



## WMCA Board

<b>Date</b>	14 February 2020
<b>Report title</b>	WMCA Budget 2020/21
<b>Portfolio Lead</b>	Finance - Councillor Bob Sleigh
<b>Accountable Chief Executive</b>	Deborah Cadman, West Midlands Combined Authority email: <a href="mailto:deborah.cadman@wmca.org.uk">deborah.cadman@wmca.org.uk</a> tel: (0121) 214 7200
<b>Accountable Employee</b>	Linda Horne, Director of Finance email: <a href="mailto:linda.horne@wmca.org.uk">linda.horne@wmca.org.uk</a> tel: (0121) 214 7508
<b>Report has been considered by</b>	Senior Leadership Team West Midlands Finance Directors Programme Board

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

#### **The WMCA Board is recommended to:**

1. Note the consolidated revenue budget monitoring position as at 31 December 2019;
2. Approve the West Midlands Combined Authority consolidated revenue budget summarised in Section 5. This includes:
  - a) the budget requirement for transport delivery 2020/21 comprising three elements:
    - i. £114.7 million a year to be funded from the existing transport levy mechanism; and
    - ii. £1.4 million to be funded from grant awarded by the Commonwealth Games Organising Committee; and
    - iii. a transfer from earmarked reserves of £3.65 million.

- b) the West Midlands Combined Authority Delivery budget requirement for 2020/21 of £142.6 million comprising of six elements:
- i. £125.6<sup>1</sup> million Adult Education spending to be funded from Adult Education Budget funding devolved by the Department for Education;
  - ii. £9.0 million to be funded from other devolution deal grants;
  - iii. £4.6 million to be funded from Constituent Authority fees (fees to remain at the same level as 2019/20);
  - iv. £0.4 million to be funded from Non-Constituent Authority and observer fees (fees to remain at the same level as 2019/20);
  - v. £2.2 million to be funded from other income; and
  - vi. a transfer from reserves of £0.7 million.
3. Approve the Mayoral Office budget for 2020/21 of £0.8 million to be funded from additional confirmed Mayoral capacity funding of £0.8 million.
  4. Note that the Mayor has indicated that there will be no mayoral precept during the remainder of his current term of office.
  5. Note that funding has not yet been secured in respect of the Mayoral Election taking place in May 2020.
  6. Approve the prepayment of employers' pension contributions to West Midlands Pension Fund as set out in section 5 (paragraphs 5.11 – 5.13).
  7. Endorse the proposal in respect of the Ring and Ride service set out in Section 5 (paragraphs 5.4 – 5.6).
  8. Approve the Capital Programme as set out in Section 6 and Appendices 3, 4 and 5.
  9. Note the West Midlands Combined Authority indicative 5 year Medium Term Financial Plan as set out in section 7 and Table 6.
  10. Approve that surplus cash balances generated from the Collective Investment Fund and Residential Investment Fund are used to support the West Midlands Combined Authority Delivery Budget thus minimising Constituent and Non-Constituent Authority contributions.
  11. Delegate 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 paragraph 2.4.
  12. Approve an amendment to the Terms of Reference of West Midlands Combined Authority's Audit, Risk and Assurance Committee to include responsibility for review, commentary and consideration of the authority's annual Treasury Management Strategy and the annual mid-year review of Treasury Management activity as set out in paragraph 9.5.
  13. Approve the following policies and strategies as required by statute:
    - a) The West Midlands Combined Authority Treasury Management Strategy as set out in section 9 and Appendix 7;
    - b) The West Midlands Combined Authority Capital Strategy and Minimum Revenue Provision Strategy and as set out in section 10 and Appendices 8 and 9; and

---

<sup>1</sup> WMCA's Adult Education Budget allocation for the 2020/21 academic year is indicative at the time of writing. The actual allocation is anticipated to be confirmed in February 2020.

- c) The West Midlands Combined Authority Pay Policy Statement as set out in section 14 and Appendix 10.

## 1.0 Purpose

- 1.1 This report is intended to present the final West Midlands Combined Authority budget for 2020/21 for approval by the West Midlands Combined Authority Board. A draft budget was approved for review and comments by the West Midlands Combined Authority Board at its meeting on 17 January 2020.

## 2.0 Background

- 2.1 This report represents the final stage of the budget setting process for the West Midlands Combined Authority incorporating the final revenue and capital budget for 2020/21 together with an indicative Medium Term Financial Plan and associated policies required by statute and there are no changes from the financial plans considered within the Draft Budget at West Midlands Combined Authority Board on 17 January 2020.
- 2.2 This report incorporates the 2019 Provisional Local Government Finance Settlement. The final 2020/21 Local Government Finance Settlement is due to be laid before the House of Commons, for its approval, in February 2020 and so a verbal update will be provided at the meeting of the West Midlands Combined Authority on 14 February 2020 should there be any implications.
- 2.3 The Mayor and the West Midlands Combined Authority have listened to feedback on the Draft Budget during January 2020. This has included formal feedback from the Constituent Members of the Combined Authority and from other key stakeholders.
- 2.4 Delegation is requested to the Finance Director 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 should they arise.

## 3.0 Building on a strong base – the 2019/20 forecast revenue outturn

- 3.1 The West Midlands Combined Authority's forecast outturn for 2019/20 at Month 9 (December 2019) indicates a favourable variation of £2.3 million. The forecast represents actual performance for nine months of the 2019/20 financial year together with a forecast for the remaining three months. Net spending for the Mayor's office continues to be in line with the original budget.
- 3.2 The following table illustrates the overall position at the end of December 2019:

Table 1: West Midlands Combined Authority Revenue Budget 2019/20

£ million	Original Budget	Forecast Outturn	Forecast Variance
Transport Delivery	115.7	113.7	2.0
WMCA Operational Budget	97.6	97.3	0.3
Mayor's Office	0.8	0.8	-
Investment Programme	42.5	42.5	-
<b>Total</b>	<b>256.6</b>	<b>254.3</b>	<b>2.3</b>
<b>Transfer to Efficiency Reserve</b>			<b>(2.3)</b>

- 3.3 In developing the budget for 2020/21, an organisational efficiency savings review has been carried out with the aim of banking savings achieved in 2019/20 to support the budget in 2020/21. These savings are then shown as a transfer to an earmarked efficiency reserve rather than to the general fund.
- 3.4 Savings delivered by 31 March 2020 are anticipated to reach the overall target of £3.2 million required to fund West Midlands Combined Authority's overall spending plans in 2020/21.

#### **4.0 Consultation and Engagement on the Draft 2020/21 Budget**

- 4.1 Since the January 2020 West Midlands Combined Authority Board meeting, informal budget consultation has taken place with employee representatives i.e. the union and the budget opened for comments.
- 4.2 Overall, the feedback indicated broad support for the Draft Budget and for the delivery of outcomes set out in the Draft Budget.

#### **5.0 Changes proposed to the Draft Budget**

- 5.1 The Draft Budget related to the delivery of the Transport for West Midlands (TfWM) service, the West Midlands Combined Authority Delivery Budget and the Mayoral Office and the proposals set out in the Draft Budget remain largely unchanged.
- 5.2 The TfWM budget set out in Appendix 1 remains unchanged and continues to deliver all existing transport policies as set in the draft budget that was presented to West Midlands Combined Authority Board on 17 January 2020.
- 5.3 It should also be noted that any proposed policy changes in respect of transport delivery would require full public consultation.

##### Ring and Ride Service

- 5.4 TfWM has conducted a thorough review of Ring and Ride with the current provider, National Express Accessible Transport (NEAT), which has provided the service since 2019 following an accelerated merger and acquisition process. The assessment, which reflects findings from an earlier review of the service in 2018, before Accessible Transport Group went into administration, has focused on how the service can provide safety assurances, ensure staff are adequately trained, improve the customer experience through technology and better communication, improve transparency of operational costs and establish the necessary ongoing investment. Some of the agreed deliverables have already been undertaken in 2019/20 but there is still work to be done in future years.
- 5.5 A recommended proposal is to enter into a 3 year plus 2 contractual agreement with NEAT which will address these key issues and generate significant savings against the current annual budget allocation for Ring and Ride. The 2019/20 budget allocation is £7.1 million. If the contract is agreed, the annual cost of the three year contract would be £6.6 million on 2020/21, £6.35 million in 2021/22 and £6.2 million in 2022/23, resulting in total savings across the three years of approximately £2.2 million against an ongoing assumed annual budget of £7.1 million.

- 5.6 If the contract was extended beyond this for a further two years, a decision which would not be made until year 3 of the contract, the total level of savings over the five years would be approximately £4.8 million. The savings that can be achieved are dependent upon investment in new vehicles and technology and although the delivery of these savings has some risk for the operator, TfWM have insisted on a considerable saving up front, however, the agreement to enter into this contract would effectively require allocation of future unsecured West Midlands Combined Authority funding and therefore carries risk should future West Midlands Combined Authority budget allocations reduce significantly in future years. A three year funding deal has previously been granted from 2015 to 2018, however, there was no committed investment attached to this arrangement.
- 5.7 Funding for the proposals in relation to the budget West Midlands Delivery Budget set out in Appendix 2 (£142.6 million) is confirmed as follows:
- i. £125.6 million Adult Education spending to be funded from Adult Education Budget funding devolved by the Department for Education;
  - ii. £9.0 million to be funded from other devolution deal grants;
  - iii. £4.6 million to be funded from Constituent Authority fees (fees to remain at the same level as 2019/20);
  - iv. £0.4 million to be funded from Non-Constituent Authority and observer fees (fees to remain at the same level as 2019/20);
  - v. £2.2 million to be funded from other income; and
  - vi. a transfer from reserves of £0.7 million.
- 5.8 Since the Draft Budget was prepared an increase in gross expenditure of £0.65 million in respect of 'Creative Scale Up' programme delivery has been reflected in 2020/21. This is a Department of Culture, Media and Sport funded programme aimed at delivering support to creative businesses in the West Midlands.
- 5.9 The Department's aspiration is that West Midlands Combined Authority will use the funding to deliver:
- an intensive business support programme that improves the investability of scaling creative industry businesses;
  - an appropriate wrap-around programme of further support and signposting to match participating businesses to an appropriate and identified pool of investors;
  - targeted work with investors to increase investor interest and capacity to support creative industries businesses in the region; and
  - to contribute to a centralised rigorous evidence base that tests the impacts of sector specific investment readiness support on creative businesses.
- 5.10 The proposals in relation to the Mayoral Office remain unchanged although it should be noted that funding for the May 2020 Mayoral election is yet to be secured. West Midlands Combined Authority, alongside other Mayoral Combined Authorities, continues to lobby government to provide funding. A further update will be provided in the March 2020 Financial Monitoring Report, following the Government's budget announcements currently anticipated on 11 March 2020.

- 5.11 Since the Draft Budget for 2020/21 was prepared, West Midlands Combined Authority has been offered the opportunity to pay West Midlands Pension Fund employers' superannuation contributions three years in advance, based on assumed payroll levels. The advance discount levels are: year one 2.2%, year two 6.5% and year three 10.6%, resulting in an estimated three year saving of £0.681 million. Any overpayment or underpayment, based on actual payroll data, will either be adjusted in subsequent years or rolled up into the next actuarial valuation in the case of the third year.
- 5.12 It is considered that discount levels offered are higher than the cost of the return of any investments from the cash held or used, hence it is recommended that take up of this opportunity is endorsed.
- 5.13 West Midlands Combined Authority's auditors requested that the decision to take advantage of the discounted payment is formally approved by WMCA board.
- 5.14 The final consolidated revenue budget position for 2020/21 is set out in the following table:

Table 2: WMCA Consolidated Revenue Budget 2020/21

	Total	Transport	Operational Portfolios	Investment Programme	Mayors Office
	£m	£m	£m	£m	£m
Transport Levy	114.7	114.7	-	-	-
Devolution Deal Grant (IP)	36.5	-	-	36.5	-
Devolution Deal Grants - Other	9.8	-	9.0	-	0.8
Adult Education Funding	125.6	-	125.6	-	-
Business Rates Growth	7.5	-	-	7.5	-
Grants from Constituent Members	4.6	-	4.6	-	-
Grants from Non Constituent Members	0.4	-	0.4	-	-
Investment Income	1.8	-	1.8	-	-
Third Party Income	0.4	-	0.4	-	-
Commonwealth Games	1.4	1.4	-	-	-
Use of Reserves	4.4	3.6	0.7	-	-
Unsecured Funding	3.6	-	-	-	3.6
<b>Total Income</b>	<b>310.8</b>	<b>119.8</b>	<b>142.6</b>	<b>44.0</b>	<b>4.4</b>
Transport Delivery	119.8	119.8	-	-	-
Operational Delivery	142.6	-	142.6	-	-
Investment Programme	44.0	-	-	44.0	-
Mayoral Office	0.8	-	-	-	0.8
Mayoral Election	3.6	-	-	-	3.6
<b>Total Expenditure</b>	<b>310.8</b>	<b>119.8</b>	<b>142.6</b>	<b>44.0</b>	<b>4.4</b>
<b>Net Expenditure</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

- 5.15 There are no changes proposed to overall contributions from Constituent Authorities as set out in the following table:

Table 3: West Midlands Combined Authority Levy & Constituent Members Contributions

<b>Allocations</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>Net Gain</b>
Birmingham	46.1	46.0	0.1
Coventry	14.9	15.1	(0.2)
Dudley	13.3	13.2	0.1
Sandwell	13.5	13.5	0.0
Solihull	9.0	9.0	0.0
Walsall	11.7	11.7	0.0
Wolverhampton	10.9	10.9	0.0
<b>Total</b>	<b>119.4</b>	<b>119.4</b>	<b>0.0</b>

- 5.16 The minor change in net contributions from authorities reflects the proposed transport levy, updated for statutory population movements.
- 5.17 The contribution for non-constituent authorities will remain at £25,000 per annum in 2020/21 and will be subject to annual review over the medium term.
- 5.18 It is proposed that observer contributions also remain flat at £25,000 per annum. For clarity the proposed schedule of contributions is presented in the table below:

Table 4: Non Constituent Authority and Observer Contributions

<b>Non-Constituent Member Allocations</b>	<b>2020/21 £</b>
<b><i>Non-Constituent</i></b>	
Cannock Chase District Council	25,000
North Warwickshire Borough Council	25,000
Nuneaton and Bedworth Borough Council	25,000
Redditch Borough Council	25,000
Rugby Borough Council	25,000
Shropshire Council	25,000
Stratford-on-Avon District Council	25,000
Tamworth Borough Council	25,000
Telford and Wrekin Council	25,000
Warwickshire County Council	25,000
Black Country LEP	25,000
Greater Birmingham and Solihull	25,000
Coventry & Warwickshire LEP	25,000
<b><i>Observers</i></b>	
The Marches LEP	25,000
Fire partner contribution	25,000
Police partner contribution	25,000
Herefordshire	25,000
<b>Total</b>	<b>425,000</b>



## 6.0 Capital Programme Summary

6.1 The West Midlands Combined Authority Board is recommended to approve the Capital Programme as summarised in following table.

Table 5: Summary WMCA Capital Programme 2020/21 – 2024/25

WMCA Capital Programme Expenditure (£M)		2020/21	2021/22	2022/23	2023/24	2024/25	Total
Expenditure	TfWM Capital Expenditure	307.3	502.3	348.6	240.6	193.9	1,592.7
	Housing Capital Expenditure	75.5	54.2	40.0	26.8	21.2	217.6
	Commercial / Residential Investment Funds	20.0	30.0	30.0	20.0	20.0	120.0
	Capital Grants to Local Authorities	226.8	160.2	187.4	155.3	105.3	835.1
<b>TOTAL EXPENDITURE</b>		<b>629.6</b>	<b>746.7</b>	<b>606.1</b>	<b>442.7</b>	<b>340.4</b>	<b>2,765.5</b>

- 6.2 Approximately 60% of the Combined Authority's planned capital investment to 2024/25 consists of expenditure incurred by Transport for West Midlands in pursuance of the Investment Programme, Transforming Cities Programme and the Minor Works Programme.
- 6.3 Those larger Transport for West Midlands Programmes contain significant investment in Metro and Sprint networks in addition to investment in developing and delivering new local Rail stations. The Transport programme continues to reflect the Transforming Cities Programme including the WMCA approved interventions such as Birchley Island, Dudley Interchange, the regional Cycling Programme and the Victoria Square Public Realm. The Transport Assets Programme is predominantly concerned with keeping existing assets in an operational state and also includes project development.
- 6.4 Other Transport Capital Expenditure includes other ancillary programmes such as the Regional Transport Control Centre and the Connected Autonomous Vehicle programme.
- 6.5 The Housing Capital Programme includes the Land Remediation Programmes launched by the WMCA in 2016 and the MHCLG Land Fund where the first payment of £42 million was received during 2019.
- 6.6 The Investment Programme Grants to Local Authorities Programme includes grants payable under the principles of the original Investment Programme in 2016. This includes significant investment in Coventry (Station Masterplan, City Centre Remediation), Solihull for the UK Central Programme, Commonwealth Games and the UK Battery Industrialisation Centre.
- 6.7 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 November 2019, the cumulative value of loan commitments approved by WMCA totals £109m (including £24m of loans which have since been repaid). The value of loans drawn and earning interest as at November 2019 is £23 million.
- 6.8 The funding for the capital programme is supported mostly by project specific grants or borrowing, where the revenues to support the costs of the debt and interest are underpinned by Investment Programme income or passenger revenues obtained from the Metro network.

6.9 It should be noted that the full extent of the Investment Programme and 2016 Devolution Deal schemes remain as commitments within the overall programme, even though the funding to underpin elements of the investment currently remains unsecured. Work with the Mayor, Metropolitan Leaders and the WMCA Finance Directors will continue into 2020 to enable the gaps to be closed.

6.10 WMCA also administer / transfer Capital Block Grants received by DfT to the Metropolitan Local Authorities. The methodology for distributing these grants is unchanged from previous years and is expected to be as follows:

£	ITB	Highways Maintenance Block	Highways Maintenance Incentive *	Pot Hole Action Fund *	Total
Strategic Top Slice **	90,000				90,000
WMCA	4,382,000				4,382,000
Birmingham	5,144,766				5,144,766
Coventry	1,653,294	2,225,000	463,000	157,700	4,498,994
Dudley	1,445,232	2,443,000	509,000	184,100	4,581,332
Sandwell	1,475,665	2,582,000	538,000	158,600	4,754,265
Solihull	968,702	2,108,000	439,000	149,100	3,664,802
Walsall	1,277,331	1,943,000	405,000	154,600	3,779,931
Wolverhampton	1,181,010	1,811,000	377,000	137,900	3,506,910
<b>TOTAL</b>	<b>17,618,000</b>	<b>13,112,000</b>	<b>2,731,000</b>	<b>942,000</b>	<b>34,403,000</b>

\* Latest planning assumption agreed with DfT January 2020.

\*\* Retained by WMCA and allocated through agreement with Strategic Transport Officers Group

## 7.0 Confirmation of Indicative Medium Term Financial Plan

7.1 The indicative Medium Term Financial Plan remains broadly as set out in the Draft Budget Report and is set out below:

Table 6: Consolidated Medium Term Financial Plan

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m	£m	£m
Transport Levy	114.7	114.7	114.7	114.7	114.7	119.7
Devolution Deal Grants	126.5	172.0	167.3	162.6	162.6	162.6
Business Rates Growth	6.0	7.5	9.0	10.5	12.0	13.5
Constituent Membership	4.6	4.6	4.6	4.6	4.6	4.6
Non Constituent Members	0.4	0.4	0.4	0.4	0.4	0.4
Investment Income	1.7	1.8	1.8	1.9	2.1	2.3
Mayoral Precept	0.0	0.0	7.2	7.3	7.4	7.5
3rd Party Income/Other	0.5	0.4	1.9	2.5	2.5	2.6
Commonwealth Games	0.0	1.4	1.4	0.6	0.0	0.0
Use of Reserves	2.1	4.4	0.0	0.0	0.0	0.0
Unsecured Funding	0.0	3.6	1.0	1.0	1.0	1.0
<b>Total Funding</b>	<b>256.6</b>	<b>310.8</b>	<b>309.4</b>	<b>306.2</b>	<b>307.4</b>	<b>314.3</b>
Transport for West Midlands	115.7	119.8	122.8	123.7	128.5	136.0
WMCA Delivery Budget	97.7	142.6	141.0	137.3	137.6	137.8
Investment Programme	42.5	44.0	51.9	53.4	55.0	56.6
Mayoral Office	0.8	0.8	0.9	0.9	0.9	1.0
Mayoral Election	0.0	3.6	1.0	1.0	1.0	1.0
<b>Total Expenditure</b>	<b>256.6</b>	<b>310.8</b>	<b>317.5</b>	<b>316.4</b>	<b>323.0</b>	<b>332.4</b>
<b>Net Expenditure</b>	<b>0.0</b>	<b>0.0</b>	<b>-8.1</b>	<b>-10.2</b>	<b>-15.6</b>	<b>-18.1</b>

- 7.2 The indicative Medium Term Financial Plan assumes a cash flat funding requirement from Constituent Authorities in respect of their contributions to the West Midlands Combined Authority Delivery Budget. Whilst this currently represents the planning assumption, it is acknowledged that this creates a potential financial risk specifically with regard to inflationary increases, pay and legislative changes and demand. The impact of these risks will be kept under review.
- 7.3 Assumptions have been made around pay increases although essentially pay awards negotiated as part of the appropriate collective agreements will be applicable from the appropriate date.
- 7.4 Assumptions have also been made around price rises and the Consumer Prices Index along with changes in patronage and fares. Clearly any variation in pay or prices for 2020/21 will need to be managed within the available resources. These clearly may change significantly over the medium term meaning a cash flat position may not be achievable without changes to policy.

## 8.0 Commentary on Risk

- 8.1 The Medium Term Financial Plan incorporates a broad estimate of the financial impact of the following risks and sensitivities:
- Demographic growth and demand pressures specifically where transport payments and services are directly affected by patronage demands;
  - Inflation;
  - Brexit, to the extent that there may be potential for increased costs of supply of labour, good and services; and

- Business Rates Retention Scheme and the achievement of growth targets, including the retention mechanism currently being developed through the West Midlands Finance Directors' Group.

8.2 December's Queen's Speech gave a commitment to a fundamental review of business rates. Details of the review are yet to be announced although increasing retail discounts, bringing forward the next business rates revaluation by one year from 2022 to 2021 and moving business rates revaluations from a five-yearly cycle to a three-yearly cycle were indicated.

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

## **9.0 Treasury Management Strategy**

9.1 The West Midlands Combined Authority is required to review its Treasury Management Strategy on an annual basis and the proposed strategy for 2020/21 is set out in Appendix 7.

9.2 Investment priorities will continue to be firstly, the security of capital (protecting sums from capital loss) and secondly the liquidity of investments (ensuring cash is available when required). Only when these two priorities are met will the third priority of achieving the optimum return on investments be taken into account.

9.3 The borrowing strategy is to borrow to protect the West Midlands Combined Authority cash flows and to borrow to replenish some of the internal cash balances that have been temporarily used to fund recent years' capital expenditure. It is anticipated that the new borrowing will occur early in 2020/21. WMCA will work to ensure borrowing is accessed at commercially competitive rates and terms following the policy decision by HM Treasury to increase the cost of borrowing by 1% in October 2019.

9.4 It is important to remember that real value is being achieved through Treasury Management by utilising internal cash balances to temporarily support the capital programme thus avoiding the need to borrow at the prevailing rates. The Treasury Management Strategy includes the borrowing needed to support WMCA Capital Programme.

9.5 Following a recent review of the Chartered Institute of Public Finance and Accountancy's recommended approach to Treasury Management set out in the Treasury Management in Public Services Code of Practice, it is proposed to amend the Terms of Reference of WMCA's Audit, Risk and Assurance Committee to include responsibility for review, commentary and consideration of the annual Treasury Management Strategy and annual mid-year review of Treasury Management activity, before approval of these documents is formally sought from WMCA Board. It is proposed to make this change with effect from the new municipal year commencing in May 2020. WMCA Board is recommended to endorse this approach.

## **10.0 Capital Strategy and Minimum Revenue Provision Strategy**

10.1 The Capital Strategy is presented in Appendix 8 for approval by West Midlands Combined Authority Board.

10.2 The Minimum Revenue Provision Strategy is also presented in Appendix 9 for approval by West Midlands Combined Authority Board.

## **11.0 Budget Calculation**

- 11.1 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.
- 11.2 The budget currently provides for the financial implications of the West Midlands Combined Authority's policies to the extent that these are known or can reasonably be assessed. However, there are a number of risks which are beyond the West Midlands Combined Authority's control and for which it is not possible to be precise:
- The West Midlands Combined Authority's demand-led services;
  - Inflation and interest rate volatility;
  - West Midlands Pension Fund Investment Performance; and
  - Unforeseen emergencies.
- 11.3 The existing General Reserve Balance as set out in Table 2 is £2.3 million. This balance represents only 1.9% of the aggregate proposed 2020/21 Constituent Authority contributions.
- 11.4 Although clearly the appropriate level of general fund reserves is a matter for judgement by the Finance Director (Section 151 Officer) the generally accepted practice is for general fund reserves to be between 3% and 5% of expenditure. The proposed balance is below this recommended level and consideration should be given over the medium term to increase the level of General Balances to ensure risk can be managed within the West Midlands Combined Authority without creating volatility on Constituent Authority contributions.
- 11.5 Members will also be aware of our obligations as a Best Value authority to make arrangements to secure continuous improvement in the way in which our functions are exercised, having regard to a combination of economy, efficiency and effectiveness, including consultation with tax payers and users as appropriate.
- 11.6 These obligations are addressed in the medium term financial planning and brought together as part of the annual budget process in this report and the February 2020 budget report. This is supplemented by additional reports throughout the year with regard to the approval of significant investments and reforms.
- 11.7 Despite the above risks, there are also a number of opportunities to consider to ensure optimum financial stability and security that include:
- Capital Financing, making best use of capital financing, including optimum use of borrowing at competitive rates; and
  - Treasury Management activity, maximising the current market opportunities for the West Midlands Combined Authority and reviewing the borrowing strategy.
- 11.8 The Finance Director states that to the best of her knowledge and belief these budget calculations are robust and have full regard to:
- The West Midlands Combined Authority's Strategic Economic Plan and the Mayor's Renewal Plan;

- The need to protect the West Midlands Combined Authority's financial standing and risk;
- The estimated financial position as at the end of 2019/20;
- The financial policies of the government as they impact upon the West Midlands Combined Authority;
- The Capital Programme set out in Appendices 3 - 5;
- The strength of the West Midlands Combined Authority's financial control procedures including audit considerations; and
- The extent of the West Midlands Combined Authority's general balances and earmarked reserves.

## **12.0 Statutory Reporting – Scrutiny**

- 12.1 Scrutiny of the 2020/21 budget proposals was undertaken by the Overview and Scrutiny Committee. This included a Mayoral Question Time session.
- 12.2 The Overview and Scrutiny Committee presented a summary of its findings on the Draft Budget to West Midlands Combined Authority Board on 17 January 2020. A summary of the recommendations is reproduced in Appendix 6 for information.
- 12.3 The Transport Delivery Committee reviewed the budget in detail on 16 December 2019 and sought amendment or clarification prior to publication of the draft budget.

## **13.0 Fulfilling the Public Sector Equalities Duty.**

- 13.1 The Public Sector Equality Duty is set out in the Equality Act, 2010. The Act lists 9 Protected Characteristics in respect of which the Duty applies. The duty requires public bodies to have Due Regard to (consciously consider) three aims in their decision making and in policy-making and service delivery. The aims are:
- To eliminate unlawful discrimination;
  - To advance equality of opportunity between people who share one or more of the Protected Characteristics (listed in the Equality Act) and those who do not; and
  - To foster good relations between people who share one or more of the Protected Characteristics and those who do not.
- 13.2 An overarching strategic equality relevance assessment has been undertaken in respect of budget proposals. The assessment quantifies the levels of Due Regard to the aims of the duty for each programme and provides a broad overview on the potential cumulative impact for the most relevant of the Protected Characteristics.
- 13.3 When proposals have been fully developed and are brought to a future West Midlands Combined Authority Boards for decision, these reports will include a more detailed and specific equality impact assessment to ensure the findings are given due regard when any key decisions are made.

## **14.0 Pay Policy Statement**

- 14.1 The purpose of the Pay Policy Statement is to clarify the West Midlands Combined Authority strategic stance on pay in order 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. The West Midlands Combined Authority Pay Policy Statement is attached at Appendix 10.
- 14.2 There are no significant changes proposed for 2020/21.
- 14.3 Following approval in principle in January, Real Living Wage accreditation will be progressed early in the New Year.

## **15.0 Legal Implications**

- 15.1 Under powers granted by the Combined Authorities (Finance) Order 2017, Elected Mayors may raise a precept on Constituent Authorities Council Tax bills under section 107G of the Local Democracy Economic Development and Construction Act 2009. A Mayoral Precept may only be issued in relation to the costs of the Mayor or of discharging Mayoral Functions. The Mayoral functions are set out in Article 22 of the West Midlands Combined Authority (functions and amendments) Order 2017. In particular, there are powers for the Mayor to engage in highway management activity, works permit schemes, road safety measures and road traffic reduction activity amongst others. The Order also gives the Mayor a functional power of competence to do anything that is associated, incidental or connected with those powers in order to undertake those activities.
- 15.2 As the Mayor has indicated that he will not be setting a precept during his remaining term of office, the funding of budget proposals in respect of Mayoral functions will be met from alternative funding sources until 2021/22 at the earliest.
- 15.3 As a public authority which has the power to levy for transport functions and to raise a precept, the West Midlands Combined Authority must set a budget every year which is agreed through its formal decision-making processes. This report outlines the legal and governance processes that need to be completed including consideration by Overview and Scrutiny Committee and the West Midlands Combined Authority Board.

## **16.0 Inclusive Growth Implications**

- 16.1 Inclusive growth comes from organisations working together to transform peoples' lives by developing new ways of positive change in communities. West Midlands Combined Authority is committed to promoting inclusive growth across the West Midlands that all of our residents and communities can benefit from. West Midlands Combined Authority will ensure the voice of local people is at the heart of its vision for inclusive growth and will shape spending and investment decisions to generate inclusive growth. A commitment to ensure inclusive growth is also at the heart of the Local Industrial Strategy.
- 16.2 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.

## **17.0 Geographical Area of Report's Implications**

17.1 The budget proposals encompass the West Midlands region.

## **18.0 Appendices**

Appendix 1 – Transport Delivery Revenue Budget

Appendix 2 – WMCA Delivery Budget

Appendix 3 – Transport Capital Programme

Appendix 4 – Housing Capital Programme

Appendix 5 – Investment Programme Capital Grants to Local Authorities

Appendix 6 – Mayoral Q&A - Budget 2020/21

Appendix 7 - Treasury Management Strategy

Appendix 8 – Capital Strategy

Appendix 9 – Minimum Revenue Provision Policy

Appendix 10 - Pay Policy Statement



## APPENDIX 1

### Proposed Transport Revenue Budget

The proposed transport budget and levy for 2020/21 – 2024/25 are set out below:

TRANSPORT FOR WEST MIDLANDS	2019/20 BUDGET £000	2020/21 BUDGET £000	2021/22 BUDGET £000	2022/23 BUDGET £000	2023/24 BUDGET £000	2024/25 BUDGET £000
<b>INCOME</b>						
Transport Levy	114,720	114,720	114,720	114,720	114,720	119,720
Commonwealth Games Grant		1,387	1,415	605		
Use of Reserves	1,000	3,633				
<b>TOTAL INCOME</b>	<b>115,720</b>	<b>119,740</b>	<b>116,135</b>	<b>115,326</b>	<b>114,720</b>	<b>119,720</b>
<b>EXPENDITURE</b>						
<b>Concessions</b>						
National Bus Concession	51,184	51,473	52,245	53,786	56,164	59,391
Metro / Rail	4,578	4,090	4,574	4,574	4,574	4,664
Child Concession	7,643	7,898	8,301	8,723	9,168	9,637
	63,404	63,461	65,119	67,083	69,906	73,692
<b>Bus Services</b>						
Bus Stations / Infrastructure	3,994	3,896	4,003	4,111	4,243	4,328
Subsidised Network	9,379	10,669	10,567	10,631	10,769	10,965
Tendering / Monitoring	788	803	814	836	862	880
Accessible Transport	7,259	6,770	6,767	6,773	6,771	6,775
	21,419	22,138	22,151	22,351	22,646	22,947
<b>Rail and Metro Services</b>						
Metro Services	1,609	2,938	3,665	2,737	4,657	2,443
Rail Services	3,110	3,218	3,280	3,368	3,476	3,546
	4,718	6,157	6,945	6,105	8,134	5,989
<b>Integration</b>						
Safety and Security	1,031	1,034	1,072	1,101	1,136	1,159
Passenger Information	5,062	5,481	5,767	5,922	6,112	6,234
Sustainable Travel	378	392	414	425	439	447
	6,471	6,908	7,253	7,448	7,687	7,841
Network Resilience	1,788	2,601	2,743	2,817	2,620	2,672
Commonwealth Games		1,387	1,415	605		
Business Support and Democratic Services	3,789	3,908	3,946	4,056	4,190	4,276
Strategic Development	2,412	2,519	2,179	2,238	2,310	2,356
Transport Governance	136	132	136	136	136	136
Capital Finance Charges	11,581	10,530	10,904	10,893	10,885	16,116
<b>TOTAL EXPENDITURE</b>	<b>115,720</b>	<b>119,740</b>	<b>122,791</b>	<b>123,734</b>	<b>128,512</b>	<b>136,026</b>
<b>NET</b>	<b>0</b>	<b>0</b>	<b>-6,656</b>	<b>-8,408</b>	<b>-13,792</b>	<b>-16,305</b>

### £51.5 million English National Concessions Travel Scheme (ENCTS)

This represents the reimbursement for ENCTS and is regulated by the Secretary of State with guidance provided by the Department for Transport. The latest price information and patronage figures from bus operators have been taken into account in forecasting the ENCTS requirement. The current scheme extends entitlement from 9.30am to the last bus. The proposal is for this to continue for 2020/21.

### **£10.5 million Capital Financing**

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

### **£7.9 million Child Concessions**

The provision of concessionary half fare travel is provided to all children aged 5 to 15 and 16-18 scholars (in full time education) residing in the West Midlands. The Child Concessions amount now also includes a half fare offer for apprentices and trainees aged 16-18 which was initially introduced as a pilot scheme in September 2017 and has now been fully incorporated into the main Child Concessions scheme.

### **£10.7 million Tendered Services**

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

### **£6.8 million Accessible Transport**

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

### **£5.5 million Passenger Information**

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

### **£4.1 million Rail and Metro Concessions**

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

### **£3.9 million Bus Services / Infrastructure**

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

### **£6.1 million Rail and Metro Services**

These costs cover the operation of the Metro and Rail and Metro car park and ride facilities. Rail and Metro car parks are provided free of charge within the Metropolitan area. This policy provides in excess of 9,000 parking spaces.

Within here also covers the undertaking of Transport for West Midlands Rail responsibilities including Rail Partnerships, Rail scheme development and industry engagement and secondly

the WMCA contribution to WMR Limited (a consortium of 16 local authorities) which has specific co-responsibilities with the Department for Transport for managing the West Midlands Rail franchise.

### **£2.5 million Strategic Development**

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

### **£1.0 million Safety and Security**

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

### **£0.8 million Tendering/Monitoring costs**

Associated costs related to administering and monitoring the Bus Network

### **£0.4 million Sustainable Travel**

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

### **£3.9 million Business Support and Democratic Services**

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

### **£0.1 million Transport Governance**

This represents the cost of elected members related to the responsibilities of the Transport Delivery Committee (and sub-boards).

The following pages summarise the high level deliverables for the coming year across the Transport Portfolio.

# Customer Experience

High Level Deliverable	Activity
Creating a system for easy to use and affordable payments to access the transport system – customer information	IBSS Information at Bus Stations System Real Time Information Renewal Deliver an enhanced website Swift "One App"
Creating a system for easy to use and affordable payments to access the transport system – customer payment	Fares and Payment Strategy Swift on Rail Swift Operations and Managed Service Swift Account Based Ticketing with Best Value Capping.

## Development and Delivery

High Level Deliverable	Activity
Delivering our Cycling Charter & making streets more walkable	West Midlands Bike Share System WM Cycle and WM Walking - development and promotion of the West Midlands Cycling and Walking Network West Midlands Walking and Cycling Programme (2019-2023)
Delivering a step change in our Mass Transit Network to unlock growth and tackle climate change	Sprint A45 Sprint Sutton Coldfield to Birmingham via Langley A38N Sprint A34 including a park and ride
Management of the TfWM Capital Programme	Monitoring and reporting TfWM Integrated Transport Block Capital Programme deliverables
Increasing the efficiency and performance of transport delivery in the West Midlands	Deploy & Mobilise Transport Implementation Team
Commonwealth Games Active Travel Legacy	CWG Cycling Programme Legacy

# Integrated Network Services

High Level Deliverable	Activity
<p>Making our transport assets more affordable by increasing commercial revenues</p>	<p>Continue to develop our capability to invest in new and improved bus stops and shelters for passengers by generating revenue through the continued roll out of digital advertising programme across the public transport network.</p> <p>Work with our partners such as Network Rail and Local Authorities on the One Public Estate initiative, to explore how we can collectively maximise the value and use of our land assets.</p> <p>Asset Management - ensure operational assets are available, safe &amp; maintained and opportunities for commercial revenues are explored</p>
<p>Delivering our bus vision to support growth, inclusion and reduced car dependency</p>	<p>Ensure effective door to door accessible transport service for residents of the West Midlands</p> <p>Continue to fund a network of socially necessary bus services, giving provision where bus operators are unable to provide a commercially sustainable service</p> <p>Ensure bus industry partners collaborate to deliver the best possible bus service experience for local people by coordinating investment, effort and action through the management of the industry leading West Midlands Bus Alliance.</p> <p>Investigate the opportunities for Demand Responsive Transport in the West Midlands as part of delivering our Vision for Bus.</p> <p>Undertake the Outline Business Case for Bus Policy Options within the 2017 Bus Services Act</p>
<p>Reduce the emissions from bus travel</p>	<p>Develop a zero-emission bus plan which supports the West Midlands Vision for Bus and sets out the roadmap which underpins the objectives of the Climate Change Emergency.</p> <p>Achieve 100% fully compliant Euro VI bus fleet in the West Midlands</p> <p>Work with bus operators and Local Authorities to introduce electric vehicles on pilot route(s) within the West Midlands.</p>
<p>Enhance infrastructure and customer experience at our bus stations and major interchanges</p>	<p>Continue to deliver safe, effective services at twelve bus stations and two travel shops to agreed standards and policies. These accommodate 3.5m bus and coach departures and have an annual footfall of nearly 40m.</p> <p>Deliver a new multi modal, world class facility for bus and metro customers in Dudley</p> <p>Carry out a full refurbishment of Coventry Pool Meadow Bus Station ahead of 2021 Coventry City of Culture making this important facility more welcoming for customers and visitors.</p>

# Integrated Network Services

High Level Deliverable	Activity
<p>Ensure strategic and operational Health and Safety aims and key deliverables are communicated and embedded throughout the WMCA</p>	<p>Develop a Health and Safety Strategy and Delivery Plan for 2020-2023 to ensure strategic aims and key deliverables are communicated and embedded throughout the organisation</p> <p>External Accreditation of the organisations Safety Management System (SMS) including migration to ISO 45001, by March 2021</p> <p>Further develop WMCA H&amp;S Risk Profile to ensure risks are understood and enough mitigations implemented</p> <p>Deliver Health and Safety Audit and Inspection Programme associated to organisational premises, assets and undertakings</p> <p>Develop and deliver Health and Safety Communications Plan to promote health and safety and encourage ongoing employee engagement</p> <p>Develop and introduce a comprehensive Health and Safety training programme</p> <p>Periodic review and update of WMCA Health and Safety governance and reporting arrangements to ensure they remain appropriate to the organisation's undertakings</p>
<p>Developing park &amp; ride to support better access to the Integrated Transport System</p>	<p>Improve customer experience at Park &amp; Ride sites through high quality operations and enhanced customer facilities and services</p> <p>Invest in and pilot new schemes to explore customer response to electric vehicle charging and pilot pay per use parking</p> <p>Develop a plan for improving the financial operation of Park &amp; Ride, exploring opportunities to reduce the significant impact that managing Park &amp; Ride sites has on the levy budget</p>
<p>Developing park &amp; ride to support better access to the Integrated Transport System</p>	<p>Continue with the development and delivery of expansion of Park &amp; Ride at already approved locations, seeking to deliver in the region of 2,500 additional spaces in the next five years</p> <p>Following the completion of the regional Park &amp; Ride strategy, develop a Park &amp; Ride delivery plan gearing up to deliver new and expanded strategic Park &amp; Ride in the areas of most benefit to the region and customers over the next five years (in addition to those sites already approved for expansion)</p>
<p>Developing park &amp; ride to support other Key Deliverables</p>	<p>Identify sites and develop a delivery plan for Park &amp; Ride for the Commonwealth Games</p> <p>Identify sites and develop a delivery plan for Park &amp; Ride for SPRINT</p>

# Rail

High Level Deliverable	Activity
Enhance the capacity of our rail network for a better-connected region	Rail enhancements (advance planning) Midlands Connect support HS2 released rail network capacity Commonwealth Games enhanced rail services
Using rail franchising to support and engage on rail development	West Midlands Railway Franchise Management Franchise Engagement Strategy West Midlands Stations Alliance Strategic Rail Industry Engagement and Consultation Responses
Continually improving the quality and capacity of our rail stations and interchanges	
Develop a single rail network vision & devolution case to support a growing West Midlands	Further rail devolution WMRE single network vision and West Midlands Grand Rail Collaboration



# Metro

High Level Deliverable	Activity
Improving our financial performance of our Metro to support growth of the network	West Midlands Metro Off Vehicle Ticketing Revenue Protection Enforcement
Extending our Metro Network to better serve more people and businesses	Birmingham Eastside Extension (BEE) Programme Birmingham Westside Extension (BWE) Wolverhampton City Centre Extension Wednesbury to Brierley Hill (WBHE) Extension
Extending our Metro Network to better serve more people and businesses	CAT Free Trams HS2 People Mover  Metro Control and Comms Systems Very Light Rail (VLR) Prototypes

# Network Resilience

High Level Deliverable	Activity
<p>Managing the West Midlands Transport Network and improving coordination with the Regional Transport Co-ordination Centre (RTCC)</p>	<p>Transform customer travel information in the West Midlands</p> <p>Enhance the use of data to better manage and invest in the traffic &amp; transport networks in the West Midlands</p> <p>Targeted investment to improve the performance of the Key Route Network</p> <p>Design and deliver a transport coordination facility that brings the West Midland's traffic &amp; transport partners together.</p> <p>Identify opportunities to offset the ongoing running costs of the Regional Transport Coordination Centre</p> <ol style="list-style-type: none"> <li>1. Development of the RTCC facility through technology and connectivity into partner systems and data sources</li> <li>2. Develop an RTCC Concept of Operations, ensure partner engagement and maximise usage of the facility and function</li> <li>3. Getting better outcomes from the services provided by the RTCC through a process of continuous improvement and lessons learned</li> <li>4. Secure commercial revenues through a merged CCTV Control Room and RTCC service area</li> </ol>
<p>Keeping the transport networks safe and secure</p>	<ol style="list-style-type: none"> <li>1. Ensure a Safe and Secure Transport Network through the Safer Travel Partnership and through an agreed Safer Travel Plan</li> <li>2. Work with the West Midlands Local Resilience Forum to ensure that the Network Emergency Plan remains fit for purpose and TfWM staff are adequately trained and prepared to respond to an emergency incident</li> </ol>
<p>Keeping travellers informed and finding new ways of keeping the West Midlands Moving through travel demand management</p>	<p>Delivery of the Customer Information work stream for the RTCC.</p> <p>Improve information and communications for all transport users during disruptive events using TDM tactics in line with the resilience communication and engagement strategy.</p> <p>Travel Demand Management Strategy &amp; Delivery Programme</p> <p>Define and deliver a new TfWM young people engagement programme</p> <p>Implement Network Resilience Live Lab</p> <ol style="list-style-type: none"> <li>1. Implement the Adept on street infrastructure, ensuring data links are made and maintained, feeding real time intelligence into the RTCC to support better information to the public</li> </ol>

# Network Resilience

High Level Deliverable	Activity
<p>Delivering the operational plan for the Commonwealth Games for visitors to the region and ensuring reduced impacts on everyday journeys.</p>	<p><b>B2022 Transport Planning and Support Services</b> (incl. Communications &amp; Engagement)  <b>Delivery Tools and Mechanisms;</b> Modelling and Forecasting, PT Ticketing Solution  <b>Traffic Management;</b> Local Area Traffic Management and Parking (LATMP), Road Events Planning  <b>Public Transport Strengthening;</b> PT Strengthening for games time, Park and Ride, Shuttle Services, Accessible Transport, Active Travel  <b>CWG Transport C3, Readiness and Testing;</b> Transport Coordination Centre, Travel Demand Management</p> <p>Develop and deliver a communications and engagement strategy for the development of the Games Strategic Transport Plan and its associated workstreams.</p> <p>Developing Travel Demand Management programme  Supporting the evolution of the RTCC through innovation  Managing Congestion</p>
<p>Mitigating the impacts of transport investment programmes on the West Midlands Networks</p>	<p>Developing Travel Demand Management programme</p> <p>Supporting the evolution of the RTCC through innovation</p> <p>Managing Congestion  1. Supporting the evolution of the RTCC through innovation, understanding international trends and best practice</p>

# Network Resilience

High Level Deliverable	Activity
<p>Developing and enhancing the performance of the Key Route Network (KRN) to tackle congestion</p>	<p>KRN Action Plans &amp; Road Safety</p> <p>Highways investment plan</p> <p>Major Route Network (MRN) - Roll out the Highways Programme</p> <p>Road Safety Programme Development</p> <p>RTCC - Highways Investment continues</p> <p>Package Phase 2 - post 2023</p> <p>KRN - Infrastructure renewal for Climate Emergency Response</p> <p>KRN - Sprint Corridor Management &amp; Enforcement</p> <p>KRN - On Road Disruption Service</p> <p>Future Mobility - Rules of the Road</p> <p>Developing the City Centre Management Toolkit</p> <p>Corridor Managers Framework</p> <p>Introduction of Street Manager</p> <p>Continuous integration and update of single view and people programme</p> <p>CMP Year 2 Update</p> <p>New ways of working</p> <p>New governance powers and tools to deliver</p> <p>Better Connected</p>

<b>Policy Strategy and Innovation</b>	
<b>High Level Deliverable</b>	<b>Activity</b>
Maintain & refresh the West Midlands Statutory Transport Plan(s) and policies	<p>Maintain and develop the TfWM Business Plan, including improved business practices.</p> <p>Produce an Ultra-Low Emission Vehicle Strategy.</p> <p>Produce an evidence based and refreshed Movement for Growth for re-adoption in 2020.</p> <p>Secure policy and MoU commitments from existing Devo Deals.</p> <p>Produce evidenced based and compelling lobbying and discussion papers (inc Green/White papers) to secure additional investment and powers for the West Midlands</p>
Embed transport policy & strategy in the plans and programmes of the wider WMCA & partners to support integrated development planning	<p>Increased engagement with all 'significant' planning applications to ensure alignment with major transport proposals and secure additional developer contributions to critical transport infrastructure.</p> <p>Development of integrated infrastructure growth corridor plans incorporating land use, transport and digital for all formal growth corridors, supporting a single infrastructure funding pot.</p> <p>Engagement and formal responses to major planning applications and Local Plans</p>
Continue to develop and maintain a robust common data environment for transport	<p>Host the regional Joint Data Team and continue to develop services to provide a cost effective minimum viable basic transport intelligence service</p> <p>Develop and maintain transport systems performance, delivery and operational performance monitoring data and appropriate dashboards</p> <p>Develop a series of digitized transport system products to support a step change in intelligence driven activity</p>
Develop and maintain a deep understanding of the needs, attitudes and perceptions of people who use our transport system	<p>Development of a detailed segmentation and persona framework (FMZ WP1.1)</p> <p>Creation of an on-line Citizen's Panel community (FMZ WP1.2)</p> <p>Undertake bespoke market research activity on a commission basis</p> <p>Passenger Importance and Priorities (PIPs) study</p>
Analyse the transport system to provide deep insight, recommend actions and produce robust and funded evidenced based business cases for schemes and programmes	<p>Review performance of the network and forecast future demands and needs across all modes</p> <p>Undertake robust optioneering for changes and develop detailed strategic cases for change funded business cases for recommended change proposals</p> <p>Develop full business cases for preferred options in order to secure funding for change</p> <p>Monitor and evaluate the effectiveness of changes to the transport system</p>

# Policy Strategy and Innovation

High Level Deliverable	Activity
Coordinate and deliver a globally significant transport innovation programme	<ul style="list-style-type: none"><li>• Provide general support and facilitation to enable integration of innovation programme outputs into Business as Usual of constituent authorities and key regional industrial sectors</li><li>• Sponsor and direct the West Midlands 5G Urban Connected Communities Mobility programme</li><li>• Coordinate and facilitate the development and delivery of the West Midlands LIS Implementation Plan - Future Mobility vertical</li><li>• Deliver the Future Mobility Zone 1 UK pathfinder programme Develop and deliver further phases of a West Midlands Future Mobility Zone programme</li><li>• Deliver and operate in partnership the Midlands Future Mobility</li></ul> <p>Connected and Autonomous Vehicle public realm R&amp;D facilities Support the development of the UK Mobility Data Institute Secure a funded and robust delivery mechanism for a coordinated roll-out of ULEV refuelling infrastructure Support and deliver collaborative research and innovation showcase projects</p>

## APPENDIX 2

### Proposed West Midlands Combined Authority Delivery Budget

The proposed delivery budget for 2020/21 – 2024/25 reflects delivery of the **collective aspirations** of the West Midlands region, as we aim to deliver sustained and inclusive growth for everyone across the region that connects residents to opportunities – and help deliver the vision of a region that is happier, healthier, more prosperous and better connected. The proposed Delivery budget 2020/21 – 2024/25 is summarised in the following table:

	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
	£m	£m	£m	£m	£m
Productivity and Skills	131.9	130.7	126.9	126.9	126.9
Housing & Land	2.5	2.6	2.6	2.6	2.7
Economy & Innovation	1.8	1.8	1.8	1.8	1.9
Culture & Digital	1.0	0.3	0.4	0.4	0.4
Wellbeing	0.9	0.8	0.8	0.9	0.9
PSR & Social Economy	0.7	0.8	0.8	0.9	0.9
Environment, Energy & HS2	0.3	0.4	0.4	0.4	0.4
Inclusive Communities	0.1	0.1	0.1	0.1	0.1
Leadership & Corporate Support	3.4	3.5	3.5	3.6	3.6
<b>Total Expenditure</b>	<b>142.6</b>	<b>141.0</b>	<b>137.3</b>	<b>137.6</b>	<b>137.8</b>

Further details of what the proposed budget will deliver for each portfolio – including activity that reflects the delivery, enabling and influencing role of the WMCA – in addition to budgeted staffing costs, numbers of full time equivalent staff and comparative information for 2019/20 are set out in the following annexes:

**Annex A** – Productivity and Skills Portfolio

**Annex B** – Housing and Land Portfolio

**Annex C** – Economy & Innovation Portfolio

**Annex D** – Culture and Digital Portfolio

**Annex E** – Wellbeing Portfolio

**Annex F** – Public Service Reform and Social Economy Portfolio

**Annex G** – Environment, Energy and HS2 Portfolio

**Annex H** – Inclusive Communities Portfolio

**Annex I** – Leadership & Corporate Support

## Annex A

<b>Productivity and Skills Portfolio</b>	<b>2019/20 Budget £</b>	<b>FTE (no.)</b>	<b>2020/21 Budget £</b>	<b>FTE (no.)</b>
Constituent / Non-Constituent Membership Fees	565,179		556,754	
Adult Education (grant funded)	78,712,985		125,639,242	
Employment Support Pilot	2,278,135		2,070,417	
Construction Skills	3,556,476		1,576,400	
Digital Skills	1,741,000		1,762,630	
Jobs and Skills	205,606		410,120	
Careers Support			30,572	
Technical Education	100,000		97,845	
Use of reserves	177,402		0	
Carry forward of efficiencies			212,843	
<b>Total Funding</b>	<b>87,336,783</b>		<b>132,356,823</b>	
Staff Costs (Membership fee funded only)	505,141	7.0	532,513	5.5
Project Delivery - careers, apprenticeships, youth unemployment	237,440		237,084	
Adult Education Budget	78,712,985		125,639,242	
Construction Skills	3,556,476		1,576,400	
Employment Support Pilot	2,278,135		2,070,417	
Digital Skills	1,741,000		1,762,630	
Careers Support			30,572	
Technical Education Support	100,000		97,845	
<b>Expenditure before Jobs and Skills Programme</b>	<b>87,131,177</b>		<b>131,946,703</b>	
Jobs and Skills Support	205,606		410,120	
<b>Total Expenditure</b>	<b>87,336,783</b>		<b>132,356,823</b>	
<b>Total</b>	<b>-</b>		<b>-</b>	

### Fee Funded Posts 2020/21:

#### Productivity & Skills

Director of Productivity and Skills - 0.7 FTE; Senior Policy Advisor - 1.5 FTE; Head of Business Engagement - 0.9 FTE; Business Engagement Manager - 0.8 FTE; Business Engagement Programmes Manager - 0.8 FTE; Apprenticeship Manager - 0.8 FTE

#### Grant Funded Posts 2020/21:

##### Employment Support Pilot - Connecting Communities

Project Manager - 0.5 FTE; Employment Support Manager - 1.0 FTE; Compliance Officer - 2.0 FTE

##### Jobs and Skills

Head of Business Engagement - 0.1 FTE; Business Engagement Manager - 0.2 FTE; Apprenticeships Manager - 0.2 FTE; Business Engagement Programmes Manager - 0.2 FTE; Senior Policy Advisor - 0.5 FTE; Employment and Skills Delivery Manager - 1.0 FTE; Project Lead - 0.5 FTE; Project Officer - 2.0 FTE

##### Technical Education Skills

T-Level Planning Manager - 1.0 FTE

##### Construction Skills

Construction Skills Project Manager - 1.0 FTE; Project Officer - 1.0 FTE

##### Adult Education Budget

Adult Education Delivery Manager - 1.0 FTE; Compliance Officer - 2.0 FTE; Business Administration Apprentices - 2.0 FTE; Management Information Analyst 1.0 FTE; Senior Modelling and Forecasting Analyst - 1.0 FTE

##### Careers

Project Lead - 0.5 FTE

##### Digital Skills

Digital Skills Project Manager - 1.0 FTE; Digital Skills Officer - 1.0 FTE; Compliance Officer - 1.0 FTE



<b>Productivity and Skills</b>	
<b>High Level Deliverable</b>	<b>Activity</b>
Prepare our young people for future life and work	Develop, test and deliver a range of approaches to prepare young people for future life and work, particularly those at risk of dropping out, including NEET prevention and re-engagement, work experience, mentoring and innovative approaches to communication and engagement.
Create regional networks of specialist technical education and training	Oversee an increase in courses developing higher technical skills, including more digital, construction and automotive training.
Accelerate the take up of good quality apprenticeships across the region	Work with levy payers to capture and deploy apprenticeship levy to maximise transfer of unused levy to SMEs, particularly in priority sectors.
Support inclusive growth by giving more people the skills to get and sustain good jobs and careers	Support inclusive growth by giving more people the skills to get and sustain good jobs and careers, including delivering the Connecting Communities Employment Support Pilot to help more people into work and test new approaches
Promote the concept of a skills ecosystem for the region	Continue to collaborate and test new ways of working with stakeholder across the skills system including local authorities, LEPs, DWP, DfE, FE, HE, ITPs and the private and voluntary sectors
Continue to test, develop and embed new approaches to commissioning and delivering provision funded through the Adult Education Budget	Ensure that AEB delivers more impact for businesses and communities.

## Annex B

### Housing and Land Portfolio

Housing and Land Portfolio	2019/20 Budget £	FTE (no.)	2020/21 Budget £	FTE (no.)
Constituent / Non-Constituent Membership Fees	150,410		0	
Devolution Funding (Housing & Land)	2,201,321		2,387,657	
Other funding sources			89,025	
<b>Total Funding</b>	<b>2,351,731</b>		<b>2,476,682</b>	
Staff costs	1,173,231	15.0	1,373,182	16.9
Housing and Land delivery support - Development, investment and master planning expertise	1,175,000		1,100,000	
Travel & Subsistence	3,500.00		3,500	
<b>Total Expenditure</b>	<b>2,351,731</b>		<b>2,476,682</b>	
<b>Net Total</b>	<b>-</b>		<b>-</b>	

#### Grant Funded Posts 2020/21:

Director of Housing & Regeneration; Head of Policy; Strategic Delivery Advisor x3; Senior Development Manager; Senior Implementation Manager x2; Team Administrator; Development Manager; Development Manager (0.9); Senior Development Manager x2; Graduate; Housing & Regeneration Officer; Investment Advisor; Apprentice

<b>Housing &amp; Land</b>	
<b>High Level Deliverable</b>	<b>Activity</b>
Brownfield Investment & Acquisition Programme	Intervene, acquire, unlock and invest in priority brownfield sites across the region along public transport corridors that suffer from identified market failure to bring them forward for housing and employment delivery – building on the 15% increase in housing delivery over the last year in the region
Inclusive Growth Corridor Programme	Wave 1: Support local partners in finalising and launching the Corridor Delivery and Investment Plans for Walsall to Wolverhampton & West Bromwich to Dudley.  Launch Expression of Interest for next wave of Corridor Plans and upon selection create wide-ranging Corridor Delivery and Investment Plans and Programmes
Local Plans	Provide assurance to HMG on Local Plan progress under the Housing Deal by mapping local plan activity in the region and supporting local councils with the evidence base for local plans and duty-to-cooperate activities
Affordable Housing Policy and Delivery Programme	Affordable Housing Delivery Vehicle  Regional Affordable Definition  Affordable Housing Deal with Government
Town Centre Regeneration Programme	Intervene, acquire and invest in town centre sites in pilot town centres to support the regeneration and repurposing of those town centres
Town Centre Policy Programme	Wave 1: Support local partners in finalising and launching the Town Delivery and Investment Plans for 5 pilot town centres in Wave 1  Launch Expression of Interest for next wave of Town Centre Pilots and upon selection create wide-ranging Town Centre Delivery and Investment Plans and Programmes
Town Deals	Support local councils and LEPs in securing effective 'Town Deals' with Government by Summer 2020  Creation of Town Boards  Co-develop business cases to Government  Support development of town investment plans that meet Government requirements'
West Midlands Investment and Developer Frameworks	Update(s) to Single Commissioning Framework to respond to new policy (e.g. climate change) and delivery experience  Launch of West Midlands Investment Prospectus at MIPIM 2020  Expansion of Commissioned Partnership Programme including 10 new partners in 2020/2021
West Midlands One Public Estate (OPE) Programme	Completing mapping of OPE land  Launch OPE Single Disposals Plan  Development and submission of OPE Business Case to Government
Housing Deal	Providing compelling business cases to Government on brownfield regeneration, housing delivery and local plan progress to secure next tranches of Land Fund in February 2020 and November 2020  Secure outstanding HIF monies from March 2018 Housing Deal

# Housing & Land

High Level Deliverable	Activity
MMC Programme	MMC Strategy Launched MMC Advisory Group established MMC Delivery Programme Launched
Land and Transport Delivery Programme	Working closely with transport colleagues and local partners to secure new and maximise planned investment in transport infrastructure to open up new areas for development and regeneration.
Design Charter	Regional Design Charter launch in Q1 2020 and embed Charter into Single Commissioning Framework
National Development Projects	Continue to work with local partners to bring forward nationally significant development schemes – particular examples include National Brownfield Institute in Wolverhampton and UKC at Solihull.
Climate Change Delivery Programme	Housing and Regeneration Climate Change Action Plan and Delivery Programme

## Annex C

### Economy & Innovation Portfolio

<b>Economy &amp; Innovation Portfolio</b>	<b>2019/20 Budget £</b>	<b>FTE (no.)</b>	<b>2020/21 Budget £</b>	<b>FTE (no.)</b>
Constituent / Non-Constituent Membership Fees	1,103,954		1,171,448	
Mayoral Capacity Funding	96,111		54,110	
Office of Data Analytics grant funding	284,041		256,837	
Assumed new funding stream to support Local Industrial Strategy	200,000		0	
Use of reserves	221,304		312,141	
<b>Total Funding</b>	<b>1,905,410</b>		<b>1,794,536</b>	
<b>Staff Costs</b>				
Industrial Strategy & Funding for Growth	380,585	4.0	497,699	7.0
Office of Data Analytics (ODA)	189,825	3.5	153,528	3.0
Growth Company Annual Membership Fee	700,000		700,000	
Black Country Economic Intelligence Unit - LIS support and education and skills intelligence	240,000		240,000	
LIS business case development & delivery	200,000		0	
Industrial Strategy - Project Support	100,000		100,000	
ODA Project / Consultancy Support	95,000		103,309	
<b>Total Expenditure</b>	<b>1,905,410</b>		<b>1,794,536</b>	
<b>Net Total</b>	<b>-</b>		<b>-</b>	

#### **Fee Funded Posts 2020/21:**

Director of Strategy; Strategy Graduate x2; Head of Strategy & LIS; Head of Policy & Programme Development; Senior Policy Officer

#### **Grant Funded Posts 20/21:**

Data Analyst Apprentice; Data Analyst; Senior Data Analyst

<b>Economy &amp; Innovation</b>	
<b>High Level Deliverable</b>	<b>Activity</b>
<b>Economic Resilience:</b> Enable and coordinate cross-organisational and cross-partner working that builds economic resilience in the West Midlands	<p>Work with government and regional partners to establish new and evolve existing support infrastructure and mechanisms</p> <p>Complete deployment of Brexit pooled contingency fund</p>
<b>Local Industrial Strategy Delivery:</b> work with partners to secure and implement the priority projects and programmes	<p>Implementation support: embed aligned activity mapping and performance monitoring across market opportunities, sectors and productivity foundations.</p> <p>Develop, maintain and secure a pipeline of strategic projects and programmes</p> <p>Identify funding requirement to feed into Spending Review 2020</p> <p>Engage businesses, citizens and investors with a compelling communications and engagement campaign focused on our future growth opportunities</p>
Increase demand led business innovation in the wider economy, enabled by the Innovation Board and delivery of phase one of the West Midlands Innovation programme	<p>Develop a stronger and integrated business support offer</p> <p>Target support to business to access more national innovation funding</p> <p>Identify projects, programmes and funding opportunities to secure phase 2</p> <p>Proactively communicate innovation opportunities</p>
Through the ODA provide integrated intelligence to support decision making in the region on a range of economic and social issues	<p>Regional capacity: Roll out research, data and evaluation framework for the WMCA which can be used by partners across the region</p> <p>Direct delivery: through annual state of the region report and economic analysis regime</p> <p>Future proofing: deliver an exit strategy through the WM REDI that secures future sustainability of the ODA</p>
Create Central – mobilise the industry led board to convert 3 years of consultation into a clear plan for action that will secure substantial resource and investment into the sector	<p>Enhance and accelerate existing resourced regional activity</p> <p>Work with national partners to increase regional share of national resource available.</p> <p>Secure new resource to deliver new activity that fills identified gaps including identifying the gaps</p>
Creative Scale up pilot – to identify and deliver a programme of activity to support business growth and improve their investability	<p>Deliver an intensive business support programme</p> <p>Signposting to and engagement with investors</p> <p>Contribute to the development of a shared evidence base with government</p>

Annex D

Culture and Digital Portfolio

Culture & Digital Portfolio	2019/20 Budget £	FTE (no.)	2020/21 Budget £	FTE (no.)
Constituent / Non-Constituent Membership Fees	110,000		110,000	
5G Grant			225,029	
Creative Scale Up Grant			650,000	
<b>Total Funding</b>	<b>110,000</b>		<b>985,029</b>	
Staff Costs	0		173,176	4.0
5G			100,000	
Culture & Tourism	110,000		110,000	
Creative Scale Up			601,853	
<b>Total Expenditure</b>	<b>110,000</b>		<b>985,029</b>	
<b>Net Total</b>	-		-	

**Grant Funded Posts 2020/21:**

5G Engagement Manager; Marketing & Events Executive; Creative Enterprise Scale Up Lead; Graduate

# Culture & Digital

High Level Deliverable	Activity
Support the deployment of circa £100m of government, private sector and regional contributions to an emerging 5G mobile network for the region.	Support the deployment of circa £100m of government, private sector and regional contributions to an emerging 5G mobile network for the region.
Develop our capacity to support digital public services across the region	Develop our capacity to support digital public services across the region
To support delivery of the Cultural Leadership Board's ambition to maximise the contribution of culture to enhance quality of life for our citizens.	Review current cross-CA activity to identify and secure opportunities to enhance and support cultural activity in the region
To support delivery of the Cultural Leadership Board's ambition to maximise the contribution of culture	Map existing and explore new mechanisms of securing finance and funding to the cultural assets and activities in the region
To support delivery of the Board's ambition to maximise the contribution of culture to delivering inclusive growth in the region and to enhance quality of life for our citizens.	Develop mechanisms to improve participation and leadership from underserved groups.
To support delivery of the Board's ambition to maximise the contribution of culture to delivering inclusive growth in the region and to enhance quality of life for our citizens.	Engage with local government partners, cultural bodies and citizens to define a shared long-term vision for culture in the region



Annex E

**Wellbeing Portfolio**

<b>Wellbeing Portfolio</b>	<b>2019/20 Budget £</b>	<b>FTE (no.)</b>	<b>2020/21 Budget £</b>	<b>FTE (no.)</b>
Constituent / Non-Constituent Membership Fees	687,216		665,383	
Thrive into Work Grant	819,756		105,117	
Other funding sources	0		114,445	
Carry forward of efficiencies	0		56,316	
<b>Total Funding</b>	<b>1,506,972</b>		<b>941,261</b>	
Staff Costs	441,320	8.0	618,144	11.0
Staff Costs (Thrive into Work Programme)	28,512	1.0	105,117	3.0
Thrive into Work	791,243		0	
Mental Health Commission Expenses	31,000		31,000	
Mental Health Project / Consultancy Support	100,000		100,000	
Funding contribution to Fiscal Incentive Programme	27,897		0	
Health & Wellbeing Project / Consultancy Support	87,000		87,000	
<b>Total Expenditure</b>	<b>1,506,972</b>		<b>941,261</b>	
<b>Total</b>	<b>-</b>		<b>-</b>	

**Fee Funded Posts 2020/21:**

**Health & Wellbeing**

Senior Policy Officer X 3, Physical Activity Lead (Wellbeing), Programme Director, Mental Health Commission Coordinator x3.

**Grant Funded Posts 2020/21:**

**Sports England**

Graduate Project Manager

**Thrive into Work & IPS**

Programme Support Apprentice

Specialist Project Lead - Young People

Thrive at Work Mental Health Commission Coord

Thrive at Work Implementation Manager

Thrive at Work Assessor

# Wellbeing

High Level Deliverable	Activity
Deliver the Thrive programme and promote a culture of support and awareness for mental health issues across the region.	To deliver a number of key programmes of work that focus on improving the work and health agenda
Develop and deliver a childhood obesity strategy for the West Midlands	Develop a Healthy weight region to tackle the issue of obesity. Focus to be developed on Food (Retail offer, advertising Planning regulations) and increasing level of physical activity
Develop and deliver an innovative new funding mechanism, the Radical Prevention Fund	To deliver the Radical prevention fund for the West Midlands Region. Secure Funding from Government to enable innovative approaches to delivery in the prevention agenda. Test new financial models through grants and loans
Host a population intelligence hub within the Inclusive Growth Unit which provides holistic, real time data on the region's health and socioeconomic outcomes	With Public Health England develop a population health intelligence hub - seeks to link inclusive growth with emerging inclusive health agenda - Focus on developing a Health inequality lens for the region and develop a Marmot style region approach
Supporting place-based health and care	Commence the process to seek devolved Public Health Powers for the WMCA  Strengthen links with NHS England STP footprints in the region and drive to improve the health inequality agenda

Annex F

**Public Service Reform & Social Economy Portfolio**

<b>PSR &amp; Social Economy Portfolio</b>	<b>2019/20 Budget £</b>	<b>FTE (no.)</b>	<b>2020/21 Budget £</b>	<b>FTE (no.)</b>
Constituent / Non-Constituent Membership Fees	560,735		526,020	
Mayoral Capacity Funding	100,000		100,000	
Veteran support funding			79,358	
Assumed new funding stream to support LIS	215,000			
Use of reserves	285,000			
<b>Total Funding</b>	<b>1,160,735</b>		<b>705,378</b>	
Staff Costs	560,735	6.0	605,378	9.0
PSR Project / Consultancy Support	100,000		100,000	
Delivery of inclusive growth, radical prevention & systems collaboration	500,000		0	
<b>Total Expenditure</b>	<b>1,160,735</b>		<b>705,378</b>	
<b>Net Total</b>	<b>-</b>		<b>-</b>	

**Fee Funded Posts 2020/21:**

Public Sector Reform

Director of PSR, Chief Executive Support, Implementation Director PSR & Inclusive Growth, Senior Policy Officer x 2, Apprentice plus Finance support.

**MCF:**

Programme Manager - Homeless Task Force,

**Grant Funded Posts:**

Policy & Delivery Officer - Veterans x 2

<b>Public Sector Reform</b>	
<b>High Level Deliverable</b>	<b>Activity</b>
Strengthen and grow the Inclusive Growth Unit, including its suite of products (Inclusive Growth Framework, Decision Making Toolkit and Tests) and services to WMCA members and partners.	Regular, structured engagement with IGU partners, supported with professionally presented resources.
Commence delivery of the recommendations from the Social Economy Taskforce.	Build awareness and visibility of the work and create an investment case for business support.
Develop a 'Commitment to Collaborate' across public services to help demand management and preventative outcomes for rough sleepers.	Use insights from public service roundtables to inform better partnership working between regional public services.
Contribute substantively to the development of a regional Violence Prevention Unit with other public service partners.	Invest WMCA resources into the establishment of the VRU   Continue to support the leadership of the VRU partnership
Collaboration to Support Radical Prevention	Exploring new priorities for collaborative reforms for public services, learning from the work relating to police and fire governance, and taking into account shared challenges around climate emergency, care and prevention.
Alignment of investment standards with inclusive growth	Shifting the terms of capital investment so that the 'point' of investment is social or environmental in nature, in line with the Inclusive Growth Framework. This will enable investments associated with #WM2041 to be judged on climate impact.

**Annex G**

**Environment, Energy and HS2 Portfolio**

<b>Environment, Energy &amp; HS2 Portfolio</b>	<b>2019/20 Budget £</b>	<b>FTE (no.)</b>	<b>2020/21 Budget £</b>	<b>FTE (no.)</b>
Constituent / Non-Constituent Membership Fees	242,386		250,961	
Carry forward of efficiencies			93,577	
<b>Total Funding</b>	<b>242,386</b>		<b>344,538</b>	
Staff Costs (Fee Funded)	157,386	3.0	177,013	3.0
Environment Project / Consultancy Support	85,000		167,525	
<b>Total Expenditure</b>	<b>242,386</b>		<b>344,538</b>	
<b>Total</b>	<b>-</b>		<b>-</b>	

**Fee Funded Posts 2020/21:**

**Environment 2020/21**

Head of Environment, Policy / Project Manager, Graduate/Trainee

The costs of Energy and HS2 are funded through direct recharges to the Investment Programme

# Environment, Energy & HS2

High Level Deliverable	Activity
Support the development of the evidence base for the WMCA 2041 zero emissions target	The target date for zero emissions is 2041. The evidence base to support the actions needs to be developed to break the target down into areas of maximum impact.
Develop a zero-emission strategy and action plan	<p>The action plan for the zero-emission target date of 2041 has been produced as a Green Paper that has been out for consultation. There will be refinement and development of the action plan through a series of avenues:</p> <ul style="list-style-type: none"> <li>• A clear analysis of the impacts of the actions will need to be made</li> <li>• There will need to be a robust investment plan built on the actions with costings attached</li> </ul> <p>The actions will need to be aligned to other strategic priorities of the WMCA</p>
Build and deliver on priorities within UK's first clean growth Local Industrial Strategy	To work with the Local Industrial Strategy Implementation group to maximise the low carbon economic and business opportunities for everyone and therefore includes consideration of jobs, skills and social inclusion
<p>Ensure the energy infrastructure of the region supports a competitive industrial base, clean growth and social inclusion.</p> <p>New technology</p>	To partner with the work of Energy Capital and to ensure that there is ongoing dialogue; aligned support for the portfolio holder; and, collaboration around asks for devolution.
Support partners to deliver HS2	To continue to develop the work of the Environment and Landscape Board and support the portfolio holder with the evidence to participate in conversations at a regional and national level.
Support the sustainability work and legacy for the Commonwealth Games	To support discussions on legacy as they relate to sustainability issues to maximise positive environmental impact for the Games and going forward
Decarbonisation of WMCA operations	Showing leadership from the front and understanding the measures that need to be taken to decarbonise WMCA operations

## Annex H

### Inclusive Communities Portfolio

<b>Inclusive Communities Portfolio</b>	<b>2019/20 Budget £</b>	<b>FTE (no.)</b>	<b>2020/21 Budget £</b>	<b>FTE (no.)</b>
Constituent / Non-Constituent Membership Fees	0		119,747	
<b>Total Funding</b>	-		<b>119,747</b>	
Staff Costs	0		44,747	1.0
Youth Combined Authority	0		75,000	
<b>Total Expenditure</b>	-		<b>119,747</b>	
<b>Total</b>	-		-	

**Fee Funded Posts 2020/21:**

Leadership Commission Coordinator

# Inclusive Communities

High Level Deliverable	Activity
<p>YCA:</p> <p>Support a diverse Young Combined Authority to influence and constructively challenge WMCA policy, better connecting the organisation to the communities it serves and building future political leadership capacity in the West Midlands.</p>	<p>Recruitment campaign to refresh/reboot YCA membership</p> <p>Opportunities to challenge, inform and influence WMCA decision-making</p> <p>WMCA decisions, policies and projects that have benefited from YCA input or involvement</p> <p>Engagement with the region's young / under 25 population on CA priorities and programmes (e.g. campaigns)</p> <p>Developing future political leadership capability and talent in the region (e.g. Be a Councillor sessions).</p>
<p>Inclusive Leadership initiatives:</p> <p>Develop and promote initiatives that encourage and support leaders and employers to commit to realising greater inclusivity.</p>	<p>A refresh / reboot of the Inclusive Leadership Pledge initiative to encourage employers to commit to realising greater inclusion.</p> <p>Collaboration with universities to shape and deliver inclusive leadership task forces (building upon the Leadership Commission recommendation for HR roundtables).</p> <p>Development and promotion of inclusive leadership case studies.</p>
<p>Campaigning and engagement:</p> <p>Lead and/or support activity to challenge, enable and support the WMCA and wider region to promote inclusivity, equalities and diversity.</p>	<p>Lead, support or coordinate campaigns (including working with partners and other stakeholders) on key challenges</p> <p>Collaboration with key partners on projects and engagement events that further inclusion and diversity in the West Midlands</p>
<p>Co-ordinate activity across portfolios:</p> <p>Help bring together activities and projects that tackle longstanding challenges that contribute to exclusion, inequality or unfulfilled potential.</p>	<p>Establish and lead a cross-portfolio taskforce that provides a focus and co-ordination of activity around an agreed policy area, challenge or marginalised community (e.g. making West Midlands a youth-friendly region).</p>



## Annex I

### Leadership & Corporate Support

Leadership & corporate support services work to support the WMCA to deliver sustained and inclusive economic growth by offering a joined-up solution and providing a range of services including Communications, Finance, Governance, Human Resources, Information Technology, Legal, Risk Management, Property, Programmes and Project support that help turn ideas into outcomes.

The role of corporate support services is to work collaboratively to deliver robust organisational support services that add value and help teams deliver outcomes that make a real difference to the people of the West Midlands.

Corporate support services have played a fundamental role in supporting the transition of the WMCA as it matures and have worked to standardise business processes and policies across the newly established organisation.

<b>Leadership &amp; Corporate Support</b>	<b>2019/20 Budget £</b>	<b>FTE (no.)</b>	<b>2020/21 Budget £</b>	<b>FTE (no.)</b>
Constituent / Non-Constituent Membership Fees	1,648,938		1,668,505	
Investment Income	1,693,500		1,766,040	
<b>Total Funding</b>	<b>3,342,438</b>		<b>3,434,545</b>	
Leadership	472,730	4.0	446,999	4.0
WMCA Central Project / Consultancy Support	100,000			
Corporate Support Recharges	2,769,708		2,987,545	
<b>Total Expenditure</b>	<b>3,342,438</b>		<b>3,434,544</b>	
<b>Total</b>	<b>-</b>		<b>0</b>	

#### **Fee Funded Posts 2019/20:**

##### **Leadership**

Chief Executive (CX), Head of CX Office, Executive Assistant to CX, Administrator (0.6), Executive Support Officer

Corporate Support Recharges to WMCA Delivery Budget

Corporate support services reflect the distribution between Transport for West Midlands and the Delivery Budget agreed in 2018 to meet statutory requirements. In addition, the 2020/21 budget reflects capacity growth to support the wider West Midlands Combined Authority agenda, fully funded by additional income including a top-slice of grant income with no net impact on constituent authority fees.

Corporate support services capacity has been strengthened to reflect statutory obligations in relation to the building and build ICT capacity to meet increasing demands

## Appendix 3 – Transport Capital Programme

Portfolio (£M)	Project Name	2020 / 2021	2021 / 2022	2022 / 2023	2023 / 2024	2024 / 2025	TOTAL
Metro	Metro East Birmingham to Solihull Extension	6.7	12.2	163.6	129.6	139.6	451.8
	Metro Wednesbury to Brierley Hill Extension	70.6	200.3	86.3	45.5		402.7
	Metro Edgbaston Extension	25.4	13.2				38.6
	Metro Birmingham Eastside Extension	20.5	43.0	36.2	22.5	7.6	129.7
	Metro Network Enhancements	8.6	5.1	1.5	0.5		15.7
	Metro Wolverhampton City Centre Extension	3.8					3.8
	Wolverhampton Interchange Station & Car Park	1.8					1.8
	Buy Before Boarding	0.7	0.1	0.5	0.0		1.3
<b>SUB TOTAL METRO</b>		<b>138.0</b>	<b>273.9</b>	<b>288.1</b>	<b>198.2</b>	<b>147.2</b>	<b>1,045.4</b>
Rail	Walsall to Wolverhampton New Stations	18.4	26.5	0.0			45.0
	Camp Hill Lines New Stations	6.6	40.3	1.2			48.1
	University Station Improvement Project	11.3	24.6				35.9
	Rail - Sutton Coldfield Gateway	9.3	12.0				21.2
	Perry Barr Rail Station	5.1	13.6				18.6
	Coventry South Package - Tile Hill Station Improvements	1.7	1.5	4.6			7.8
	Longbridge Connectivity Package	0.0					0.0
	Park and Ride Delivery	0.7					0.7
	Snow Hill 3rd Access	0.3					0.3
	Snow Hill Lines	1.1	1.1	2.0	16.3		20.5
	Snow Hill Public Realm	0.2					0.2
<b>SUB TOTAL RAIL</b>		<b>54.7</b>	<b>119.5</b>	<b>7.8</b>	<b>16.3</b>	<b>0.0</b>	<b>198.3</b>
Sprint	Sprint - A34 Walsall to Birmingham	24.7	14.9	0.1			39.6
	Sprint - A45 Birmingham to Airport and Solihull	27.8	26.6	1.2			55.7
	Sprint - Sutton Coldfield to Birmingham (via Langley)	12.5	12.8				25.3
	Sprint - Hagley Road Phase 1	6.9					6.9
	Sprint - Hagley Road Phase 2 (with Halesowen and Dudley)	0.5	3.8	8.8	10.7	27.6	51.3
	Sprint - Hall Green to Interchange via Solihull	0.2	2.6	1.6	3.1	5.7	13.2
	Sprint - Longbridge to Birmingham	0.3	8.1	9.0	11.0	13.4	41.8
<b>SUB TOTAL SPRINT</b>		<b>72.9</b>	<b>68.8</b>	<b>20.7</b>	<b>24.8</b>	<b>46.7</b>	<b>233.9</b>
Highway	Regional Transport Co-ordination Centre (RTCC)	7.1	6.0	3.8			16.8
	B4106 Spon End (Coventry CC)	4.1		1.1			5.2
	Birchley Island (Sandwell MBC)	2.0	5.4				7.4
	ADEPT Live Lab	0.9					0.9
	Commonwealth Games (Transport Modelling/Strategy)	0.8					0.8
	Highway Investment Programme	1.3	0.4				1.8
	Key Route Network Safety	1.6					1.6
NPIF 2 Birmingham Growth Point	0.9					0.9	
<b>SUB TOTAL HIGHWAY</b>		<b>18.6</b>	<b>11.8</b>	<b>4.9</b>	<b>0.0</b>	<b>0.0</b>	<b>35.3</b>
Bus	Dudley Interchange	4.8	14.3	0.0			19.1
	Real Time Information Upgrades	1.8	0.2				1.9
	Low Emission Bus Scheme (Coventry CC)	0.0					0.0
<b>SUB TOTAL BUS</b>		<b>6.6</b>	<b>14.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>21.1</b>
Cycling	Better Streets Community Fund	1.3	0.2	0.1	0.0		1.7
	Cycling Programme	1.0	3.0	17.0			21.0
<b>SUB TOTAL CYCLING</b>		<b>2.3</b>	<b>3.2</b>	<b>17.1</b>	<b>0.0</b>	<b>0.0</b>	<b>22.7</b>
Assets	Asset Management Programme	1.3	1.2	1.2	1.2		4.9
	Network Infrastructure Measures	0.5					0.5
<b>SUB TOTAL ASSET REPLACEMENT</b>		<b>1.8</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>	<b>0.0</b>	<b>5.4</b>
Other	Autonomous Highway,Rural & Parking Test Facilities	3.1					3.1
	AutopleX	0.1	0.0				0.1
	Bradley Lane Park and Ride	0.0	0.0				0.0
	Connected and Autonomous Vehicles TestBed (CAV)	2.3					2.3
	Future Mobility Zone	3.3	6.9	8.5			18.7
	Gateway Controlled Project Development	0.3	0.5	0.3			1.1
	New St/High St/Victoria Sq Public Realm (Birmingham CC)	3.2	1.7				4.9
Top Slice	0.1	0.1	0.1	0.1	0.0	0.4	
<b>SUB TOTAL OTHER</b>		<b>12.4</b>	<b>9.3</b>	<b>8.9</b>	<b>0.1</b>	<b>0.0</b>	<b>30.6</b>
<b>TOTAL TRANSPORT</b>		<b>307.3</b>	<b>502.3</b>	<b>348.6</b>	<b>240.6</b>	<b>193.9</b>	<b>1,592.7</b>

## Appendix 4 – Housing Capital Programme

Portfolio (£M)	Project Name	2020 / 2021	2021 / 2022	2022 / 2023	2023 / 2024	2024 / 2025	TOTAL
Housing	Brownfield Land & Property Development Fund (BLPDF)	17.9	10.8				28.8
	LPIF (Black Country Consortium)	22.3	8.5	20.0	20.0	21.2	92.1
	Land Fund - Friar Park Sewage Disposal Works	5.2	4.8				10.0
	Land Fund - Other	30.0	30.0	20.0	6.8		86.8
<b>TOTAL HOUSING</b>		<b>75.5</b>	<b>54.2</b>	<b>40.0</b>	<b>26.8</b>	<b>21.2</b>	<b>217.6</b>

## Appendix 5 – Investment Programme Capital Grants to Local Authorities

Portfolio (£M)	Project Name	2020 / 2021	2021 / 2022	2022 / 2023	2023 / 2024	2024 / 2025	TOTAL
Investment Programme Grants to Local Authorities	Commonwealth Games	10.0	15.0				25.0
	Coventry City Centre South Regeneration	5.0	11.5	54.6	0.1		71.2
	Coventry Friargate Business District Phase 1	25.0	25.0	0.4			50.4
	Coventry UKC Plus - Coventry North Package	0.5	1.5	2.0	11.3	6.1	21.4
	Coventry UKC Plus - Coventry South Package	4.1	3.7	15.5	27.5	42.8	93.6
	Coventry UKC Plus - Coventry Station Masterplan	32.7	3.1				35.8
	UK City of Culture 2021 Regeneration	23.5	5.0				28.5
	Coventry UKC Plus - Very Light Rail	11.8	1.8	1.7	15.8	15.8	46.9
	UK Battery Industrialisation Centre (UK BIC)	15.0					15.0
	UK Central HS2 Interchange	68.1	52.9	66.4	54.6	6.4	248.4
UK Central Infrastructure Package	31.2	40.7	46.8	46.0	34.2	198.9	
<b>TOTAL INVESTMENT PROGRAMME GRANT TO LOCAL AUTHORITIES</b>		<b>226.8</b>	<b>160.2</b>	<b>187.4</b>	<b>155.3</b>	<b>105.3</b>	<b>835.1</b>

## **APPENDIX 6**

**Reproduced for information.**

### **Overview and Scrutiny Committee**

#### **Mayoral Question Time Q and A - Budget 2020/21**

Members of the committee, along with Aisha Masood from the Young Combined Authority, questioned the Mayor on financial matters relating to the WMCA and its developing budget for 2020/21. The Portfolio Lead for Finance, Councillor Bob Sleight, was also questioned on matters relating to the Investment Programme that had been considered at meetings of the Investment Board.

Members questioned the Mayor on issues including financial transparency between proposed and actual spend, measures to achieve inclusive growth outcomes, targeting investments and outcome-based funding, the future funding arrangements for the Young Combined Authority, future intentions for a mayoral precept and a WMCA business rate supplement, and a greater focus on explaining to the public the outcomes that the WMCA had achieved.

In respect of specific matters to bring to the attention of the WMCA Board, it was recommended that:

- (a) A mechanism be developed that provided for assessing the impact on the WMCA's Investment Programme of new projects coming forward, and that this mechanism include an evaluation of carbon accounting, social impact and value-added assessments.
- (b) An environmental impact assessment be undertaken before any new WMCA policy was introduced so that its direct impact on the environment was assessed as part of wider policy considerations.
- (c) Any assessment of the regional skills gap be focused on addressing the future and projected skills needs of the region.
- (d) A commitment be given to fund the Young Combined Authority for the four-year period 2020/21- 2023/24.
- (e) Investment be prioritised to reflect the changing contexts within the region since the WMCA was initially established in 2016 (e.g. climate emergency, economic impacts).
- (f) Caution be exercised over the use of reserves to fund the WMCA's revenue expenditure and the need to identify a more sustainable longer-term approach.
- (g) The delivery and performance monitoring framework be further developed so that it provides greater public transparency and clarity regarding the successes and challenges in delivering the WMCA's policy objectives.

It be recommended to the WMCA Board that:

The matters identified above that arose out of the Mayoral Q&A on 18 December 2019 be considered further by the WMCA Board.

## APPENDIX 7

### Treasury Management Strategy Statement 2020/21

#### 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 2017 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.

#### External Context

The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Authority's treasury management strategy for 2020/21.

The Bank of England maintained Bank Rate to 0.75% in November. Despite keeping rates on hold, Monetary Policy Committee members did confirm that if Brexit uncertainty continues or global growth fails to recover, they are prepared to cut interest rates as required.

Credit conditions for larger UK banks have remained stable over the past year and whilst there remains some concern over a global economic slowdown, this has yet to manifest in any credit issues for banks. Meanwhile, the post financial crisis banking reform is now largely complete, with the new ringfenced banks embedded in the market.

Challenger banks hit the news headlines in 2019 with Metro Bank and TSB Bank both suffering adverse publicity and falling customer numbers.

Looking forward, the potential for a "no-deal" Brexit and/or a global recession remain the major risks facing banks and building societies in 2020/21 and a cautious approach to bank deposits remains advisable.

The Authority's treasury management adviser Arlingclose is forecasting that Bank Rate will remain at 0.75% until the end of 2022. The risks to this forecast are deemed to be significantly weighted to the downside, particularly given the continuing global economic slowdown.

Gilt yields have risen but remain at low levels and only some very modest upward movement from current levels are expected based on Arlingclose's interest rate projections. The central case is for 10-year and 20-year gilt yields to rise to around 1.00% and 1.40% respectively over the time horizon.

## Local Context

The need to manage cash effectively and make robust borrowing decisions will be largely driven by the delivery of the WMCA Capital Programme which contains the WMCA Investment Programme. The WMCA elements of the Investment Programme are largely funded through borrowing and as a number of both WMCA and Local Authority schemes enter the delivery phase, the draw on WMCA resources is expected to be significant. Further details regarding the financing of the Capital Programme is included in the WMCA Capital Strategy which features as Appendix 8.

On 31 December 2019, WMCA held £131.1m of borrowing and £108.5m of investments.

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. WMCA's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

WMCA has an increasing CFR due to the capital programme, but lower values of investments will therefore require WMCA to borrow up to £777m (net of investment income) over the forecast period, mostly driven by the delivery of the WMCA Investment Programme as detailed above.

Table 1: WMCA Capital Financing Requirement

Gross External Debt vs CFR (£M)	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Opening External Debt	136.3	150.3	455.3	793.3	893.3	903.3
New Borrowing *	14.0	305.0	338.0	100.0	10.0	10.0
<b>Forecast Closing External Debt</b>	<b>150.3</b>	<b>455.3</b>	<b>793.3</b>	<b>893.3</b>	<b>903.3</b>	<b>913.3</b>
Capital Financing Requirement	377.8	673.8	923.3	1,070.1	1,087.8	1,058.9
Under Borrowing	227.6	218.5	130.0	176.9	184.5	145.6

\* After effective use of available resources

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 2020/21.

## HM Treasury External Debt Cap

WMCA has acquired approval from HM Treasury and MHCLG to borrow for all of its functions subject to it operating within an agreed external debt cap which was agreed during February 2018. The debt cap runs coterminous with the 5 year gateway review period and the caps for 2021/22 and beyond are expected to be discussed with HM Treasury during 2020/21.

WMCA do not expect to breach the debt cap during 2020/21 based on the current external debt and projections for the 2020/21 financial year. For information, the debt limit agreed for 2020/21 is £1,042 million.

### **Borrowing Strategy**

As at 31 December 2019 WMCA currently holds £131.1m of loans, a decrease of £6.0m on the previous year. The forecast in table 1 shows that WMCA expects to borrow up to £305m in 2020/21. 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:** WMCA's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, WMCA is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist WMCA with this 'cost of carry' and breakeven analysis. Its output may determine whether WMCA borrows additional sums at long-term fixed rates in 2020/21 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

WMCA has previously raised the majority of its long-term borrowing from the PWLB but the government increased PWLB rates by 1% in October 2019 making it a relatively expensive option. WMCA will now look to borrow any long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. WMCA Finance Directors continue to work collectively also, to ensure the buying power of the region is fully exploited in the capital markets.

It should be noted that following a competitive process, during 2019/20, WMCA were notified by HM Treasury that it would qualify for Infrastructure Rate Funding. This effectively guarantees WMCA access to £100m of debt at 1.2% below the currently published levels. Access to this financing together with the use of short term debt will provide WMCA with a bridge whilst other more competitive sources of long term finance are identified.

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.

In addition, WMCA may borrow using further short-term loans to cover unplanned cash flow shortages.



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

- Public Works Loan Board (PWLB) and any successor body
- 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 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

**Municipal Bonds Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to WMCA Board.

**Short-term and variable rate loans:** These loans leave WMCA exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below.

**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.

### **Investment Strategy**

WMCA holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, WMCA's investment balance has ranged between £38.7m and £231.5m, and similar levels are expected to be maintained throughout parts of 2020/21 largely due to the profile of Government grant receipts in quarter one.

**Objectives:** The CIPFA Code requires WMCA to invest its 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 or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

**Negative interest rates:** If the UK enters into a recession in 2020/21, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

**Strategy:** Given the increasing risk and very low returns from short-term unsecured bank investments, WMCA aims to further diversify into more secure and/or higher yielding asset classes during 2020/21. This is especially the case for the estimated £10m that is available for longer-term investment to ensure MiFID compliance. A significant amount of WMCA's surplus cash is currently invested in short-term unsecured bank deposits, and money market funds. This diversification will represent a continued change in strategy over the coming year.

**Business models:** Under the new 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 by 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.

**Approved counterparties:** WMCA may invest its surplus funds with any of the counterparty types in table 3 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 3: Approved investment counterparties and limits

Credit Rating of Institution or Product	UK Banks and Financial Institutions		UK Government	Corporates
	Unsecured	Secured		
AAA	£20m Per Counter Party ( 1 Year Max)*	£20m Per Counter Party (3 Years Max)*	£ Unlimited 50 Yrs Max	£10m (2Yrs) Max
AA+				£5m (1 Yr) Max
AA				£1m (1 Yr ) Max
AA-				
A+				
A	£4m (100 days)	£5m (2 Yrs Max)	No Investments to be placed	
A-	£1m (Call Only)			
BBB+	£1m (6mths)			
BBB or BBB-				
None/Un-rated				
<b>Pooled Funds / Money Market Funds</b>				
Constant Net Asset Value	AA+	£20m per Fund		
Low-Volatility Net Asset Value	AAA	£20m per Fund		
Variable Net Asset Value	AAA	£5m per Fund		
<b>UK Non Domiciled Bank</b>				
		Unsecured	Secured	
Non-UK Banks must be domiciled in a country which has a minimum sovereign Long Term rating of 'AA-'		£20m Per Counter Party (1 Year Max)**	£20m Per Counter Party (3 Years Max)	

\* Normal operating levels will not exceed £10m but adequate headroom has been provided to accommodate potential peak cash-flow requirements. The Combined Authority will look to keep an even spread of investments across counter parties to minimise exposure to defaults.

This table must be read in conjunction with the notes overleaf.

**Credit rating:** Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. 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 taken into account.

**Banks 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.

**Banks secured:** Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they 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 to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

**Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local 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. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

**Corporates:** Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent.

**Pooled funds:** Shares or units in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow WMCA 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 WMCA's investment objectives will be monitored regularly.

**Operational bank accounts:** WMCA may incur operational exposures, for example through 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.

**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. 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 2011, 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 the UK Government) will be £20 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers’ nominee accounts, foreign countries and industry sectors as below.

*Table 4: Investment limits*

	Cash limit
UK Central Government	unlimited
Any group of organisations under the same ownership	£20m per group
Any group of pooled funds under the same management	£20m per manager
Negotiable instruments held in a broker’s nominee account	£20m per broker
Foreign countries	£5m per country
Unsecured investments with building societies	£10m in total
Loans to unrated commercial entities	See Below
Money market funds (Sector Limit)	£80m in total
UK Banks and Building Societies (Sector Limit)	£80m in total
Unrated Banks / Building Societies (Sector Limit)	£5m in total

**Liquidity management:** WMCA employ Treasury specialists to build 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.

### **Commercial Investment Funds**

WMCA operate commercial loan funds on behalf of the Constituent Local Authorities. The investment funds have recently been increased from £70m to £210m and provide loans at a commercial rate to developers where the more traditional financial institutions are not willing to lend on agreeable terms.

The primary objective of the investment funds is to stimulate economic regeneration and to date, the fund has committed £109.4m of which £24.5m has been repaid and £23.3m is currently drawn.

Whilst these developers do not have a credit rating in the traditional sense, WMCA employ fund manager’s West Midlands Development Capital to ensure adequate due diligence is undertaken and each loan agreement will be adequately secured, usually on the land / buildings underpinning the requirement. Furthermore, each loan agreement requires approval by Investment Board and protections around concentration risk (i.e. limiting the cumulative value of loans to any one developer) were reviewed and approved by WMCA Investment Board in July 2019.

## **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.

<b>Credit risk indicator</b>	<b>Target</b>
Portfolio average credit	<i>A minus</i>

**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.

<b>Liquidity risk indicator</b>	<b>Target</b>
Total cash available within 3 months	£50m (Min)

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

<b>Refinancing rate risk indicator</b>	<b>Upper limit</b>	<b>Lower limit</b>
Under 12 months	15%	0%
12 months and within 24 months	20%	0%
24 months and within 5 years	20%	0%
5 years and within 10 years	20%	0%
10 years and above	25%	25%

**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:

<b>Price risk indicator</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
Limit on principal invested longer than a year	£10m	£10m	£10m

## **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.

**Financial Derivatives:** In the absence of any explicit legal power to do so, WMCA will not use standalone financial derivatives (such as swaps, forwards, futures and options). Derivatives embedded into loans and investments, including pooled funds and forward starting transactions, may be used, and the risks that they present will be managed in line with the overall treasury risk management strategy.

**Markets in Financial Instruments Directive:** WMCA has retained retail 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.

## Treasury Management Strategy: Annex 1

	31 Dec 19 Actual £m	Average Rate %
<b>External borrowing:</b>		
Public Works Loan Board	113.92	5.18
Loans from banks	10.00	4.03
<b>Total external borrowing</b>	123.92	
<b>Other long-term liabilities:</b>		
Transferred Debt	7.18	6.70
<b>Total other long-term liabilities</b>	7.18	
<b>Total gross external debt</b>	<b>131.10</b>	
<b>Treasury investments:</b>		
Banks & building societies (unsecured)	11.00	0.65
Government (incl. local authorities)	75.00	0.72
Money Market Funds	17.00	0.70
Overnight Deposits	5.55	0.45
<b>Total treasury investments</b>	<b>108.55</b>	
<b>Net debt</b>	22.55	



## APPENDIX 8

### Capital Strategy Report 2020/21

---

#### Introduction

This capital strategy report gives a high-level overview of 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. It has been written in an accessible style to enhance members' understanding of these sometimes technical areas.

Decisions made this year on capital and treasury management will have financial consequences for the Authority for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.

#### Capital Expenditure and Financing

Capital expenditure is where the Authority spends money on assets, such as property or infrastructure that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. This is particularly relevant where WMCA are providing Capital Grants to Local Authorities under the terms of the Investment Programme.

In 2020/21, the Authority is planning capital expenditure of £629.6m as summarised below:

*Table 1: Prudential Indicator: Estimates of Capital Expenditure*

WMCA Capital Programme Expenditure (£M)		2020/21	2021/22	2022/23	2023/24	2024/25	Total
Expenditure	TfWM Capital Expenditure	307.3	502.3	348.6	240.6	193.9	1,592.7
	Housing Capital Expenditure	75.5	54.2	40.0	26.8	21.2	217.6
	Commercial / Residential Investment Funds	20.0	30.0	30.0	20.0	20.0	120.0
	Capital Grants to Local Authorities	226.8	160.2	187.4	155.3	105.3	835.1
<b>TOTAL EXPENDITURE</b>		<b>629.6</b>	<b>746.7</b>	<b>606.1</b>	<b>442.7</b>	<b>340.4</b>	<b>2,765.5</b>

The Capital Programme for 2020/21 is mostly focused around the delivery of public transport infrastructure with significant investment being made in extending the Metro Network to Brierley Hill, Edgbaston and Birmingham Eastside as well as a continuation of the development and delivery of rail stations in Kings Heath, Moseley, Hazelwell, Willenhall and Darlaston. In addition, significant values of capital grants are expected to be paid to Local Authorities for the delivery of Investment Programme schemes such as Coventry Station Masterplan, Commonwealth Games and UK Central Infrastructure.

The programme will also see significant investment made in acquiring brownfield sites for development as the Land Fund is deployed with two significant acquisitions taking place prior to 31 December 2019.

In addition, WMCA expect to make commercial loans to developers to facilitate commercial and residential developments which otherwise would not be deliverable.

**Governance:** The Capital Programme for 2020/21 is largely a continuation of the Investment Programme delivery and the delivery of projects facilitated by central Government, project specific grants. Investment Programme schemes and those administered through the Single Pot arrangements (i.e. Transforming Cities Funding) are aligned to the WMCA Assurance Framework which allows for the review and scrutiny of Business Cases through Technical Appraisal Panel and Investment Board, with final approval coming from WMCA Board for all Final Business Cases and any requests of WMCA of £20m and over.

All capital expenditure must be financed, either from external sources (government grants and other contributions), the Authority’s own resources or debt. The planned financing of the above expenditure is as follows:

*Table 2: Capital financing*

WMCA Capital Programme Funding (£M)		2020/21	2021/22	2022/23	2023/24	2024/25	Total
Funded By	Grants & Other External Funding	199.9	246.3	55.3	8.1	0.0	509.7
	Borrowing (Capital Programme)	287.0	243.4	154.2	46.6	0.4	731.6
	Borrowing (Investment Funds)	20.0	30.0	30.0	20.0	20.0	120.0
	Borrowing / Grants TBC*	122.7	226.9	366.6	367.9	320.0	1,404.2
<b>TOTAL FUNDING</b>		<b>629.6</b>	<b>746.7</b>	<b>606.1</b>	<b>442.7</b>	<b>340.4</b>	<b>2,765.5</b>

\* Included committed Investment Programme schemes where additional income is required to support borrowing.

Funding itemised above as Borrowing / Grants TBC relates to those programmes contained within the WMCA Investment Programme which remain priorities for the region but are subject to WMCA realising additional income (either locally raised or Government Grants). Should these additional resources not be realised, the expenditure against these programmes will not be incurred. In this regard, WMCA Board approved in November 2019 to cap the Investment Programme commitments at an affordable limit of £801m.

The Authority’s cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP / loans fund repayments and capital receipts used to replace debt. The CFR is expected to increase by £120m during 2020/21. Based on the above figures for expenditure and financing, the Authority’s estimated CFR is as follows:

*Table 3: Prudential Indicator: Estimates of Capital Financing Requirement*

Estimates Capital Financing Requirement (£M)	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Opening Capital Financing Requirement	257.2	377.8	673.8	923.3	1,070.1	1,087.8
Additional Debt Financed Capital Expenditure	121.1	307.0	273.4	184.2	66.6	20.4
Less Loan Repayments / MRP	(0.4)	(11.0)	(23.9)	(37.4)	(49.0)	(49.3)
Closing CFR	377.8	673.8	923.3	1,070.1	1,087.8	1,058.9

**Asset management:** To ensure that capital assets continue to be of long-term use, the Authority has an asset management strategy 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

**Asset disposals:** When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. WMCA will predominantly realise capital receipts from two areas during 2020/21; firstly through the repayment of investment loans to developers as part of the commercial / residential investment funds where the receipts will be used to repay any debt financing required to facilitate the loan and secondly, where land acquisitions made under the terms of the Land and Regeneration Funds managed by WMCA are disposed of. In the case of the latter, the receipts will be re-cycled into the land fund to facilitate additional investments in line with the Single Commissioning Framework.

### **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.

Due to decisions taken in the past, as at 31 December 2019 the Authority has £131.1m borrowing at an average interest rate of 5.2% and £108.6m treasury investments at an average rate of 0.63%. Whilst the investment rate may seem low, it is a by-product of the need for WMCA to ensure investments are held in liquid investments so payments to creditors can be met.

**Borrowing strategy:** The Authority’s main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Authority therefore seeks to strike a balance between cheap short-term loans (currently available at around 0.75%) and long-term fixed rate loans where the future cost is known but higher (currently 2.0 to 3.0%).

*Table 4: Prudential Indicator: Gross Debt and the Capital Financing Requirement*

Gross External Debt vs CFR (£M)	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Opening External Debt	136.3	150.3	455.3	793.3	893.3	903.3
New Borrowing *	14.0	305.0	338.0	100.0	10.0	10.0
<b>Forecast Closing External Debt</b>	<b>150.3</b>	<b>455.3</b>	<b>793.3</b>	<b>893.3</b>	<b>903.3</b>	<b>913.3</b>
Capital Financing Requirement	377.8	673.8	923.3	1,070.1	1,087.8	1,058.9
Under Borrowing	227.6	218.5	130.0	176.9	184.5	145.6

\* After effective use of available resources

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 4, the Authority expects to comply with this indicator

**Affordable borrowing limit:** The Authority is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

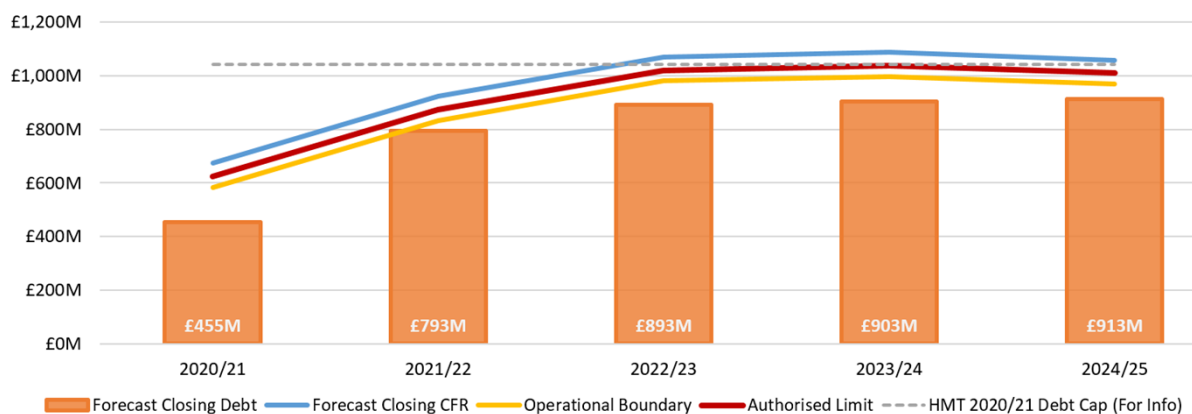
*Table 5: Prudential Indicators: Authorised limit and operational boundary for external debt*

Gross External Debt vs CFR (£M)	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Forecast Closing CFR	377.8	673.8	923.3	1,070.1	1,087.8	1,058.9
Forecast Closing Debt	150.3	455.3	793.3	893.3	903.3	913.3
Operational Boundary	617.0*	583.8	833.3	980.1	997.8	968.9
Authorised Limit	783.0*	623.8	873.3	1,020.1	1,037.8	1,008.9

\* As per 2019/20 TM Strategy

The table below shows how the operational and authorised limit will be used to act as a control against total borrowing during the plan period. Both limits will be re-set on an annual basis as they are heavily influenced by the progression of the WMCA Capital Programmes.

## WMCA Operational / Authorised Limits



The chart above includes the HM Treasury debt cap for 2020/21 for illustration purposes. This shows that whilst WMCA will be significantly below the value for 2020/21, the limit will need to be renegotiated upwards to allow WMCA to fulfil its capital plans. WMCA expect HM Treasury to renegotiate all Mayoral Combined Authority debt caps during 2020/21 for limits to apply from April 2021 for five years.

**Treasury investment strategy:** The Authority's policy on treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Further details are contained within the Treasury Management Strategy which is appended to the 2020/21 Budget Report.

**Risk management:** The effective management and control of risk are prime objectives of the Authority's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.

**Governance:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Director of Finance and staff, who must act in line with the treasury management strategy approved by WMCA Board. Reports on treasury management activity are presented to WMCA Board in line with CIPFA guidance. The Audit, Risk and Assurance Committee is responsible for scrutinising treasury management strategy and performance.

### Commercial Investments for Economic Growth

WMCA makes loans available to developers within the WMCA constituent and non-constituent area to stimulate economic development. These loans are available to assist in the delivery of commercial and residential developments where traditional financial institutions are not willing to lend on reasonable commercial terms. The loans to developers are at a market rate, typically around 6% interest per annum and meet all State Aid requirements.

WMCA employ West Midlands Development Capital who act as a fund manager for the investment portfolio. Their remit is to identify / introduce the developer to WMCA, undertake all due diligence on the proposal and the entity itself before making a proposal to Investment Advisory Group for consideration by Investment Board.

In light of the economic regeneration objective, WMCA is willing to take more risk than with treasury investments, however WMCA still plan for such investments to at least cover all costs of operation with the effective due diligence and full consideration by Investment Board towards the shape of the deal and the underpinning securities playing a key role in being able to satisfy this requirement.

Commitments (being the total value WMCA has agreed to provide to developers) made against the commercial and residential funds to date totals £109.4m with £24.5m of that value already being repaid to WMCA. The drawn value as at 31 December 2019 is £23.3m.

**Governance:** As detailed above, decisions on commercial investments are made by Investment Board following adequate scrutiny of each proposal by West Midlands Development Capital and Investment Advisory Group. As an additional control, in July 2019, Investment Board agreed a concentration risk policy to restrict the value of loans to any one entity to £10m with amounts up to £20m requiring approval by WMCA Board. Also, all investments are consistent with the Single Commissioning Framework which ensures investment is focused on delivering new homes, jobs and / or commercial floor space.

### **Budget Implications**

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and Minimum Revenue Provision (MRP) and loans fund repayments are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

*Table 10: Prudential Indicator: Proportion of financing costs to net revenue stream*

	2020/21 budget	2021/22 budget	2022/23 budget	2021/22 budget	2022/23 budget
Financing costs (£m)	19.8	30.7	39.3	51.8	66.7
Net Revenue	310.2	309.4	306.2	307.4	314.3
Proportion of net revenue stream	6.4%	9.9%	12.8%	16.9%	21.2%

It should be noted that the ratios change over time due to the implications of the agreed, affordable Investment Programme borrowing requirements whereas the revenue resources of WMCA are predicted to remain relatively constant.

**Sustainability:** Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for a number of years into the future. The Director of Finance is satisfied that the authority's capital programme is prudent, affordable and sustainable because no commitments will be placed until revenue and capital budgets are secured prior to investment decisions being made.

### **Knowledge, Skills and Scrutiny**

The Authority employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Director of Finance is a fully qualified accountant with over 20 years' experience. The Authority supports staff to study towards relevant professional qualifications including CIPFA and ACT (treasury) should the role and development plan identify a training need.

In addition to the above, WMCA ensure those Elected Members with responsibilities towards oversight of the Capital and Treasury Management Strategies have the opportunity to receive training on the technical aspects of the subject to ensure proper scrutiny. This will include the WMCA Audit, Risk and Assurance Committee who will undertake scrutiny of those strategies during 2020/21.

Where Authority staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Authority currently employs Arlingclose Limited as treasury management advisers and West Midlands Development Capital as investment fund managers. This approach is more cost effective than employing such staff directly, and ensures that the Authority has access to knowledge and skills commensurate with its risk appetite.

## APPENDIX 9

### Annual Minimum Revenue Provision (MRP) Statement 2020/21

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 Ministry of Housing, Communities and Local Government's *Guidance on Minimum Revenue Provision* (the MHCLG Guidance) most recently issued in 2018.

The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits.

The MHCLG 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 1<sup>st</sup> April 2008 MRP will be determined as 2% of the capital financing requirement in respect of that expenditure;
- For unsupported capital expenditure incurred after 31<sup>st</sup> 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 loans to third parties WMCA will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead.

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 a number of UK Local Authorities.

The total value of the overpayments were calculated at £31million and the duration of the 'zero MRP' was expected to be seven years. The value of overpayments released to March 2020 will be £12.7million leaving a balance of £18.3million to be released in subsequent years, of which £4.5million will be released in 2020/21. The outcome of this procedure means that the Transport Levy (i.e. the source of those original overpayments) can be suppressed by a corresponding amount during the seven year period whilst still ensuring that the legacy debt WMCA hold can 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 will continue to make MRP payments against Investment Programme schemes during the current planning cycle.



## APPENDIX 10

# Pay Policy Statement

## 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 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. 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.

### **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 in the following table, with details of their basic salary as at 1st April 2019. Salaries quoted are based on the full time equivalent (FTE) of 36.5 hours per week. The table overleaf lists the 53 chief officer posts that make up 9.3% of the 569 people employed by the West Midlands Combined Authority.

Title	Grade	Pay
Chief Executive	Chief Executive	£195,075.00

Title - Executive Directors	Grade	Minimum	Maximum
Managing Director - Transport for West Midlands	Directors (7 posts)	£120,000.00	£140,000.00
Director of Housing and Regeneration		£110,000.00	£130,000.00
Director of Skills & Productivity			
Director of Strategic Comms and Public Affairs			
Director of Strategy			
Finance Director			
Investment and Commercial Activities Director			

Title - Operational Directors	Grade	Minimum	Maximum
Director of Customer Experience (Interim)	Operational Directors (7 posts)	£80,000.00	£110,000.00
Director of Development and Delivery			
Director of Integrated Services			
Director of Network Resilience			
Director of Policy Strategy & Innovation			
Executive Director. WMRE			
WMM Projects Director			

Title - SLT Direct Report	Grade	Minimum	Maximum
Assistant to the Leadership/CEX	SLT Direct Report (6 posts)	£80,000.00	£110,000.00
Director- Energy Capital			
Head of Business Engagement - Productivity			
Head of Governance			
Head of Human Resources and Organisation			
Head of Implementation: PSR and Prevention			

Title - Head Of Service	Grade	Minimum	Maximum
Head of Customer Services	Head of Service (20 posts)	£60,000.00	£80,000.00
Head of Data Insight			
Head of Economy and Local Industrial Strategy			
Head of Network Delivery			
Head of Policy – Housing and Regeneration			
Head of Policy, Programme Development			
Head of Rail Development			
Head of Rail Development and Integration			
Head of Rail Franchising and Partnership			
Head of Safety, Security and Emerg. Planning			
Head of Skills Delivery			
Head of Sprint			
Head of Strategy			
Head of Swift			
Head of Transport Implementation			
Head of Transport Innovation			
Head of WMM Development Services			
Head/Manager of Demand Management			
Interim Deputy S151 Officer			
Key Route Network Manager			

Title - SME (Subject Matter Expert)	Grade	Minimum	Maximum
Employment and Skills Delivery – HS2 Lead	SME (Subject Matter Expert) (12 posts)	£60,000.00	£80,000.00
Head of Business Transformation			
Head of Environment			
Head of ICT- Metro			
Head of Park & Ride			
Head of Sprint Development			
Senior Development Manager x3			
Senior Implementation Manager (OPE)			
Senior Manager - Sprint Technical Programme Manager			
WMM Project Sponsor			

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

## **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 for a period of no more than 12 months.

## **7. Additions to Salary of Chief Officer Related Posts**

- 7.1. The West Midlands Combined Authority does not normally apply any bonuses or performance related pay to its chief officer related posts. Chief Officers are currently employed on a fixed salary with no incremental scale. No other elements of 'additional pay' are paid in addition to basic salary, albeit where the West Midlands Combined Authority may pay reimbursement of expenses incurred in the fulfilment of duties.

## **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 posts 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 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;
- employers 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 2019 this is £19,408 per annum and is 7 points higher than the main pay spine minimum and 3 points higher than the UK Real Living Wage minimum in the spinal column. West Midlands Combined Authority have committed to obtaining living wage foundation accreditation. West Midlands Combined Authority will apply for accreditation by the end of March 2020.
- 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 1:10.28 and; between the lowest paid and average chief officer as 1:4.21. 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. Other than in exceptional circumstances the 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.

## **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

**West Midlands Combined Authority - SALARY SCALES**  
**INCREASED WITH EFFECT FROM 1 APRIL 2019**

	<b>NEW BASIC SALARY W.E.F.1.4.19</b>
<b>SALARY POINT</b>	<b>PER ANNUM</b>
9	16,594.00
10	17,009.00
11	17,481.00
12	17,544.00
13	17,650.00
14	18,242.00
15	18,811.00
16	19,408.00
17	20,151.00
18	20,819.00
19	21,512.00
20	22,061.00
21	22,947.00
22	23,859.00
23	24,821.00
24	25,811.00
25	26,841.00
26	27,918.00
27	29,031.00
28	30,191.00
29	31,404.00
30	32,657.00
31	33,965.00
32	34,983.00
33	36,033.00
34	37,109.00
35	38,227.00
36	39,378.00
37	40,556.00
38	41,770.00



39	43,026.00
40	44,317.00
41	45,645.00
42	47,015.00
43	48,425.00
44	49,879.00
45	51,379.00
46	52,916.00
47	54,509.00
48	56,143.00
49	57,821.00
50	59,556.00

<b>MARKET SCALES</b>	<b>NEW BASIC SALARY W.E.F.1.4.19</b>
<b>SALARY POINT</b>	<b>PER ANNUM</b>
51	61,342.00
52	63,183.00