



**West Midlands  
Combined Authority**

## **WMCA Board**

<b>Date</b>	14 September 2018
<b>Report title</b>	WMCA Funding for Growth Programme Update
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<b>Report has been considered by</b>	WMCA Programme Board - 31 August

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

**The WMCA Board is recommended to:**

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

## **1.0 Purpose**

- 1.1 To update the Board on the status of the WMCA Funding for Growth Programme, the updated governance, current areas of focus and findings to date.

## **2.0 Background**

- 2.1 The Funding for Growth Programme is a key part of the region's approach to devolution. The Programme supports the aspiration for the region to develop income generating opportunities that support the investment programme in the West Midlands.

The Funding for Growth programme was set up to focus on generating and implementing funding solutions particular, in summary the programme's objectives are as follows:

- Consideration of existing financing/funding powers and sources
- Analysis of the West Midlands region, in terms of levels of public expenditure and tax revenue
- Consideration of the potential options available to the West Midlands, in terms of additional powers that could be devolved from Government, and incremental funding sources that could be used locally
- Making recommendations as to how the West Midlands could increase control over local spending and create new funding opportunities.

- 2.2 The last update to the Board was in March 2018.

## **3.0 Revised governance structure**

- 3.1 Under the original governance structure public and private sector representatives attended a number of sessions aimed at identifying new funding opportunities that the region should consider. Thereafter, work focused on providing a high level valuation of the impact of the opportunities as well as their deliverability.
- 3.2 The sessions were successful at generating ideas but were not the appropriate forum to drive forward the ideas that emerged. Accordingly, we have revised the governance and focus of the programme.
- 3.3 In recognition that the CA's attention needs to be on securing both funding for specific projects and the priority income sources we have identified we have established a number of Project Groups. These are set out in Appendix 1.
- 3.4 The revised approach means that we will only need to hold a meeting of the full Funding for Growth Group for strategic input on an annual basis. We will draw on the expertise of the group to input into the Project Groups. This will give the CA leverage of the skills and knowledge of the Group without having to draw too heavily on everyone's time.

#### 4.0 Progress on immediate priorities

- 4.1 The most active Project Groups have been those dealing with immediate priorities for the CA, namely:
- Funding the Metro
  - Business Rate Supplement, and
  - Funding the Industrial Strategy
- 4.2 **Funding the Metro** – the CA has been approached by a number of funders who are seeking to invest in public sector infrastructure programmes.
- 4.3 We have modelled how the fare box of the Metro is anticipated to increase as the network expands as a basis for engaging with investors. In addition we have advised the Local Authorities (impacted by the extensions) of the discussions with the potential investors.
- 4.4 Work is ongoing to develop an investible proposition that could bring in private sector funding to support the infrastructure ambitions of the region. Any firm proposal will be subject to the existing governance processes of the CA. Existing mechanisms for funding the Metro will progress in parallel with discussions with investors.
- 4.7 **Business Rate Supplement ('BRS')** – BRS is one of the key components required to fund the Investment Programme. There is a separate BRS Board and a Steering Group driving the process forward
- 4.8 The Statutory Instrument which confers the powers to raise a BRS in West Midlands was finalised on 18 July 2018.
- 4.9 We are progressing with the planning of the steps which would have to be undertaken in the event that the CA decides to move forward with a ballot to seek approval for a BRS. This will include consultation with business on the benefits of the portfolio of investment covered by the supplement.
- 4.10 Discussions are on-going with the Ministry of Housing, Communities and Local Government regarding the regulations required to hold the ballot.
- 4.11 The progress made and the decisions required from the WMCA Board will be the subject of a separate discussion.
- 4.11 **Funding the Local Industrial Strategy ('LIS')** – the draft LIS is the subject of a separate update. In order to support its development we considering how to determine:
- The taper away of Local Growth and EU structural funds in the region
  - What is needed by when to replace those funding streams
  - What organisational capability is required to prepare the CA for the introduction of the Shared Prosperity fund, and

- How we take forward the recommendations of the Employment Support Framework to identify how future funding delivers regional employment and skills activity

4.12 This work will help the CA to plan for the future funding environment and test the levels of additional funding required to support the LIS.

## **5.0 Plans to address longer term priorities**

5.1 The development of longer term priorities, including Investible propositions and New mechanisms, continue to be progressed through engagement with members of the Funding for Growth group that are revisiting the long list of potential additional funding streams and considering new ones that might support the region's growth ambitions.

5.3 It remains the case that whilst a number of funding opportunities are being actively considered, that these do not represent opportunities that will deliver funding in the near term. For instance, legislation would need to be passed in order to allow some of the opportunities to be developed further.

## **6.0 Financial implications**

6.1 The CA's Director of Finance is having discussions with HM Treasury regarding alternative funding mechanisms. This will be the subject of a separate update to the Board.

6.2 HM Treasury is responding positively to exploring how they might be able to support the CA. The mechanisms set out below are being considered for their suitability:

- Mayoral Community Infrastructure Levy
- EU structural funds
- Wider public sector asset monetisation
- Hotel or Tourist Tax
- Airport Land Fee
- Enterprise Zones
- Sovereign Wealth Fund
- Investment Vehicles
- Public Service Reform gain share, and
- Digital Income Generation

We are in the process of outlining the size and scope of the above opportunities, how we might use them and the support that we would require from Treasury.

## **7.0 Legal implications**

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

## **8.0 Equalities implications**

8.1 There are no immediate equalities implications arising from this report.

## **9.0 Schedule of background papers**

9.1 None

## **10.0 Appendices**

10.1 Appendix 1 – Funding for Growth Governance and Project Summary