tax Increment Financing and Enterprise Zones	New Revenue and Investment Powers	Share of Existing National Taxes	Housing, land, and value capture	Track the Local Government Finance Bill and create workstream to identify new EZs. This would need to link into wider business rate retention pilot/workstream	7	9	10	High priority
Business Rates Retention Pilot	New Revenue and Investment Powers	Share of Existing National Taxes	Economic growth, investment, business competitiveness and productivity	No immediate role - important to track the outcomes of Devo Deal/ business rate retention pilot	8	4	9	In Devo Deal 2 (High priority)
Apprenticeship Levy - local flexibilities to support growth	New Revenue and Investment Powers	Share of Existing National Taxes	Skills, innovation and entrepreneurship	Working group to build the evidence base and make the case (e.g. what is the investment need, how revenues are allocated/spent, how local business support is achieved, etc.)	6	2	9	High priority
Local retention of Stamp Duty	New Revenue and Investment Powers	Share of Existing National Taxes	Housing, land, and value capture	No immediate role - potential area for review as part of the EZ workstream	9	3	8	Low priority
Local retention of Sales Tax	New Revenue and Investment Powers	Share of Existing National Taxes		No immediate role				Low priority
Local Retention of Vehicle Excise Duty (VED)/ Fuel Tax	New Revenue and Investment Powers	Share of Existing National Taxes	Transport, accessibility, and environment	Track the development of the West Mids Air Quality Strategy and the outputs of the West Midlands Regional Energy Commission, but no immediate role	7	1	9	Low priority
Business Rates Supplement	New Revenue and Investment Powers	Variation of Existing Local Taxes	Economic growth, investment, business competitiveness and productivity	Track the Local Government Finance Bill. Potentially a working group required to assess the suitability of using the BRS in the West Midlands Context, and the geography across which it would be most effectively applied (if at all)	8	5	2	Medium priority

# Analysis of initial funding opportunities (2)

Funding and financing option/ Intervention	Fiscal Devo Theme	Fiscal Devo Sub-theme	Policy Theme	Role for Expert Commission	Size of Prize / Impact	Delivery	Alignment	Urgency
Mayoral Community Infrastructure Levy (CIL)	New Revenue and Investment Powers	Variation of Existing Local Taxes	Housing, land, and value capture	No immediate role	6	7	1	Low priority
Parking Levy	New Revenue and Investment Powers	New Taxation	Transport, accessibility, and environment	Track the development of the West Mids Air Quality Strategy and the outputs of the West Midlands Regional Energy Commission, but no immediate role	8	4	9	Medium priority
Payroll Levy	New Revenue and Investment Powers	New Taxation		No immediate role - potential bolt on to the Apprenticeship Levy discussions				Low priority
Residential Uplift Levy	New Revenue and Investment Powers	New Taxation	Housing, land, and value capture	No immediate role	8	1	3	Blue Skies
Hotel Tax	New Revenue and Investment Powers	New Taxation	Economic growth, investment, business competitiveness and productivity	No immediate role	4	2	1	Low priority
Air rights and royalty rights	New Revenue and Investment Powers	New Taxation		No immediate role				Low priority
Low Emission Zone Congestion Charging	New Revenue and Investment Powers	New Taxation	Transport, accessibility, and environment	Track the development of the West Mids Air Quality Strategy and the outputs of the West Midlands Regional Energy Commission, but no immediate role	5	7	10	Medium priority
Public Service Reform Gain Share Fund	More effective use of existing powers/resources	Commercialisation	Public service reform and whole place budget	PSR working group should be set up by the WMCA which develops a clear evidence base of the challenges, clear objectives, identifies existing programmes, develops an evaluation framework, and identifies potential interventions/ investments. Commissioners can link into this.  Important to link into WMCA Mental Health Commission	8	4	10	In Devo Deal 2 (High priority)
WMCA - Improved Public Service Financial Management	More effective use of existing powers/resources	Commercialisation	Public service reform and whole place budget	No immediate role - potential ask of Local Authority FDs to form a working group	4	8	9	Medium priority
Monetise existing assets	More effective use of existing powers/resources	Commercialisation	Public service reform and whole place budget	Workstream for the Commission building on the One Public Estate work being undertaken by Mark Burrows. Link into broader ambitions of WM Exchequer. Also potential link into housing/land working group	6	5	10	High priority
WMCA Investment fund	More effective use of existing powers/resources	Commercialisation	Public service reform and whole place budget	Financing and investment working group to assess applicability and priority				Medium priority
Grant bid effectiveness	More effective use of existing powers/resources	Grants and other public funding	Public service reform and whole place budget	No immediate role	4	5	5	Medium priority

# Analysis of initial funding opportunities (3)

Funding and financing option/ Intervention	Fiscal Devo Theme	Fiscal Devo Sub-theme	Policy Theme	Role for Expert Commission	Size of Prize / Impact	Delivery	Alignment	Urgency
Land Remediation Fund	More effective use of existing powers/resources	Grants and other public funding	Housing, land, and value capture	Housing working group, with representation from the Land Commission, and value capture experts - to assess role of the LRF and key barriers to investment, and practical suggestions for further investment.  Important to link into the financing and investment working group	4	7	9	High priority
Replacement of EU structural funds	More effective use of existing powers/resources	Grants and other public funding	Economic growth, investment, business competitiveness and productivity	No immediate role				Low priority
Airport tourist tax	More effective use of existing powers/resources	New Taxation	Transport, accessibility, and environment	No immediate role	4	1	8	Low priority
Devolved 16-19 ESFA Funding	More effective use of existing powers/resources	Other	Skills, innovation and entrepreneurship	WMCA seeking to agree a model for devolution of ESFA funding received by FE Colleges, influencing provision to support provision that matches the skill that employers require	4	1	8	
Devolved 19+ Adult Skills funding	More effective use of existing powers/resources	Other	Skills, innovation and entrepreneurship	No immediate role - track WMCA's Productivity and Skills Commission and any outcomes from the Devo Deal	4	9	9	In Devo Deal 2 (High priority)
First Mover on Regulation	More effective use of existing powers/resources	Other		Input into the discussion of fiscal devolution/ funding for growth, ensuring that the financial strategy of WMCA is future proofed				Medium priority
Strengthening the local Financial Ecosystem	Private sector partnerships and investment	Stimulating private sector investment and enhancing financial services sector	Economic growth, investment, business competitiveness and productivity	Roundtable follow-up				Medium priority
Start - up funds	Private sector partnerships and investment	Stimulating private sector investment and enhancing financial services sector	Skills, innovation and entrepreneurship	Financing and investment working group to assess applicability and priority	5	4	8	Low priority
Sovereign Wealth Funds	Private sector partnerships and investment	Stimulating private sector investment and enhancing financial services sector	Economic growth, investment, business competitiveness and productivity	Financing and investment working group to assess applicability and priority - need to drill down and identify how to make a place practically more investable	7	6	10	Medium priority
Public sector pension fund Investment	Private sector partnerships and investment	Stimulating private sector investment and enhancing financial services sector	Public service reform and whole place budget	Financing and investment working group to assess applicability and priority - need to drill down and identify how to make a place practically more investable	6	3	8	Medium priority
Social Investment	Private sector partnerships and investment	Stimulating private sector investment and enhancing financial services sector	Economic growth, investment, business competitiveness and productivity	Financing and investment working group to assess applicability and priority - need to identify how the public sector can drive this issue forward	4	4	9	Medium priority
Private sector student loan fund	Private sector partnerships and investment	Stimulating private sector investment and enhancing financial services sector		No immediate role				Low priority

# Current focus

Latterly the programme has turned its attention to a more project-focused agenda. In particular, recent discussions have focused on specific large-scale projects across a number of the key themes below. This has allowed for a more granular and specific debate on opportunities to generate incremental funding to help deliver those schemes.

Going forward the programme will continue to focus on specific project funding opportunities, whilst also maintaining an outline view on broader 'best practice' initiatives to consider.

A key part of this will involve reviewing the region's broader investment programme across key sectors, LEPs and our industrial strategy, to develop a broader understanding of how projects could either be packaged together to attract investment, or how funding ideas on specific projects can be applied to other investment projects.

