WMCA Board

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

Recommendation(s) for action or decision:

The WMCA Board is recommended to:

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

i. £142.0m Adult Education (including Free Courses for Jobs) spending to be funded from Adult Education Budget funding devolved by the Department for Education;[1]

ii. £104.4m to be funded from other grants;

iii. £2.3m to be funded from other income, notably investments;

iv. £4.6m to be funded from Constituent Authority fees (fees to remain at the same level as 2023/24);

v. £0.4m to be funded from Non-Constituent Authority and observer fees (fees to remain at the same level as 2023/24);

vi. Use of £8.3m Business Rates retention income.

4. Approve the Mayoral Office budget for 2024/25 of £7.0m, of which £0.9m to be funded from additional Mayoral Capacity Funding and a further £6.1m to be funded from reserves.

5. Note that there will be no Mayoral Precept during 2024/25.

6. Approve the first year (2024/25) of the indicative WMCA Capital Programme, totalling £706.8m, as set out in Appendices 5 and 6, noting the indicative onward programme thereafter.

7. Note the planned spend on the Investment Programme over the period.

8. Note and have regard to the advice of the Director of Finance in relation to the robustness of the budget and the adequacy of reserves.

9. Note the West Midlands Combined Authority's ongoing commitment to work with the Mayor and Leaders over 2024 to discuss a sustainable funding solution for transport which will meet the scale of ambition for the network.

10. Delegate authority to the Director of Finance in consultation with the Portfolio Lead for Finance and Investments to make any final changes that may result from the Final Local Government Finance Settlement as set out in paragraphs 2.3 to 2.5.

11. Delegate authority to Executive Directors to progress expenditure within this budget that is in furtherance of WMCA Board approved local policy.

12. Approve the following policies and strategies, which contain items as required by statute:

    a) The West Midlands Combined Authority Treasury Management Policy Statement as set out in section 8 and Appendix 7

    b) West Midlands Combined Authority Treasury Management Strategy including the 2024/25 Investment Strategy and criteria for specified and non-specified investments as set out in section 8 and Appendix 8

    c) The West Midlands Combined Authority Capital Strategy and Minimum Revenue Provision Statement as set out in section 9 and Appendices 9 and 10 respectively: and

    d) The West Midlands Combined Authority Pay Policy Statement as set out in section 11 and Appendix 11.

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

1.0 Purpose

1.1 The WMCA has a statutory obligation to set a balanced budget for 2024/25 and this report forms a key part of the budget setting process by setting out the forecast funding and expenditure for that year. Additionally, in order to ensure the Authority's finances for the medium term are maintained on a sound basis, this report also sets the assumptions around income and expenditure for the following four years.

1.2 This report is intended to present the final budget for consideration by the West Midlands Combined Authority Board at its meeting on 09 February 2024. A draft budget was presented to and approved by the West Midlands Combined Authority Board on 12 January 2024.

2.0 Background

2.1 This report represents the final stage of the budget setting process for the West Midlands Combined Authority and incorporates the final Revenue and Capital Budget for 2024/25, as well as the associated policies as required by statute. There are no changes from the overall financial plans as included within the Draft Budget report as considered by West Midlands Combined Authority Board on 12 January 2024, apart from revisions to the indicative capital programme to remove unfunded schemes. Across the period to 2027/28, the indicative capital investment has reduced from £2.2bn as presented in the draft report to £1.9m as shown in this report.

2.2 The Mayor and West Midlands Combined Authority have considered feedback on the Draft Budget report since 12 January 2024 Board meeting, from both Constituent Members of the Combined Authority and other key stakeholders.

2.3 This report incorporates assumptions based on the Provisional Local Government Finance Settlement for 2024/25. The Final Local Government Finance Settlement will be presented to the House of Commons in early 2024, which is likely to be after finalisation of this report. It is unlikely that there will be any material changes will affect the WMCA proposed budget, however in the event that there are any, a verbal update on the Provisional Local Government Finance Settlement will be provided at the West Midlands Combined Authority Board meeting on 09 February 2024.

2.4 Delegation is requested to the Finance Director, in consultation with the Portfolio Lead for Finance, to make any final changes that result from the Final Local Government Finance Settlement should they be required.

2.5 This report is also being prepared in advance of the Chancellor of the Exchequer's next Budget, setting out the government's tax and spending plans, which is scheduled to be held on 06 March 2024. The Combined Authority will continue to monitor any announcements made by central government in relation to any further funding made available to support the region and report as necessary as part of the Financial Monitoring Reports during 2024/25.

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

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

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

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

3.0 Forecast Outturn 2023/24

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

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

4.0 Revenue Budget 2024/25

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

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

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

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

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

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

4.5 The proposed funding sources for the 2024/25 West Midlands Combined Authority Delivery Portfolio Budget are therefore confirmed as:

i. £142.0m Adult Education spending to be funded from Adult Education Budget funding devolved from Department for Education. As indicated previously, the value of the grant is still to be confirmed, but a prudent estimate based on previous year allocations has been used for budget setting.
ii. £104.4m to be funded from other devolution deal grants
iii. £2.3m to be funded from other income, notably investments
iv. £4.6m to be funded from Constituent Authority fees (unchanged from 2023/24)
v. £0.4m to be funded from Non-Constituent Authority and observer fees (unchanged from 2023/24)
vi. Use of £8.3m Business Rates retention income

4.6 As can be seen from the breakdown above, the Delivery Portfolio is predominantly grant funded (94%), and services have been successful over the years in leveraging in additional grants to delivery benefits for the region. Unlike previous years where Housing and Regeneration was fully grant funded, there is a call on local resources of £1.9m since all revenue grant funding provided with initial housing funds has now been fully utilised.

4.7 The proposals for the Mayoral Office remain unchanged – operation of the Mayoral Office is to be funded by a Mayoral Capacity Fund grant, with total expenditure for the Mayoral Office of £0.9m. Of this amount, 87% relates to costs of staffing and the remaining 13% relates to running costs for the Mayor’s Office. Additionally, costs of £6.1m for the upcoming Mayoral elections to be funded from earmarked reserves.

4.8 The Investment Programme remains unchanged, with a proposed budget of £39.6m funded from the £36.5m annual devolution grant from Government plus £3.1m of investment income.

4.9 The final consolidated Revenue Budget for 2024/25 is set out in the following table:

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

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

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

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

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

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

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

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

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

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

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

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

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

5.0 Medium Term Revenue Position

5.1 The Medium Term Financial Plan (MTFP) was initially presented to the WMCA Board in May 2022 and subsequently revised during following months, including engagement with Mayor and Portfolio Leaders and Constituent Authorities.

5.2 Recognising the significant budget pressures and funding challenges being faced by Constituent Authorities which prevented significant increases in their contributions, the WMCA committed to deliver £2.4m of efficiency savings within its transport function and to utilise £5m of the windfall gains to reduce the deficit in 2024/25.

5.3 In addition, it was acknowledged that due to risks in the external economic climate, wider public sector funding challenges, risks associated with the transport network and importantly potential opportunity arising from single settlement, then a one year funding solution would be sought that would lead to a balanced budget for 2024/25. This would leave a financial pressure in the medium term, ranging from £66.7m in 2025/26 to £96.5m by 2028/29 to be considered early in 2024, recognising that the Network Stabilisation grant would partially support this.

5.4 One of the most significant financial pressures is the continued risk associated with the bus network. The bus delivery options work is underway to report to WMCA Board in summer 2024. Alongside other options for stabilising the network beyond the end of the current operator agreement in December 2024 are being considered bearing in mind that Network Stabilisation grant is only a temporary resource, covering a maximum of 5 years. This would avoid a cliff-edge situation once the grant has been fully utilised. Updates will be provided to the WMCA Board during the course of the year.

5.5 The medium term position is summarised in Table 4 below.

Table 4: Medium Term Financial Plan

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

Note: 1) Table above assumes that the proposed 3% increase in the Transport Levy will be approved by Board in February 2024.
2) No further assumptions have been made around deployment of the Network Stabilisation grant beyond 2024/25. These will be factored into the next MTFP update.

6.0 WMCA Indicative Medium-Term Capital Programme

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

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

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

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

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

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

6.2 Around 23% of the capital programme is funded by project specific grants from Central Government, whilst the City Region Sustainable Transport Settlement (CRSTS) accounts for 47% of the funding underpinning the capital programme to 2027/28. In addition, the programme is supported by borrowing, where the revenues to support the costs of the debt and interest are underpinned by Investment Programme income or any commercial revenues expected to flow from those investments.

6.3 Approximately 48% of the Combined Authority's planned capital investment to 2027/28 consists of expenditure directly incurred by Transport for West Midlands in pursuance of the Investment Programme, City Region Sustainable Transport Settlement and Transforming Cities Programmes. A further 37% of the planned programme is for delivery of transport projects/programmes with work undertaken by local authorities. Another 12% is concerned with delivering the Housing and Regeneration objectives using funds secured by WMCA from Central Government. One percent is planned in delivering Net Zero ambitions, with a further 1% being used by local authorities to deliver initiatives that contribute towards the economic resilience and regeneration of the region, promoting the resilience, health and wellbeing of communities in line with Government's Levelling Up agenda.

6.4 The Transport programme remains the most extensive, with the goal to deliver a world class transport system and improved infrastructure. The programme contains significant investment in expanding the Metro network, with main projects relating to Wednesbury to Brierley Hill and Birmingham Eastside. In addition, investment in developing and delivering new local rail stations in Birmingham and the Black Country is planned. The programme also continues the ambition for the delivery of high-quality cycling and walking improvements along key corridors and routes, thus moving the region closer to achieving the stated aim of wanting cycling to make up 5% of all trips in the region by 2023. Work will also continue on Phase 2 of the Sprint will complete the corridor to Walsall and Solihull, benefitting the customer in the form of more reliable, regular and predictable journey time. The Transport programme also reflects the final phase of the Transforming Cities Programme.

6.5 The Housing Capital Programme includes the land remediation programmes launched by the WMCA in 2016 and delivery against the various Housing capital grants awarded to the Combined Authority.

6.6 In addition to the traditional capital investment detailed above, WMCA will continue to operate the commercial and residential investment funds where loans to developers are made with the objective of unlocking stalled development sites which traditional lenders are unwilling to finance. The loans are held on the WMCA balance sheet under standard accounting regulations and as at December 2023, the cumulative value of loan commitments approved by WMCA totalled £258m (including £102m of loans which have since been repaid). The value of loans drawn and earning interest as at 30 November 2023 was £74m.

7.0 Investment Programme

7.1 The WMCA Investment Programme was a product of the first devolution deal in 2016 and was designed to devolve more accountability, funding and powers out to the regions. From an expenditure perspective, the Investment Programme is a package of measures for the region containing projects centred around key economic prosperity drivers such as HS2, city centre regeneration and the remediation of brownfield sites.

7.2 Government agreed to provide a gainshare grant of £36.5m per year for 30 years, subject to a five yearly gateway review. WMCA are in contact with the Department for Levelling Up, Housing and Communities in respect of an interim gateway review which is expected to complete in February 2024.

7.3 The current affordable Investment Programme approved by the WMCA Board is investment of £871m across the region.

7.4 A comprehensive summary is provided within the WMCA Capital Strategy at Appendix 10.

8.0 Treasury Management Strategy and Policies

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

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

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

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

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

9.0 Capital Strategy and Minimum Revenue Provision

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

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

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

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

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

10.0 Budget Calculation

10.1 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer, in this case, the Finance Director, as Section 151 Officer, to report to the West Midlands Combined Authority when it is setting the budget and the precept. The report must deal with the robustness of the estimates included in the budget and the adequacy of reserves.

10.2 The budget currently provides for the financial implications of the West Midlands Combined Authority's policies to the extent that these are known or can reasonably be assessed. However, there are risks which are beyond the West Midlands Combined Authority's control and for which it is not possible to be precise:

- The West Midlands Combined Authority's demand-led services.
- Economic and community cost of living impact.
- Impact of the Russia/ Ukraine war and Middle East conflict.
- Policy changes or different priorities following elections in 2024.
- Inflation and interest rate volatility leading to different outcomes than that assumed for budget planning.
- West Midlands Pension Fund Investment Performance.
- Regional local authorities' financial difficulties and the impact on the delivery of capital programmes.
- Unforeseen emergencies.

10.3 The existing General Reserve balance is £4.4m. The General Reserve is held to cover the net impact of risks and opportunities and other unforeseen emergencies. This balance represents 3.4% of the aggregate proposed 2024/25 Constituent Authority contributions but only around 1% of expenditure.

10.4 Whilst the appropriate level of general fund reserves is a matter for judgement by the Finance Director (Section 151 Officer) it is generally accepted for general fund reserves to be between 3% and 5% of expenditure. The proposed balance is below this recommended level, however WMCA does carry earmarked reserves in order to ensure that existing commitments can be delivered. It is also noted that it would not be appropriate for WMCA to sit on extensive general reserves whilst Constituent Members face funding challenges of their own.

10.5 WMCA is obliged to ensure that all resources are applied in a way which secure the best value for the region, and to continually review its performance and financial position.

10.6 These obligations are addressed through an annual review of the MTFP, culminating in the draft and final budget reports presented to WMCA Board in January and February respectively. WMCA Board also receive the latest available financial position at each Board meeting throughout the year, with additional papers presented to seek approval for significant investments or revisions to budget.

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

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

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

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

11.0 Pay Policy Statement

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

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

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

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

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

12.0 Legal Implications

12.1 Under powers granted by the Combined Authorities (Finance) Order 2017, Elected Mayors may raise a precept on Constituent Authorities Council Tax bills under section 107G of the Local Democracy Economic Development and Construction Act 2009. A Mayoral Precept may only be issued in relation to the costs of the Mayor or of discharging Mayoral Functions. The Mayoral functions are set out in Article 22 of the West Midlands Combined Authority (functions and amendments) Order 2017. There are powers for the Mayor to engage in highway management activity, works permit schemes, road safety measures and road traffic reduction activity amongst others. The Order also gives the Mayor a functional power of competence to do anything that is associated, incidental or connected with those powers in order to undertake those activities.

12.2 As the Mayor did not include setting a precept as part of his 2021 Election Manifesto, the funding of budget proposals in respect of Mayoral functions is expected to be met from alternative funding sources until 2025/26 at the earliest.

12.3 As a public authority which has the power to levy for transport functions and to raise a precept, WMCA must set a budget every year which is agreed through its formal decision-making processes. This report outlines the legal and governance processes that need to be completed including consideration by Overview and Scrutiny Committee and the WMCA Board.

13.0 Equalities Information

13.1 There is no direct equality impact in relation to the 2024/25 budget proposals as funding has been maintained and service provision is not affected. However, there are risks and financial uncertainties due to general economic conditions, supply chain issues and relatively higher inflation levels.

13.2 A number of mitigating measures have been considered as part of budget planning which should help mitigate any negative impact, but the scale of change may result in the need for additional considerations in relation to assisted travel policies. The protected characteristics most likely to be affected are those on lower incomes with fewer economic resources who are more reliant on public transport. This would include young people, women, single parents, people from lower socio-economic groups, ethnic minorities and disabled people.

13.3 Future policy options would need to undergo in-depth equality impact assessments and engagement/consultation with affected groups to ensure negative impact is mitigated as far as practically possible.

14.0 Inclusive Growth Implications

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

15.0 Geographical Area of Report's Implications

15.1 The budget proposals encompass the West Midlands region.

Appendices

Appendix 1 – Transport Delivery Revenue Budget

Appendix 2 – WMCA Delivery Budget (Portfolios)

Appendix 3 – Mayoral Office and Election Budget

Appendix 4 – WMCA Activity for 2024/25

Appendix 5 – WMCA Delivered Capital Programme

Appendix 6 – Externally Delivered Capital Programme

Appendix 7– Treasury Management Policy Statement 2024/25

Appendix 8 – Treasury Management Strategy 2024/25

Appendix 9 – WMCA Capital Strategy 2024/25

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

Appendix 11 – Pay Policy Statement 2024/25

Appendix 1 – Proposed Transport Revenue Budget

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

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

**   the table above assumes that the proposed 3% increase in the Transport Levy will be approved by Board in February 2024.*
*** no further assumptions have been made around deployment of the Network Stabilisation grant beyond 2024/25. These will be factored into the next MTFP update.*

ENCTS (National Bus Concession) £47.7m
• Free Travel for all entitled to national pass from 9.30am to 11pm
• Reimbursement regulated by Secretary of State with guidance provided by DfT
• Current discretionary scheme extension 11pm to last bus

Child Concessions £6.8m
• Half fare travel

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

Rail and Metro Concessions £4.6m

- Extensions of national bus scheme to rail and metro
- After 9.30pm to midnight weekdays, all day weekends and bank holidays
- These are around 125,657 active users making use of the Rail and Metro concession (75,945 for rail and 49,712 for Tram).
- Users of the concession are making 1,376,168 trips per annum (807,657 for Rail and 568.511 for Metro).

Subsidised services £24.4m

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

Accessible Transport £6.7m

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

Passenger information £7.2m

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

Bus Stations/Infrastructure £7.1m

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

Rail Services £5.0m

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

Metro Services £16.1m

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

Safety and Security £2.9m

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

Business & Democratic Support £4.9m

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

Strategic Development £4.8m

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

Capital Finance Charges £11.3m

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

Network Resilience £3.4m

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

Sustainable Travel £2.1m

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

Transport Governance £0.1m

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

Appendix 2 – Proposed West Midlands Combined Authority Portfolio Budgets

Annex A

Employment and Skills

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

Annex B

Housing and Regeneration Portfolio

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

Annex C

Economy & Innovation Portfolio

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

Annex D

Culture and Digital Portfolio

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

Annex E

Health & Communities

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

Annex F

Levelling Up

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

Annex G

Environment, Energy and HS2

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

Annex H

Inclusive Communities Portfolio

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

Annex I

Funding for Growth

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

Annex J

Energy Capital

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

Annex K

Central Funding & Recharges

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

Annex L

DEFINITIONS OF KEY BUDGET HEADINGS

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

Appendix 3 – Mayoral Office and Election Budget 2024/25

Mayoral Office	2023/24 Budget £	2024/25 Budget £	Movement £
Grant Income	945,271	916,458	(28,812)
Other Income	-	75,000	75,000
Total Income	**945,271**	**991,458**	**46,188**
Employees	838,368	859,873	(21,504)
Supplies & Services	97,170	121,854	(24,683)
Support Services	9,732	9,732	0
Total Expenditure	**945,271**	**991,458**	**(46,187)**
Net Expenditure	**0**	**0**	**0**

Mayoral Election	2023/24 Budget £	2024/25 Budget £	Movement £
Use of reserves	-	6,100,000	6,100,000
Total Income	**-**	**6,100,000**	**6,100,000**
Local Authority Mayoral Election Costs	-	6,100,000	(6,100,000)
Total Expenditure	**-**	**6,100,000**	**(6,100,000)**
Net Expenditure	**0**	**0**	**0**

Appendix 4 – Activity for 2024/25

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

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

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

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

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

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

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

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

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

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

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

APPENDIX 5 - WMCA Delivered Capital Programme

Transport

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

Housing and Regeneration

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

Strategy, Innovation & Net Zero

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

APPENDIX 6 – Externally Delivered Capital Programme

Transport

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

Economy, Skills and Community (Externally Delivered)

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

APPENDIX 7 – Treasury Management Policy Statement 2024/25

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

(1) Treasury management activities are defined as the management of the Authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and pursuit of optimum performance consistent with those risks.

(2) WMCA regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their implications for WMCA, and any financial instruments entered into to manage these risks.

(3) WMCA acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employ suitable comprehensive performance measurement techniques, within the context of effective risk management.

(4) The Authority's high level policies for borrowing, borrowing in advance and investments:

i. The Authority's borrowing will be affordable, sustainable, and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken, and the type of borrowing should allow the Authority transparency and control over its debt.

ii. This organisation will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

iii. The Authority's primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Authority's investments followed by the yield earned on investments remain important but are secondary considerations.

APPENDIX 8 – Treasury Management Strategy 2024/25

Introduction

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

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

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

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

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

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

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

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

The contribution the treasury management function makes to the Authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

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

Current Treasury Position

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

Table 1 Treasury Management Portfolio

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

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

Table 2: WMCA Gross External Debt vs. CFR

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

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

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

<u>Limits to Borrowing Activities</u>

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

Table 3 WMCA Operational Boundary

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

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

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

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

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

<u>Prospects for Interest Rates</u>

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

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

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

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

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

The balance of risks to the UK economy: -

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

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

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, could keep gilt yields high for longer).

- **The Bank of England** has increased Bank Rate too fast and too far over recent months, and subsequently brings about a deeper and longer UK recession than we currently anticipate.

- **Geopolitical risks,** for example in Ukraine/Russia, the Middle East, China/Taiwan/US, Iran and North Korea, which could lead to increasing safe-haven flows.

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

- Despite the tightening in Bank Rate to 5.25%, the **Bank of England allows inflationary pressures to remain elevated** for a long period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project.

- **The pound weakens** because of a lack of confidence in the UK Government's pre-election fiscal policies, which may prove inflationary, resulting in investors pricing in a risk premium for holding UK sovereign debt.

- Projected **gilt issuance, inclusive of natural maturities and QT,** could be too much for the markets to comfortably digest without higher yields compensating.

Borrowing Strategy

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

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

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

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

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates,* then any further borrowing will be postponed.

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

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

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

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

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

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

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

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

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

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

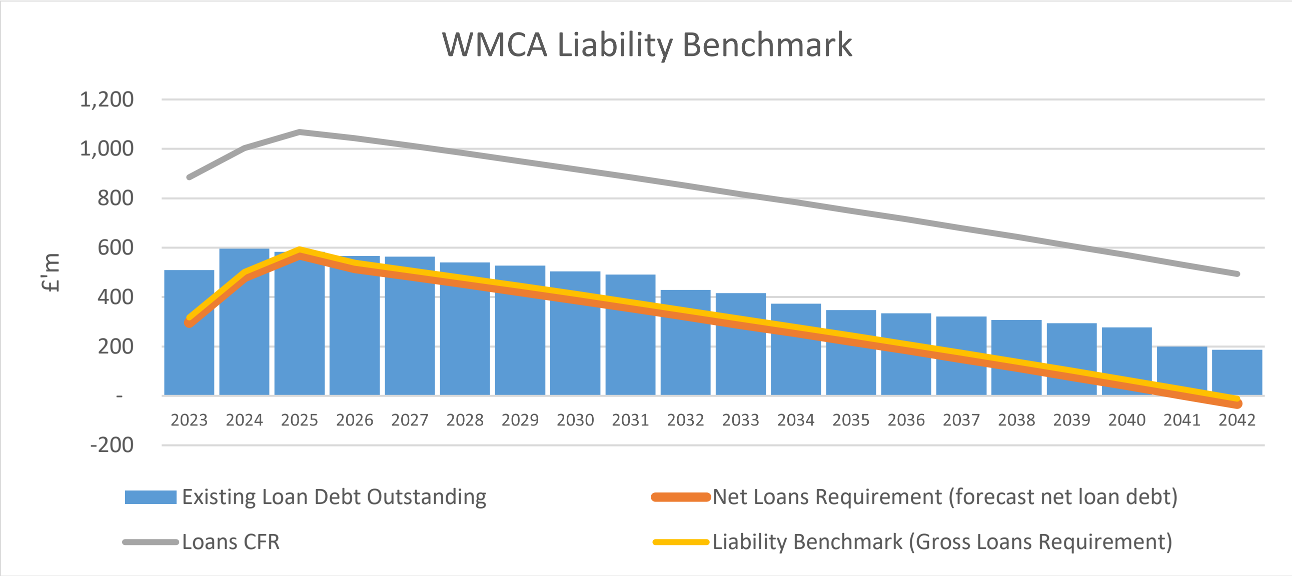
Liability Benchmarking

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

There are four components to the LB: -

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

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



Debt rescheduling

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

Policy on Borrowing in Advance of Need

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

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

Annual Investment Strategy

Investment policy – management of risk

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

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

a) DLUHC's Guidance on Local Government Investments ("the Guidance")

b) CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")

c) CIPFA Treasury Management Guidance Notes 2021.

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

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

a) Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

b) Other information: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Authority will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

c) Other information sources used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

d) This Authority has defined the list of types of investment instruments that the treasury management team are authorised to use. See Annex 2.

> i. Specified investments are those with a high level of credit quality and subject to a maturity limit of one year *or* have less than a year left to run to maturity if originally they

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

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

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

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

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

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

i) All investments will be denominated in sterling.

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

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

Creditworthiness Policy

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

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

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

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

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

Table 5: Approved investment counterparties and limits

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

<u>This table must be read in conjunction with the following notes.</u>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Investment Strategy

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

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

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

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

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

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

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

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

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

• no new investments will be made;

• any existing investments that can be recalled or sold at no cost will be; and

• full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

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

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

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

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

Table 6: Additional Investment limits

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

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

Use of External Providers

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

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

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

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

Treasury Management Indicators

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

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

Credit risk indicator	Target
Portfolio average credit	A minus

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

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

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

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

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

Principal sums invested for periods longer than a year: The purpose of this indicator is to control WMCA's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

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

Related Matters

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

Financial Derivatives

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

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

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

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

Markets in Financial Instruments Directive

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

Investment Training

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

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

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

Treasury Management Consultants

WMCA uses Link Group as its external treasury management advisors.

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

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

ANNEX 2

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

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

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

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

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

The investment policy proposed for the Authority is:

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

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

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

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

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

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

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

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

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

ANNEX 3

Environmental, Social and Governance (ESG) Risk Management

WMCA ESG Policy

Key Message:

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

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

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

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

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

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

Excluding any one counterparty will likely mean others will similarly have to be avoided and thus impact the Authority's capacity to mitigate risk through diversification. The Authority does not have any identified long-term surplus balances with which to consider specific 'impact' or 'sustainable' investments, so Supra-national counterparties who offer access to high-quality (typically AAA-rated) ESG exposure will continue to proportionately form part of our investment portfolio where bonds or other permitted structures matching our liquidity requirement can be sourced.

APPENDIX 9 - WMCA Capital Strategy 2024/25

Contents

1 Introduction

WMCA have prepared this Capital Strategy for the following purposes:

(a) To explain to stakeholders how the WMCA's capital programme is designed to align with the organisation's key aims and objectives;

(b) To provide an update on key decision-making, delivery and financial matters associated with the WMCA's capital programme; and

(c) To comply with the requirements of the CIPFA Prudential Code.

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

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

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

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

Capital Expenditure

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

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[2] In local government, there are generally three routes for qualification as capital:

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

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

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

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

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

2 Capital Priorities and Objectives

Assessing Capital Priorities

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

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

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

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

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

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

HS2 Growth Strategy

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

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

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

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

Key highlights of the deal include:

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

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

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

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

Levelling Up Zones (incorporating Investment Zones and Growth Zones)

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

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

[3] [Title] (publishing.service.gov.uk)

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

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

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

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

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

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

Key Capital Projects

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

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

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

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

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

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

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

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

Partnership and Investment Activity

As well as working to directly deliver capital transport infrastructure throughout the region, WMCA is also continuing to work closely with its constituent members to deliver capital projects as part of the WMCA Investment Programme and City Region Sustainable Transport Settlement (CRSTS).

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

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

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

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

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

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

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

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

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

Due to national inflationary pressures, the DfT in summer 2023 presented a 'once in a programme' opportunity to recipients of the CRSTS grant to rebase their CRSTS programmes. The WMCA took this opportunity to work with constituent members to address the increased costs within the CRSTS project portfolio through rephasing and descoping of some projects. It is important to note that this exercise did not change the overall £1.05bn CRSTS funding awarded to the WMCA, and that key priority projects, including development of the innovative Very Light Rail project, continue to be supported by the programme.

An image of the Very Light Rail demonstrator vehicle.

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

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

Other Capital Investment

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

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

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

Long-Term Investment Needs within the WMCA Region

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

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

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

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

[4] WMCA Inclusive Growth Toolkit
[5] WMCA Regional Design Charter

3 Capital Expenditure

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

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

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

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

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

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

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

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

Cost Pressures

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

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

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

Revenue Consequences of Capital Expenditure

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

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

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

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

Asset management

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

4 Capital Financing (Debt and Borrowing)

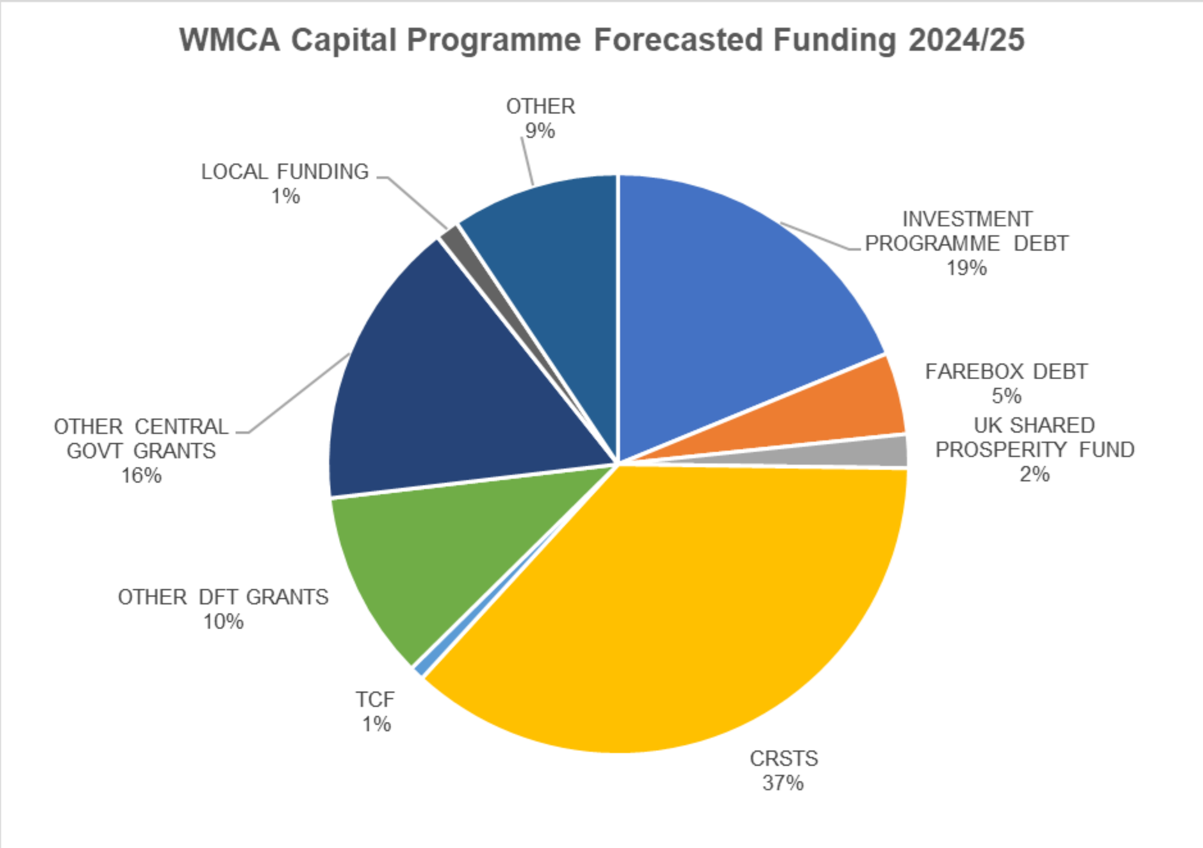
All capital expenditure must be financed from external sources (e.g., capital grants, external contributions from third parties), the Authority's own resources (e.g., capital receipts, revenue resources/reserves) or temporarily by debt. WMCA is clear that expenditure will not be incurred until the required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

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

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

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

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



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

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

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

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

Capital Expenditure Funded Temporarily from Borrowing

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Capital Finance Hierarchy

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

In order to achieve this, external and highly restrictive sources of funding are typically applied first to finance capital expenditure, before internal and less restrictive sources of funding, and then finally borrowing (which attracts additional financing costs).

Typical Capital Financing Sources and Hierarchy:

1. Specific grants & contributions
2. General grants & contributions
3. Capital receipts
4. Revenue resources and reserves
5. Borrowing / credit arrangements

However, each project is considered on an individual basis, and compliance with funding terms and conditions remains the foremost concern.

5 Treasury Management

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Authority's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account.

As at 31 December 2023 the Authority has £596m borrowing. It is not expected, but possible, that WMCA could need to borrow further externally in the coming years in order to support its Capital Expenditure. Statutory guidance states that no Authority should borrow above its Capital Financing Requirement. As shown previously at Table 3, WMCA expect to comfortably remain within this requirement. An element of internal borrowing, being the use of cash-backed reserves to defer the need to borrow externally, will be utilised alongside external borrowing to optimise the financing arrangements of capital expenditure.

A further key requirement is that WMCA must not breach an external debt cap agreed with HM Treasury and Department for Levelling Up, Housing and Communities (DLUHC, formally known as MHCLG). The existing agreed limit for 2023/24 is £1,234m and £1,277m for 2024/25. Debt caps for 2025/26 and beyond are expected to be finalised with HM Treasury during 2024/25. Should the value remain static at £1,277m, WMCA do not expect to breach the external borrowing debt cap before March 2028 based on the current and projections of capital expenditure contained within this report.

It should be noted however, that should the Office of the Police and Crime Commissioner be incorporated into the WMCA and / or if Local Authorities agree to WMCA aggregating the debt associated with Investment Zones and Growth zones centrally, there is scope for upward pressure on the debt cap agreed with HMT. In such instances, WMCA would need to renegotiate the cap and HMT have previously advised they are open to discussions where a change in circumstance requires the cap to be adjusted. The WMCA Finance Team will monitor this issue carefully and approach HMT as necessary. Any agreed amendments to the cap would be notified to WMCA Board as part of the regular Financial Monitoring Report.

Alongside the external debt cap agreed with HM Treasury, WMCA is also legally obliged to set an affordable borrowing limit each year, known as the Authorised Limit. This limit is subject to annual review to reflect any changes to planned Capital Expenditure. A second lower limit, known as the Operational Boundary, is also set each year to serve as a warning limit to those charged with governance of WMCA. The proposed Authorised Limit and Operational Boundary for 2024/25 onwards are included within Table 4. WMCA expect to remain comfortably within both of these limits over the course of the period covered by this report but will review this based on the potential events detailed above.

Table 4: WMCA Authorised limit and Operational Boundary for External Debt

£M	2024/25	2025/26	2026/27	2027/28	2028/29
Forecast Closing CFR	992.0	968.0	951.0	930.0	905.0
Forecast Closing Debt	581.0	562.0	553.0	540.0	527.0
Operational Boundary	992.0	968.0	951.0	930.0	905.0
Authorised Limit	1,022.0	998.0	981.0	960.0	935.0

Recent long-term borrowing executed within 2021/22 and 2022/23 was taken out to underpin capital expenditure within the WMCA Investment Programme, which will be repaid over the 30-year devolution period ending on 31 March 2046. Borrowing to be repaid from income realised over the 30-year devolution period in respect of the WMCA Investment Programme is subject to an overarching affordable limit, last updated and endorsed by WMCA Board in March 2021.

As noted in the Treasury Management Strategy, WMCA will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Where borrowing in advance of need has been undertaken, WMCA can demonstrate value for money in borrowing in advance of need and its plans to ensure the security of such funds.

As previously referenced, further information on WMCA's approach to treasury management including processes, due diligence, risk appetite, investments and liabilities can be found within the full Treasury Management Strategy at **Appendix 8**.

6 Commercial Activity

WMCA does not invest in any assets for the primary reason of investment income/yield.

Where WMCA plans to provide equity, in the case of the West Midlands Co-Investment, or debt financing from the Collective Investment Fund and Revolving Investment Fund, the primary purpose of decision is for the public benefit to the region.

Any property acquisitions are undertaken based on a need for delivery, and not for financial returns from rental income or capital appreciation.

7 Capital Receipts

Capital receipts are receipts to WMCA arising from the sale/disposal of assets such as land, property and equipment. Their use is normally restricted under the Local Government Finance regulations to capital expenditure and repayment of debt.

WMCA is not currently forecasting any material future capital receipts.

8 Capital Risk Management

The WMCA Capital Programme and its achievability is inherently exposed to uncertainty and a wide array of risks. As mitigation, each project is required to have a risk management strategy in accordance with HMT Green Book and the Five Case Model, which is appraised under the Single Assurance Framework (SAF). A live capital risk register is maintained of project-specific risks which is kept up to date by the relevant accountants and monitored monthly by the finance senior leadership team.

In the delivery of any capital expenditure programme, risk must be managed in line with the organisation's risk appetite.

Risks with respect to funds provided to Local Authorities are managed and mitigated through the use of legally binding funding agreements, covering issues such as delivery, performance and clawback conditions. Where possible, WMCA acts as the funder of last resort to allow maximum benefit from opportunity and project savings (should they arise) to flow back to WMCA for re-investment.

Mitigating against all these risks are the knowledge and skills of WMCA staff. All members of the Finance Leadership Team are fully qualified and experienced finance professionals, and on-going training is provided to all Finance staff. Where Finance Leadership Team feel specialist guidance is required, appropriate advice will be taken from external advisers.

9 Prudential Indicators for Capital

Prudential indicators are means of assessing the overall fiscal sustainability and affordability of capital expenditure and associated external borrowing / long-term liabilities. The CIPFA Prudential Code provides prudential indicators required for inclusion within the Capital Strategy. Compliance with the Code is a statutory requirement under the Local Government Act 2003.

For the WMCA's Capital Strategy, the relevant Prudential Indicators required under the Code against which WMCA are reporting are:

- Estimated Capital Expenditure; and
- Estimated Capital Financing Requirement;
- In-year Borrowing Requirement; and
- Ratio of Financing costs to net revenue stream[6]

It should be noted that these indicators are designed to support and record local decision making; they are not designed to be comparative performance indicators and the Code does not include suggested limits or ratios.

The indicators for capital are complementary to treasury management indicators. Treasury Management Indicators are disclosed within the Treasury Management Strategy at **Appendix 8**.

[6] This ratio shows the estimated annual revenue costs of borrowing, less net interest receivable on investments, as a proportion of annual income from constituent members - levy and fees - and central government (net revenue stream).

10 Updates to Regulations and Accounting Standards

When preparing this Capital Strategy, officers of WMCA have given due regards to regulatory updates.

WMCA are in regular discussions with its external auditors in respect of the UK government's ongoing consultation on changes to the capital framework with respect to Minimum Revenue Provision. This is considered at **Appendix 10**.

Recent changes to accounting standards, such as IFRS 16 Leases, have been considered and have not had a material impact on WMCA's Capital Strategy.

11 Governance Arrangements

Decisions around capital expenditure, investments and borrowing should align with the processes established for the setting and revision of the budget for WMCA, which is why the Capital Strategy is appended to the annual WMCA Budget for approval by WMCA Board, the body with responsibility for the annual budget.

This process is also appropriate because the CIPFA Prudential Code recommends that where budget decisions are made by an elected mayor, as is the case for WMCA, the Capital Strategy and prudential indicators are expected to follow the same procedures as the budget.

Although detailed implementation and monitoring of capital investment is delegated to sub-committees and officers as appropriate, ultimate responsibility for decision-making and ongoing monitoring in respect of capital expenditure, investment and borrowing remains with WMCA Board.

There are processes in place within the WMCA to ensure the capital programme is governed correctly from the initial business case through options appraisal to delivery, monitoring & evaluation and post project appraisal.

The Single Assurance Framework (SAF) is a set of systems, processes and protocols designed to provide the organisation with a consistent approach for appraisal, assurance, risk management and performance throughout the lifecycle of projects and programmes. It sets out key procedures for ensuring accountability, probity, transparency and legal compliance and for ensuring value for money is achieved across its investments.

Ensuring all capital projects deliver value for money is of utmost importance within the governance process. Value for money is required to be demonstrated within the economic case of all business cases passing through the SAF and significant projects are also required to provide analysis on accost benefit ratio.

Once a business case has gone through the SAF and an agreed amount of funding has been awarded to achieve a set outcome, any changes required will follow the Change Control process. This is the process through which all requests to change the approved baseline of a project, programme or portfolio are captured, evaluated, and then approved, rejected or deferred. The Change Request is required when the tolerances that were set out in the approved Business Case are or will be breached. These include changes to time, cost and scope.

Monitoring and evaluation arrangements are agreed within the business case. These monitoring indicators include the project budget, data collection and reporting.

Capitalisation Policy

WMCA sets out its processes and procedures to ensure correct classification of expenditure and compliance with Local Authority Capital Accounting regulations within its capitalisation policy.

In accordance with Local Authority Capital Accounting regulations, only expenditure which is directly attributable to bringing an asset into working condition is to be capitalised.

The capitalisation policy sets out guidance on specific types of expenditure such as feasibility studies, professional fees, design works, training, incidental overheads, software, financing costs and maintenance.

It also stipulates how salaries may be capitalised, which assets are classified under “Assets under construction”, the maintenance of WMCA’s fixed asset register, how depreciation is to be charged, estimated useful lives of assets and conditions under which an asset is to be derecognised.

The capitalisation policy is reviewed and updated annually to reflect any changes to regulations and advice from external accounting professionals.

Reporting

After a project budget has been approved, WMCA financial regulations require that any proposed increase to this budget in excess of 10% is reported to, and approved by, WMCA Board (or by subsidiary Boards including WMCA Investment Board, based on the delegations stated within the WMCA Single Assurance Framework). As well as this, any unfunded budgets are required to be reported to WMCA Board.

12 Knowledge and Skills

The Capital Strategy and the Treasury Management Strategy are prepared and managed by teams of professionals with local government experience and qualified accountants. The Audit, Risk and Assurance Committee scrutinises the capital programme and Treasury Management Strategy at regular scheduled intervals to ensure rigorous control over these functions.

The correct accounting treatment is applied across the capital programme and Treasury functions in accordance with CIPFA 2022/23 Code of Practice on Local Authority Accounting.

WMCA has professionally qualified staff across a range of disciplines related to capital investment including finance, legal, commercial, housing, transport. Staff engage in ongoing continuous professional development and seek external professional advice where necessary.

13 Affordability and Sustainability

The fundamental objective in the consideration of the affordability of WMCA’s capital plans is to ensure that the total capital investment of the authority remains within sustainable limits. As a combined authority, WMCA should have due regard for potential impacts on its underlying member authorities. Much of the West Midlands capital expenditure is in respect of funding

awarded to its constituent members and related to HS2, which will be shown within the capital strategies of these bodies. The members of WMCA play a crucial role shaping WMCA's strategy and risk appetite.

When assessing affordability and sustainability, it is critical that a balance is reached between capital and revenue expenditure needs. Therefore, revenue consequences of capital decisions are carefully taken into account. It is also important to ensure that investment in new/enhanced assets is balanced against need to maintain the service potential and economic benefits of existing assets.

At present, there are increasing constraints upon available revenue resources, with local authorities coming under increasing pressure to balance the short term. WMCA remains committed to delivery its capital programme to ensure WMCA does not prioritise short-term sustainability over long-term sustainability.

It is of utmost important to the WMCA that the long-term interests of the region are safeguarded, and the public pound is protected. There are layers of protection applied to the capital programme to ensure the affordability and deliverability of the capital programme. For example, each supplier must demonstrate their solvency and ability to deliver contracted outcomes.

Within the financial case of each projects business case, project managers should demonstrate cost estimates are robust and if necessary, that contingency is included and earmarked separately.

The WMCA seeks to maximise opportunities to leverage third party investment to complement the capital programme and strategically recycle funding where possible for reinvestment within the region.

Despite these layers of protection, the WMCA capital programme is being delivered in challenging economic conditions. The impact of high inflation and increased interest rates have added considerable pressure to capital delivery budgets, particularly in respect of construction materials and financing costs.

These external economic factors are causing pressures to emerge across the WMCA capital programme. An update was recently provided to ensure accountability and transparency at WMCA Board in December 2022.

The WMCA Board and senior officers of the organisation are continually monitoring the capital programme to ensure the best use of capital resources and the greatest possible value for money is achieved.

Where necessary, the scope and delivery timing of projects within the WMCA capital programme may be altered to ensure sound and responsible risk/financial management. Any such changes will be reported appropriately and transparently.

The first means of mitigation for a capital cost pressure is to reduce/avoid the cost increase where possible. In such circumstances, project contingency is reviewed. Next, a review of WMCA resources including soft contingencies is undertaken.

Under a worst-case case scenario, where additional funding is required and has not been secured, an increase to the levy payable to WMCA by its constituent members would be considered, which would require approval by WMCA Board.

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

Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Department for Levelling Up, Housing and Communities' Guidance on Minimum Revenue Provision (the DLUHC Guidance).

In December 2023, DLUHC announced a final consultation on its MRP guidance. The consultation follows a previous exercise in 2021 which was subsequently extended following feedback from the sector. The proposed final guidance is now expected to apply prospectively from April 2024 onwards.

The broad aim of the DLUHC Guidance is to ensure that capital expenditure is financed over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The DLUHC Guidance requires the Authority to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP.

As such, WMCA will charge MRP as detailed below:

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

- For unsupported capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset as the principal repayment on an annuity with an annual interest rate of 2%, starting in the year after the asset becomes operational;

- For capital expenditure on loans to third parties where the principal element of the loan is being repaid in annual instalments, the capital receipts arising from the principal loan repayments will be used to reduce the CFR instead of MRP.

Where no principal repayment is made in a given year or principal repayments have not been received in accordance with the T&Cs of the loan agreement or there is any uncertainty about receiving future repayments, MRP will be charged at a rate in line with the life of the assets funded by the loan.

In November 2017, WMCA Board agreed to the release of historic overpayments of MRP by suppressing the MRP charges to zero from April 2017. The policy amendment was undertaken in liaison with WMCA's external auditors (Grant Thornton) and the practice is common across UK Local Authorities. The duration of the 'zero MRP' was expected to be seven years. The value of overpayments released to March 2024 will be £30.5m meaning that all residual balances have been released. The outcome of this procedure means that the Transport Levy (i.e. the source of those original overpayments) was suppressed by a corresponding amount during the seven year period whilst still ensuring that the legacy debt WMCA held could be repaid in a prudent manner. It should be noted that as the historic MRP over payments relate to Transport assets delivered prior to April 2017, the release of the overpayment does not apply to schemes developed and delivered after this date and as such, WMCA continues to make MRP payments against Investment Programme schemes during the current planning cycle.

APPENDIX 11 – Pay Policy Statement 2024/25

1. Introduction and Purpose

1.1. The purpose of this policy is to clarify West Midlands Combined Authority's strategic stance on pay in order to provide direction for members and officers making detailed decisions on pay and to provide the citizens of the West Midlands with a clear statement of the principles underpinning decisions on the use of public funds.

1.2. As defined in Sections 2 (6), (7) and (8) of the Local Government and Housing Act 1989, the Authority has the power to appoint officers on such reasonable terms and conditions, including remuneration, as the authority thinks fit. This Pay Policy Statement (the 'statement') sets out the Authority's approach to pay policy in accordance with the requirements of Section 38 of the Localism Act 2011. The purpose of the statement is to provide transparency with regard to the Authority's approach to setting the pay of its employees by identifying;

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

1.3. Once approved by the Board, the statement will come into immediate effect and will be published by no later than 1 April each year, subject to review on a minimum of an annual basis in accordance with the relevant legislation prevailing at that time.

2. Legislative Framework

2.1. In determining the pay and remuneration of all of its employees, the West Midlands Combined Authority will comply with all relevant employment legislation. This includes, but is not an exhaustive list, the Equality Act 2010, Part Time Employment (Prevention of Less Favourable Treatment) Regulations 2000, The Agency Workers Regulations 2010 and where relevant, the Transfer of Undertakings (Protection of Earnings) Regulations.

2.2. With regard to the Equal Pay requirements contained within the Equality Act, the West Midlands Combined Authority ensures there is no pay discrimination within its pay structures and that all pay differentials can be objectively justified through the use of equality-proofed job evaluation mechanisms which directly relate salaries to the requirements, demands and responsibilities of the role.

3. Pay Structure

3.1. The purpose of pay is to encourage staff with the appropriate skills to seek to work for the Authority and then to reward them appropriately for the tasks they undertake in order to maintain their motivation and retain their services.

3.2. Based on the application of job evaluation processes, the West Midlands Combined Authority uses the nationally negotiated pay spine as the basis for its local grading structure (known as the main salary scale). This determines the salaries of the majority of the workforce, together with the use of other nationally defined rates where relevant. The West Midlands Combined Authority's terms and conditions of employment for non-Chief Officers/non-Senior Management will be in accordance with collective agreements negotiated from time to time by the Passenger Transport Forum (PTF) for Passenger Transport Executive Staff set out in the Scheme of Salaries and Conditions of Service (Commonly known as the "Green Book") as amended or supplemented by such local collective agreements reached with trade unions recognised by the West Midlands Combined Authority, currently Unison..

3.3. In determining its grading structure and setting remuneration levels for all posts, the West Midlands Combined Authority takes account of the need to ensure value for money in respect of the use of public expenditure, balanced against the need to recruit and retain employees who are able to meet the requirements of providing high quality services to the community, delivered effectively and efficiently and at times at which those services are required.

3.4. New appointments will normally be made at the minimum of the relevant grade, although this can be varied where necessary to secure the best candidate when a higher skill level and/or experience are applicable. From time to time it may be necessary to take account of the external pay market in order to attract and retain employees with particular experience, skills and capacity. Where necessary, the West Midlands Combined Authority will ensure the requirement for such is objectively justified by reference to clear and transparent evidence of relevant market comparators, using appropriate data sources.

4. Market supplements

4.1. The Authority has a policy to offer market supplements in instances where the substantive grade of the post is insufficient to attract or retain post holders in skill shortage areas, based on evidence of recruitment and retention difficulties. The Market supplement has been defined in the form of 2 additional increments added to the main salary scale, or it will consider the use of temporary market forces supplements in accordance with its relevant policies.

4.2. Where a temporary market supplement has been applied, this will be applied as a non-consolidated payment, not applicable to cost of living increases. The applicable market supplement will be reviewed on a periodic basis to ensure market conditions are pertaining.

5. Senior Management Remuneration

5.1. For the purposes of this statement, senior management means 'chief officers' as defined within S43 of the Localism Act. The posts falling within the statutory definition are set out below, with details of their basic salary as at 1st April 2023. Salaries quoted are based on the full time equivalent (FTE) of 36.5 hours per week.

5.2. The table lists the 90 Senior Management posts that make up 10.19% of the 883* people employed by the West Midlands Combined Authority.

**Refers to the staffing count as at 26th January 2024 which includes all permanent, temporary and casual employees*

Title	Grade	Minimum	Maximum
Chief Executive	1 post	£180,000	£205,000

Title - Executive Directors	Grade	Minimum	Maximum
Exec Director of Economic Delivery, Skills & Communities Executive Director of Finance and Business Hub Executive Director of Housing, Property and Regeneration Executive Director of Strategy, Innovation and Net Zero Executive Director of Transport for West Midlands	Directors (5 posts)	£120,000	£145,000

Title - Operational Directors	Grade	Minimum	Maximum
Commercial and Investment Director Director of Law and Governance Director of Integrated Transport Services Director of Delivery - Transport Portfolio Director of Policy, Strategy and Innovation Executive Director (WMRE)/Director of Rail (TfWM) Director- Energy Capital Director of Network Resilience Director of Strategic Partnerships & Delivery Integration Delivery Director - Sustainable Transport Delivery Director - Rail Chief of Staff Technical Director - Swift Operational Director of Strategic Communications	Operational Directors (14 posts)	£93,537	£131,523

Title - Head Of Service & Subject Matter Experts	Grade	Minimum	Maximum
Head of Service & Subject Matter Expert roles will have operational and/or highly strategic responsibility for a team or function of the WMCA, leading managers and/or professionals, setting objectives, managing performance and ensuring the teams delivery of its objectives forming part of the senior management team of WMCA	Head of Service & SME (70 posts)	£64,092	£89,967

**Salary amounts subject to pending 2024-25 pay award*

For information the main salary scale, covering the majority of the workforce, is shown in the Annex 1.

6. Recruitment of Chief Officer Related Posts

6.1. The West Midlands Combined Authority's policy and procedures with regard to recruitment of chief officer related posts is set out within the Constitution which can be accessed click here. The West Midlands Combined Authority shall appoint seven separate Members from the Constituent Councils, the Mayor and any other additional person as required, as members of the Employment Committee. When recruiting to all posts the West Midlands Combined Authority will take full and proper account of its own policies and procedures. The determination of the remuneration to be offered to any newly appointed chief officer related position will be in accordance with the pay structure and relevant policies in place at the time of recruitment. The agreement of pay and conditions for the Chief Executive and Chief Officers are in accordance with the Joint Negotiating Committee for Chief Officers of Local Authorities'. Where the West Midlands Combined Authority is unable to recruit to a post at the designated grade, it will consider the use of temporary market forces supplements in accordance with its relevant policies.

6.2. Where the West Midlands Combined Authority remains unable to recruit to chief officer related posts under a contract of employment, or there is a need for interim support to provide cover for a vacant substantive chief officer related post, the Authority will, where necessary, consider engaging individuals under 'contracts for service'. These will be sourced through a relevant procurement process ensuring the West Midlands Combined Authority is able to demonstrate the maximum value for money benefits from competition in securing the relevant service. The temporary filling of a vacancy for a post of Chief Officer or Deputy Chief Officer will be reviewed after a period of no more than 12 months.

7. Additions to Salary of Chief Officer Related Posts

The West Midlands Combined Authority does not normally apply any bonuses or performance related pay to its chief officer related posts. Chief Officers, known as Senior Managers, within WMCA, are employed on an incremental scale. The salary structures each have minimum and maximum range, as shown in the Annex 1. Where additional responsibility is undertaken, the Authority may apply an honorarium reflective of the additional duties undertaken.

8. Payments on Termination

8.1. The West Midlands Combined Authority's approach to discretionary payments on termination of employment of chief officers, prior to reaching normal retirement age, is set out within its policy statement in accordance with Regulations 5 and 6 of the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006 and the Local Government Pension Scheme (LGPS) Regulations 2013 (as amended).

8.2. The circumstances of each individual redundancy case will be assessed, each specific case will be judged equally and fairly on its own merits.

For redundancy payment purposes the following applies to all post holders:

- All continuous service with local authority and other bodies specified by *The Redundancy Payments (Continuity of Employment in Local Government, etc) (Modification) Order*, as amended, counts towards the entitlement to and calculation of a payment. Any service already taken into account by a Scheme employer in calculating compensation under these or similar Regulations will be excluded.

- No employee may receive a redundancy payment in a sum greater than their current annual salary as at the date of redundancy. (This excludes any payment for pay in lieu of notice).
- Statutory or enhanced redundancy pay will be paid to those with over 2 years continuous employment. Payment for each week's pay will be calculated on the number of statutory weeks, based on an employee's age and length of employment. Length of service is capped at 20 years.
- A week's pay for the calculation of statutory redundancy pay shall be that set by the statutory redundancy guidelines.
- A week's pay for the calculation of the enhanced redundancy payment shall be the actual amount of a week's pay based on the annual salary as at the date of redundancy. To calculate the enhanced redundancy payment this shall be multiplied by a factor of 1.75.

8.3. Any other payments falling outside the provisions or the relevant periods of contractual notice shall be subject to a formal decision made by the West Midlands Combined Authority or relevant elected members, committee or panel of elected members with delegated authority to approve such payments.

9. Publication

9.1. Upon approval by the West Midlands Combined Authority Board, this statement will be published on the West Midlands Combined Authority's website.

9.2. In addition, the West Midlands Combined Authority's Annual Statement of Accounts will include a note setting out the number of staff whose total remuneration is at least £50,000 and for chief officer posts it will show the amount of

- salary, fees or allowances paid to or receivable by the person in the current and previous year;
- employer's contribution to the person's pension;
- any bonuses so paid or receivable by the person in the current and previous year;
- any sums payable by way of expenses allowance that are chargeable to UK income tax;
- any compensation for loss of employment and any other payments connected with termination;
- any benefits received that do not fall within the above.

10. Lowest Paid Employees

10.1. The West Midlands Combined Authority has adopted the principle to pay the UK Real Living Wage. The lowest paid persons employed under a contract of employment with the West Midlands Combined Authority are employed in accordance with the minimum spinal column point currently in use within the Authority's grading structure. As at 1st April 2023 this is

£24,141 per annum and is 7 points higher than the main pay spine minimum and 7 points higher than the UK Real Living Wage minimum in the spinal column. West Midlands Combined Authority have obtained living wage foundation accreditation. Any changes to the Real Living Wage hourly rate will be implemented from the 1st April each year following the increase.

10.2. The West Midlands Combined Authority employs Apprentices who are not included within the definition of 'lowest paid employees' as the terms and conditions are determined by the National Apprenticeship Service. The relationship between the rate of pay for the lowest paid and chief officers is determined by the processes used for determining pay and grading structures as set out earlier in this policy statement.

10.3. The statutory guidance under the Localism Act recommends the use of pay multiples as a means of measuring the relationship between pay rates across the workforce and that of senior managers, as included within the Hutton 'Review of Fair Pay in the Public Sector' (2010). The Hutton report was asked by Government to explore the case for a fixed limit on dispersion of pay through a requirement that no public sector manager can earn more than 20 times the lowest paid person in the organisation. The report concluded that "it would not be fair or wise for the Government to impose a single maximum pay multiple across the public sector". The West Midlands Combined Authority accepts the view that the relationship to median earnings is a more relevant measure and the Government's Code of Recommended Practice on Data Transparency recommends the publication of the ratio between highest paid salary and the median average salary of the whole of the authority's workforce.

10.4. The current pay levels within the West Midlands Combined Authority define the multiple between the lowest paid employee and the Chief Executive as 1:8.35 and; between the lowest paid and average chief officer as 1:3.62. The Authority's multiplier falls well below Lord Hutton's public sector threshold.

10.5. As part of its overall and ongoing monitoring of alignment with external pay markets, both within and outside the sector, the West Midlands Combined Authority will use available benchmark information as appropriate.

11. Re-engagement and Re-employment of former Chief Officer Related Posts

11.1. West Midlands Combined Authority would not normally re-employ or re-engage chief officers who were previously employed by the Authority and who on ceasing to be employed, received severance or redundancy payment. This applies to chief officers employed on permanent, temporary and external contracts.

12. Accountability and Decision Making

12.1. In accordance with the Constitution of the West Midlands Combined Authority, the Employment Committee is responsible for decision making in relation to the recruitment, pay, terms and conditions and severance arrangements in relation to chief officer positions within the West Midlands Combined Authority. Overall the Authority aims to maintain a mid-market position on chief officer pay in comparison to similar authorities.

Annex 1

West Midlands Combined Authority – Main Salary Scale

INCREASED WITH EFFECT FROM 1 APRIL 2023

	NEW BASIC SALARY W.E.F.1.4.23
SALARY POINT	**PER ANNUM**
9	£21,198
10	£21,633
11	£22,126
12	£22,191
13	£22,302
14	£22,922
15	£23,516
16	£24,141
17	£24,917
18	£25,616
19	£26,341
20	£26,915
21	£27,841
22	£28,794
23	£29,800
24	£30,835
25	£31,912
26	£33,038
27	£34,201
28	£35,414
29	£36,683
30	£37,992
31	£39,360
32	£40,424
33	£41,522
34	£42,646
35	£43,815
36	£45,019
37	£46,250
38	£47,520

39	£48,833
40	£50,183
41	£51,571
42	£53,060
43	£54,592
44	£56,171
45	£57,800
46	£59,468
47	£61,199
48	£62,974
49	£64,796
50	£66,681

MARKET SCALES	NEW BASIC SALARY W.E.F.1.4.23
SALARY POINT	**PER ANNUM**
51	£68,620
52	£70,620

Operational Director Levels – Salary Scale

Operational Director Level	Minimum	Maximum
OP1	£93,537	£100,317
OP2	£105,000	£111,780
OP3	£124,743	£131,523

Senior Manager Levels – Salary Scale

Senior Manager Level	Minimum	Maximum
SM1	£64,092	£69,267
SM2	£66,680	£71,855
SM3	£69,267	£74,442
SM4	£71,855	£77,030
SM5	£74,442	£79,617
SM6	£77,030	£82,205
SM7	£79,617	£84,792
SM8	£82,205	£87,380
SM9	£84,792	£89,967