



**West Midlands  
Combined Authority**

## **WMCA Board**

<b>Date</b>	11 February 2022
<b>Report title</b>	WMCA Budget 2022/23
<b>Portfolio Lead</b>	Finance - Councillor Bob Sleigh
<b>Accountable Chief Executive</b>	Laura Shoaf, West Midlands Combined Authority email: <a href="mailto:laura.shoaf@wmca.org.uk">laura.shoaf@wmca.org.uk</a>
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<b>Report has been considered by</b>	WMFD – 31 January 2022 Chief Executives – Programme Board – 2 February 2022

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

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

1. Approve the West Midlands Combined Authority consolidated revenue budget summarised in Section 4. This includes:
  - a) the budget requirement for transport delivery 2022/23 comprising four elements:
    - i. £117.0 million to be funded from the existing transport levy mechanism;
    - ii. £18.7 million to be funded from grant awarded by the Commonwealth Games Organising Committee;
    - iii. Use of £4.5m Business Rates retention income;
    - iv. a transfer from earmarked reserves of £3.6 million.

- b) the West Midlands Combined Authority Delivery (Non-Transport) budget requirement for 2022/23 of £161.9 million comprising of six elements:
- i. £142.7 million Adult Education spending to be funded from Adult Education Budget funding devolved by the Department for Education<sup>1</sup>
  - ii. £6.7 million to be funded from other devolution deal grants
  - iii. £1.2 million to be funded from other income, notably investments;
  - iv. £4.6 million to be funded from Constituent Authority fees (fees to remain at the same level as 2021/22);
  - v. £0.5 million to be funded from Non-Constituent Authority and observer fees (which represents an increase of £5,000 a year per Non-Constituent Authority from 1 April 2022);
  - vi. Use of £6.0 million Business Rates retention income.
2. Approve the Mayoral Office budget for 2022/23 of £0.8 million to be funded from additional Mayoral Capacity Funding of £0.8 million.
  3. Approve the first year (2022/23) of the indicative WMCA Capital Programme as set out in Appendices 4, 5 and 6, noting the indicative onward programme thereafter.
  4. Note that there will be no Mayoral Precept during 2022/23.
  5. Note West Midlands Combined Authority's commitment to work with the Mayor and Leaders to develop a long-term, sustainable budget and plan throughout 2022, building on the 2022/23 agreed Aims and Objectives and a sustainable financial plan.
  6. Note the matters identified by Overview and Scrutiny Committee that arose out of the Mayoral Q&A on 15 December 2021, as set out in Appendix 7.
  7. Delegate authority to the Director of Finance in consultation with the Portfolio Lead for Finance and Investments to make any final changes that may result from the Final Local Government Finance Settlement as set out in paragraphs 2.3 to 2.5.
  8. Approve the following policies and strategies, which contain items as required by statute:
    - a) the West Midlands Combined Authority Treasury Management Strategy as set out in section 6 and Appendix 8:
    - b) The West Midlands Combined Authority Capital Strategy and Minimum Revenue Provision Statement as set out in section 7 and Appendices 9 and 10 respectively: and
    - c) The West Midlands Combined Authority Pay Policy Statement as set out in section 11 and Appendix 11.

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<sup>1</sup> The 2022/23 Adult Education Budget to be devolved from Department for Education will be confirmed in early 2022 and an update provided to Board

## **1.0 Purpose**

- 1.1 This report is intended to present the Final Budget for consideration by the West Midlands Combined Authority Board at its meeting on 11 February 2022. A Draft Budget was presented to and approved by the West Midlands Combined Authority Board on 14 January 2022.

## **2.0 Background**

- 2.1 This report represents the final stage of the Budget setting process for the West Midlands Combined Authority and incorporates the final Revenue and Capital Budget for 2022/23 as well as the associated policies as required by statute. There are no changes from the overall financial plans as included within the Draft Budget report as considered by West Midlands Combined Authority Board on 14 January 2022.
- 2.2 The Mayor and West Midlands Combined Authority have considered feedback on the Draft Budget report since 14 January 2022 Board meeting, from both Constituent Members of the Combined Authority and other key stakeholders.
- 2.3 This report incorporates assumptions based on the Provisional Local Government Finance Settlement for 2022/23. The Final Local Government Finance Settlement will be presented to the House of Commons in early 2022. If applicable, a verbal update on the Provisional Local Government Finance Settlement will be provided at the West Midlands Combined Authority Board meeting on 11 February 2022.
- 2.4 This report is also being prepared in advance of the Chancellor of the Exchequer delivering the next economic and fiscal update on 23 March 2022, and in advance of the Department for Levelling Up, Housing and Communities presenting their Levelling Up White Paper, which is due in early 2022. West Midlands Combined Authority will continue to seek to progress the relevant asks already set out in our Spending Review Submission and will continue to lobby for additional capacity and ongoing funding for the impact of Covid-19.
- 2.5 Delegation is requested to the Finance Director, in consultation with the Portfolio Lead for Finance, to make any final changes that result from the Final Local Government Finance Settlement should they be required.

## **3.0 2021/22 Forecast Outturn**

- 3.1 The Financial Monitoring Report and Draft Budget Report which were both considered by West Midlands Combined Authority Board on 14 January 2022 included a 2021/22 forecast showing a surplus position of £0.7m.
- 3.2 Since the completion of this forecast, nothing has come to the attention of the Finance Director to suggest that any material change to this forecast position is required. The final

detailed forecast for 2021/22 is currently being compiled and will be presented to West Midlands Combined Authority Board in March 2022.

#### **4.0 Changes to proposed Draft Budget**

- 4.1 One change is proposed to the Draft Budget as reviewed by West Midlands Combined Authority Board on 14 January 2022 that being a minor reclassification (£0.3m) of expenditure from the Public Social Reform portfolio to Financing.
- 4.2 As previously stated, the Draft Budget also includes assumptions based on the Provisional Local Government Finance Settlement. The Combined Authority will continue to monitor any announcements made by central government in relation to the Final Local Government Finance Settlement, Levelling Up White Paper and any further funding made available to support the region through the Covid-19 pandemic.
- 4.3 The proposed funding sources for the 2022/23 West Midlands Combined Authority Transport Budget are therefore confirmed as:
- i. £117.0m to be funded from the existing transport levy mechanism
  - ii. £18.7m to be funded from grant awarded by the Commonwealth Games Organising Committee
  - iii. Use of £4.5m Business Rates retention income
  - iv. A transfer from earmarked reserves of £3.6m
- 4.4 The proposed funding sources for the 2022/23 West Midlands Combined Authority Delivery (Non-Transport) Budget are therefore confirmed as:
- i. £142.7m Adult Education spending to be funded from Adult Education Budget funding devolved from Department for Education<sup>2</sup>
  - ii. £6.7m to be funded from other devolution deal grants
  - iii. £1.2m to be funded from other income, notably investments
  - iv. £4.6m to be funded from Constituent Authority fees (unchanged from 2021/22)
  - v. £0.5m to be funded from Non-Constituent Authority and observer fees (which represents an increase of £5,000 a year per Non-Constituent Authority from 1 April 2022)
  - vi. Use of £6.0m Business Rates retention income
- 4.5 The proposals for the Mayoral Office remain unchanged – operation of the Mayoral Office is to be funded by a Mayoral Capacity Fund grant, with total expenditure for the Mayoral Office of £0.8m.
- 4.6 The final consolidated Revenue Budget for 2022/23 is set out in the following table:

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<sup>2</sup> The 2022/23 Adult Education Budget to be devolved from Department for Education will be confirmed in early 2022 and an update provided to Board

**Table 1: West Midlands Combined Authority 2022/23 Revenue Budget**

	Total	Transport	Non-Transport Portfolios	Investment Programme	Mayors Office
	£m	£m	£m	£m	£m
Transport Levy	117.0	117.0	-	-	-
Devolution Deal Grant (IP)	36.5	-	-	36.5	-
Devolution Deal Grants - Other	7.6	-	6.7	-	0.8
Adult Education Funding	142.7	-	142.7	-	-
Share of Business Rates	10.5	4.5	6.0	-	-
Grants from Constituent Members	4.6	-	4.6	-	-
Grants from Non Constituent Members	0.5	-	0.5	-	-
Investment Income	0.9	-	0.8	0.1	-
Third Party Income	0.5	-	0.5	-	-
Commonwealth Games	18.7	18.7	-	-	-
Use of Reserves	3.6	3.6	-	-	-
<b>Total Income</b>	<b>343.1</b>	<b>143.7</b>	<b>161.9</b>	<b>36.6</b>	<b>0.8</b>
Transport Delivery	125.0	125.0	-	-	-
Commonwealth Games	18.7	18.7	-	-	-
Delivery Programmes	161.9	-	161.9	-	-
Investment Programme	36.6	-	-	36.6	-
Mayoral Office	0.8	-	-	-	0.8
<b>Total Expenditure</b>	<b>343.1</b>	<b>143.7</b>	<b>161.9</b>	<b>36.6</b>	<b>0.8</b>
<b>Net Expenditure</b>	-	-	-	-	-

4.7 The final contributions from Constituent Authorities are as set out in the following table:

**Table 2: West Midlands Combined Authority 2022/23 Constituent Member contributions**

Allocations	2021/22 £m	2022/23 £m	Net Change
Birmingham	45.8	46.5	(0.7)
Coventry	15.2	15.7	(0.6)
Dudley	13.2	13.4	(0.2)
Sandwell	13.5	13.7	(0.2)
Solihull	9.0	9.2	(0.2)
Walsall	11.8	12.0	(0.3)
Wolverhampton	10.9	11.1	(0.2)
Total	119.4	121.7	(2.3)

4.8 The final contributions from Non-Constituent Authorities and Observers are as set out in Table 3 below and are set at £30,000 per annum for 2022/23. These will continue to be subject to annual review over the medium term.

**Table 3: West Midlands Combined Authority 2022/23 Non-Constituent Member contributions**

<b>Non-Constituent Member Allocations</b>	<b>2022/23 £</b>
<b><i>Non-Constituent</i></b>	
Cannock Chase District Council	30,000
North Warwickshire Borough Council	30,000
Nuneaton and Bedworth Borough Council	30,000
Redditch Borough Council	30,000
Rugby Borough Council	30,000
Shropshire Council	30,000
Stratford-on-Avon District Council	30,000
Tamworth Borough Council	30,000
Telford and Wrekin Council	30,000
Warwickshire County Council	30,000
Black Country LEP	30,000
Greater Birmingham and Solihull	30,000
Coventry & Warwickshire LEP	30,000
<b><i>Observers</i></b>	
The Marches LEP	30,000
Fire partner contribution	30,000
Police partner contribution	30,000
Warwick District Council	30,000
<b>Total</b>	<b>510,000</b>

## **5.0 WMCA Indicative Medium-Term Capital Programme**

5.1 The West Midlands Combined Authority indicative Capital Programme is summarised in Table 4 and is set out in further detail within Appendices 4 to 6. The table overleaf summarises the current planned capital investment between 2021/22 and 2025/26. This position represents the latest 2021/22 reforecast. The final 2022/23 Capital Budget will be presented to WMCA Board at the earliest opportunity in 2022/23 following confirmation of the 2021/22 outturn position. It should also be noted that this view does not include any allocation of the recently awarded CRSTS funding. A proposed allocation of this funding was subject to a separate paper to WMCA Board in January 2022. The decision has been taken not to update the Capital Programme for this funding until the allocation is agreed in full by WMCA Board and with the Department for Transport.

**Table 4: Summary West Midlands Combined Authority Capital Programme**

WMCA CAPITAL PROGRAMME (EM)		Appendix	2021 / 2022	2022 / 2023	2023 / 2024	2024 / 2025	2025 / 2026	TOTAL
Expenditure	TfWM Expenditure	4	344.5	379.6	291.9	119.2	117.3	1,252.5
	Housing and Regeneration Expenditure	5	36.8	89.6	100.9	55.0	34.9	317.2
	Other Programmes		3.1	1.2	-	-	-	4.3
	Investment Programme Grants to Local Authorities	6	104.7	65.7	194.4	139.3	360.1	864.2
<b>TOTAL EXPENDITURE</b>			<b>489.1</b>	<b>536.1</b>	<b>587.2</b>	<b>313.5</b>	<b>512.3</b>	<b>2,438.2</b>
Funding	Investment Programme Debt		158.0	197.1	134.5	3.3	17.6	510.5
	TfWM Debt		12.9	5.7	142.1	49.5	2.4	212.6
	Grants		318.2	333.3	92.9	38.2	12.2	794.8
	Other		-	-	217.7	222.5	480.1	920.3
<b>TOTAL FUNDING</b>			<b>489.1</b>	<b>536.1</b>	<b>587.2</b>	<b>313.5</b>	<b>512.3</b>	<b>2,438.2</b>

\* Provisional expenditure estimates for Investment Programme and other projects which are subject to WMCA raising additional income or yet to have the funding package fully secured.

- 5.2 Approximately 50% of the Combined Authority's planned capital investment to 2025/26 consists of expenditure incurred by Transport for West Midlands in pursuance of the Investment Programme, Transforming Cities Programme and the Minor Works Programme. Of the remainder, broadly 70% is concerned with the reimbursement of Local Authorities as part of the West Midlands Investment Programme and 25% will be spent in delivering the Housing and Regeneration objectives using funds secured by WMCA from Central Government.
- 5.3 Those larger Transport for West Midlands Programmes contain significant investment in expanding the Metro networks in addition to investment in developing and delivering new local Rail stations in Birmingham and the Black Country. The Transport programme reflects the final phase of the Transforming Cities Programme, and in 2022/23 includes the completion of all WMCA delivered assets for the 2022 Commonwealth Games, namely University and Perry Barr rail station improvements and A34 / A45 Sprint.
- 5.4 The Housing Capital Programme includes the land remediation programmes launched by the WMCA in 2016 and delivery against the Land Fund arrangements which now total £208m.
- 5.5 The Investment Programme Grants to Local Authorities Programme includes grants payable under the original Investment Programme approved in 2016. This includes significant investment in Coventry (Station Masterplan, City Centre Regeneration), Solihull for the UK Central Programme and Birmingham (Commonwealth Games).
- 5.6 In addition to the traditional capital investment detailed above, WMCA will continue to operate the commercial and residential investment funds where loans to developers are made with the objective of unlocking stalled development sites which traditional lenders are unwilling to finance. The loans are held on the WMCA balance sheet under standard accounting regulations and as at 1 December 2021, the cumulative value of loan commitments approved by WMCA totalled £156.1m (including £48.0m of loans which have since been repaid). The value of loans drawn and earning interest as at 1 December 2021 was £28.3m.
- 5.7 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 any commercial revenues expected to flow from those investments.

5.8 The full extent of the Investment Programme and 2016 Devolution Deal schemes remain as provisional commitments within the overall programme, even though the funding to underpin elements of the investment currently remains unsecure. Work with the Mayor, Constituent Member Leaders and the WMCA Finance Directors will continue into 2022/23 to enable the gaps to be closed and no expenditure will be committed without first having a clearly available funding source.

## **6.0 Treasury Management Strategy**

6.1 The West Midlands Combined Authority is required to review its Treasury Management Strategy on an annual basis. The Treasury Management Strategy defines how West Midlands Combined Authority will adhere to its own Treasury Management Policy Statement and provides a framework for its Treasury team to operate within. The proposed strategy for 2022/23 is set out in Appendix 8.

6.2 At the Audit, Risk and Assurance Committee meeting of 18 January 2022, the Committee reviewed and endorsed the Treasury Management Strategy as set out in Appendix 8 ahead of the strategy being presented for final approval at this meeting.

## **7.0 Capital Strategy and MRP**

7.1 The Capital Strategy is presented as Appendix 9 for approval by West Midlands Combined Authority Board.

7.2 The Minimum Revenue Provision Statement is also presented in Appendix 10 for approval by West Midlands Combined Authority Board.

## **8.0 Budget Calculation**

8.1 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 Board 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.

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

- The West Midlands Combined Authority's demand-led services
- Economic and community recovery from ongoing Covid-19 pandemic
- Economic impact of Brexit
- Inflation and interest rate volatility
- West Midlands Pension Fund Investment Performance
- Unforeseen emergencies.

- 8.3 Further risks remain within the Commercial Bus network, which is facing unprecedented decrease in patronage following the Covid-19 pandemic. As a result, companies previously providing critical services are and could continue to fail.
- 8.4 WMCA remain obliged under policy to provide additional subsidy in order to maintain access standards for socially necessary services. There is an inherent risk that costs will escalate when current subsidised service contracts expire. Without any additional funding, it appears highly probable that difficult choices would need to be made regarding access standards. In order to maintain services in line with policy, there would need to be an emergency re-budget or funds would need to be diverted from the Investment Programme in order to support Transport delivery.
- 8.5 It is therefore clear that a long term funding solution for West Midlands Combined Authority's activity is required, and officers have committed to work with the Mayor and Leaders to develop a long-term, sustainable budget and plan throughout 2022, building on the 2022/23 agreed Aims and Objectives and a sustainable financial plan.
- 8.6 The existing General Reserve Balance is £2.3 million. This balance represents only 1.9% of the aggregate proposed 2022/23 Constituent Authority contributions.
- 8.7 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 the Transport for West Midland's levy.
- 8.8 Members will also be aware of our obligations as a Best Value authority 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 taxpayers and users as appropriate.
- 8.9 These obligations are addressed in the Medium Term Financial Planning exercise and brought together as part of the annual Budget process in the Draft and Final Budget reports as reviewed by West Midlands Combined Authority Board in January and February of each year. This is supplemented by additional reports throughout the year regarding the approval of significant investments and reforms.
- 8.10 Despite the above risks, there are also opportunities to consider ensuring optimum financial stability and security that include:
- Capital Financing, making best use of capital financing, including optimum use of access to the Public Works Loans Board; and
  - Treasury Management activity, maximising the current market opportunities for the West Midlands Combined Authority and reviewing the borrowing strategy.
- 8.11 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 Aims and Objectives, as approved by WMCA Board in November 2021.

- The need to protect the West Midlands Combined Authority's financial standing and risk
- The estimated financial position as at the end of 2021/22
- The financial policies of the government as they impact upon the West Midlands Combined Authority
- The Transport Capital Programme set out in Appendix 4
- The Housing Capital Programme set out in Appendix 5
- The Investment Programme set out in Appendix 6
- 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.

## **9.0 Scrutiny of the budget proposals**

- 9.1 A Mayoral Budget Q&A session was held in public on 15 December 2021. Members of WMCA's Overview and Scrutiny committee questioned the Mayor and the Portfolio Lead for Finance, Councillor Bob Sleight, on the development of the 2022/23 Budget and the ongoing sustainability of WMCA. Further questions were asked on Transport policy, Social Housing, Skills training and WM2041.
- 9.2 The matters identified that arose out of the Mayoral Q&A on 15 December 2021 are set out in Appendix 7 for information.

## **10.0 Equalities Implications**

- 10.1 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
  - To foster good relations between people who share one or more of the Protected Characteristics and those who do not
- 10.2 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.
- 10.3 There is no direct equality impact in relation to the 2022/23 Budget proposals as funding has been maintained and service provision is not affected. However, there are increased risks and financial uncertainties due to Brexit and Covid-19, which may result in an increase in revenue requirements, with transport services more likely to be affected.

- 10.4 A number of mitigating measures have been considered as part of Budget planning which should help mitigate any negative impact, but the scale of change may result in the need for additional considerations in relation to assisted travel policies. The protected characteristics most likely to be affected are those on lower incomes with fewer economic resources who are more reliant on public transport. This would include young people, women, single parents, people from lower socio-economic groups, ethnic minorities and disabled people.
- 10.5 Future policy options would need to undergo in-depth equality impact assessments and engagement/consultation with affected groups to ensure negative impact is mitigated as far as practically possible.

## **11.0 Pay Policy Statement**

- 11.1 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 11.
- 11.2 There are no significant changes proposed for 2022/23.

## **12.0 Legal Implications**

- 12.1 Under powers granted by the Combined Authorities (Finance) Order 2017, Elected Mayors may raise a precept on Constituent Authorities Council Tax bills under section 107G of the Local Democracy Economic Development and Construction Act 2009. A Mayoral Precept may only be issued in relation to the costs of the Mayor or of discharging Mayoral Functions. The Mayoral functions are set out in Article 22 of the West Midlands Combined Authority (functions and amendments) Order 2017. There are powers for the Mayor to engage in highway management activity, works permit schemes, road safety measures and road traffic reduction activity amongst others. The Order also gives the Mayor a functional power of competence to do anything that is associated, incidental or connected with those powers in order to undertake those activities.
- 12.2 As the Mayor did not include setting a precept as part of his 2021 Election Manifesto, the funding of budget proposals in respect of Mayoral functions is expected to be met from alternative funding sources until 2025/26 at the earliest.
- 12.3 As a public authority which has the power to levy for transport functions and to raise a precept, WMCA must set a budget every year which is agreed through its formal decision-making processes. This report outlines the legal and governance processes that need to be completed including consideration by Overview and Scrutiny Committee and the WMCA Board.

### **13.0 Inclusive Growth Implications**

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

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

14.1 The Budget proposals encompass the West Midlands region.

### **Appendices**

Appendix 1 – Transport Delivery Revenue Budget

Appendix 2 – WMCA Delivery Budget (Non-Transport)

Appendix 3 – WMCA Activity for 2022/23

Appendix 4 – Transport Capital Programme

Appendix 5 – Housing & Other Capital Programme

Appendix 6 – Investment Programme Capital Grants to Local Authorities

Appendix 7 – Mayoral Q&A - Budget 2022/23

Appendix 8 – 2022/23 Treasury Management Strategy

Appendix 9 – 2022/23 Capital Strategy

Appendix 10 – 2022/23 MRP Policy

Appendix 11 – 2022/23 Pay Policy Statement

## Proposed Transport Revenue Budget

TRANSPORT FOR WEST MIDLANDS	2021/22 BUDGET £000	2022/23 BUDGET £000	2023/24 BUDGET £000	2024/25 BUDGET £000	2025/26 BUDGET £000	2026/27 BUDGET £000
<b>INCOME</b>						
Transport Levy	114,720	117,015	117,015	117,015	117,015	117,015
Commonwealth Games Grant	5,423	18,691				
Business Rates Growth		4,468				
Use of Reserves	4,695	3,564				
<b>TOTAL INCOME</b>	<b>124,838</b>	<b>143,738</b>	<b>117,015</b>	<b>117,015</b>	<b>117,015</b>	<b>117,015</b>
<b>EXPENDITURE</b>						
<b>Concessions</b>						
National Bus Concession	50,472	47,878	50,429	52,605	55,161	57,471
Metro / Rail	4,572	4,576	4,583	4,675	4,796	4,923
Child Concession	7,029	6,710	6,885	7,093	7,340	7,631
	62,073	59,164	61,897	64,373	67,298	70,025
<b>Bus Services</b>						
Bus Stations / Infrastructure	5,152	5,680	5,572	5,856	6,582	6,769
Subsidised Network	11,478	13,420	14,255	15,143	15,301	15,656
Accessible Transport	6,637	6,685		6,639	6,640	6,641
	23,267	25,786	6,639	27,638	28,523	29,066
<b>Rail and Metro Services</b>						
Metro Services	2,579	6,077	7,113	7,048	6,942	6,969
Rail Services	2,904	4,125	3,118	3,210	3,413	3,482
	5,483	10,202	10,231	10,258	10,355	10,451
<b>Integration</b>						
Safety and Security	1,274	1,288	1,384	1,444	1,559	1,608
Passenger Information	6,007	6,817	6,272	6,447	7,070	7,140
Sustainable Travel	1,401	756	719	737	809	813
	8,682	8,861	8,375	8,627	9,438	9,561
Network Resilience	3,181	3,772	3,222	3,311	3,565	3,616
Commonwealth Games	5,423	18,691				
Business Support and Democratic Services	3,809	3,061	6,357	6,870	7,872	7,618
Strategic Development	3,915	4,447	4,535	4,662	5,010	5,087
Transport Governance	131	135	140	144	148	153
Capital Finance Charges	8,874	9,619	9,857	9,876	12,744	11,990
<b>TOTAL EXPENDITURE</b>	<b>124,838</b>	<b>143,738</b>	<b>131,079</b>	<b>135,760</b>	<b>144,954</b>	<b>147,567</b>
<b>NET</b>	<b>0</b>	<b>0</b>	<b>(14,065)</b>	<b>(18,745)</b>	<b>(27,939)</b>	<b>(30,553)</b>

### **ENCTS (National Bus Concession) £47.9m**

- Free Travel for all entitled to national pass from 9.30am to 11pm
- Reimbursement regulated by Secretary of State with guidance provided by DfT
- Current discretionary scheme extension 11pm to last bus

### **Child Concessions £6.7m**

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

### **Rail and Metro Concessions £4.6m**

- Extensions of national bus scheme to rail and metro
- After 9.30pm to midnight weekdays, all day weekends and bank holidays
- Rail estimated 4.6m trips per annum (pre-Covid-19)
- Metro approx. 1.0m trips per annum (pre-Covid-19)

### **Subsidised services £13.4m**

- Policy criteria -Minimum 8 passengers per journey
- The current VFM Thresholds are £2.16 for tendered contract and £1.80 for de minimis contracts
- Access criteria 400m (7am -7pm) 700m (all other times)

### **Accessible Transport £6.7m**

- Ring & Ride service operated by National Express Accessible Transport.

### **Passenger information £6.8m**

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

### **Bus Stations/Infrastructure £5.7m**

- Management and Maintenance of 12 Bus stations, circa 12,000 stops and shelters
- Infrastructure Costs –cleaning, repairs, rates, CCTV, Electricity, routine maintenance
- Bus policy development options (taking forward the 'Vision for Bus')

### **Rail Services £4.1m**

- Provision, management, on-going maintenance and operation of 41 Park and Ride sites, circa 9,000 spaces
- Delivery of TfWM Rail responsibilities including Rail Partnerships and industry engagement
- WMCA contribution to WMR Limited (a consortium of 16 local authorities) which has co-responsibilities with the DfT for managing the West Midlands Rail franchise

### **Metro Services £6.1m**

- Subsidy and franchise assumptions continue to be reviewed in light of COVID-19

### **Safety and security £1.3m**

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

**Business & Democratic Support £3.1m**

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

**Strategic Development £4.4m**

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

**Capital Finance Charges £9.6m**

- Loan interest on existing loan book and anticipated future borrowing
- Past Pension costs and deficit funding arrangements

**Network Resilience £3.8m**

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

**Sustainable Travel £0.8m**

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

**Transport Governance £0.1m**

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

**Commonwealth Games £18.7m**

- All costs are funded from grant income
- This does not include the cost of infrastructure legacy projects which are included in the capital programme

**Proposed West Midlands Combined Authority Delivery Budget (Non-Transport)**

**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

**Productivity and Skills Portfolio**

Productivity and Skills	2021/22 Budget £	2022/23 Budget £	Movement
Use of Reserves	-	90,000	90,000
Grants	145,954,700	145,267,360	(687,340)
Governance Income	308,419	298,411	(10,008)
<b>Total Income</b>	<b>146,263,118</b>	<b>145,655,771</b>	<b>(607,348)</b>
Staff Costs	2,526,103	3,395,868	(869,764)
Training & Development	143,885,342	143,262,052	623,290
Promotions, Information and Initiatives	129,250	122,947	6,303
External Advice	775,115	1,088,629	(313,514)
Travel & Subsistence	21,000	17,012	3,989
Direct Recharges	62,008	65,698	(3,690)
Indirect Recharges	200,000	200,000	(0)
<b>Total Expenditure</b>	<b>147,598,819</b>	<b>148,152,205</b>	<b>(553,387)</b>
<b>Net Expenditure</b>	<b>1,335,700</b>	<b>2,496,435</b>	<b>(1,160,735)</b>

**Housing and Land Portfolio**

Housing and Land	2021/22 Budget £	2022/23 Budget £	Movement
Grants	1,400,352	1,454,688	54,336
<b>Total Income</b>	<b>1,400,352</b>	<b>1,454,688</b>	<b>54,336</b>
Staff Costs	1,451,495	1,630,515	(179,021)
External Advice	758,921	758,921	(0)
Travel & Subsistence	3,500	3,608	(108)
Direct Recharges	(813,563)	(938,357)	124,794
<b>Total Expenditure</b>	<b>1,400,352</b>	<b>1,454,688</b>	<b>(54,335)</b>
<b>Net Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Economy & Innovation Portfolio**

<b>Economy and Innovation</b>	<b>2021/22 Budget £</b>	<b>2022/23 Budget £</b>	<b>Movement</b>
Grants	900,160	281,297	(618,864)
Governance Income	692,358	675,492	(16,865)
Use of Reserves	-	12,260	12,260
<b>Total Income</b>	<b>1,592,518</b>	<b>969,049</b>	<b>(623,469)</b>
Staff Costs	1,120,181	1,167,484	(47,302)
Promotions, Information and Initiatives	75,000	77,325	(2,325)
External Advice	1,181,043	967,151	213,892
Governance Expenditure	1,024,500	1,001,500	23,000
Direct Recharges	(29,752)	-	(29,752)
Indirect Recharges	10,000	-	10,000
<b>Total Expenditure</b>	<b>3,380,972</b>	<b>3,213,459</b>	<b>167,512</b>
<b>Net Expenditure</b>	<b>1,788,454</b>	<b>2,244,410</b>	<b>790,981</b>

**Culture and Digital Portfolio**

<b>Culture and Digital</b>	<b>2021/22 Budget £</b>	<b>2022/23 Budget £</b>	<b>Movement</b>
Staff Costs	59,505	77,606	(18,101)
External Advice	114,000	359,534	(245,534)
<b>Total Expenditure</b>	<b>173,505</b>	<b>437,140</b>	<b>(263,635)</b>
<b>Net Expenditure</b>	<b>173,505</b>	<b>437,140</b>	<b>(263,635)</b>

**Wellbeing Portfolio**

Wellbeing	2021/22 Budget £	2022/23 Budget £	Movement
Grants	665,452	256,840	(408,613)
Other Income	309,350	-	(309,350)
<b>Total Income</b>	<b>974,803</b>	<b>256,840</b>	<b>(717,963)</b>
Staff Costs	1,017,595	985,571	32,023
Promotions, Information and Initiatives	75,444	5,500	69,944
External Advice	243,000	236,099	6,901
Travel & Subsistence	5,328	600	4,728
Other	6,617	0	6,617
Direct Recharges	150,009	-	150,009
Indirect Recharges	4,000	-	4,000
<b>Total Expenditure</b>	<b>1,501,993</b>	<b>1,227,770</b>	<b>274,223</b>
<b>Net Expenditure</b>	<b>527,191</b>	<b>970,931</b>	<b>(443,740)</b>

**Public Service Reform & Social Economy Portfolio**

Public Service Reform & Social Economy	2021/22 Budget £	2022/23 Budget £	Movement
Grants	581,400	74,906	(506,494)
<b>Total Income</b>	<b>581,400</b>	<b>74,906</b>	<b>(506,494)</b>
Staff Costs	730,777	874,847	(144,069)
External Advice	324,000	334,044	(10,044)
Governance Expenditure	497,322	1,200,000	(702,678)
Indirect Recharges	11,400	-	11,400
<b>Total Expenditure</b>	<b>1,563,500</b>	<b>2,408,891</b>	<b>(845,391)</b>
<b>Net Expenditure</b>	<b>982,100</b>	<b>2,333,985</b>	<b>(338,897)</b>

**Environment, Energy and HS2 Portfolio**

<b>Environment and Energy, HS2</b>	<b>2021/22 Budget £</b>	<b>2022/23 Budget £</b>	<b>Movement</b>
Grants	146,814	-	146,814
Governance Income	93,000	950,529	(857,529)
<b>Total Income</b>	<b>239,814</b>	<b>950,529</b>	<b>(710,715)</b>
Staff Costs	406,116	1,121,191	(715,075)
External Advice	182,500	717,995	(535,495)
Travel & Subsistence	9,000	9,000	-
<b>Total Expenditure</b>	<b>597,616</b>	<b>1,848,186</b>	<b>(1,250,570)</b>
<b>Net Expenditure</b>	<b>357,802</b>	<b>897,657</b>	<b>(539,856)</b>

**Inclusive Communities Portfolio**

<b>Inclusive Communities</b>	<b>2021/22 Budget £</b>	<b>2022/23 Budget £</b>	<b>Movement</b>
Use of Reserves	-	13,000	(13,000)
<b>Total Income</b>	<b>-</b>	<b>13,000</b>	<b>(13,000)</b>
Staff Costs	-	116,267	(116,267)
External Advice	67,500	119,461	(51,961)
<b>Total Expenditure</b>	<b>67,500</b>	<b>235,727</b>	<b>(168,227)</b>
<b>Net Expenditure</b>	<b>67,500</b>	<b>222,727</b>	<b>(155,227)</b>

**Leadership & Corporate Support**

<b>Leadership and Business Support</b>	<b>2021/22 Budget £</b>	<b>2022/23 Budget £</b>	<b>Movement</b>
Other Income	-	-	-
<b>Total Income</b>	<b>-</b>	<b>-</b>	<b>-</b>
Governance Expenditure	-	300,000	(300,000)
Indirect Recharges	2,729,292	2,729,292	-
<b>Total Expenditure</b>	<b>2,729,292</b>	<b>3,029,292</b>	<b>(300,000)</b>
<b>Net Expenditure</b>	<b>2,729,292</b>	<b>3,029,292</b>	<b>(300,000)</b>

## Appendix 3 – Activity

Aim 1		
To promote inclusive economic growth in every corner of the region and stimulate the creation of good jobs		
1.1	We will develop economic strategy for the region to drive inclusive growth, and deliver interventions with partners to boost innovation, secure investment, and support industrial clusters	Develop the standards, tools and practices for embedding and delivering inclusive growth including an online IG portal and IG business partners programme
		Develop a broader regional economic policy to drive inclusive growth, co-ordination of policy & support the business taxation commission.
		Adoption, mobilisation and delivery of P4G and P4G implementation plans (cross cutting interventions) - to include influencing funding allocations
		Develop a strategic partnership with a tech firm to deliver a set of core deliverables on the digital economy.
		Deliver the Create Central business growth plan.
1.2	We will work with partners to create the optimum conditions for businesses to grow, by ensuring they have the support needed to start up, scale up and succeed	Implement each of the 4 strands of the Social Enterprise Growth Strategy with a view to doubling the size of the sector in WM by 2030
		Deliver the WM Innovation Programme and Made Smarter West Midlands programme.
		Convene discussions with BEIS and partners to accelerate innovation programmes (or bodies) for the West Midlands.
1.3	We will invest in training and skills programmes that help our businesses grow and our citizens secure good jobs	Procure new AEB training to meet current and/or emerging skills needs - from August 2022 monitoring, managing and flexing provision as required
		Use available evidence to understand and respond to the labour market needs of the region
		Launch and communicate regional Level 3 training offer to WM residents and employers
1.4	We will work with local authorities to support the role of culture and sport in making the region a good place to live, work, visit and invest	Align cultural activity across the region through support for the Cultural Leadership Board (sector) and Cultural Officers Group (LA, LEP, WMGC).
		Develop proposals and support business cases to increase public investment in culture, particularly in areas where cultural activity is lower.
1.5	We will ensure public and private investment such as HS2 and the Commonwealth Games, create good work opportunities for local people and more contracts for local businesses	Deliver bespoke training for Commonwealth Games in line with committed and new (European Social Fund and National Lottery) funding

<b>Aim 2</b> <b>To ensure everyone has the opportunity to benefit as the region recovers from COVID-19, improves resilience and tackles long-standing challenges</b>		
2.1	We will work with local authorities, Jobcentres, colleges and training providers to ensure our communities are given training and employment support to access and succeed in new opportunities	Identify potential new provision to address skills gaps for those in-work, in partnership with DfE and DWP.
		Introduce Outcomes Framework for Community Learning in collaboration with Community Learning providers.
		Continue to promote youth platform as the 'place to go' for young people and collaborate with partners to generate engaging up-to-date content
2.2	We will work with partners to identify and address the different barriers faced by our diverse communities	Support and develop the Coalition for Digital Inclusion
		Establish Life Chances Commission
		Convene partners to take action to address race inequalities through the Race Equalities Taskforce
		Support and develop the Young Combined Authority to deliver a programme of activity that puts young people's concerns at the heart of regional policy-making
		Conclude the Mental Health Commission and take forward the recommendations with internal and external partners.
		Support and develop the Leadership Commission through a clear work programme which interfaces with other taskforces and commissions.
		Co-ordinate and support partners in addressing the needs of refugees and asylum seekers arriving in the region through the Strategic Migration Partnership
2.3	We will support social innovation to tackle complex and longstanding challenges facing our communities, where mutually agreed with partners	Develop and deliver a work programme to promote and enhance an evidence-based approach to preventing and tackling health inequalities in the WMCA and amongst other regional partners.
		Develop new approaches to social innovation in the region including exemplar initiatives, training opportunities and a cross-agency virtual team.
		Continue to deliver and extend the Thrive into Work programme and move to embed it as business as usual in primary and community care.
		Ongoing facilitation of the Homelessness Taskforce and associated task and finish groups, members advisory group and pilot activity, including looking at alternative funding models for preventative activity.
		Ongoing oversight of Housing First pilot, Rough Sleepers Accommodation programme and Rough Sleepers Initiative.
		Deliver a Coalition on Trauma-Informed approaches, including implementing a regional vision, training framework and commissioning processes.
		Support a pilot programme of public sector leadership development with CIVIC and explore opportunities for wider roll-out
		Continue delivery of Thrive-at-Work programme as it transitions to becoming a more self-sustaining and autonomous project
Develop collaborative projects with the Police and Crime Commissioner to help reduce crime and improve the criminal justice system		

**Aim 3****To connect our communities by delivering transport, and unlocking housing and regeneration**

3.1	We will deliver and operate a safe, accessible, affordable, reliable, and sustainable transport system together with our partners that will enable all communities to better access opportunity across the region	Increasing the efficiency and performance of transport delivery in the West Midlands
		Deliver the Commonwealth Games Active Travel Legacy programme
		Fund essential supported services that provide a social benefit including concessions, ring and ride, and tendered bus services
		Develop and enhance frontline services and infrastructure that deliver high quality experiences that meet changing customer demands at TfWM facility, bus stations and interchanges.
		Ensure strategic and operational Health and Safety aims and key deliverables are communicated and embedded throughout the WMCA
		Creating and maintaining accurate and reliable public transport travel information including the requirements set out in the National Bus Strategy and Vision for Bus.
		Work in collaboration with Government, Operators and the wider rail industry to deliver better outcomes from today's railway
		Co-manage the West Midlands rail franchise, through West Midlands Rail Executive
		Managing the West Midlands Transport Network through improved coordination with the Regional Transport Co-ordination Centre
		Keep the transport system safe and secure
		Develop and enhancing the performance of the Key Route Network (KRN)
		Deliver the operational plan for the Commonwealth Games for visitors to the region and ensuring reduced impacts on everyday journeys
		Improving the financial, operational and asset performance of WM Metro to support metro services and network expansions
		Maintain & publish a West Midlands Local Transport Plan and embed transport policy and strategy in the plans and programmes of the wider WMCA & partners.
		Develop and maintain a deep understanding of the needs, attitudes and perceptions of people who use the West Midlands transport system
		Continue to develop and maintain a robust common data environment for the West Midlands transport system
		Analyse the transport system to provide deep insight, recommend actions and produce robust and funded evidenced based business cases for schemes and programmes
Creating a system for easy to use and affordable payments to access the transport system+E48:E62		

3.2	We will build new and develop current transport infrastructure, so that travel in the region is sustainable, active, and low-congestion and integrated with nationally important projects such as HS2	Ensure the delivery of the CRSTS Capital Programme, including the TfWM Infrastructure programme
		Deliver the West Midlands Walking and Cycling Programme and continue to invest in making streets more walkable
		Delivering our bus vision and BSIP to support inclusive growth.
		Building and planning tomorrow's railways by delivering the Rail Investment Programme
		Extending the WM Metro Network to better serve more people and businesses delivering Westside (Edge), Wolverhampton City Centre, WBHE and Birmingham East Side extensions.
		Keeping the West Midlands Moving by mitigating the impacts of transport investment programmes through Travel Demand Management
3.3	We will invest in and support housing and regeneration schemes across the region, working closely with the private sector and local authorities to unlock and accelerate sustainable delivery	Delivery of key requirements and output targets of Housing Deal & subsequent deals with HMG
		Supporting Local Planning Authorities with evidence for Local Plans and policy requirements
		Develop and collaborate on Board approved policy development work and master planning
		Deliver our nationally leading brownfield regeneration and delivery programmes
		Implement the approved Housing & Land Board Covid19 Recovery Strategy
		Run a series of industry led taskforces to provide critical insight and support
		Lead WMCA Strategic Asset Acquisitions, Disposals and Management programme
		Establish a series of new partnerships, ventures and joint ventures with public and private sector partners.
		Support and enable Affordable Housing Delivery including new joint venture and Registered Provider / Homes England partnerships
Deliver and submit compelling business cases for additional funding from HMG		
3.4	We will support and deliver coordinated investment packages with our partners across key corridors and local, town, and city centres	Oversee delivery of the regional One Public Estate Programme (OPE)
		Produce and launch 2022 WM Investment Prospectus and deliver programme of investor engagement and developer relationships
		Support and enable Town Centre regeneration and repurposing through investment and enabling work
		Support delivery of milestones in charter and route map for AMC (Advanced Manufacturing in Construction)
		Lobby/engagement programme with HMG on behalf of the region on housing, land and regeneration matters
		Programme of acquisitions and disposals of land in line with the Public Land Charter
		Developing Park & Ride assets to support better access to the transport system including making our transport assets more affordable by increasing commercial revenues
		Support up to three local authority partners with 'Inclusive Growth in Action' schemes: Birmingham, Solihull and Sandwell

<b>Aim 4</b> <b>To reduce carbon emissions to net zero, enhance the environment and boost climate resilience</b>		
4.1	We will work with partners to facilitate investment in, and delivery of, programmes to support net zero development such as to retrofit homes and develop smart local energy systems	Develop policies and projects to ensure the energy infrastructure of the region supports competitive, clean and inclusive growth particularly through Local Area Energy Plans and energy devolution
		Develop a system to measure and monitor progress on decarbonisation and other sustainability goals in the region with clear reporting to regional partners
		Promote green investment in the region working with partners to leverage commercial finance and co-investment in key investable propositions, building on research and development opportunities in the region
		Deliver Smart Local Energy Systems projects to accelerate innovation in local area energy planning
4.2	We will be national pioneers in advanced methods of construction, zero carbon housing and brownfield regeneration and delivery, informed by research at the National Brownfield Institute	Work with partners to develop and deliver projects to tackle fuel poverty in the region
		Establish the SMART Hub to support local authorities to access funding, intelligence and expertise to retrofit homes to reduce carbon emissions
		Develop and deliver the Net Zero Neighbourhood Demonstrator programme to pilot place-based approaches to retrofit and wider decarbonisation through a cohort of 3-5 local neighbourhoods
		Deliver AMC (Advanced Manufacturing in Construction) investment attraction campaign and investment business case to HMG to accelerate growth in regional AMC industry
		Support delivery of milestones in charter and route map for Zero Carbon Homes in line with #WM2041 and support partner-led Net Zero neighbourhood pilots
4.3	We will develop programmes to drive industrial decarbonisation, and grow the low carbon and circular economy	Develop and implement the Circular Economy Route map priorities including an Industrial Symbiosis programme, Zero Carbon Construction Waste Hubs and wider enabling activities
		Develop and implement a programme of activities to rapidly reduce the Scope 1 and 2 carbon emissions of the WMCA including a scheme to decarbonise 16 Summer Lane and staff carbon literacy programme
		Lead and implement initiatives designed to build a sustainability legacy from the B2022 Commonwealth Games including Commonwealth Forest and Carbon Literacy programmes
		Work with partners on industrial decarbonisation and other initiatives to support regional businesses to decarbonise their operations including through the Net Zero Business Pledge
		Develop and deliver a programme of commercial energy efficiency and near/onsite energy generation projects with public and private sector partners

4.4	We will pioneer and embed transport innovations and drive behaviour change to reduce emissions, improve air quality, and enable the creation of green jobs	Delivering a step change in our Mass Transit Network (including Sprint and Metro delivery programmes) to unlock inclusive growth and tackle climate change
		Develop and agree a strategy and target date to deliver a zero-emission bus fleet and supporting infrastructure across the West Midlands
		Create a strategic transport innovation eco-system by delivering the West Midlands Future Transport Zone programme
		Develop and commence delivery of Green Bootcamps for professional services.
		Deliver a wide-ranging Net Zero Behaviour Change programme to citizens across the region including the development of a WM Net Zero Citizens' Panel
		Implement the key actions in the Infrastructure for Zero Emission Vehicles strategy including delivery of EV Transit Stations spine programme
		Develop and deliver the agreed regional approach to tackling air pollution through the development of a Regional Air Quality Framework
4.5	We will increase investment in nature and our surroundings through a regional natural environment plan	Develop and support the regional Climate Adaptation Strategy and identify and deliver key activities for the WMCA and our partners
		Support community partners to enhance access to quality green space through a Community Green Grants programme
		Implement activities to deliver the Natural Environment Plan including LNRA, Virtual Forest, project pipeline and WM Insetting Fund

**Aim 5****To secure new powers and resources from central government, and demonstrate the strength of our regional partnership**

5.1	We will develop our role as a collaborative regional partner, understanding the priorities of local organisations and acting as a convener and bridge to add value	<p>Develop research, intelligence and analytical functions across the organisation to ensure our work is founded upon a strong evidence base and we are measuring, monitoring and evaluating progress against our corporate aims and regional impact</p> <p>Develop and maintain a deep understanding of the principles and challenges of our local authority members through sustained engagement at multiple levels across organisations</p> <p>Co-ordinate and contribute to pan-regional and national partnerships such as the Midlands Engine, M10 and other associations where there are opportunities for shared advocacy and impact</p> <p>Work with the private sector to understand their perspectives and build shared projects and investment propositions both directly and through representative groups such as Chambers of Commerce</p> <p>Convene community groups and the third sector to understand their experiences, amplify their voices and support shared endeavours on regional challenges</p> <p>Support partners to develop and deliver the 5 missions of the WM Digital Roadmap</p>
5.2	We will work collectively with central government to gain new powers, resources, and investment channels for the WMCA and local authorities, including double devolution	<p>Negotiate the further devolution of powers and flexibilities from central government</p> <p>Secure the resources needed for sustainable local and regional institutions and investment in priority projects through government budgets and funding streams</p> <p>Co-ordinating WMCA and regional responses to relevant fiscal events and government announcements</p> <p>Develop and deliver a co-ordinated regional approach to lobbying through the monthly Public Affairs Network</p> <p>Make the case for local rail devolution to deliver better outcomes for a future railway</p>

**Aim 6****To develop our organisation and our role as a good regional partner**

6.1	We will deliver collectively as one organisation with a collaborative and inclusive culture, underpinned by best in class enabling services	<p>Implement new ways of working that ensures our Enabling Services operating model is professional, efficient and effective and fit for the future.</p> <p>Provide professional and specialised 'communities of practice' support to internal stakeholders in the delivery of key WMCA projects across the region.</p> <p>Work with partners to deliver a balanced revenue budget for 2022/23</p> <p>Develop the Business Partnering approach that will support robust business cases that reflect HMTs 5-case model (strategic, economic, commercial, financial and management)</p> <p>Develop an inclusive culture of Enabling Services when managing land and property assets including asset information, compliance and income generation</p> <p>Support Policy Working Group capacity and capability to coordinate policy submissions, including public affairs horizon-scanning to cascade insights and identify opportunities to work collaboratively and align emerging work to the aims and objectives</p> <p>Coordinate engagement with MPs and partnerships with Local Authority partners across senior stakeholders, providing clarity on our aims and the WMCA role. Identify opportunities where this engagement can provide support and advocacy for WMCA priorities</p>
6.2	We will drive cultural change to embed new hybrid and agile ways of working	<p>Ensure Strategic Asset Boards programmes support the transition to, and evolution of, hybrid working and agile practices.</p> <p>Continue to develop a hybrid working culture across the organisation giving staff the systems, tools and support they need to be able to continue to be productive in both an office and non-office environment.</p> <p>Develop a Space &amp; Services strategy and implementation to include new ways of working and explore potential opportunities for our Estate.</p>
6.3	Ensure our workforce have the skills and competencies to deliver our strategy	Continue to develop the suite of training and development programmes (coaching, mentoring and leadership) together with modern recruitment and retention practices in order to ensure our people have the skills to deliver the aims and objectives

6.4	We will empower our organisation through digital-first and data enabled ways of working across all our activity	Improve and integrate our digital architecture and systems to enable end-to-end operational processes to become more streamlined, efficient and effective in our ways of working
		Modernise and improve our technology to become more digitally enabled
		Protect and manage our information to enable insight and data-driven, evidence-based decision making and support a 'single source of the truth'
		Enhance the organisations digital experience and interaction with internal and external stakeholders through architecture, systems and developing skills across our people. To include One Stop Shop info portal and self-service processes to be progressed and CRM implementation
6.5	We will provide leading support for a diverse workforce and demonstrate excellent equality and diversity practice	Develop our 'employer offer' to attract a wider pool of candidates that reflect regional diversity and offer development opportunities to employees from protected characteristic groups.
		Build staff competencies to ensure they confidently and actively engage in the equality and inclusion agenda, including developing inclusive leadership initiatives.
		Support positive physical / mental health and wellbeing to ensure it is championed and promoted
		Improve our workforce data to make informed decisions, in a transparent way, on future initiatives and consistently improve the monitoring and evaluation to understand the impact.
6.6	We will involve citizens with our work to put their views at the heart of our planning, decision-making and delivery	Develop and support a varied portfolio of citizen engagement activity across the WMCA to ensure decisions are shaped by citizens and that our policies, practices and investments deliver real value for everyone living and working in the region
6.7	We will deliver through clear and effective governance and performance management that supports good, timely, and transparent decision making and the best use of public funds	Align business planning with the CA Aims & Objectives and provide 'single source of the truth' visibility of performance against outputs and outcomes
		Through a dynamic business planning and business partnering approach, identify a pipeline of activity, aligned to funding, to support Enabling Services to make proactive and informed prioritisation
		Support the delivery of key business projects across the organisation through robust operational management and compliant procurement processes to ensure best value for money
		Undertake a full review of external legal and procurement case management systems in line with the CA Aims & Objectives to ensure effective working practice with enhanced review analysis and management information.

		<p>Implement the Health &amp; Safety Strategy to ensure H&amp;S aims and key deliverables are communicated and embedded throughout the organisation to develop a Health &amp; Safety culture and evidence that leadership at all levels of the organisation lead and promote</p>
		<p>Our finance, commercial and investment teams will use their specialist commercial acumen and assurance processes to support business cases to achieve the best outcomes through the Single Assurance Framework for the WMCA</p>

## APPENDIX 4 - Transport Capital Programme

TRANSPORT CAPITAL PROGRAMME (£M)		2021 / 2022	2022 / 2023	2023 / 2024	2024 / 2025	2025 / 2026	TOTAL
Investment Programme - Metro	Metro Wednesbury to Brierley Hill Extension	76.2	127.8	140.4	29.7	0.0	374.1
	Metro Birmingham Eastside Extension	61.6	63.9	44.4	19.6	2.2	191.7
	Metro Network Enhancements	7.1	4.1	0.4	0.2	0.2	12.0
	Metro Edgbaston Extension	4.6	0.4	-	-	-	4.9
	Wolverhampton Metro Extension	6.3	1.9	-	-	-	8.3
	Metro Enabling and Other Works	6.6	2.8	0.4	-	0.3	10.1
Investment Programme - Rail	Rail - Camp Hill Line Local Enhancements (Package 2)	8.3	26.0	21.0	0.0	-	55.4
	Rail - Walsall to Wolverhampton Local Enhancements (Package 1)	10.7	36.4	1.9	0.0	-	49.0
	Rail - Sutton Coldfield Gateway	0.0	3.5	17.8	-	-	21.3
	Rail - Snow Hill Lines	-	-	-	-	-	-
Investment Programme - Sprint	Sprint - Hagley Road Phase 1	2.3	1.9	-	-	-	4.2
	Sprint - Longbridge to Birmingham	0.2	-	17.2	11.0	14.1	42.5
	Sprint - Hall Green to Interchange via Solihull	-	0.2	-	7.3	14.6	22.1
	Sprint - Hagley Road Phase 2	-	-	13.1	10.7	56.0	79.8
	Sprint - Sutton Coldfield to Birmingham	0.0	-	25.9	-	-	25.9
<b>INVESTMENT PROGRAMME TOTAL</b>		<b>183.9</b>	<b>268.9</b>	<b>282.4</b>	<b>78.6</b>	<b>87.5</b>	<b>901.3</b>
CWG Programme	Sprint - A45 Birmingham to Airport and Solihull	32.4	6.8	-	-	-	39.3
	Sprint - A34 Walsall to Birmingham	22.0	2.4	-	-	-	24.4
	University Station Improvement Project	39.2	2.8	-	-	-	41.9
	Perry Barr Rail Station	16.0	5.2	-	-	-	21.1
	Regional Traffic Control Centre	7.9	5.1	-	-	-	13.0
	Sprint - A45 Phase 2	-	-	-	11.8	11.7	23.5
	Sprint - A34 Phase 2	-	-	-	15.2	11.6	26.8
<b>CWG PROGRAMME TOTAL</b>		<b>117.5</b>	<b>22.3</b>	<b>-</b>	<b>27.0</b>	<b>23.3</b>	<b>190.0</b>
Other Major Programmes	Dudley Interchange	2.5	17.2	-	-	-	19.7
	Cross City Bus - City Centre & Druids Heath	2.9	19.5	-	-	-	22.4
	Coventry City Electric Bus	4.9	20.6	9.3	13.6	6.5	55.0
	Future Mobility Zone	5.2	6.0	-	-	-	11.1
	A435 Alcester Rd Bus Priority Revitalisation	1.1	0.2	-	-	-	1.2
	West Midlands Cycle Hire Scheme	3.5	-	-	-	-	3.5
	Key Route Network Safety	1.1	-	-	-	-	1.1
	Connected and Autonomous Vehicles Testbed and Test Facilities	0.6	-	-	-	-	0.6
	Other Works	2.3	-	-	-	-	2.3
	<b>OTHER MAJOR SCHEMES PROGRAMME TOTAL</b>		<b>24.1</b>	<b>63.5</b>	<b>9.3</b>	<b>13.6</b>	<b>6.5</b>
Minor Work Programme	Asset Management Programme	1.7	0.1	-	-	-	1.8
	Real Time Information Upgrades	0.3	0.4	-	-	-	0.6
	Better Streets Community Fund	1.4	0.1	-	-	-	1.5
	DfT Tackling Nitrogen Dioxide and Air Quality	0.5	0.1	0.0	0.0	-	0.7
	Strategic Transport Officer Group Top Slice	0.1	0.1	0.2	-	-	0.3
	ADEPT Live Lab / Autoplex	1.1	-	-	-	-	1.1
	Other Cycling Programmes	0.5	-	-	-	-	0.5
	Other Works	0.7	-	-	-	-	0.7
<b>MINOR WORKS PROGRAMME TOTAL</b>		<b>6.3</b>	<b>0.7</b>	<b>0.2</b>	<b>0.0</b>	<b>-</b>	<b>7.2</b>
Grants to Local Authorities	Cycling Programme	2.4	11.3	-	-	-	13.7
	Major Road Network- Programme	2.0	9.0	-	-	-	11.0
	Birchley Island (Sandwell MBC)	-	1.0	-	-	-	1.0
	B4106 Spon End (Coventry CC)	3.9	1.6	-	-	-	5.5
	New St/High St/Victoria Sq Public Realm	3.7	1.3	-	-	-	5.0
	Other Works	0.9	-	-	-	-	0.9
<b>GRANTS TO LOCAL AUTHORITIES PROGRAMME TOTAL</b>		<b>12.8</b>	<b>24.2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37.0</b>
<b>TRANSPORT TOTAL</b>		<b>344.5</b>	<b>379.6</b>	<b>291.9</b>	<b>119.2</b>	<b>117.3</b>	<b>1,252.6</b>

In line with the guidance in paragraph 5.8, this planned expenditure contains both fully-funded schemes and unfunded Investment Programme priorities from 2023/24 onwards which will come forward once a financing route is confirmed.

The report recommends **WMCA Board Approve the first year (2022/23) of the indicative WMCA Capital Programme as set out in this appendix and that WMCA Board note the indicative onward programme from 2023/24 onwards.**

The final 2022/23 Capital Budget will be presented to WMCA Board at the earliest opportunity in 2022/23 following confirmation of the 2021/22 outturn position.

## APPENDIX 5 – Housing and Land/Other Capital Programme

HOUSING AND LAND CAPITAL PROGRAMME (£M)		2021 / 2022	2022 / 2023	2023 / 2024	2024 / 2025	2025 / 2026	TOTAL
IP Land	Brownfield Land & Property Development Fund (BLPDF)	9.1	9.2	0.1	0.1	-	18.5
Remediation	LPIF (Black Country Consortium)	3.6	18.4	36.3	30.5	30.1	118.8
Land Fund	Land Fund - Friar Park Sewage Disposal Works	1.2	0.4	0.6	4.0	0.0	6.2
	Land Fund - Caparo	0.9	0.9	0.4	0.4	-	2.6
	Land Fund - Icknield Port Loop Phase 2a & 2b	1.5	1.2	-	-	-	2.7
	Land Fund - Former Cookley Works, Brierley Hill	0.2	0.5	0.3	-	-	1.0
	Land Fund - Lioncourt Homes (Dev1) Ltd	0.2	0.4	0.1	-	-	0.6
	Land Fund - Dobbs Street, Wolverhampton	0.2	0.4	-	-	-	0.6
	Land Fund Acquisition - Abberley Street	0.2	0.3	0.0	-	-	0.5
	Land Fund - Aga Site	0.1	0.3	0.3	0.3	0.5	1.4
	Land Fund - Steelhouse Lane, Wolverhampton	0.3	0.0	-	-	-	0.4
	Land Fund - Portersfield	1.2	3.8	0.9	0.4	0.0	6.2
	Land Fund - Fountain Lane	1.7	0.8	1.0	0.5	-	3.9
	Land Fund - The Marches	4.6	0.0	0.0	0.0	0.0	4.7
	Land Fund - Harvestime	0.1	-	-	-	-	0.1
	Land Fund Acquisition - Cranford Way	-	-	-	0.1	0.1	0.2
	Land Fund Viability Programmes	4.9	3.5	2.2	0.3	0.2	11.1
	NCF - West Longbridge	4.2	2.3	0.0	0.0	0.0	6.4
	Land Fund - Pipeline	1.6	9.1	8.7	6.5	4.0	30.0
	National Competitive Fund - Pipeline	0.1	4.6	8.6	4.2	-	17.5
	Brownfield Land - Pipeline	1.0	33.7	41.5	7.8	-	83.9
	<b>HOUSING AND REGENERATION PROGRAMME TOTAL</b>		<b>36.8</b>	<b>89.6</b>	<b>100.9</b>	<b>55.0</b>	<b>34.9</b>

OTHER CAPITAL PROGRAMME (£M)		2021 / 2022	2022 / 2023	2023 / 2024	2024 / 2025	2025 / 2026	TOTAL
5G		3.1	1.2	-	-	-	4.3
<b>OTHER TOTAL</b>		<b>3.1</b>	<b>1.2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4.3</b>

*In line with the guidance in paragraph 5.8, this planned expenditure contains both fully-funded schemes and unfunded Investment Programme priorities from 2023/24 onwards which will come forward once a financing route is confirmed.*

*The report recommends **WMCA Board Approve the first year (2022/23) of the indicative WMCA Capital Programme as set out in this appendix and that WMCA Board note the indicative onward programme from 2023/24 onwards.***

*The final 2022/23 Capital Budget will be presented to WMCA Board at the earliest opportunity in 2022/23 following confirmation of the 2021/22 outturn position.*

## APPENDIX 6 – Investment Programme Grants to Local Authorities

INVESTMENT PROGRAMME GRANTS TO LOCAL AUTHORITIES CAPITAL PROGRAMME (£M)		2021 / 2022	2022 / 2023	2023 / 2024	2024 / 2025	2025 / 2026	TOTAL
Investment Programme	Coventry City Centre South Regeneration - City Centre	1.1	22.8	44.4	-	17.4	85.7
	Coventry City Centre South Regeneration - Friargate	21.6	13.9	5.0	1.9	-	42.4
	Coventry South Package - Tile Hill Station Improvements	0.1	-	3.2	3.8	-	7.0
	Coventry UKC Plus - Coventry Station Masterplan (CSMP)	18.2	1.2	-	-	-	19.4
	Coventry UKC Plus - UK City of Culture 2021 Regeneration	9.6	-	-	-	-	9.6
	Coventry UKC Plus - Coventry South Package	2.4	4.6	0.8	5.4	68.6	81.8
	Coventry UKC Plus - Coventry North Package	-	-	4.0	11.3	6.2	21.4
	Coventry UKC Plus - Very Light Rail: Transforming Connectivity	2.5	-	2.8	15.0	25.0	45.3
	UK Central Infrastructure Package - Programme Total	9.2	5.5	34.3	49.1	115.0	213.1
	Commonwealth Games	25.0	-	-	-	-	25.0
	UK Central HS2 Interchange - Programme Total	13.9	12.6	98.3	52.8	128.0	305.7
	CoW Technical Centre	1.0	5.1	1.6	0.1	-	7.8
<b>IP GRANTS TO LOCAL AUTHORITIES</b>		<b>104.7</b>	<b>65.7</b>	<b>194.4</b>	<b>139.2</b>	<b>360.1</b>	<b>864.1</b>

*In line with the guidance in paragraph 5.8, this planned expenditure contains both fully-funded schemes and unfunded Investment Programme priorities from 2023/24 onwards which will come forward once a financing route is confirmed.*

*The report recommends **WMCA Board Approve the first year (2022/23) of the indicative WMCA Capital Programme as set out in this appendix and that WMCA Board note the indicative onward programme from 2023/24 onwards.***

*The final 2022/23 Capital Budget will be presented to WMCA Board at the earliest opportunity in 2022/23 following confirmation of the 2021/22 outturn position.*

## APPENDIX 7 – MAYORAL Q&A



West Midlands  
Combined Authority

### Overview & Scrutiny Committee

Wednesday 15 December at 10.00am

#### Minutes

##### Present:

Councillor Cathy Bayton (Chair)	- Association of Black Country Authorities
Councillor Lisa Trickett (Vice-Chair)	- Birmingham City Council
Councillor Naeem Akhtar	- Coventry City Council
Councillor Maya Ali	- Coventry City Council
Councillor Mike Chalk	- Worcestershire Non-Constituent Local Authorities
Councillor Liz Clements	- Transport Scrutiny Sub-Committee
Councillor Tony Diccio	- Solihull Metropolitan Borough Council
Councillor Peter Fowler	- Birmingham City Council
Councillor Ian Kettle	- Dudley Metropolitan Borough Council
Councillor Nigel Lumby	- Shropshire Non-Constituent Local Authorities
Councillor Charn Padda	- Sandwell Metropolitan Borough Council
Councillor Paul Sweet	- City of Wolverhampton Council
Councillor Vera Waters	- Walsall Metropolitan Borough Council

##### In Attendance:

Dan Essex	- Governance Services Manager
Kashmire Hawker	- Young Combined Authority
Councillor Barbara McGarrity	- City of Wolverhampton Council
Councillor Gurdev Hayre	- Coventry City Council
Councillor Adam Hicken	- Walsall Metropolitan Borough Council
Linda Horne	- Director of Finance
Councillor Thabiso Mabena	- Sandwell Metropolitan Borough Council
Councillor Martin McCarthy	- Solihull Metropolitan Borough Council
Lyndsey Roberts	- Scrutiny Officer
Laura Shoaf	- Chief Executive
Councillor Bob Sleigh	- Portfolio Lead for Finance
Mark Smith	- Chair of Audit, Risk & Assurance Committee
Andy Street	- Mayor of the West Midlands

##### Welcome and Introductions

The Chair welcomed the Mayor and members of the committee to the second mayoral question time for 2021/22 that would be focussing on the proposed draft 2022/23 budget.

##### Apologies for Absence

Apologies for absence were received from Councillor Kate Booth (Birmingham).

## **Mayor's Opening Statement**

The Mayor provided an opening statement focussing on the achievement of a four year balanced budget to date, the uncertainty in respect of the transport revenue due to the withdrawal of the COVID-19 recovery funding post-April 2022, and the ability of the budget being able to leverage in further capital investment.

Councillor Bob Sleigh added that a balanced budget would be submitted to the WMCA Board on 14 January 2022, and although the WMCA was producing a one-year budget for 2022/23, due to strong financial management within the organisation it would again be a balanced budget.

## **Questions to the Mayor and Portfolio Lead for Finance**

The committee pursued a number of general lines of enquiry with the Mayor and the Portfolio Lead for Finance, including the sustainability of the budget, Mayoral precept, transport revenue, housing, environment and the Adult Education Budget.

In terms of the sustainability of the budget for 2022/23, the WMCA would be able to fund the key areas of activity from its non-transport budget and with regard to transport, the budget sustained all of the current transport services and concessions. However, if patronage declined next year and the Government ceased to provide financial support, the WMCA would have to fulfil the shortfall on the tram network and indirectly on the bus network, as the WMCA would have to decide whether it would fund those services that National Express West Midlands were no longer willing to operate on a commercial basis.

The Mayor answered questions in relation to addressing the housing needs within the region and the committee's concerns that the pace of delivery of affordable housing. The WMCA was making progress on the delivery of affordable housing but had yet to make progress on the provision of social housing. The Government had now agreed £8.1bn in funding, which had been allocated to housing associations across the country and, of that, £1.1bn had been allocated to housing associations within the region. The WMCA would be working closely with housing associations to help accelerate this expenditure. In terms of the housing delivery vehicle, the committee sought confirmation as to whether it captured all of the housing associations with a significant allocation of the £8.1bn and questioned how they had been chosen. The Mayor agreed to provide a briefing note on this matter that provided the transparency sought by the committee. The nature of the £8.1bn and how it fitted with the delivery vehicle and housing need would be referred to the Overview & Scrutiny Housing Review for further investigation.

With regard to the possibility of a Mayoral precept, a collective decision involving constituent authority leaders had been made not to set a precept for 2022/23 due to the impact that this would have on households during these difficult times. However, the WMCA may have to consider the introduction of a precept in subsequent years if the risks emerged in relation to transport.

The Mayor and members of the committee agreed that the current bidding process for funding from Government could be improved by adopting a 'single pot' funding model. The WMCA continued to lobby Government on the need to change the funding model.

Questions were raised in relation to the reliability and provision of public transport during the Commonwealth Games, concerns around the transport funding gap beyond 2022/23 and the delivery of the Local Transport Plan, the City Region Sustainable Transport Settlement, bus franchising, future of non-statutory travel concessions and the impact of the farebox revenue reductions in terms of the longer term plans for extending the Metro network, particularly the Wednesbury to Brierley Hill Metro extension, the current suspension of the Midland Metro

services, the importance of connecting people to jobs and WMCA payments to National Express West Midlands for concessionary travel.

The committee noted the transport revenue challenges and the challenges in maintaining subsidised bus services if commercial operators chose to withdraw a route if it was unviable, along with the impact that this would have on the budget and those communities of most need of bus services. There needed to be greater clarity on how bus, train or metro connectivity was to be improved for those areas with the greatest need. In terms of bus franchising, there would be a report going to WMCA Board in January 2022. The committee welcomed and hoped that the lobby of government for the continuation of the COVID-19 Recovery funding was successful.

In terms of the current closure of the Midland Metro services and the implications that this would have on future extensions, in particular the Wednesbury to Brierly Hill Metro extension, members were assured that the WMCA would seek to mitigate the losses incurred over the last four weeks and dialogue continued to be had with regard to the investment funding model used for Midland Metro.

The Mayor assured members that within the 2022/23 budget, non-statutory travel concessions were maintained. However due to the deficit, in subsequent years the WMCA might need to make some difficult decisions. Members stressed the importance of maintaining the bus network that provided a vital service for the poorest communities. Further to the concerns raised by Councillor Vera Waters regarding National Express West Midlands, the Mayor agreed to ensure that she was provided with the opportunity to join National Express West Midlands Customer Panel.

In respect of the recently published Environment Act, there was a requirement for the WMCA to work with local authorities on air quality plans, although there was concern that the Act appeared to give additional responsibilities without the additional resources required to exercise these responsibilities. The Mayor added that a report would be submitted to the WMCA Board in February 2022 on this matter.

The Mayor explained the changes made following the devolution of the Adult Education Budget to the WMCA, including the reduction in contracts and the improvements made in the quality of the level of the workforce across the region. The Mayor welcomed dialogue with the Young Combined Authority on the issues around the Kickstart Programme and the take up of apprenticeships.

Resolved:

The following observations be shared with the Mayor for considerations and response:

- (i) What steps are to be taken to ensure that the WMCA and Transport for West Midlands review how Metro services came to be suspended, and that lessons would be learnt to ensure that a similar situation did not occur again?
- (ii) Can further assurance be provided that the key transport infrastructure being developed for the Commonwealth Games will be operational in time so as to ensure that connectivity and sustainability of the region's transport network was able to meet the challenges of hosting an international sporting event of the scale of the Commonwealth Games?

- (iii) What specific measures are Transport for West Midlands currently looking at that will seek to mitigate the potential removal of the Government's pandemic support funding for public transport from April 2022?
- (iv) Can further information be provided as to the considerations currently being undertaken regarding the financial viability of the Wednesbury - Brierley Hill Metro extension and any impact that these considerations may have on the construction timetable?
- (v) What specific decision-making role does the WMCA have within the proposed Affordable Housing Vehicle, and how might this vehicle help deliver more social housing supply within the region?

## **APPENDIX 8 – TREASURY MANAGEMENT STRATEGY 2022/23**

### **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. At the time of writing this report an updated Code (2021 edition) is currently due for publication following consultation. CIPFA has indicated that it will have a 'soft launch' and therefore authorities have until March 2023 to adopt the Code and implement its recommendations. A further report noting changes to the Code for approval will be presented to both ARAC and Board at the earliest opportunity during financial year 2022/23.

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

The strategy for 2022/23 covers the following main areas:

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

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

### **Current Treasury Position**

The overall treasury management portfolio as at 31<sup>st</sup> March 2021 and for the position as at 31<sup>st</sup> December 2021 are shown below for both borrowing and investments.

**Table 1 Treasury Management Portfolio**

Treasury Investments	Actual Mar 21 £m	Actual Mar 21 %	Current Dec 21 £m	Current Dec 21 %
Banks	48.97	20	120.00	28
Local Authorities	135.70	55	293.00	68
Housing Associations			10.00	2
Money Market Funds	60.00	25	5.00	1
<b>Total Managed In House</b>	<b>244.67</b>	<b>100</b>	<b>428.00</b>	<b>99</b>
Property Funds / REITs	-	-	5.10	1
<b>Total Managed Externally</b>	<b>-</b>	<b>-</b>	<b>5.10</b>	<b>1</b>
<b>Total Treasury Investments</b>	<b>244.67</b>	<b>100</b>	<b>433.10</b>	<b>100</b>
<b>Treasury External Borrowing</b>				
PWLB	(108.43)	87	(263.24)	94
Banks	(10.00)	8	(10.00)	4
Transferred Debt	(5.59)	5	(5.59)	2
<b>Total External Borrowing</b>	<b>(124.02)</b>	<b>100</b>	<b>(278.83)</b>	<b>100</b>
<b>Net treasury Investments/(borrowing)</b>	<b>120.65</b>		<b>154.27</b>	

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

Table 2: WMCA Gross External Debt vs. CFR

£M	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Opening External Debt	124	279	404	739	784	804
New Borrowing	155	125	335	45	20	0
<b>Forecast Closing External Debt</b>	<b>279</b>	<b>404</b>	<b>739</b>	<b>784</b>	<b>804</b>	<b>804</b>
Capital Financing Requirement (CFR)	634	871	1,073	1,110	1,105	1,076
Under Borrowing	355	467	334	326	301	272

WMCA has an increasing CFR – rising from a forecast £634m at the end of 2021/22 to £1,110m at the end of 2024/25 - due to its capital programme, mostly driven by the delivery of the Investment Programme. The Authority is currently 'under borrowed', meaning that internal cash-backed resources such as balances, reserves, and working capital (predominantly capital grants received in advance) can be deployed to offset external borrowing. Working capital levels have been above £400m for much of 2020/21 as new grants received in advance of expenditure have been received. Short-term interest rates are currently much lower than long-term rates and forecast to remain so for a considerable period. This makes it more cost effective in the short-

term to continue to use internal resources and to borrow externally only when required. However, decreasing values of investments over time, as these capital grants received in advance are spent, will require WMCA to borrow up to £680m (net of investment income) over the forecast period.

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 2022/23 to 2024/25.

### **Prospects for Interest Rates**

The Council has appointed Link Treasury Services Ltd as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 20<sup>th</sup> December 2021. PWLB forecasts are for certainty rates, 20 basis points below PWLB standard rates, to which WMCA has agreed access.

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
<b>BANK RATE</b>	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.30	0.40	0.50	0.50	0.50	0.60	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.10	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.50	0.60	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.50	1.50	1.60	1.60	1.70	1.70	1.70	1.80	1.80	1.80	1.90	1.90	2.00	2.00
10 yr PWLB	1.80	1.90	1.90	2.00	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30	2.40
25 yr PWLB	2.10	2.20	2.30	2.40	2.40	2.40	2.50	2.50	2.60	2.60	2.60	2.60	2.70	2.70
50 yr PWLB	1.90	2.00	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.40	2.50	2.50

The coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until December 2021.

As shown in the forecast table above, the forecast for Bank Rate now includes four increases, one in quarter 2 of 2022 to 0.50%, quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00% and, finally, one in quarter 1 of 2025 to 1.25%.

The level and pace of the change forecast remains modest in comparison with recoveries from historical recessions. Minutes from recent MPC meetings suggest there has been a marked change in concern over price inflation, particularly relating to gas and electricity. Nonetheless, it should be remembered that the rate cut to 0.10% at the beginning of the pandemic was an emergency measure and taking it away can be seen as a signal of a return to normalisation. In addition, any Bank Rate below 1% remains highly unusual and highly supportive of economic growth.

### **Borrowing Strategy**

As at 31 December 2021 WMCA currently holds £278.8m of loans, an increase of £153.8m on the previous year. The forecast in table 2 shows that WMCA expects to borrow up to £125m in 2022/23. 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. Short-term interest rates are currently much lower than long-term rates and forecast to remain so for a considerable period. It is likely therefore to be more cost effective in the short-term to continue to use internal resources and to borrow a proportion of the debt requirement using short-term loans instead.

By doing so, WMCA can reduce its 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. Link Treasury Group will assist WMCA with this 'cost of carry' and 'borrow now/borrow later' analysis. Its output may determine whether WMCA borrows additional sums at long-term fixed rates in 2022/23 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 will consider long-term loans from other sources including banks, pension funds and local authorities, and will also 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. PWLB loans are no longer available to local authorities planning to buy investment assets held primarily for yield; the Authority intends to avoid this activity in order to retain its access to PWLB loans. WMCA Finance Directors and their respective treasury teams continue to work collectively also, ensuring the buying power of the region is fully exploited in the capital markets.

It should be noted that following two competitive processes during 2019/20 and 2020/21, WMCA were notified by HM Treasury that it would qualify for Infrastructure Rate Funding. This guaranteed WMCA access to debt at 0.40% below the currently published PWLB standard rate levels. £155m of this facility has been utilised in 2021/22 and a further £45m remains available prior to November 2022. Access to this financing together with the use of short-term debt will provide WMCA with a bridge whilst the most 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 and may help to de-risk commercial borrowing models.

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:

- HM Treasury's lending facility (i.e. Public Works Loan Board)
- UK Infrastructure Bank
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except West Midlands Local Government Pension Fund)
- capital market bond investors

- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

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

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

**Short-term and variable rate loans:** WMCA debt portfolio currently consists of fixed rate maturity, annuity, and Equal Instalments of Principal (EIP) loans. Short-term and variable rate loans may leave WMCA exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits set out in the treasury management indicators below. Financial derivatives (see section on Related Matters) may also be used to manage this interest rate risk.

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

### **Policy on Borrowing In Advance of Need**

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

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

### **HM Treasury External Debt Cap**

WMCA has acquired approval from HM Treasury and the Dept for Levelling Up, Housing and Communities (DLUHC) to borrow for all of its functions subject to it operating within an agreed external debt cap. The debt cap runs coterminous with the 5-year gateway review period and the caps for 2022/23 and beyond are expected to be finalised with HM Treasury during 2021/22. On the basis it remains unchanged, WMCA do not expect to breach the debt cap during 2022/23 based on the current external debt and projections for the 2020/21 financial year. For information, the existing agreed limit is £1,042 million.

### **Treasury Investment Strategy**

WMCA holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2021/22 WMCA's treasury average monthly investment balance has ranged between £233m and £477m, and similar levels are expected to be

maintained throughout parts of 2022/23 largely due to the profile of Government grant receipts in quarter one.

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

- DLUHC's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

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

**Negative interest rates:** The COVID-19 pandemic demonstrated the risk that the Bank of England would set its Bank Rate at or below zero, which in turn would likely feed through to negative interest rates on all low risk, short-term investment options. Since investments cannot pay negative income, negative rates will be applied by reducing the value of investments. 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. Whilst WMCA would seek to avoid exposure towards negative interest rates in these circumstances, it must first meet the security and liquidity requirements of all investment holdings.

**Strategy:** Investments will be made with reference to WMCA core balances and cash flow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed. Given that Bank Rate is forecast to rise incrementally over the investment time horizon consideration will be given to keeping most investments as short term and/or variable. The regular stream of maturing investments brought about by this 'laddering' approach should provide opportunities to consistently improve underlying yield, while still allowing flexibility to adjust if market circumstances alter. This is particularly the case if the MPC do not follow the increasingly more "aggressive" path that markets are continuing to price in.

**Investment returns expectations:** Based on the current prospects for interest rates appraisal by Link Treasury Services Ltd the suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

Average earnings in each year	
2022/23	0.50%
2023/24	0.75%
2024/25	1.00%
2025/26	1.25%
Long term later years	2.00%

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

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

**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

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	50 years	Unlimited <sup>1</sup>	Unlimited
Secured investments *	25 years	£20m <sup>1</sup>	Unlimited
Banks (unsecured) *	13 months	£20m <sup>1</sup>	Unlimited
Building societies (unsecured) *	13 months	£20m <sup>1</sup>	£20m
Registered providers (unsecured) *	5 years	£5m	£20m
Money market funds *	n/a	£20m	Unlimited
Strategic pooled funds	n/a	£5m	£10m
Real estate investment trusts	n/a	£5m	£10m
Other investments	5 years	£2m	£10m

**This table must be read in conjunction with the following notes.**

<sup>1</sup> Normal operating levels will not exceed £10m per counterparty but adequate headroom has been provided to accommodate potential peak cashflow requirements. The Combined Authority will look to keep an even spread of investments across counterparties to minimize exposure to defaults.

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

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

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

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

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

**Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

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

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

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

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

**Operational bank accounts:** WMCA may incur operational exposures, for example 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. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

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

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

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

**Investment limits:** In order that WMCA's reserves will not be put at significant risk in the case of a single default, the maximum that will be lent to any one organisation (other than 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 are also placed on fund managers, investments in brokers' nominee accounts and foreign countries as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Additional Investment limits

	Cash Limit
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

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

### **Commercial Investment Funds**

WMCA operate commercial loan funds on behalf of the Constituent Local Authorities. The investment funds limit is £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. The loans are held on the WMCA balance sheet under standard accounting regulations and as at December 2021, the cumulative value of loan commitments approved by WMCA totals £166.4m (including £56m of loans which have since been repaid). The value of loans drawn and earning interest as at December 2021 is £20.4m.

Whilst these developers do not have a credit rating in the traditional sense, WMCA employ fund managers West Midlands Development Capital to ensure adequate due diligence is undertaken and that 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.

### **Use of External Providers**

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

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

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

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

## **Treasury Management Indicators**

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

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

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

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

<b>Liquidity risk indicator</b>	<b>Target</b>
Total cash available within 3 months	£20m (min)

### **Control of Interest Rate Exposures:**

Fixed Interest Rate Exposures: It is recommended that the West Midlands Combined Authority sets an upper limit on its fixed interest rate exposures as follows.

	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
Upper Limits for Principal Sums Outstanding at Fixed Interest Rates	100%	100%	100%	100%

This represents the position that all of the West Midlands Combined Authority's authorised external borrowing may be at a fixed rate at any one time.

Variable Interest Rate Exposures: It is recommended that the West Midlands Combined Authority sets an upper limit on its variable interest rate exposures as follows.

	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
Upper Limits for Net Principal Sums Outstanding at Fixed Interest Rates	30%	30%	30%	30%

This is the maximum external borrowing judged prudent by the Section 151 Officer that the council should expose to variable rates.

**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:

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

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

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

Price Risk Indicator	2022/23	2023/24	2024/25
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.

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

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

## **2022 / 2023 Treasury Management Policy Statement**

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

- (1) Treasury management activities are defined as the management of the Authority's borrowings, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and pursuit of optimum performance consistent with those risks.
- (2) WMCA regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their implications for WMCA, and any financial instruments entered into to manage these risks.
- (3) WMCA acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employ suitable comprehensive performance measurement techniques, within the context of effective risk management.

## **APPENDIX 9 - WMCA Capital Strategy 2022/23**

### **Introduction**

Capital Expenditure is where WMCA 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.

This Capital Strategy report gives a high-level overview of how Capital Expenditure, Capital Financing and Treasury Management activity (as detailed further in Appendix 8) 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.

### **Investment needs within the WMCA region**

As the population within the WMCA region is forecast to grow by half a million over the next 20 years, demand continues for new, quality homes, services and jobs. Large-scale regenerations in Birmingham, Coventry and Wolverhampton are opening opportunities for workplaces, retail, hospitality, leisure and housing. Beyond the region's city centres, strategic growth corridors where development can be prioritised, aligned and accelerated have been identified, namely Walsall to Wolverhampton and Sandwell to Dudley. Between Walsall and Wolverhampton, transport upgrades will support the construction of over 4,500 new homes. Additionally, the 2022 Commonwealth Games have provided the catalyst for regeneration of the Perry Barr area, with an improved rail station, new homes and jobs. WMCA is committed to building homes, communities and vibrant places where people can live and work with pride.

WMCA, working through Transport for West Midlands (TfWM), is responsible for setting the Local Transport Plan alongside wider powers and duties including those previously held by the Integrated Transport Authority, Passenger Transport Executive and additional powers granted through devolution agreements. This includes managing and maintaining some of the region's public transport infrastructure. WMCA's submission as part of the City Region Sustainable Transport Settlement (CRSTS) detailed how the proposed programme of investment had been carefully selected to maximise growth outcomes and improve accessibility, especially in underserved areas of the region. WMCA noted that the Covid-19 pandemic has exacerbated longstanding inequality issues in the region, and how transport investment remains key to opening opportunities across the whole region. The pandemic has accelerated the use of digital platforms to engage with the public on TfWM's services. Our Keeping the West Midlands Moving initiative is a thriving online community of over 1,000 residents who share their views on key transport issues. For individual schemes, detailed and comprehensive stakeholder engagement processes will be (or have already been) followed for development and approval – including extensive consultation with political and civic leaders, alongside statutory consultees, contractors and delivery partners.

WMCA also holds devolved funding for housing provision and land regeneration, all of which are administered through its Single Commissioning Framework. This framework puts inclusive growth and placemaking front and centre of every investment decision. In order to access these funds, essential criteria have been determined, including a minimum 20% affordable housing (defined based on the household income levels in the local area) and a demonstrable commitment to Advanced Methods of Construction. Additional desirable criteria include densification of housing at key transport nodes and public transport corridors, compliance with WMCA’s Inclusive Growth Toolkit<sup>3</sup> and compliance with WMCA’s Regional Design Charter.<sup>4</sup>

Benefiting from a strategic approach to regeneration, transport and growth and strong local networks, the WMCA has partnered in major redevelopment projects, including the extensive redevelopment around Birmingham’s central rail stations, Wolverhampton’s Springfield Brewery site becoming Europe’s largest specialist construction campus and Coventry’s Friargate development adding prime public space to the city centre.. Three Local Enterprise Partnerships exist across the region, promoting collaboration on economic and employment growth between local businesses and local government. The UK Government also fully supports the four pillars of WMCA’s Local Industrial Strategy: smart mobility; data-driven health and life sciences; modern services; and creative content, techniques and technologies.

The WMCA works hand in glove with local leaders and partners, including the neighbouring East Midlands and larger Midlands Engine, to attract investment and drive inclusive growth.

## Capital Expenditure

In 2022/23, the Authority is planning capital expenditure of £536.1m as summarised below:

Table 1: WMCA Capital Expenditure 2021/22 to 2025/26

WMCA CAPITAL PROGRAMME (£M)	2021 / 2022	2022 / 2023	2023 / 2024	2024 / 2025	2025 / 2026	TOTAL
TfWM Expenditure	344.5	379.6	291.9	119.2	117.3	1,252.5
Housing and Regeneration Expenditure	36.8	89.6	100.9	55.0	34.9	317.2
Other Programmes	3.1	1.2	-	-	-	4.3
Investment Programme Grants to Local Authorities	104.7	65.7	194.4	139.3	360.1	864.2
<b>TOTAL EXPENDITURE</b>	<b>489.1</b>	<b>536.1</b>	<b>587.2</b>	<b>313.5</b>	<b>512.3</b>	<b>2,438.2</b>

Approximately 50% of the Combined Authority’s planned capital investment to 2025/26 consists of expenditure incurred by Transport for West Midlands in pursuance of the Investment Programme, Transforming Cities Programme and the Minor Works Programme. Of the remainder, broadly 70% is concerned with the reimbursement of Local Authorities as part of the West Midlands Investment Programme and 25% will be spent in delivering the Housing and Regeneration objectives using funds secured by WMCA from Central Government.

Those larger Transport for West Midlands Programmes contain significant investment in expanding the Metro networks in addition to investment in developing and delivering new local Rail stations in Birmingham and the Black Country. The Transport programme reflects the second phase of the Transforming Cities Programme, and in 2022/23 includes the completion

<sup>3</sup> WMCA [Inclusive Growth Toolkit](#)

<sup>4</sup> WMCA [Regional Design Charter](#)

of all WMCA delivered assets for the 2022 Commonwealth Games, namely University and Perry Barr rail station improvements and A34 / A45 Sprint.

The Housing Capital Programme includes the land remediation programmes launched by the WMCA in 2016 and delivery against the Land Fund arrangements which now total £208m.

The Investment Programme Grants to Local Authorities Programme includes grants payable under the original Investment Programme in 2016. This includes significant investment in Coventry (Station Masterplan, City Centre Regeneration), Solihull for the UK Central Programme and Birmingham (Commonwealth Games).

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.

## Capital Financing

All capital expenditure must be financed, either from external sources (government grants and other contributions), the Authority's own resources or debt. WMCA is clear that expenditure will not be incurred until the required funding has been secured. The planned funding of the above expenditure is as follows:

Table 2: WMCA Capital Funding 2021/22 to 2025/26

WMCA CAPITAL PROGRAMME (£M)	2021 / 2022	2022 / 2023	2023 / 2024	2024 / 2025	2025 / 2026	TOTAL
Investment Programme Debt	158.0	197.1	134.5	3.3	17.6	510.5
TfWM Debt	12.9	5.7	142.1	49.5	2.4	212.6
Grants	318.2	333.3	92.9	38.2	12.2	794.8
Other*	-	-	217.7	222.5	480.1	920.3
<b>TOTAL FUNDING</b>	<b>489.1</b>	<b>536.1</b>	<b>587.2</b>	<b>313.5</b>	<b>512.3</b>	<b>2,438.2</b>

\* Provisional expenditure estimates for Investment Programme and other projects which are subject to WMCA raising additional income or yet to have the funding package fully secured.

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 any commercial revenues expected to flow from those investments.

The full extent of the Investment Programme and 2016 Devolution Deal schemes remain as provisional commitments within the overall programme, even though the funding to underpin elements of the investment currently remains unsecure.

WMCA's cumulative outstanding amount of debt finance is measured by its capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP / loans fund repayments and capital receipts used to replace debt. WMCA's CFR is expected to increase by £237m during 2022/23. Based on the above figures for expenditure and financing, the Authority's estimated CFR is as follows:

Table 3: WMCA Capital Financing Requirement 2021/22 to 2025/26

£M	2021/22	2022/23	2023/24	2024/25	2025/26
Opening External Debt	124	279	404	739	784
New Borrowing	155	125	335	45	20
Forecast Closing External Debt	279	404	739	784	804
<b>Capital Financing Requirement</b>	<b>634</b>	<b>871</b>	<b>1,073</b>	<b>1,110</b>	<b>1,105</b>

## Treasury Management

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

As at 31 December 2021 the Authority has £278.8m borrowing but WMCA will need to borrow further externally in the coming years in order to support its Capital Expenditure. Statutory guidance states that no Authority should borrow above its Capital Financing Requirement. As shown in Table 3, WMCA expect to comfortably remain within this requirement. A further key requirement is that WMCA must not breach an external debt cap to be agreed by HM Treasury and Department for Levelling Up, Housing and Communities (DLUHC, formally known as MHCLG). The existing agreed limit for 2021/22 is £1,042m. Debt caps for 2022/23 and beyond are expected to be finalised with HM Treasury during 2021/22. Should the value remain static at £1,042m, WMCA do not expect to breach the external borrowing debt cap before March 2026 based on the current and projections.

WMCA is legally obliged to set an affordable borrowing limit each year, known as the Authorised Limit. This limit is subject to annual review to reflect any changes to planned Capital Expenditure. A second lower limit, known as the Operational Boundary, is also set each year to serve as a warning limit to those charged with governance of WMCA. The proposed Authorised Limit and Operational Boundary for 2021/22 onwards are included within Table 4. WMCA expect to remain comfortably within both of these limits over the course of the period covered by this report.

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

£M	2021/22	2022/23	2023/24	2024/25	2025/26
Forecast Closing CFR	634	871	1,073	1,110	1,105
Forecast Closing Debt	279	404	739	784	804
Operational Boundary	544	781	983	1,050	1,045
Authorised Limit	584	821	1,023	1,090	1,085

## Risks faced by WMCA

In the delivery of any Capital Expenditure programme, risk must be managed in line with the organisation's risk appetite. The following risks have been considered for inclusion within this document but should not be considered an exhaustive list.

**Asset management:** To ensure that capital assets continue to be of long-term use, the Authority has a Strategic Asset Management Plan in place. This sets the high-level strategic framework

for managing WMCA's asset and property portfolio effectively. It guides future strategic property decisions to ensure WMCA manage its property portfolio sustainably and efficiently so that WMCA can adapt to remain fit for future developments and support frontline delivery.

**Business Interruption Risk:** As evidenced by the Covid-19 pandemic, WMCA (and its partners) face the risk of significant interruption to any project due to factors outside of WMCA's control, such as environmental disaster, pandemic or extreme criminal acts. By their nature, these risks cannot be prevented but their impact is mitigated by careful project management and scenario planning throughout the life of the project.

**Governance:** The Capital Programme for 2022/23 is largely a continuation of the Investment Programme delivery and the delivery of projects facilitated by central Government, via project specific grants. All capital investment, including Investment Programme schemes and those administered through the Single Pot arrangements (i.e. Transforming Cities Funding) are aligned to the WMCA Single Assurance Framework approved by WMCA Board on 24 July 2020.

**Interest Rate Risk:** Interest rates are variable, and an increase in these rates could lead to debt taken on by WMCA becoming unserviceable or could prevent WMCA from securing debt in the first instance. WMCA constantly reviews the market in order to identify the best possible value debt and is currently working with its treasury advisors to assess the best time at which to secure the borrowings required to support its Capital Expenditure.

**Inflation Risk:** Inflation could lead to increased costs of both materials and labour required to complete the Capital Expenditure programme. WMCA mitigate this risk by seeking fixed price contracts with delivery partners and ensuring that a prudent view is included in all Capital Expenditure forecasts.

**Legal Risk:** WMCA face the risk that any changes in legislation could necessitate changes to planned Capital projects. WMCA mitigate this risk by ensuring that it remains aware of any proposed changes in legislation and assesses the potential impact of any changes.

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

## **APPENDIX 10 – 2022/23 MRP Strategy**

### **Annual Minimum Revenue Provision (MRP) Statement 2022/23**

Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Department for Levelling Up, Housing and Communities' Guidance on Minimum Revenue Provision (the DLUHC Guidance). In November 2021, DLUHC announced that it would launch a consultation on its MRP guidance, which is due to complete in February 2022. Any changes to the guidance are expected to apply prospectively from April 2023 onwards, and so will not impact WMCA's policy or Budget for 2022/23.

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

The DLUHC Guidance requires the Authority to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. As such, WMCA will charge MRP as detailed below:

- For capital expenditure incurred before 1st April 2008 MRP will be determined as 2% of the capital financing requirement in respect of that expenditure;
- For unsupported capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset as the principal repayment on an annuity with an annual interest rate of 2%, starting in the year after the asset becomes operational;
- For capital expenditure 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 UK Local Authorities.

The total value of the overpayments was calculated at £31.4m and the duration of the 'zero MRP' was expected to be seven years. The value of overpayments released to March 2022 will be £22.0m leaving a balance of £9.4m to be released in subsequent years, of which £4.7m will be released in 2022/23. 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 11 – 2022/23 Pay Policy Statement**

### **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 Midlands 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. The association with the PTF is has been put under notice with the finalisation of the 2021-22 pending pay award. Application has been approved to join National Joint Council (NJC) for Local Government for future pay agreements.
- 3.3. In determining its grading structure and setting remuneration levels for all posts, the West Midlands Combined Authority takes account of the need to ensure value for money in respect of the use of public expenditure, balanced against the need to recruit and retain employees who are able to meet the requirements of providing high quality services to the community, delivered effectively and efficiently and at times at which those services are required.
- 3.4. New appointments will normally be made at the minimum of the relevant grade, although this can be varied where necessary to secure the best candidate when a higher skill level and/or experience are applicable. From time to time it may be necessary to take account of the external pay market in order to attract and retain employees with particular experience, skills and capacity. Where necessary, the West Midlands Combined Authority will ensure the requirement for such is objectively justified by reference to clear and transparent evidence of relevant market comparators, using appropriate data sources.

### **4. Market supplements**

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

### **5. Senior Management Remuneration**

- 4.1. For the purposes of this statement, senior management means 'chief officers' as defined within S43 of the Localism Act. The posts falling within the statutory definition are set out below, with details of their basic salary as at 1st April 2020\*\*. Salaries quoted are based on the full time equivalent (FTE) of 36.5 hours per week. The table lists the 76 chief officer posts that make up 10.34% of the 735\* people employed by the West Midlands Combined Authority.

\*Refers to the staffing count as at 1<sup>st</sup> January 2022 which includes all permanent, temporary and casual employees  
 \*\* Pay agreement still pending in relation to 2021-22

Title	Grade	Minimum	Maximum
Chief Executive	Chief Executive (1 post)	£175,000.00	£200,500.00

Title - Executive Directors	Grade	Minimum	Maximum
Executive Director - TFWM	Directors (5 posts)	£120,000.00	£140,000.00
Director of Housing and Regeneration		£110,000.00	£135,000.00
Director of Public Service Reform			
Director of Skills & Productivity			
Finance Director			

Title - Operational Directors	Grade	Minimum	Maximum
Director of Customer Experience	Operational Directors (8 posts)	£80,000.00	£120,000.00
Director of Development and Delivery			
Director of Integrated Transport Service			
Director of Network Resilience			
Director of Policy Strategy & Innovation			
Executive Director. WMRE			
Commercial and Investment Director			
WMM Projects Director			

Title - SLT Direct Report	Grade	Minimum	Maximum
Head of Mayoral Policy and Delivery CWG Technical Director Director- Energy Capital Head of Financial Planning Head of Implementation: PSR and Prevention Head of the Chief Executive's Office Strategic Head of Digital and Data Cycling and Walking Commissioner Head of Employment and Skills Delivery	SLT Direct Report (9 posts)	£80,000.00	£110,000.00

Title - Head of Service	Grade	Minimum	Maximum
Financial Controller Head of Bus Head of Business Development and Partner Head of Business Planning and Performance Head of Business Transformation Head of Continuous Improvement and Change Head of Customer Experience Head of Cycling and Walking Head of Economy and Local Industrial Strategy Head of Finance Business Partnering Head of HR Head of Mayoral Operations Head of Network Transformation Head of Operational Assets Head of Policy & Housing and Regeneration Head of Policy. Programme Development Head of Procurement Head of Programme Assurance and Appraisal Head of Rail Delivery Head of Rail Development Head of Rail Development and Integration WMRE Head of Rail Programme Head of Road Network Management & Traffic Head of Safety. Security and Emergency. Plan Head of Skills Development Head of Skills Insight Head of Skills Recovery Head of Sprint Head of Sprint Delivery Head of Strategic Assets Head of Strategic Comms	Head of Service (42 posts)	£60,000.00	£85,000.00

Head of Strategic Facilities Management			
Head of Structuring - Investment			
Head of Swift			
Head of Transport Implementation			
Head of Transport Innovation			
Head of Transport Strategy and Planning			
Head of Wellbeing and Prevention			
Head/Manager of Demand Management			
Key Route Network Manager			
Senior Implementation Manager			
Senior Investment Portfolio Manager			

Title - SME (Subject Matter Expert)	Grade	Minimum	Maximum
CWG Head of Spectator Transport			
CWG Senior Program Manager			
Head of Environment			
Head of ICT Delivery			
Head of Park & Ride			
Programme Sponsor	SME (Subject Matter Expert) (11 posts)	£60,000.00	£85,000.00
Programme Sponsor. WMRE			
Senior Development Manager			
Senior Development Manager			
Senior Implementation Manager (OPE)			
Strategic Lead Transport Intelligence			

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

## 5. Recruitment of Chief Officer Related Posts

- 1.1. 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.

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

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

- 2.1. 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. Where additional responsibility is undertaken, the Authority may apply an honorarium reflective of the additional duties undertaken.

## **3. Payments on Termination**

- 3.1. 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).
- 3.2. The circumstances of each individual redundancy case will be assessed, each specific case will be judged equally and fairly on its own merits.

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

- All continuous service with local authority and other bodies specified by *The Redundancy Payments (Continuity of Employment in Local Government, etc) (Modification) Order*, as amended, counts towards the entitlement to and calculation of a payment. Any service already taken into account by a Scheme employer in calculating compensation under these or similar Regulations will be excluded.
- No employee may receive a redundancy payment in a sum greater than their current annual salary as at the date of redundancy. (This excludes any payment for pay in lieu of notice).
- Statutory or enhanced redundancy pay will be paid to those with over 2 years continuous employment. Payment for each week's pay will be calculated on the number of statutory weeks, based on an employee's age and length of employment. Length of service is capped at 20 years.
- A week's pay for the calculation of 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.

- 1.1. 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.

## **2. Publication**

- 2.1. Upon approval by the West Midlands Combined Authority Board, this statement will be published on the West Midlands Combined Authority's website.
- 2.2. In addition, the West Midlands Combined Authority's Annual Statement of Accounts will include a note setting out the number of staff whose total remuneration is at least £50,000 and for chief officer posts it will show the amount of
  - salary, fees or allowances paid to or receivable by the person in the current and previous year;
  - employer's contribution to the person's pension;
  - any bonuses so paid or receivable by the person in the current and previous year;
  - any sums payable by way of expenses allowance that are chargeable to UK income tax;
  - any compensation for loss of employment and any other payments connected with termination;
  - any benefits received that do not fall within the above.

## **3. Lowest Paid Employees**

- 3.1. 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 2020\* this is £19,942 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 obtained living wage foundation accreditation. Any changes to the Real Living Wage hourly rate will be implemented from the 1<sup>st</sup> April each year.  
*\*Pay agreement still pending in relation to 2021-22*
- 3.2. 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.
- 3.3. 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.

- 3.4. The current pay levels within the West Midlands Combined Authority define the multiple between the lowest paid employee and the Chief Executive as 1:9.53 and; between the lowest paid and average chief officer as 1:3.96. The Authority's multiplier falls well below Lord Hutton's public sector threshold.
- 3.5. 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.

#### **4. Re-engagement and Re-employment of former Chief Officer Related Posts**

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

#### **5. Accountability and Decision Making**

- 5.1. 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.

\*Pay agreement still pending in relation to 2021-22

**West Midlands Combined Authority - SALARY SCALES**  
**INCREASED WITH EFFECT FROM 1 APRIL 2020**

<b>SALARY POINT</b>	<b>NEW BASIC SALARY PER ANNUM W.E.F 1.4.20</b>
9	17,050
10	17,477
11	17,962
12	18,026
13	18,135
14	18,744
15	19,328
16	19,942
17	20,705
18	21,392
19	22,104
20	22,668
21	23,578
22	24,515
23	25,504
24	26,521
25	27,579
26	28,686
27	29,829
28	31,021
29	32,268
30	33,555
31	34,899
32	35,945
33	37,024
34	38,129
35	39,278
36	40,461
37	41,671
38	42,919

<b>SALARY POINT</b>	<b>NEW BASIC SALARY PER ANNUM W.E.F 1.4.20</b>
39	44,209
40	45,536
41	46,900
42	48,308
43	49,757
44	51,251
45	52,792
46	54,371
47	56,008
48	57,687
49	59,411
50	61,194
51	63,029
52	64,921