



WMCA Board Meeting

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| Date | 21 July 2017 |
| Report title | WMCA Funding for Growth Programme |
| Portfolio Lead | Andy Street, Mayor |
| Accountable Chief Executive | Martin Reeves, Interim Chief Executive, WMCA email: martin.reeves@coventry.gov.uk tel: (024) 7683 3232 |
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| Report to be/has been considered by | |

Recommendation(s) for action or decision:

The WMCA Board is recommended to:

1. Approve the establishment of the Funding for Growth Programme (“FGP”), focused on driving additional funding for the Midlands, both in terms of both devolved fiscal power from Government and seeking new funding mechanisms in the region to maximize investment.
2. Agree initial funding requirements of the programme for the first phase of work up to September 2017 for the initial set-up and resourcing of a project team supporting the programme, which will be responsible for the research, analysis, recommendations and implementation plans of such mechanisms. Discussions have been held with PwC who have been asked to provide support to the project team, and whilst these are ongoing, the cost of such support in this phase is not expected to exceed £50,000.

1.0 Purpose

- 1.1 To share the Mayor's proposed approach to examining funding mechanisms available to the WMCA, and potential mechanisms to implement, in order to maximise investment in the West Midlands region, through the establishment of the Funding for Growth Programme.

2.0 Background

- 2.1 The West Midlands Mayor was appointed in early May 2017, with a commitment in his manifesto to "get the best financial deal for the West Midlands" – and in particular, "launch a Finance Commission to further understand the options to improve the tax and public spending arrangements for the West Midlands. This mirrors existing and ongoing work on fiscal devolution by the WMCA.
- 2.2 This document and the attached paper (Appendix 1) summarise the key aspects of the proposed FGP, its aims, proposed structure and timeline of its work. Now that the Mayor is in office, rapid progress is essential to develop funding mechanisms that will enable policy objectives to be met and improvements to the West Midlands economy, housing, transport and social environment to be embedded. The programme is central to these.
- 2.3 London has embraced the drive for greater devolution, with a Finance Commission having originally been set up by Boris Johnson in 2013, and re-formed in 2016 following the Mayoral election in that year. Its report "Devolution: A Capital Idea" was launched in early 2017, and provides evidence-based recommendations for further fiscal devolution across a number of areas.
- 2.4 The programme in the West Midlands will not simply replicate the work of the London Finance Commission. Whilst certain themes and goals may be similar, the programme will focus on generating and implementing ideas that will drive additional funding for the region, rather than simply seeking further devolution of powers to the region. In particular, the programme will:
- 2.4.1 Consider existing financing/funding powers and sources that are available to the WMCA, recent evolution of these, and comparison of these powers/sources to those devolved to London and selected other cities.
 - 2.4.2 Analyse the West Midlands region, in terms of levels of public expenditure and tax revenue, and assess the size of the funding gap.
 - 2.4.3 Consider the potential options available to the West Midlands, in terms of additional powers (i.e. tax revenues and control over spending) that could be devolved from Government, and incremental funding sources that could be used locally.
 - 2.4.4 Make recommendations as to how the West Midlands could increase control over local spending and, importantly, create new funding opportunities (or enhance existing mechanisms), based on the options assessed. The external experts in the programme will be key to generating new funding ideas, which may include innovative mechanisms to drive incremental property and infrastructure investment, e.g. new funding structures to increase the viability of funding brownfield site regeneration for property development.

2.4.5 Consider further objectives and areas that should be considered for ongoing focus following the completion of initial evaluation and reporting, and how such further objectives can be delivered.

2.5 The programme will comprise a network of 15-20 experts with a blend of experience across public and private sector, including representation of the WMCA, broader local government experience, relevant think-tanks, funding and finance professionals, and others from the private sector. For the avoidance of doubt these people will be on the team in an individual capacity, rather than representing the businesses/organisations they work for on a day-to-day basis. A list of members is set out in the appended briefing paper. Given the range of areas to be covered flexibility will be given to the programme board to utilise additional expertise in specific areas, such as in the areas of housing and transport, as necessary.

2.6 Supporting the programme will be a project team of policy support, largely comprising local WMCA support, academics and think-tanks. A degree of external support will be required to set this up.

3.0 Wider WMCA Implications

3.1 The WMCA will be represented by the interim Chief Executive and Finance Director of WMCA, who have both been invited to join. This will ensure the implications of the programme's work are fully understood by the WMCA, as well as ensuring that local authority finance directors are fully consulted on plans being proposed.

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

4.0 Progress, options, discussion, etc.

4.1 The programme is to be convened during July 2017, with initial recommendations targeted to be delivered by the end of 2017, to inform 2018 budgeting. Once the project team is in place and an initial gathering of the programme has been held, a formal structure of interactions will be agreed. The project team will drive delivery of the outputs, with regular interactions with the programme members. An outline of the structure and timeline is included in the attached paper.

5.0 Financial implications

5.1 As part of the approval to launch the programme and support the project team, a budget requirement to fund initial support from PwC to the project team is required. Discussions are ongoing with PwC around the scoping of this support, however the associated costs are not expected to exceed £50,000 (excluding VAT and expenses). This budget will support the set-up and work of the project team in the first phase of the programme to September 2017.

5.2 The ongoing cost of the project team will be managed through utilising, where possible, local think-tank and academic resource in specific areas of research, as well as WMCA resource.

6.0 Legal implications

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

7.0 Equalities implications

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

8.0 Schedule of background papers

8.1 None

9.0 Appendices

9.1 Appendix 1 – Funding for Growth Programme Briefing Pack