WMCA Board

Date	10 February 2023
Report title	WMCA Budget 2023/24
Portfolio Lead	Finance - Councillor Bob Sleigh
Accountable Chief Executive	Laura Shoaf, West Midlands Combined Authority email: laura.shoaf@wmca.org.uk
Accountable Employee	Linda Horne, Executive Director of Finance and Business Hub email: linda.horne@wmca.org.uk
Report has been considered by	SLT – 1 Feb 2023 WMFDs – 2 Feb 2023

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 2023/24 comprising three elements:
      i. £119.4 million to be funded from the existing transport levy mechanism;
      ii. Use of £4.7m Business Rates retention income;
      iii. a transfer from earmarked reserves of £9.2 million.
   b) the budget requirement for Portfolio delivery in 2023/24 of £170.4 million comprising of six elements:
      i. £140.6m Adult Education (including level 3) spending to be funded from Adult Education Budget funding devolved by the Department for Education;[1]

[1] The 2023/24 Adult Education Budget to be devolved from Department for Education will be confirmed in early 2023 and an update provided to Board

ii. £16.1 million to be funded from other devolution deal grants;

iii. £1.3 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 2022/23);

v. £0.4 million to be funded from Non-Constituent Authority and observer fees (fees to remain at the same level as 2022/23);

vi. Use of £7.3 million Business Rates retention income.

2. Approve the Mayoral Office budget for 2023/24 of £0.9m to be funded from additional Mayoral Capacity Funding.

3. Approve the first year (2023/24) of the indicative WMCA Capital Programme, totalling £805.1m, as set out in Appendices 4, 5 and 6, noting the indicative onward programme thereafter.

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

5. Note that there will be no Mayoral Precept during 2023/24.

6. Note West Midlands Combined Authority's ongoing commitment to work with the Mayor and Leaders to discuss future funding for the WMCA during 2023, including the need to review Local Choice Transport policies.

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 Policy Statement as set out in section 8 and Appendix 8

b) West Midlands Combined Authority Treasury Management Strategy including the 2023/24 Investment Strategy and criteria for specified and non-specified investments as set out in section 8 and Appendix 9

c) West Midlands Combined Authority Treasury Management Practice as set out in section 8 and Appendix 10

d) The West Midlands Combined Authority Capital Strategy and Minimum Revenue Provision Statement as set out in section 9 and Appendices 11 and 12 respectively: and

e) The West Midlands Combined Authority Pay Policy Statement as set out in section 11 and Appendix 13.

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 10 February 2023. A Draft Budget was presented to and approved by the West Midlands Combined Authority Board on 13 January 2023.

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 2023/24, 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 13 January 2023.

2.2 The Mayor and West Midlands Combined Authority have considered feedback on the Draft Budget report since 13 January 2023 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 2023/24. The Final Local Government Finance Settlement will be presented to the House of Commons in early 2023, which is likely to be after finalisation of this report. If there are any material changes, a verbal update on the Provisional Local Government Finance Settlement will be provided at the West Midlands Combined Authority Board meeting on 10 February 2023.

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

2.5 This report is also being prepared in advance of the Chancellor of the Exchequer’s next Budget, setting out the government's tax and spending plans, which is scheduled to be held on 15 March 2023. The Combined Authority will continue to monitor any announcements made by central government in relation to any further funding made available to support the region.

2.6 Officers continue to work with Her Majesty’s Government (HMG) to identify all additional funding opportunities open to WMCA, including agreement of the final terms and conditions and quantum of funding to flow to WMCA from the CWG Legacy Fund.
The Trailblazer Devolution Deal (TDD) process is continuing with devolution proposals being taken forward to HMG. Proposals have a clear focus on drawing down powers and finance from Government and remain guided by the principle that the WMCA should not take on any additional responsibilities that are not properly resourced. Announcements on the TDD is anticipated within the first quarter of 2023, and as a matter of prudence, no assumptions have been made around resources in the final budget.

3.0 Forecast Outturn 2022/23

3.1 The Financial Monitoring Report and Draft Budget Report which were both considered by West Midlands Combined Authority Board on 13 January 2023 included a 2022/23 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 2022/23 is currently being compiled and will be presented to West Midlands Combined Authority Board in March 2023.

4.0 Revenue Budget 2023/24

4.1 The proposed revenue budget shows a balanced position for 2023/24, in line with statutory requirements. There have been no changes made to the Draft Budget as reviewed by West Midlands Combined Authority Board on 13 January 2023.

4.2 The proposed funding sources for the 2023/24 West Midlands Combined Authority Transport Budget are therefore confirmed as:

i. £119.4m to be funded from the existing transport levy mechanism
ii. Use of £4.7m Business Rates retention income
iii. A transfer from earmarked reserves of £9.2m

4.3 The proposed funding sources for the 2023/24 West Midlands Combined Authority Delivery (Non-Transport) Budget are therefore confirmed as:

i. £140.6m Adult Education spending to be funded from Adult Education Budget funding devolved from Department for Education[2]
ii. £16.1m to be funded from other devolution deal grants
iii. £1.3m to be funded from other income, notably investments
iv. £4.6m to be funded from Constituent Authority fees (unchanged from 2022/23)
v. £0.4m to be funded from Non-Constituent Authority and observer fees (unchanged from 2022/23)
vi. Use of £7.3m Business Rates retention income

4.4 The proposals for the Mayoral Office remain unchanged – operation of the Mayoral Office is to be funded by a Mayoral Capacity Fund grant, with total expenditure for the Mayoral Office of £0.9m.

4.5 The Investment Programme remains unchanged, with a proposed budget of £40.4m funded from the £36.5m annual devolution grant from Government plus £3.9m of investment income.

4.6 The final consolidated Revenue Budget for 2023/24 is set out in the following table:

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[2] The 2023/24 Adult Education Budget to be devolved from Department for Education will be confirmed in early 2023 and an update provided to Board

Table 1: West Midlands Combined Authority 2023/24 Revenue Budget

	Total	Transport	Housing & Rengeneration	Strategy, Integration and Net Zero	Economic Delivery, Skills & Delivery	Portfolio Central Funding & Support	Investment Programme	Mayors Office
	£m	£m	£m				£m	£m
Transport Levy	119.4	119.4						
Revenue Grants & Other Income	53.6		1.8	0.7	13.5	0.1	36.5	0.9
Adult Education Funding	140.6				140.6			
Share of Business Rates	12.0	4.7				7.3		
Grants from Constituent Members	4.6					4.6		
Grants from Non Constituent Members	0.4					0.4		
Investment Income	5.2					1.3	3.9	
Use of Reserves	9.2	9.2						
Total Income	**345.0**	**133.2**	**1.8**	**0.7**	**154.0**	**13.8**	**40.4**	**0.9**
Transport Delivery	133.2	133.2						
Housing & Rengeneration	1.8	-	1.8					
Strategy, Integration and Net Zero	5.5	-		5.5				
Economic Delivery, Skills & Communities	159.4	-			159.4			
Portfolio Support	3.7	-				3.7		
Investment Programme	40.4	-					40.4	
Mayoral Office	0.9	-						0.9
Total Expenditure	**345.0**	**133.2**	**1.8**	**5.5**	**159.4**	**3.7**	**40.4**	**0.9**
Net Expenditure	**0.0**	**0.0**	**0.0**	**- 4.8**	**- 5.3**	**10.1**	**-**	**0.0**

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

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

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

Appendix 3 of this report sets out the overarching business plan for the organisation at a summary level, using the financial resources outlined in this report. High Level Deliverables (HLDs) set out how services will deliver against the organisation's aims and objectives. The detailed Business Plan will be finalised and published in March 2023, with regular reporting to be undertaken on achievement throughout the year, allowing for demonstration of efficiency and value for money.

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

Table 2: West Midlands Combined Authority 2023/24 Constituent Member contributions

Allocations	2022/23 £m	2023/24 £m	Net Change
Birmingham	46.48	47.89	(1.41)
Coventry	15.74	14.76	0.98
Dudley	13.44	13.83	(0.39)
Sandwell	13.71	14.59	(0.88)
Solihull	9.20	9.38	(0.18)
Walsall	12.00	12.20	(0.20)
Wolverhampton	11.10	11.35	(0.26)
Total	121.66	124.00	(2.24)

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 2023/24. These will continue to be subject to annual review over the medium term.

Table 3: West Midlands Combined Authority 2023/24 Non-Constituent Member contributions

Non-Constituent Member Allocations	2023/24 £
Non-Constituent	
Cannock Chase District Council	30,000
North Warwickshire Borough Council	30,000
Nuneaton and Bedworth Borough Council	30,000
Redditch Borough Council	30,000
Rugby Borough Council	30,000
Shropshire Council	30,000
Stratford-on-Avon District Council	30,000
Tamworth Borough Council	30,000
Telford and Wrekin Council	30,000
Warwickshire County Council	30,000
Observers	
The Marches LEP	30,000
Fire partner contribution	30,000
Police partner contribution	30,000
Warwick District Council	30,000
Total	**420,000**

5.0 Medium Term Revenue Position

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

5.2 Recognising the risks in the external economic climate, wider public sector funding challenges, risks associated with the transport network and importantly opportunity arising from the Trailblazer Devolution Deal (TDD), it was agreed that a one-year funding solution would be proposed to deliver a balanced budget for 2023/24. This would leave financial pressure in the medium term, ranging from £28.8m in 2024/25 to £49.7m by 2027/28, depending on HMG negotiations. For prudence, no assumptions have been made in the MTFP around the outcome of the TDD, and the Transport Levy has been assumed to be cash flat across the medium term.

5.3 The West Midlands Combined Authority commits to work with the Mayor and Leaders to discuss future funding for the WMCA during 2023, including the need to review Local Choice Transport policies.

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

Table 4: Medium Term Financial Plan

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Transport Levy	117.0	119.4	119.4	119.4	119.4	119.4
Commonwealth Games	18.7	0.0	0.0	0.0	0.0	0.0
Investment Programme	36.5	36.5	36.5	36.5	36.5	36.5
Adult Education Budget	140.6	140.6	140.6	140.6	140.6	140.6
Share of Business Rates	0.0	12.0	11.6	10.6	14.7	11.1
Revenue Grants & Other Income	6.4	17.1	3.7	2.1	2.2	2.3
Constituent Membership	4.6	4.6	4.6	4.6	4.6	4.6
Non Constituent Members	0.5	0.4	0.4	0.4	0.4	0.4
Investment Income	1.4	5.2	1.4	1.4	1.4	1.4
Mayoral Precept	0.0	0.0	0.0	1.0	1.0	1.1
Use of Reserves	14.1	9.2	0.7	0.7	0.7	0.7
Total Funding	**339.8**	**345.0**	**318.9**	**317.3**	**321.6**	**318.1**
Transport for West Midlands	125.0	133.2	148.8	154.8	172.5	171.1
Commonwealth Games	18.7	0.0	0.0	0.0	0.0	0.0
Housing & Rengeneration	1.5	1.8	1.3	1.4	1.4	1.4
Strategy, Integration and Net Zero	5.2	5.5	4.8	4.5	4.7	4.9
Economic Delivery, Skills & Communities	148.5	159.4	147.6	147.7	147.9	148.1
Portfolio Support	3.6	3.7	3.6	3.6	3.6	3.7
Investment Programme	36.6	40.4	36.6	36.6	36.6	36.6
Mayoral Office	0.8	0.9	0.9	1.0	1.0	1.1
Mayoral Election	0.0	0.0	4.0	1.0	1.0	1.0
Total Expenditure	**339.8**	**345.0**	**347.7**	**350.6**	**368.7**	**367.8**
Net Expenditure	**0.0**	**0**	**-28.8**	**-33.3**	**-47.2**	**-49.7**

6.0 WMCA Indicative Medium-Term Capital Programme

5.1 The West Midlands Combined Authority indicative Capital Programme is summarised in Table 5 and set out in further detail within Appendices 4 to 6. Table 7 below summarises the current planned capital investment between 2022/23 and 2026/27 with the 2022/23 values based on latest forecasts. The actual capital budget for 2023/24 will be influenced by financial performance in 2022/23. As such, the final 2023/24 Capital Budget will be presented for approval to WMCA Board at the earliest opportunity in 2023/24 following confirmation of the 2022/23 outturn position.

Table 5: Summary West Midlands Combined Authority Capital Programme

WMCA CAPITAL PROGRAMME (£M)		Appendix	2022 / 2023	2023 / 2024	2024 / 2025	2025 / 2026	2026 / 2027	TOTAL
Expenditure	TfWM Expenditure	4	295.8	356.9	170.4	115.8	65.2	1,004.1
	Housing and Regeneration Expenditure	5	43.5	68.0	61.9	61.1	23.6	258.1
	Investment Programme Grants to Local Authorities	6	65.8	142.5	161.2	167.5	104.0	641.0
	City Region Sustainable Transport Settlement	7	63.8	236.7	277.2	205.8	168.3	951.8
	Other	5	10.1	1.1	0.4	-	-	11.6
TOTAL EXPENDITURE			**479.0**	**805.2**	**671.0**	**550.1**	**361.2**	**2,866.5**
Funding	Investment Programme Debt		115.4	238.3	20.0	18.9	-	392.6
	TfWM Debt		3.9	59.5	67.2	71.9	0.2	202.7
	Grants		359.7	442.6	372.0	266.9	192.5	1,633.7
	Other		-	64.8	211.8	192.4	168.5	637.5
TOTAL FUNDING			**479.0**	**805.2**	**671.0**	**550.1**	**361.2**	**2,866.5**

* 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 a third of the Combined Authority’s planned capital investment to 2026/27 consists of expenditure directly incurred by Transport for West Midlands in pursuance of the Investment Programme and Transforming Cities Programme. Another 20% is concerned with the reimbursement of Local Authorities as part of the West Midlands Investment Programme and 10% will be spent in delivering the Housing and Regeneration objectives using funds secured by WMCA from Central Government. Just over 30% of the Combined Authority’s total planned capital investment to 2026/27 consists of delivering the City Region Sustainable Transport Settlement, the allocation of which was approved by WMCA Board and DfT earlier this financial year.

5.3 Those larger Transport for West Midlands Programmes contain significant investment in expanding the Metro network 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 2023/24 includes the continuation of the Coventry Electric Bus City project as well as continued delivery of the rail investment programme, including improvements to the Camp Hill and the Walsall to Wolverhampton lines.

5.4 The Housing Capital Programme includes the land remediation programmes launched by the WMCA in 2016 and delivery against the various Housing capital grants awarded to the Combined Authority which now total £303m.

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) and Solihull for the UK Central Programme.

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 December 2022, the cumulative value of loan commitments approved by WMCA totalled £227m (including £80m of loans which have since been repaid). The value of loans drawn and earning interest as at December 2022 was £42.1m.

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 unsecured. Work with the Mayor, Constituent Member Leaders and the WMCA Finance Directors will continue into 2023/24 to enable the gaps to be closed and no expenditure will be committed without first having a clearly available funding source.

7.0 Investment Programme

7.1 The WMCA Investment Programme was a product of the first devolution deal in 2016 and was designed to devolve more accountability, funding and powers out to the regions. From an expenditure perspective, the Investment Programme is an £8bn (gross) package of measures for the region containing projects centred around key economic prosperity drivers such as HS2, city centre regeneration and the remediation of brownfield sites.

7.2 From a programme perspective, £2bn of the overall £8bn was to be funded by WMCA generating locally sourced income to support borrowing which in turn could be used to accelerate the development.

7.3 Government agreed to provide a gainshare grant of £36.5m per year for 30 years, subject to a five yearly gateway review. The first gateway review occurred during 2020/21 and WMCA worked closely with consultants appointed by DLUHC to undertake the review, with confirmation of a successful outcome received in May 2021. As such, £36.5m of income to support the Investment Programme is now expected for the next three financial years. An interim Gateway review will take place during 2023/24 and relevant updates will be provided to WMCA Board via the Financial Monitoring report as appropriate.

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

8.0 Treasury Management Strategy and Policies

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

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

The WMCA’s Treasury Management Policy and Treasury Management Practice are set out in Appendices 8 and 10 respectively.

8.2 The West Midlands Combined Authority is required to review its Treasury Management Strategy on an annual basis. The Treasury Management Strategy defines how West Midlands Combined Authority will adhere to its own Treasury Management Policy Statement and provides a framework for its Treasury team to operate within. The proposed strategy for 2023/24 is set out in Appendix 9.

8.3 The Audit, Risk and Assurance Committee, at its meeting of 24 January 2023, reviewed and endorsed the above policies and strategies ahead of them being presented for final approval at this meeting.

9.0 Capital Strategy and MRP

9.1 The Treasury Management Code of Practice and the Prudential Code requires authorities to have in place a Capital Strategy, which sets out the context in which capital expenditure and investment decisions are made, having regard to both risk and reward and impact on the achievement of specified Aims and Objectives. The Capital Strategy is presented as Appendix 11 for approval by West Midlands Combined Authority Board.

9.2 The Minimum Revenue Provision Statement is also presented in Appendix 12 for approval by West Midlands Combined Authority Board.

10.0 Budget Calculation

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

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

- The West Midlands Combined Authority's demand-led services
- Economic and community recovery from Covid-19 pandemic
- Impact of the Russia/ Ukraine war
- Inflation and interest rate volatility
- West Midlands Pension Fund Investment Performance
- Unforeseen emergencies.

10.3 The existing General Reserve Balance is £1.6 million. This balance represents only 1.3% of the aggregate proposed 2023/24 Constituent Authority contributions.

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

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

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

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

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

10.8 The Finance Director states that to the best of her knowledge and belief the 2023/24 Final Budget calculations are robust and have full regard to:

- The expected financial position as at the end of 2022/23
- The Transport Revenue Budget as set out in Appendix 1
- The Portfolio Revenue Budget as set out in Appendix 2
- The Transport Capital Programme as set out in Appendix 4
- The Housing Capital Programme as set out in Appendix 5
- The Investment Programme set out in Appendix 6
- The City Region Sustainable Transport Settlement (CRSTS) Programme as set out in Appendix 7
- The strength of WMCA's financial control procedures including audit considerations
- The extent of WMCA's General and Earmarked reserves
- The policies of Her Majesty's Government as they impact upon the WMCA.

11.0 Pay Policy Statement

11.1 The purpose of the Pay Policy Statement is to clarify the West Midlands Combined Authority strategic stance on pay to provide direction for members and officers making decisions on pay and to provide the citizens of the West Midlands with a clear statement of the principles underpinning decisions on the use of public funds. The West Midlands Combined Authority Pay Policy Statement is attached at Appendix 13.

11.2 There are no significant changes proposed for 2023/24.

12.0 Legal Implications

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

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

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

13.0 Equalities Information

13.1 There is no direct equality impact in relation to the 2023/24 Budget proposals as funding has been maintained and service provision is not affected. However, there are increased risks and financial uncertainties due to general economic conditions and in particular inflation, supply chain issues and energy costs.

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

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

14.0 Inclusive Growth Implications

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

15.0 Geographical Area of Report’s Implications

15.1 The Budget proposals encompass the West Midlands region.

Appendices

Appendix 1 – Transport Delivery Revenue Budget

Appendix 2 – WMCA Delivery Budget (Portfolios)

Appendix 3 – WMCA Activity for 2023/24

Appendix 4 – Transport Capital Programme

Appendix 5 – Housing & Other Capital Programme

Appendix 6 – Investment Programme Capital Grants to Local Authorities

Appendix 7 – City Region Sustainable Transport Settlement

Appendix 8 – Treasury Management Policy Statement 2023/24

Appendix 9 – Treasury Management Strategy 2023/24

Appendix 10 – Treasury Management Practice – Credit & Counterparty Risk 2023/24

Appendix 11 – WMCA Capital Strategy 2023/24

Appendix 12 – MRP Strategy 2023/24

Appendix 13 – Pay Policy Statement 2023/24

Appendix 1 – Proposed Transport Revenue Budget

	2022/23 BUDGET £000	2023/24 Budget £000	2024/25 MTFP £000	2025/26 MTFP £000	2026/27 MTFP £000	2027/28 MTFP £000
Transport Levy	117,015	119,355	119,355	119,355	119,355	119,355
Business Rates		4,674	4,735	3,297	7,089	3,127
Use of Reserves	9,078	9,201				
Efficiency Target	582	3,000				
TOTAL FUNDING	**126,674**	**136,229**	**124,090**	**122,652**	**126,444**	**122,482**
Concessions						
National Bus Concession	(47,843)	(47,248)	(49,338)	(51,649)	(53,784)	(54,827)
Metro / Rail	(4,576)	(4,574)	(4,590)	(4,597)	(4,604)	(4,714)
Child Concession	(6,710)	(7,166)	(7,402)	(7,656)	(7,954)	(8,300)
	(59,130)	**(58,988)**	**(61,331)**	**(63,902)**	**(66,342)**	**(67,841)**
Bus Services						
Bus Stations / Infrastructure	(5,643)	(5,934)	(6,589)	(7,125)	(7,562)	(7,698)
Subsidised Network	(13,420)	(14,255)	(15,143)	(15,301)	(15,656)	(15,656)
Accessible Transport	(6,638)	(6,633)	(6,653)	(6,659)	(6,666)	(6,673)
	(25,702)	**(26,823)**	**(28,385)**	**(29,086)**	**(29,884)**	**(30,027)**
Rail and Metro Services						
Metro Services	(6,137)	(10,899)	(12,670)	(15,235)	(31,042)	(31,692)
Rail Services	(4,165)	(4,852)	(4,524)	(4,588)	(4,657)	(4,657)
	(10,302)	**(15,751)**	**(17,194)**	**(19,823)**	**(35,699)**	**(36,349)**
Integration						
Safety and Security	(1,257)	(2,778)	(2,811)	(2,930)	(3,042)	(3,125)
Passenger Information	(6,959)	(6,537)	(7,656)	(7,927)	(8,053)	(7,765)
Sustainable Travel	(1,893)	(1,956)	(2,574)	(1,894)	(918)	(899)
	(10,109)	**(11,271)**	**(13,040)**	**(12,751)**	**(12,013)**	**(11,789)**
Network Resilience	(3,744)	(3,197)	(3,501)	(3,604)	(3,653)	(3,557)
Business and Democratic Support	(4,279)	(4,999)	(6,462)	(6,537)	(6,343)	(5,463)
Strategic Development	(4,863)	(4,840)	(5,607)	(5,746)	(5,802)	(5,641)
Transport Governance	(135)	(141)	(147)	(153)	(160)	(167)
Capital Finance Charges	(8,410)	(10,219)	(12,453)	(12,522)	(11,910)	(9,568)
TOTAL EXPENDITURE	**(126,674)**	**(136,229)**	**(148,119)**	**(154,123)**	**(171,806)**	**(170,401)**
NET Expenditure	**0**	**0**	**(24,029)**	**(31,471)**	**(45,363)**	**(47,920)**

ENCTS (National Bus Concession) £47.2m
•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 £7.2m
•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 £14.3m
•Policy criteria -Minimum 8 passengers per journey
•The current VFM Thresholds are £4.10 for tendered contract
•Access criteria 400m (7am -7pm) 700m (all other times)

Accessible Transport £6.7m
•Ring & Ride service operated by National Express Accessible Transport.
• Prior to Covid this affected 14,000 users / 700,000 trips per annum although this has been critically impacted by the coronavirus pandemic. There are now approximately 3,100 active users / 175,000 trips per annum

Passenger information £6.6m
•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 £5.9m
•Management and Maintenance of 12 Bus stations, circa 12,000 stops and shelters
•Infrastructure Costs –cleaning, repairs, rates, CCTV, Electricity, routine maintenance
•Bus policy development options

Rail Services £4.9m
•Provision, management, on-going maintenance and operation of 45 Park and Ride sites, circa 9,100 spaces
•Delivery of TfWM Rail responsibilities including capital projects and industry engagement
•WMCA contribution to WMR Limited (a consortium of 16 local authorities) which has co-responsibilities with the DfT for managing the West Midlands Rail franchise

Metro Services £10.9m
•Subsidy and franchise assumptions continue to be reviewed in light of pandemic recovery

Safety and Security £2.8m
•Safer Travel police team, CCTV at Bus & Rail Stations including interchanges, CCTV control Centre

Business & Democratic Support £5.0m
•This covers the transport related element of support and overhead costs attributable to 16 Summer Lane, ICT, Legal, Procurement, Health & Safety, Equalities, Programme Management, Finance, Human Resources, & general business infrastructure & support

Strategic Development £4.8m
•Transport Team delivering plans for devolution, strategic economic plan proposals, developing business cases and related policy and strategy development.

Capital Finance Charges £10.2m
•Loan interest on existing loan book and anticipated future borrowing
•Past Pension costs and deficit funding arrangements

Network Resilience £3.2m
•Resource to work on managing congestion and mitigating impact of the wider transport investment programme
•Resource to assist in embedding the Key Route Network as part of an integrated transport system to support economic performance and keep people safe and well informed
•Costs associated with operating the RTCC (Regional Transport Coordination Centre)
•To deliver both agreed and emerging policies (e.g. Congestion Management Plan, Highways Investment Plan, Regional Road Safety Strategy)

Sustainable Travel £2.0m
•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 Cycle Hire project.

Transport Governance £0.1m
•This represents the cost of elected members related to the responsibilities of the Transport Delivery Committee

Appendix 2 – Proposed West Midlands Combined Authority Portfolio Budgets

Annex A – Employment and Skills

Annex B – Housing and Regeneration

Annex C – Economy & Innovation

Annex D – Culture and Digital

Annex E – Health & Communities

Annex F – Levelling Up

Annex G – Environment, Energy and HS2

Annex H – Inclusive Communities

Annex I – Central Funding & Recharges

Annex A

Employment and Skills

Employment and Skills	2022/23 Budget £	2023/24 Budget £	Movement
Use of Reserves	90,000	77,681	(12,319)
Grants	143,144,300	152,176,084	9,031,785
Contributions from Third Parties	-	141,649	141,649
Investment Programme Funding	298,411	-	(298,411)
Total Income	**143,532,711**	**152,395,415**	**8,862,704**
Staff Costs	3,062,466	4,021,838	959,372
Training & Development	140,851,385	149,055,848	8,204,463
Promotions, Information and Initiatives	121,860	126,860	5,000
External Advice	1,113,531	803,966	(309,565)
Travel & Subsistence	10,826	17,151	6,325
Direct Recharges	78,027	82,105	4,078
Indirect Recharges	200,000	250,000	50,000
Total Expenditure	**145,438,095**	**154,357,768**	**8,919,672**
Net Expenditure	**1,905,384**	**1,962,353**	**56,968**

Annex B

Housing and Regeneration Portfolio

Housing & Regeneration	2022/23 Budget £	2023/24 Budget £	Movement
Grants	1,454,688	1,843,764	389,076
Total Income	**1,454,688**	**1,843,764**	**389,076**
Staff Costs	1,630,515	2,154,784	(524,268)
External Advice	758,921	676,080	82,841
Utilities	-	211,369	(211,369)
Travel & Subsistence	3,609	2,758	850
Direct Recharges	(938,357)	(1,201,227)	262,870
Total Expenditure	**1,454,688**	**1,843,764**	**(389,076)**
Net Expenditure	**0**	**0**	**0**

Annex C

Economy & Innovation Portfolio

Economy and Innovation	2022/23 Budget £	2023/24 Budget £	Movement
Grants	718,000	1,360,154	642,154
Investment Programme Funding	567,492	-	(567,492)
Total Income	**1,285,492**	**1,360,154**	**74,661**
Staff Costs	625,293	772,848	147,555
Contributions to Third Parties	1,001,500	1,931,074	929,574
Promotions, Information and Initiatives	77,325	77,325	-
External Advice	1,191,829	845,314	(346,514)
Direct Recharges	-	50,000	50,000
Total Expenditure	**2,895,946**	**3,676,561**	**780,614**
Net Expenditure	**1,610,454**	**2,316,407**	**705,953**

Annex D

Culture and Digital Portfolio

Culture and Digital	2022/23 Budget £	2023/24 Budget £	Movement
Investment Programme Funding	-	272,050	272,050
Total Income	**-**	**272,050**	**272,050**
Staff Costs	63,196	193,904	(130,707)
External Advice	359,534	534,050	(174,516)
Total Expenditure	**422,730**	**727,954**	**238,877**
Net Expenditure	**422,730**	**455,904**	**(33,173)**

Annex E

Health & Communities

Health and Communities	2022/23 Budget £	2023/24 Budget £	Movement
Grants	231,197	363,972	132,775
Total Income	**231,197**	**363,972**	**132,775**
Staff Costs	959,929	1,137,136	(177,207)
Promotions, Information and Initiatives	5,500	28,000	(22,500)
External Advice	236,099	233,123	2,976
Travel & Subsistence	600	600	-
Total Expenditure	**1,202,128**	**1,398,859**	**(196,731)**
Net Expenditure	**970,931**	**1,034,887**	**(63,956)**

Annex F

Levelling Up

Levelling Up	2022/23 Budget £	2023/24 Budget £	Movement
Grants	81,297	-	(81,297)
Use of Reserves	12,260	-	(12,260)
Total Income	**93,557**	**-**	**(93,557)**
Staff Costs	1,075,186	981,913	(93,272)
Contributions to Third Parties	1,200,000	625,000	(575,000)
External Advice	354,406	543,988	189,582
Promotions, Information and Initiatives	36,000	-	(36,000)
Total Expenditure	**2,665,592**	**2,150,901**	**(514,691)**
Net Expenditure	**2,572,035**	**2,150,901**	**(421,134)**

Annex G

Environment, Energy and HS2

Environment and Energy, HS2	2022/23 Budget £	2023/24 Budget £	Movement
Investment Programme Funding	941,528	739,175	(202,354)
Total Income	**941,528**	**739,175**	**(202,354)**
Staff Costs	1,121,191	934,033	(187,158)
Contributions to Third Parties	-	360,474	360,474
External Advice	717,995	790,474	72,479
Total Expenditure	**1,839,186**	**2,084,981**	**245,795**
Net Expenditure	**897,658**	**1,345,806**	**448,149**

Annex H

Inclusive Communities Portfolio

Inclusive Communities	2022/23 Budget £	2023/24 Budget £	Movement
Grants	478,331	469,828	(8,503)
Use of Reserves	13,000	-	(13,000)
Total Income	**491,331**	**469,828**	**(21,503)**
Staff Costs	559,348	674,995	115,647
Contributions to Third Parties	403,425	315,656	(87,769)
Promotions, Information and Initiatives	25,775	28,628	2,853
External Advice	284,421	285,000	579
Other	2,062	-	(2,062)
Direct Recharges	-	10,000	10,000
Total Expenditure	**1,275,031**	**1,314,279**	**39,248**
Net Expenditure	**783,700**	**844,451**	**60,751**

Annex I

Central Funding & Recharges

Central Funding & Recharges	2022/23 Budget £	2023/24 Budget £	Movement
Grants	153,590	86,648	(66,942)
Investment Income	1,293,500	1,293,500	0
Business Rates Growth Income	-	7,326,431	7,326,431
Constituent & Non-Constituent Member fees	5,153,818	5,063,814	(90,004)
Use of Specific Reserves	6,116,670	-	(6,116,670)
Total Income	**12,717,577**	**13,770,393**	**1,052,816**
Other	-	105,000	(105,000)
Indirect Recharges	3,554,684	3,554,684	(0)
Total Expenditure	**3,554,684**	**3,659,684**	**(105,000)**
Net Expenditure	**(9,162,893)**	**(10,110,709)**	**947,816**

Appendix 3 – Activity for 2023/24

The following High Level Deliverables are proposed in order to support delivery of the WMCA

AIM	OBJECTIVE	DRAFT HIGH LEVEL DELIVERABLE
Aim 1: To promote inclusive economic growth in every corner of the region and stimulate the creation of good jobs		
1.1	We will drive growth by developing regional strategies and plans focussed on priority clusters, boosting innovation, and securing investment	Lead the economic and business dimension of an overall regional strategy that drives inclusive growth and shapes decision-making processes.
		Lead the mobilisation of the West Midlands Plan for Growth with: · A coherent and cohesive approach to cluster leadership and growth. · Direction to funding decisions on cross-cutting interventions across the WMCA and partners on issues like land, skills and investment.
		Manage 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.
		Enable delivery by partners of the SPF-funded business support system, including establishment and oversight of WM-wide "core hub" activities with WMCA SPF Business Programmes
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	Deliver the WM Innovation Programme and Made Smarter West Midlands programme.
		Drive the 'Strategic Productivity Dialogue' with BEIS, setting out regional priorities for national programmes and building to a co-designed proposal to the next Spending Review.
		Oversee the West Midlands Innovation Accelerator and deliver a co-designed action plan with Innovate UK to increase innovation adoption and diffusion across the region. Explore how this model can be applied more widely to UKRI.
		Convene local authorities and business leaders across the West Midlands to provide collective, clear direction on economic priorities.
		Provide oversight, direction and support to the West Midlands Growth Company to deliver on strategic and place priorities across the region.
1.3	We will invest in training and skills programmes that help our businesses grow and our citizens secure good jobs	Develop more AEB provision to align to plan for growth and to meet current and/or emerging skills needs - monitoring, managing and flexing provision as required
		Use available evidence to understand and respond to the labour market needs of the region
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	Develop, agree and implement a West Midlands Cultural & Heritage Strategy that provides thought leadership for West Midlands partners and delivers new funding and development for cultural infrastructure and activity.

Aims and Objectives for 2023/24.

1.5	We will ensure public and private investment opportunities such as HS2 and the Commonwealth Games, create good work opportunities for local people and more contracts for local businesses	Lead and implement initiatives designed to build a sustainability legacy from the B2022 Commonwealth Games including Community Environment Fund, Commonwealth Forest and Carbon Literacy programmes

Aim 2: To ensure everyone has the opportunity to benefit as the region recovers from COVID-19, improves resilience and tackles long-standing challenges.		
2.1	We will work with partners to give our communities access to training and employment support to secure and succeed in new opportunities	Create 10,000 starts on level 3 training provision
		Create 4,350 starts on level 3 bootcamps
		Create 5,000 starts on 'into employment' provision; 3,000 outcomes
		Develop 70% of L2/3 training aligned with sector plans
		Create 5,000 enrolments on basic skills provision
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
		Successfully deliver communities and place interventions through UKSPF
		Convene partners to take action to address race inequalities through the Race Equalities Taskforce including taking forward the Leadership Commission programme.
		Support and develop the Young Combined Authority to deliver a programme of activity that puts young people's concerns at the heart of regional policymaking
		Develop the Inclusive Growth Framework and supporting products to provide an integrated approach to Inclusive Growth delivery such as a web portal, dashboard etc.
2.3	We will support social innovation to tackle complex and longstanding challenges facing our communities, where mutually agreed with partners	Enable healthy, thriving communities through implementing a health in all policies approach and helping drive resources into specific areas of unmet need
		Support the delivery of initiatives that tackle health inequalities with health system partners, including Mental Health Commission and Commonwealth Games Legacy programmes of work
		Enable healthy, productive workforces and deliver evidence-based initiatives focusing on 'good work' as a determinant of health
		Develop new approaches to social innovation in the region including exemplar initiatives, training opportunities and a cross-agency virtual team.
		Ongoing facilitation of the Homelessness Taskforce, Members Advisory Group and associated task groups, including by delivery of pilot activity, including looking at alternative funding models for preventative activity.
		Ongoing oversight of Housing First pilot, Rough Sleepers Accommodation Programme and Rough Sleeping Initiative, along with any other externally funded activity.

		Develop and implement a regional Inclusive Communities strategy and deliver the associated Commonwealth Games Legacy Fund Inclusive Communities pillar.
		Develop collaborative projects with the Police and Crime Commissioner to help reduce crime and improve the criminal justice system.

Aim 3: Connect our communities by delivering transport and unlocking housing and regeneration schemes		
3.1	We will deliver and operate a safe, accessible, affordable, reliable, and sustainable transport system together with our partners	Increasing the efficiency and performance of transport delivery in the West Midlands
		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)
		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
		W&C Active Travel Behaviour Change Delivery. Deliver, monitor and evaluate 23/24 Behaviour change projects.
		New Behaviour Change Strategy to support and drive the work of the Behaviour Change Hub within Network Resilience
		Transport Network Resilience Plan
		Establish Drone Team
		Develop a Framework that emphasises the importance of Transport for Event Organisers and Key Stakeholders
		Enhance Partnership Working with the Regions Local Resilience Forum
3.2	We will build and develop transport infrastructure that is sustainable, active, low-congestion and integrated with key projects like HS2	Ensure the delivery of the CRSTS Capital Programme, including the TfWM Infrastructure programme
		Plan, deliver and operate the West Midlands Walking and Cycling Programme
		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, working closely with the private sector and local authorities to unlock and accelerate sustainable delivery	Delivery of prescribed requirements, measures and output targets of the 2018 Housing Deal & subsequent funding deals and agreements with HMG
		Supporting Local Planning Authorities with evidence requirements for Local Plans and other policy requirements
		Develop and support Board approved policy development work e.g. Masterplanning and West Midlands Design Charter
		Lead, manage and deliver the WMCA's' nationally leading brownfield regeneration, housing and land programmes
		Work closely with all local authorities across the WMCA and developers/ investors/ HMG agencies to develop a strong regeneration and development project and investment pipeline
		Organise and lead a series of industry led taskforces to provide critical insight, challenge, advocacy and support to the work of the Housing and Land Board
		Lead WMCA Strategic Acquisitions, Disposals and Asset Management programmes
		Establish new and strengthen existing partnerships, ventures and joint approaches with public and private sector partners across the whole of the region to deliver local priorities
		Support and enable Affordable Housing Delivery across the West Midlands including new partnerships and pilot approaches
		Deliver and submit compelling business cases for additional funding and support to the West Midlands from HMG
		Oversee and manage the development and delivery of the regional One Public Estate and Place Pilots Programmes
3.4	We will support and deliver co-ordinated	Produce the annual West Midlands Investment Prospectus and deliver associated partner engagement

	investment packages with our partners across key corridors and local, town, and city centres	Support local authorities and other partners on policy, projects, funding bids and investment plans in town centres
		Lobby/engage with HMG on behalf of the region on a diverse range of housing, land and regeneration matters
		Lead the development and coordinate the delivery of a Single Property and Estates Strategy including a single asset register for the WMCA Estate
		Deliver a comprehensive programme supporting the effective implementation of the public land charter through collaborative working with the Cabinet Office, LGA, industry taskforces & local partners
		Leading the development and negotiation of the approved Housing and Land Board asks of the Trailblazer Devolution Deal
		Developing Park & Ride assets to support better access to the transport system including making our transport assets more affordable by increasing commercial revenues
		Support the organisation to apply and deliver inclusive growth in all its activities through programmes such as Inclusive Growth Business Partners

Aim 4: To reduce carbon emissions to net zero, enhance the environment and boost climate resilience		
4.1	We will work with partners to attract investment in and deliver programmes to support net zero development and infrastructure	Support systems and processes for devolving and delivering more effective energy infrastructure and remove barriers to investing in clean energy assets
		Implement the key actions in the Infrastructure for Zero Emission Vehicles strategy including supporting the delivery of EV Transit Stations spine programme
		Work with partners to develop and deliver projects to tackle fuel poverty in the region and progress towards the target of getting the region's homes to Net Zero by 2041
		Grow SMART Hub capacity to support local authorities to access funding, intelligence and expertise to retrofit homes to reduce carbon emissions
		Commence delivery of Net Zero Neighbourhood Demonstrator programme to pilot place-based approaches to retrofit and wider decarbonisation, building a pipeline of projects, establishing the first Net Zero Neighbourhood and commencing works to homes in this area
		Develop and deliver a programme of commercial energy efficiency and near/onsite energy generation projects with public and private sector partners
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	Develop, lead and support the preparation of a landmark West Midlands Future Homes Strategy
		Deploy devolved Housing and Land Funds in accordance with the principles and targets of the approved AMC and Zero Carbon Homes Charters
4.3	We will convene partners to drive industrial decarbonisation and grow the low carbon and circular economy	Work with partners on industrial decarbonisation and other initiatives to support regional businesses to decarbonise their operations including through the Net Zero Business Pledge
		Deliver Circular Economy Route map priorities including an Industrial Symbiosis programme, Zero Waste Construction Hubs and wider enabling activities including raising awareness of the benefits of building repurposing, and producing a circular communities toolkit

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
		Implement activities to deliver the Natural Environment Plan including the Local Nature Recovery Strategy and related projects
4.5	We will work with partners to increase investment in nature and our surroundings	Deliver a wide-ranging Net Zero Behaviour Change programme to citizens across the region including the development of a WM Net Zero Citizens' Panel and deliver Carbon Literacy Training to WMCA staff
		Develop and deliver the agreed regional approach to tackling air pollution through the development of a Regional Air Quality Framework, including behaviour change campaigns.
		Deliver WMCA Adaptation Plan in partnership with regional organisations
		Maintain and update the net zero and environment data dashboard to provide insight on progress in delivering ambitions

Aim 5: To secure new powers and resources from central government, and demonstrate the strength of our regional partnership		
5.1	We will work with partners to understand their priorities, convene around shared opportunities, and deliver together	Show thought leadership on strategic policy for WMCA, by embedding a 'think and do tank' culture and practice within Strategy and Integration and as part of this, develop a cross-cutting strategy for 'West Midlands 2035'.
		Provide programme oversight of the Commonwealth Games Legacy Fund.
		Agree a Public Affairs Strategy and action plan for WMCA to generate better influence in government and a more joined-up and strategic approach to external engagement across WMCA
		Set in train delivery of the four key workstreams of the agreed Social Economy Action Plan and related stakeholder engagement.
		Set in train delivery of the five missions of the Digital Roadmap.
5.2	We will work with central government to gain new powers and resources for the region, including double devolution	Make the case for local rail devolution to deliver better outcomes for a future railway
		Building on the Trailblazer Devolution Deal [agreed with Government in March 2023], identify the next set of devolution priorities [aligned with Government's objectives as set out in the Levelling Up White Paper], and agree a strategic approach to securing these over the short, medium and long term.

Aim 6: To develop our organisation and our role as a good regional partner		
6.1	We will deliver as one organisation with a	Manage and deliver modern high-class FM and Business Support services for WMCA and its estate tenants

	collaborative and inclusive culture, underpinned by best in class enabling services	Manage and deliver high quality fit for purpose asset management and income generation services with the necessary supporting systems, data and information
		Implement new ways of working (Progression on 4 #BC themes)
		Balanced revenue budget for 2023/2024
6.2	We will drive cultural change to embed new hybrid and agile ways of working	Manage and deliver hybrid and agile working programmes and associated policy changes across the WMCA
		Deliver and coordinate investment in the modernisation and improvement of 16 Summer Lane to support business needs
		Lead on Business Continuity planning and delivery of HQ Emergency Response Plan.
6.3	We will ensure our workforce have the skills and competencies to deliver our strategy	Develop a more planned & robust approach to staff engagement
		Develop the organisations learning & development offer
		Embedding our approach to IPM and talent management
6.4	We will empower our organisation through digital-first and data enabled ways of working across all our activity	Improve/integrate our digital architecture
		Modernise our technology
		Protect and manage our infrastructure
		Enhance digital experience & interaction
6.5	We will provide leading support for a diverse workforce and demonstrate excellent equality and diversity practice	Develop and deliver plans and activities for the organisation's internal and external functions to meet the requirements as set out in the WMCA equality scheme
		Ensure that workplace wellbeing is a key priority for the WMCA and deliver activities which support and enhance workplace wellbeing
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	Support delivery of key business projects through Procurement process
		Support Business Cases through the Single Assurance Framework

APPENDIX 4 - Transport Capital Programme

TRANSPORT CAPITAL PROGRAMME (£M)		2022 / 2023	2023 / 2024	2024 / 2025	2025 / 2026	2026 / 2027	TOTAL
Investment Programme - Metro	Metro Wednesbury to Brierley Hill Extension	69.2	131.1	48.0	67.7	-	316.0
	Metro Centenary Square Extension	0.6				-	0.6
	Metro Birmingham Eastside Extension	57.1	65.1	18.9	4.0	-	145.1
	Metro Edgbaston Extension	6.4	-	-	-	-	6.4
	Metro Network Enhancements	2.6	3.2	0.3	0.2	0.2	6.5
	Wolverhampton Metro Extension	8.4	0.3	-	-	-	8.7
	Buy Before Boarding	2.1	5.6	1.0	0.1	0.6	9.4
	Metro Enabling and Other Works	3.9	0.2	-	-	-	4.0
Investment Programme - Rail	Rail - Camp Hill Line Local Enhancements (Package 2)	31.4	20.2	0.7	-	-	52.3
	Rail - Walsall to Wolverhampton Local Enhancements (Package 1)	10.5	29.7	3.0	-	-	43.2
	Rail - Sutton Coldfield Gateway	0.0	1.3	5.0	15.0	-	21.3
Investment Programme - Sprint	Sprint - Hagley Road Phase 1	2.3	1.7	-	-	-	3.9
	Sprint - Longbridge to Birmingham	0.2	-	17.2	11.7	13.4	42.5
	Sprint - Hall Green to Interchange via Solihull	0.2	-	7.3	5.7	18.8	32.0
	Sprint - Hagley Road Phase 2	0.2	-	11.2	11.2	32.2	54.8
	Sprint - Sutton Coldfield to Birmingham	-	-	25.9	-	-	25.9
INVESTMENT PROGRAMME TOTAL		**195.1**	**258.3**	**138.3**	**115.7**	**65.2**	**772.6**
Other Major Programmes	Sprint - A45 Birmingham to Airport and Solihull	13.8	1.0	-	-	-	14.8
	Sprint - A34 Walsall to Birmingham	7.7	0.6	-	-	-	8.3
	University Station Improvement Project	19.6	1.3	-	-	-	20.9
	Perry Barr Rail Station	7.7	-	-	-	-	7.7
	Regional Traffic Control Centre	6.5	2.1	-	-	-	8.6
	Perry Barr Mitigation Package	0.0	0.2	-	-	-	0.3
	Birchley Island - Sandwell MBC	0.5	-	-	-	-	0.5
	Commonwealth Games Public Realm - Local Authority	0.6	-	-	-	-	0.6
	Dudley Interchange	1.1	1.9	16.2	0.0	-	19.2
	Cross City Bus - City Centre & Druids Heath	0.6	9.6	11.8	-	-	22.0
	Coventry City Electric Bus	16.2	24.9	2.4	0.1	-	43.6
	Zero Emission Bus Regional Area (ZEBRA)	-	30.4	-	-	-	30.4
	Future Mobility Zone	5.9	2.5	-	-	-	8.3
	Other Works	0.6	-	-	-	-	0.6
OTHER MAJOR SCHEMES PROGRAMME TOTAL		**80.7**	**74.4**	**30.4**	**0.2**	**-**	**185.6**
Minor Works Programme	A435 Alcester Rd Bus Priority Revitalisation	0.5	0.7	-	-	-	1.2
	Strategic Transport Officer Group Top Slice	0.1	0.2	-	-	-	0.3
	Priority One Development Schemes	0.6	0.5	-	-	-	1.0
	Tackling Nitrogen Dioxide	0.2	-	-	-	-	0.2
	Asset Management Programme	2.0	0.1	-	-	-	2.1
	M6 Toll - In Vehicle Messaging	0.7	0.3	-	-	-	1.0
	Air Quality	0.6	0.4	-	-	-	1.0
	Other Works	1.9	0.2	-	-	-	2.1
MINOR WORKS PROGRAMME TOTAL		**6.6**	**2.3**	**-**	**-**	**-**	**8.9**
Grants to Local Authorities Programme	Active Travel Fund- Tranche 3	0.7	16.6	-	-	-	17.3
	Priority 1 Delivery- Perry Barr- Sutton Coldfield	0.1	1.2	0.2	-	-	1.5
	Priority 1 Delivery- A45 Coventry Road Birmingham	0.1	2.9	1.5	-	-	4.5
	Priority 1 Delivery- Binley Road Coventry	4.6	-	-	-	-	4.6
	Priority 1 Delivery- WTBH Metro Corridor Access Improvements	0.6	0.5	-	-	-	1.0
	B4106 Spon End - Coventry CC	1.0	-	-	-	-	1.0
	New St/High St/Victoria Sq Public Realm - Birmingham CC	2.1	-	-	-	-	2.1
	MRN-A4123 Corridor -A4150 Ring Road to A456 Hagley Road	0.2	0.2	-	-	-	0.4
	MRN - M5 J1 - Sandwell	0.0	0.2	-	-	-	0.3
	MRN-Cov North Package Link M6	0.0	0.2	-	-	-	0.2
	MRN-A452 Balsall Common Bypass	0.4	0.1	-	-	-	0.5
	Major Road Network- A454 Wolverhampton to Neachells	0.4	-	-	-	-	0.4
	Major Road Network-A449 Stafford Rd M54 J2 to A4150 Ring Road	0.5	-	-	-	-	0.5
	Major Road Network- A46 Link Road Ph3 Coventry	0.3	-	-	-	-	0.3
	Major Road Network - A461	0.8	-	-	-	-	0.8
	MRN-A4540 Bham Middleway -Eastside	0.7	-	-	-	-	0.7
	Other Works	1.2	-	-	-	-	1.2
GRANTS TO LOCAL AUTHORITIES PROGRAMME TOTAL		**13.4**	**21.8**	**1.7**	**-**	**-**	**36.9**
TRANSPORT TOTAL		**295.8**	**356.9**	**170.4**	**115.8**	**65.2**	**1,004.1**

In line with the guidance in paragraph 8.8, 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 (2023/24) of the indicative WMCA Capital Programme*** *as set out in this appendix and that WMCA Board note the indicative onward programme from 2024/25 onwards.*

The final 2023/24 Capital Budget will be presented to WMCA Board at the earliest opportunity in 2023/24 following confirmation of the 2022/23 outturn position.

APPENDIX 5 – Housing and Land/Other Capital Programme

HOUSING AND LAND CAPITAL PROGRAMME (£M)		2022 / 2023	2023 / 2024	2024 / 2025	2025 / 2026	2026 / 2027	TOTAL
IP Land Remediation	Brownfield Land & Property Development Fund (BLPDF)	4.2	4.9	0.7	0.8	0.0	10.8
	LPIF (Black Country Consortium)	21.4	15.1	0.1	0.1	-	36.7
Land Fund	Land Fund - Simon Digby	-0.0	0.6	1.8	0.6	-	3.0
	Land Fund - Stone Yard	0.0	1.0	0.0	1.0	0.0	2.1
	LF - Abbotts Lane	2.2					2.2
	Land Fund - Aga	-	0.0	0.4	0.4	0.4	1.1
	Land Fund - Portersfield	0.1	0.6	0.3	3.8	1.4	6.1
	Land Fund - Fountain Lane	0.9	0.9	0.6	-	-	2.3
	Land Fund - Brierley Hill	0.2					0.2
	Land Fund - Port Loop phase 3 & 4	0.6	2.7	0.0	0.0	-	3.3
	Land Fund - Culwell St	1.8	2.3	1.2	0.1	-	5.3
	Brownfield Land - Pipeline	2.0	24.8	43.6	33.7	15.4	119.4
	Woodend Henley Manor Farm	0.9	0.2	-	-	-	1.1
	Brownfield Land - Phoenix Park	0.8	1.7	-	-	-	2.6
	Brownfield Land - Murdoch and Pitman	0.3	1.1	0.2	0.2	-	1.8
	Brownfield Land - Black Country Lvg Museum	0.7	0.0	0.0	-	-	0.7
	Brownfield Land - Globe House	0.4	0.2	-	-	-	0.6
	Brownfield Land - Erdington Baths	0.0	0.7	1.4	0.0	-	2.1
	National Competitive Fund - Pipeline	-	0.4	4.4	9.5	1.8	16.1
	National Competitive Fund - West Longbridge	2.1	0.0	0.0	0.0	0.0	2.2
	Land Fund - Dobbs Street	0.0	0.1	0.2	0.2	-	0.6
	Land Fund - Lioncourt	0.4	0.2	-0.0	-	-	0.5
	Land Fund - Friar Park	0.4	0.1	0.0	4.5	0.0	5.0
	Land Fund - Pipeline	0.4	8.6	6.3	6.2	4.6	26.1
	Land Fund - Abberley Street	0.1	0.5	0.0	0.0	0.0	0.5
	Land Fund - Cranford Way	0.1	0.1	0.1	-	-	0.2
	Land Fund - Caparo	0.8	0.4	0.5	0.0	-	1.7
	Land Fund - Icknield Port Loop Phase 2a and 2b	2.7	0.0	0.0	0.0	-	2.7
	Land Fund - Cookley Works	0.2	0.5	-	-	-	0.8
	Land Fund - Other	0.0	0.1	0.1	0.1	0.1	0.3
	HOUSING AND REGENERATION PROGRAMME TOTAL	**43.5**	**67.9**	**61.8**	**61.1**	**23.6**	**258.0**

OTHER CAPITAL PROGRAMME (£M)		2022 / 2023	2023 / 2024	2024 / 2025	2025 / 2026	2026 / 2027	TOTAL
Other	5G	1.1	-	-	-	-	1.1
Net Zero	Social Housing Decarbonisation	6.2	-	-	-	-	6.2
	Sustainable Warmth Competition	2.6	-	-	-	-	2.6
	Net Zero Neighbourhood - Capital	0.2	1.1	0.4	-	-	1.7
OTHER TOTAL		**10.1**	**1.1**	**0.4**	**-**	**-**	**11.5**

In line with the guidance in paragraph 8.8, 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 (2023/24) of the indicative WMCA Capital Programme** as set out in this appendix and that WMCA Board note the indicative onward programme from 2024/25 onwards.*

The final 2023/24 Capital Budget will be presented to WMCA Board at the earliest opportunity in 2023/24 following confirmation of the 2022/23 outturn position.

APPENDIX 6 – Investment Programme Grants to Local Authorities

INVESTMENT PROGRAMME GRANTS TO LOCAL AUTHORITIES CAPITAL PROGRAMME (£M)		2022 / 2023	2023 / 2024	2024 / 2025	2025 / 2026	2026 / 2027	TOTAL
IP Grants to Local Authorities	Coventry City Centre South Regeneration - City Centre	7.1	52.7	7.1	17.4	-	84.3
	Coventry City Centre South Regeneration - Friargate	25.0	2.9	-	-	-	27.9
	Coventry UKC Plus - Coventry South Package	6.7	30.5	23.4	26.7	14.4	101.6
	Coventry UKC Plus - Coventry North Package	-0.0	4.0	11.3	6.2	-	21.4
	UK Central Infrastructure Package - Programme Total	7.1	42.8	51.9	45.9	32.2	179.8
	UK Central HS2 Interchange - Programme Total	10.5	8.7	61.4	52.6	42.5	175.8
	CoW Technical Centre	6.7	0.9	0.1	-	-	7.8
	Coventry Station Masterplan	2.7	-	-	-	-	2.7
	Coventry - Future schemes to be scoped		-	5.9	18.8	15.0	39.7
	Other Schemes	0.1	0.0	-	-	-	0.1
IP GRANTS TO LOCAL AUTHORITIES		**65.8**	**142.5**	**161.2**	**167.5**	**104.0**	**640.9**

In line with the guidance in paragraph 8.8, 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 (2023/234) of the indicative WMCA Capital Programme** as set out in this appendix and that WMCA Board note the indicative onward programme from 2024/25 onwards.*

The final 2022/23 Capital Budget will be presented to WMCA Board at the earliest opportunity in 2023/24 following confirmation of the 2022/23 outturn position.

APPENDIX 7 – City Region Sustainable Transport Settlement

CITY REGION SUSTAINABLE TRANSPORT SETTLEMENT PROGRAMME (£M)		2022 / 2023	2023 / 2024	2024 / 2025	2025 / 2026	2026 / 2027	TOTAL
City Region Sustainable Transport Settlement Programme	**GRANTS TO LOCAL AUTHORITIES**						
	Highway Maintenance						
	Coventry City Council	4.1	4.1	4.1	4.1	4.1	20.4
	Dudley Council	4.5	4.5	4.5	4.5	4.5	22.4
	Sandwell Council	4.7	4.7	4.7	4.7	4.7	23.7
	Solihull Council	3.9	3.9	3.9	3.9	3.9	19.4
	Walsall Council	3.6	3.6	3.6	3.6	3.6	17.8
	Wolverhampton City Council	3.3	3.3	3.3	3.3	3.3	16.6
	Subtotal	***24.1***	***24.1***	***24.1***	***24.1***	***24.1***	***120.4***
	Local Network Improvement Plan						
	Birmingham City Council	6.3	6.3	6.3	6.3	6.3	31.3
	Coventry City Council	2.0	2.0	2.0	2.0	2.0	10.2
	Dudley Council	1.8	1.8	1.8	1.8	1.8	8.8
	Sandwell Council	1.8	1.8	1.8	1.8	1.8	9.0
	Solihull Council	1.2	1.2	1.2	1.2	1.2	5.9
	Walsall Council	1.6	1.6	1.6	1.6	1.6	7.8
	Wolverhampton City Council	1.4	1.4	1.4	1.4	1.4	7.2
	Subtotal	***16.0***	***16.0***	***16.0***	***16.0***	***16.0***	***80.2***
	Grants to Projects						
	CRSTS - IG - Smethwick - Birmingham Corridor Transport Package	0.3	0.8	4.0	8.0	6.0	19.0
	CRSTS - IG - East Birmingham to Solihull Corridor	0.1	1.4	6.0	9.5	8.0	25.0
	CRSTS - IG - Chester Road Segregated Cycleway and Capacity		0.2	0.8	2.0	3.8	6.8
	CRSTS - IG - Active Travel - A45 Segregated Cycleway		5.6	8.0	0.7	-	14.3
	CRSTS - IG - Wolverhampton CC Walk, Cycle and Bus Package		5.5	4.0	-	-	9.5
	CRSTS - IG - A454 Walk, Cycle and Bus Corridor	0.1	1.3	3.1	6.4	7.5	18.2
	CRSTS - IG - BCW Access: Darlaston and Willenhall Train Stations	0.2	0.1	2.7	-	-	3.0
	CRSTS - IG - WBHE: Sustainable Access Measures		4.5	5.0	6.5	-	16.0
	CRSTS - CoP - Very Light Rail Phase 2	7.2	20.9	22.3	5.6	15.6	71.5
	CRSTS - CoP - Sutton Coldfield Gateway	0.2	0.5	2.5	10.8	11.0	25.0
	CRSTS - CoP - Solihull Station Integrated Transport Hub		0.8	1.3	1.5	1.5	5.0
	CRSTS - CoP - UKC - Dorridge Bus Priority		0.5	1.0	1.5	2.0	5.0
	CRSTS- CoP -Snow Hill Growth Strategy		-	3.9	1.2	-	5.0
	CRSTS - HSaS - A38 Selly Oak to Longbridge Segregated Cycling	0.1	0.5	13.4	0.5	-	14.5
	CRSTS - HSaS - City Centre Active Travel to Interchange	0.1	8.0	2.2	9.7	-	20.0
	CRSTS - HSaS - One Station and Smallbrook Queensway	0.1	0.5	2.0	6.4	1.0	10.0
	CRSTS - HSaS - Black Country Walking and Cycling Package		2.0	2.0	2.0	2.0	8.0
	CRSTS - HSaS - Dudley Interchange Sustainable Connectivity		-	1.0	3.0	3.5	7.5
	CRSTS - HSaS - Dickens Heath to Solihull Town Centre LCWIP		1.1	9.2	-	-	10.3
	CRSTS - HSaS - Knowle to Solihull Town Centre LCWIP		1.0	7.0	-	-	8.0
	CRSTS - HSaS - Stourbridge TC Sustainable Connect Package		-	0.8	1.6	0.6	3.0
	CRSTS - CRNaC - Multi-modal Access HS2		0.3	0.8	2.0	2.0	5.0
	CRSTS - CRNaC - Foleshill Transport Package	1.0	3.5	-	-	-	4.5
	CRSTS - CRNaC - A461 Walking, Cycling and Bus Corridor	0.1	1.6	23.3	-	-	25.0
	CRSTS - CRNaC - A41 Mox IP Wal TC WCB Corr	0.0	0.5	0.5	8.0	10.0	19.0
	CRSTS - CRNaC - A4123 Walk, Cycle and Bus Corridor	0.2	1.8	7.0	10.0	10.1	29.0
	CRSTS - CRNaC - A449 Walk, Cycle and Bus Corridor		1.5	3.5	3.0	-	8.0
	CRSTS - CRNaC - BCW Access: Walsall Town Centre Interchange		-	0.3	0.4	0.4	1.0
	CRSTS - CRNaC - West Coast Mainline M42 bridge		0.5	0.8	1.8	2.0	5.0
	CRSTS - DaGR - Cov South Sustainable Transport (GIGA Factory)	0.5	8.0	8.5	-	-	17.0
	CRSTS - DaGR - ULEV Black Country		3.5	3.5	-	-	7.0
	CRSTS - Data Scheme Development Support		1.7	1.7	1.7	1.7	7.0
	Subtotal	***10.1***	***77.9***	***151.8***	***103.7***	***88.6***	***432.1***
	PROJECTS DELIVERED BY TFWM						
	Projects introduced within CRSTS Programme						
	Rail Development		0.5	0.8	0.8	0.9	3.0
	Aldridge Station	0.2	1.3	3.0	5.5	20.0	30.0
	Dudley Port Integrated Transport Hub	0.2	1.1	1.1	-	-	2.4
	Demand Responsive Bus		2.5	3.0	4.5	-	10.0
	BSIP Retrofit Programme		3.0	-	-	-	3.0
	Park and Ride Tile Hill and Whitlocks End		3.0	1.0	0.5	-	4.5
	BSIP Bus Priority Cross City Routes	0.3	4.0	15.4	25.9	13.4	59.0
	Mobility Hubs and E Bikes		3.3	2.3	3.1	-	8.6
	Swift cEMV contactless payment broker	2.2	6.5	5.0	4.1	0.3	18.0
	Ultra Rapid Charging Transit Stations		14.0	-	-	-	14.0
	ULEV		3.1	2.6	-0.7	-	5.0
	Metro Line 1 Renovation	2.3	22.2	5.5	-	-	30.0
	Metro Wednesbury Depot Upgrades	2.0	21.4	14.6	-	-	37.9
	Metro Traction Power Phase 2	0.2	6.4	5.9	-	-	12.6
	A45 Bham to Solihull - Phase 2	2.4	10.2	9.4	3.4	-	25.4
	A34 Walsall to Bham - Phase 2	3.6	11.4	10.7	4.9	-	30.6
	Hagley Road Rapid Transit	0.1	4.9	5.0	10.0	5.0	25.0
	Subtotal	***13.5***	***118.8***	***85.3***	***62.0***	***39.6***	***319.1***
	SUBTOTAL TRANSPORT CAPITAL PROGRAMME - CRSTS	**63.8**	**236.7**	**277.2**	**205.8**	**168.3**	**951.7**
	Reconciliation with £1.050bn CRSTS settlement						
	Other TfWM projects funded from CRSTS						
	WMCA Local Network Improvement Plan	*5.5*	*5.5*	*5.5*	*5.5*	*5.5*	*27.3*
	Transforming Cities Fund 2	*71.5*					*71.5*
CITY REGION SUSTAINABLE TRANSPORT SETTLEMENT PROGRAMME		**140.2**	**242.2**	**282.6**	**211.2**	**173.8**	**1,050.0**

In line with the guidance in paragraph 8.8, 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 (2023/24) of the indicative WMCA Capital Programme** as set out in this appendix and that WMCA Board note the indicative onward programme from 2024/25 onwards.*

The final 2022/23 Capital Budget will be presented to WMCA Board at the earliest opportunity in 2023/24 following confirmation of the 2022/23 outturn position

APPENDIX 8 – Treasury Management Policy Statement 2023/24

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

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

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

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

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

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

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

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

APPENDIX 9 – Treasury Management Strategy 2023/24

Introduction

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

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

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

The strategy for 2023/24 covers the following main areas:

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

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

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

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

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

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

Current Treasury Position

The overall treasury management portfolio as at 31st March 2022 and for the position as at 31st December 2022 are shown below for both borrowing and investments.

Table 1 Treasury Management Portfolio

	Actual	**Actual**	**Current**	**Current**
	Mar 22	**Mar 22**	**Dec 22**	**Dec 22**
Treasury Investments	**£m**	**%**	**£m**	**%**
Call Accounts - Banks	60.0	9.7	22.8	3.4
Local Authorities / Housing Associations	367.0	59.1	570.5	85.8
Banks / Financial Institutions	79.2	12.7	49.7	7.4
Debt Management Office / UK Gilts	50.0	8.0	4.9	0.8
Money Market Funds	60.0	9.7	11.5	1.7
Total Managed In House	**616.2**	**99.2**	**659.4**	**99.1**
Property Funds / REITs	5.2	0.8	5.3	0.9
Total Managed Externally	**5.2**	**0.8**	**5.3**	**0.9**
Total Treasury Investments	**621.4**	**100.0**	**664.7**	**100.0**
Treasury External Borrowing				
PWLB	432.0	94.6	488.4	91.7
Banks	20.0	4.4	19.8	3.7
Temporary Borrowing	0.0	0.0	20.0	3.7
Transferred Debt	4.7	1.0	4.7	0.9
Total External Borrowing	**456.7**	**100.0**	**532.9**	**100.0**
Net treasury investments/(borrowing)	**164.7**		**131.8**	

The Authority's central 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	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Opening External Debt	457	511	598	585	573	562
New Borrowing	65	100	-	-	-	-
Repayments	11	13	13	12	31	12
Forecast Closing External Debt	**511**	**598**	**585**	**573**	**562**	**550**
Capital Financing Requirement (CFR)	710	982	1,034	1,033	1,005	978
Under Borrowing	199	384	449	460	443	428

WMCA has an increasing CFR – rising from a forecast £710m at the end of 2022/23 to £1,034m at the end of 2024/25 - due to its capital programme, mostly driven by the delivery of the Investment Programme. The Authority is currently ‘under borrowed,’ meaning that internal cash-backed resources such as balances, reserves, and working capital (predominantly capital grants received in advance) can be deployed to offset external borrowing.

CIPFA’s Prudential Code for Capital Finance in Local Authorities recommends that WMCA’s total debt should be lower than its highest forecast CFR over the next three years. Table 2 shows that WMCA expects to comply with this recommendation during 2023/24 to 2025/26.

Limits to Borrowing Activities

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

Table 3 WMCA Operational Boundary

£M	2023/24	2024/25	2025/26	2026/27	2027/28
Operational Boundary	982	1,034	1,033	1,005	978

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

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

Table 4 WMCA Authorised Limit 2023/24 – 2027/28

£M	2023/24	2024/25	2025/26	2026/27	2027/28
Authorised Limit	1,032	1,084	1,083	1,055	1,028

HMT External Debt Cap - 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 2022/23 is £821m. As of 26 January 2023, formal notification of the debt cap remains outstanding from HM Treasury, although it is expected to be provided shortly. Indications from HM Treasury imply that the confirmation will be in line with WMCA requirements and as such, WMCA foresee no specific operational impacts. WMCA Board will, however, be notified once confirmation is received.

The borrowing limit can be re-negotiated with HM Treasury and in the event the Trailblazer Devolution Deal does provide significant additional (affordable) borrowing capacity, it is likely the limit may need reviewing during 2023/24.

<u>Prospects for Interest Rates</u>

WMCA has appointed Link Group as its treasury advisor and part of their service is to assist the Authority to formulate a view on interest rates. Link provided the following forecasts on 19th December 2022. PWLB forecasts are for certainty rates, 20 basis points below PWLB standard rates, to which WMCA has agreed access.

Link Group Interest Rate View	19.12.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.20	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.30	4.40	4.40	4.30	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.30
25 yr PWLB	4.60	4.60	4.60	4.50	4.40	4.20	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.30	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.30	3.20	3.20

The central forecast reflects a view that the Bank of England's Monetary Policy Committee (MPC) will be keen to demonstrate its anti-inflation credentials by delivering a succession of further rate increases in 2023. This has happened throughout 2022, but the new Government's policy of emphasising fiscal rectitude will probably mean Bank Rate does not now need to increase to further than 4.50%.

Further ahead it is anticipated that the MPC will be keen to loosen monetary policy when the worst of the inflationary pressures have lessened – but that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

The CPI measure of inflation is expected to peak at close to 11% in Q4 2022. Despite the cost-of-living squeeze that is still taking shape, the Bank will want to see evidence that wages are not spiralling upwards in what is evidently a very tight labour market. Wage increases, excluding bonuses, are currently running at 5.7%.

In addition to the above, the Bank's plan to sell £10bn of gilts back into the market each quarter (Quantitative Tightening) has started but will focus on the short to medium end of the curve for the present. This approach will prevent any further disruption to the longer end of the curve following on from the short-lived effects of the Truss/Kwarteng unfunded dash for growth policy.

In the upcoming months, forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but the on-going conflict between Russia and Ukraine. (More recently, the heightened tensions between China/Taiwan/US also have the potential to have a wider and negative economic impact.)

On the positive side, consumers are still estimated to be sitting on over £160bn of excess savings left over from the pandemic so that will cushion some of the impact of the above challenges. However, most of those are held by more affluent people whereas lower income families already spend nearly all their income on essentials such as food, energy, and rent/mortgage payments.

<u>Borrowing Strategy</u>

As at 31 December 2022 WMCA currently holds £513m of long-term loans, an increase of £234m on the previous year. The forecast in table 2 shows that WMCA will borrow a further £100m in 2023/24. This is a fixed rate forward funding loan arranged in 2022 to unwind a proportion of WMCA's previous under borrowing and mitigate against interest rate increases. WMCA may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing.

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

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

Against this background and the risks within the economic forecast, caution will be adopted with the 2023/24 treasury operations. The Finance Director will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

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

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

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

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

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

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

- HM Treasury's lending facility (i.e., Public Works Loan Board)
- UK Infrastructure Bank
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension and insurance funds (except West Midlands Local Government Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

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

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

Short-term and variable rate loans: These loans leave WMCA exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits set out in the treasury management indicators below. Consequently, financial derivatives may be used to manage this interest rate risk (see section below).

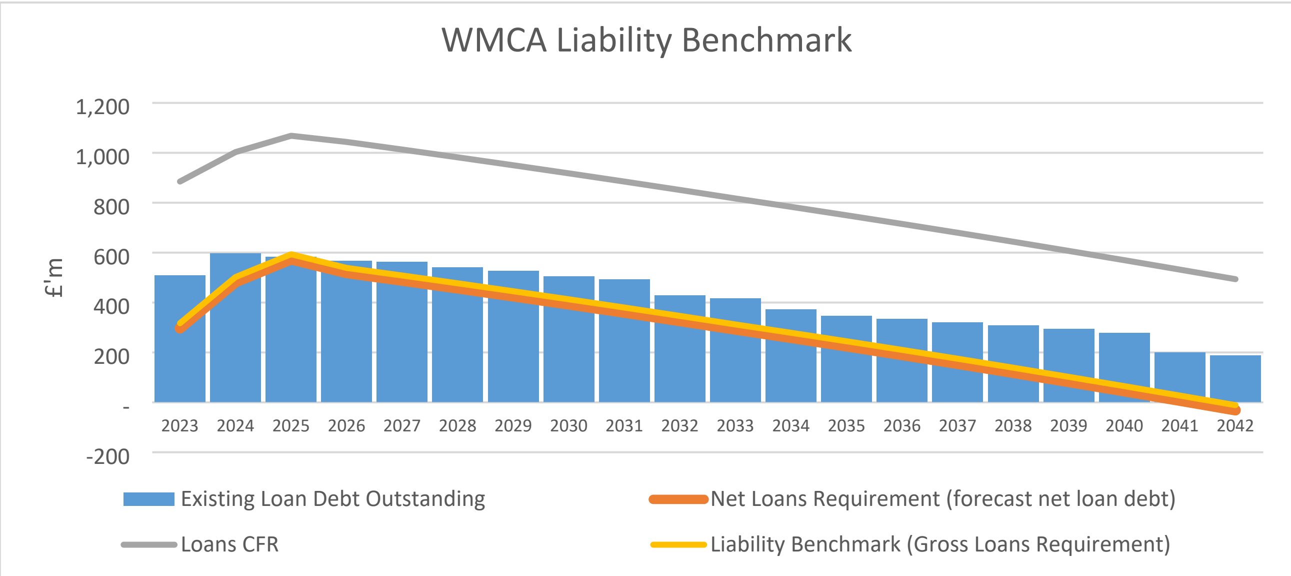
<u>Liability Benchmarking</u>

A new prudential indicator for 2023/24 is the Liability Benchmark (LB). The Authority is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum. WMCA's benchmark (see below) includes measurements up to 2042 (20 years)

There are four components to the LB: -

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

The outcome of the above produces a benchmark for new borrowing/refinancing which can be assessed against interest rate forecasts for sensitivity. The chart below shows WMCA's revised benchmark for 2023/24 onwards which is heavily influenced by the borrowing need arising from the WMCA Investment Programme as per the first devolution deal in 2016:



Debt rescheduling

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

Policy on Borrowing in Advance of Need

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

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

Annual Investment Strategy

Investment policy – management of risk

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

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

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

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

c) CIPFA Treasury Management Guidance Notes 2021.

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

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

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

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

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

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

i. Specified investments are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity if originally, they were classified as being non-specified investments solely due to the maturity period exceeding one year.

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

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

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

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

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

i) All investments will be denominated in sterling.

j) As a result of the change in accounting standards for 2022/23 under IFRS 9, this Authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the MHCLG, concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31.3.23. At the current juncture it has not been determined whether a further extension to the over-ride will be agreed by Government.)

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

<u>Creditworthiness Policy</u>

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

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and

- It has sufficient liquidity in its investments. For this purpose, it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Authority's prudential indicators covering the maximum principal sums invested.

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

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

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

Table 5: Approved investment counterparties and limits

Sector	**Time limit**	**Counterparty limit**	**Sector limit**
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	50 years	Unlimited[1]	Unlimited
Secured investments *	25 years	£20m	Unlimited
Banks and Building Societies (unsecured) *	13 months	£20m[1]	50% of portfolio
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

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

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

Investment Strategy

WMCA holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2022/23 WMCA's treasury average monthly investment balance has ranged between £690m and £813m. Levels are expected to fall in overall terms in 2023/24 but this is subject to the timing of government grant receipts and/or delays in capital expenditure profiling.

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

Strategy: Investments will be made with reference to WMCA core balances and cash flow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. 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 partially during the first quarter of 2023/24 prior to falling later in the year consideration will be given to keeping most investments as short term and/or variable initially. The regular stream of maturing investments brought about by this 'laddering' approach should provide opportunities to consistently improve underlying yield whilst still allowing flexibility to adjust if and when market circumstances alter.

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

Average earnings in each year	
2023/24	4.00%
2024/25	3.30%
2025/26	2.60%

2026/27	2.50%
Long term later years	2.80%

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

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

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

• no new investments will be made;

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

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

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

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

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

Investment limits: In order that WMCA's reserves will not be put at significant risk in the case of a single default, the maximum that will be lent to any one organisation (other than 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 6: Additional Investment limits

	Cash Limit
Any group of pooled funds under the same management	£20m per manager
Non UK Sovereigns (AA- minimum)	Up to 25% of portfolio (maximum 15% AA+ or below)

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

Use of External Providers

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

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

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

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

Treasury Management Indicators

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

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

Credit risk indicator	**Target**
Portfolio average credit	A minus

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

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

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

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

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

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

Price Risk Indicator	2023/24	2025/26	2026/27
Limit on principal invested longer than a year	£25m	£25m	£25m

<u>Related Matters</u>

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

Financial Derivatives

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

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

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

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

Markets in Financial Instruments Directive

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

Investment Training

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

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

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

Treasury Management Consultants

WMCA uses Link Group as its external treasury management advisors.

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

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

APPENDIX 10 – Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management

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

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

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

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

The investment policy proposed for the Authority is:

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

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

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

- The UK Government (such as the Debt Management Account Deposit Facility (DMADF), UK Treasury Bills or a Gilt with less than one year to maturity).
- Supranational Bonds of less than one year's duration.
- A Local Authority, Housing Association, Parish Council or Community Council.
- Pooled investment vehicles (such as Money Market Funds) that have been awarded a high credit rating by a credit rating agency e.g., Standard and Poor's, Moody's and/or Fitch rating agencies.

- A body that is considered of a high credit quality (such as a bank or building society) This category covers bodies with a minimum Short-Term rating of F-1 (or the equivalent) as rated by Standard and Poor's, Moody's and / or Fitch rating agencies.

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

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

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

APPENDIX 11 - WMCA Capital Strategy 2023/24

1 Executive Summary

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

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

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

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

Capital Expenditure is expenditure 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, develop or construct assets (such expenditure qualifies as 'REFCUS' - revenue expenditure funded from capital under statute). This is particularly relevant where WMCA is providing Capital Grants to Local Authorities under the terms of the Investment Programme and the CRSTS programme.

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.

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

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.

2 Capital Priorities and Objectives

How are priorities assessed?

Capital expenditure is prioritised based on an assessment of its alignment with WMCA's mission statement, to build a better connected, more prosperous, fairer, greener and healthier region, and the six key aims within the Annual Business Plan.

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

The Capital Strategy provides a solid foundation for the delivery of the WMCA Capital Programme, which is a vital component of WMCA's Annual Business Plan and long-term plans ('Movement for Growth' Strategic Plan and HS2 Growth Strategy) to achieve the organisation's six aims and sub-objectives (**Appendix 3**).

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

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

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

Key Capital Projects

A number of projects including Perry Barr Rail Station and the first phase of the Sprint A34 and A45 projects (linking Walsall, Birmingham and Solihull) was completed in Summer 2022 ahead of the Commonwealth Games. The second phase of the Sprint project (£56m) will further connect residential and employment areas across the region. The new bus corridors will reduce rush hour commuting time by 20% and the environmentally-friendly zero-emission Sprint vehicles will provide greater comfort to passengers than traditional buses.

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

In addition to this the Brownfield Housing Fund is a trailblazing brownfield regeneration programme creating new homes, jobs and communities across the West Midlands. The capital funding helps unlock the region's most challenging sites to secure the delivery of high-quality new homes and jobs.

Partnership and Investment Activity

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

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

The delivery of capital projects within a strong Single Assurance Framework ('SAF') provides a firm foundation for the WMCA to apply and bid for further capital funding from Central Government, linking with Aim 5 '*To secure new powers and resources from central government, and demonstrate the strength of our regional partnership*'.

Long-Term Investment Needs within the WMCA Region

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

WMCA, working through Transport for West Midlands (TfWM), is responsible for setting Local Transport Plan (LTP) which sets the overarching transport priorities for a 15-20 year period and this will take into account the long term regional needs. The LTP will be approved by WMCA Board before being adopted.

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[3] and compliance with WMCA's Regional Design Charter.[4]

3 Capital Expenditure

In 2022/23, the Authority is planning capital expenditure of £479.0m as summarised below:

Table 1: WMCA Capital Expenditure 2022/23 to 2026/27

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

WMCA CAPITAL PROGRAMME (£M)	2022 / 2023	2023 / 2024	2024 / 2025	2025 / 2026	2026 / 2027	TOTAL
TfWM Expenditure	297.9	379.3	186.1	115.8	65.2	1,044.3
Housing and Regeneration Expenditure	43.5	68.0	61.9	61.1	23.6	258.1
Investment Programme Grants to Local Authorities	65.8	142.5	161.2	167.5	104.0	641.0
City Region Sustainable Transport Settlement	61.6	214.2	261.5	205.8	168.3	911.4
Other	10.1	1.1	0.4	-	-	11.6
TOTAL EXPENDITURE	**479.0**	**805.1**	**671.0**	**550.1**	**361.2**	**2,866.4**

Just over a third of the Combined Authority's planned capital investment to 2026/27 consists of expenditure incurred by Transport for West Midlands in pursuance of the Investment Programme, Transforming Cities Programme and the Minor Works Programme. Another 20% is concerned with the reimbursement of Local Authorities as part of the West Midlands Investment Programme and 10% will be spent in delivering the Housing and Regeneration objectives using funds secured by WMCA from Central Government. Just over 30% of the Combined Authority's total planned capital investment to 2026/27 consists of delivering the City Region Sustainable Transport Settlement, the allocation of which was approved by WMCA Board and DfT earlier this financial year.

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 (subsumed within the region's CRSTS settlement), and in 2023/24 includes the continuation of the Coventry Electrics Bus project as well as continued delivery of the rail investment programme, including improvements to the Camp Hill and the Walsall to Wolverhampton lines.

The Housing Capital Programme includes the land remediation programmes launched by the WMCA in 2016 and delivery against the various capital housing arrangements which now total £303m.

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), the Black Country (Land and Property Investment Fund) and Solihull for the UK Central Programme.

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.

The capital expenditure budgeted for later years is subject to a high degree of estimation and risk of slippage. Previous evidence from past projects has shown typical project slippage above 33%.

Capital projects are subject to a wide array of recurring risks (legal, planning, stakeholder, etc) covered later in this document, as well as recent exceptional items (COVID-19, Brexit, cost of living) which may result in project slippage. It should be noted that funding remains to be secured for a significant proportion of capital expenditure budgeted within the latter half of the MTFP period. sensitivities of future estimates to internal/external risk (legal, planning, stakeholder, etc).

Revenue Consequences of Capital Expenditure

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

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

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

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.

5 Capital Financing (Debt and Borrowing) and Treasury Management

All capital expenditure must be financed from external sources (e.g., capital grants, external contributions from third parties), the Authority's own resources (e.g., capital receipts, revenue resources/reserves) or 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 2022/23 to 2026/27

WMCA CAPITAL PROGRAMME (£M)	2022 / 2023	2023 / 2024	2024 / 2025	2025 / 2026	2026 / 2027	TOTAL
Investment Programme Debt	115.4	238.3	20.0	18.9	-	392.6
TfWM Debt	3.9	59.5	67.2	71.9	0.2	202.7
Grants	359.7	442.6	372.0	266.9	192.5	1,633.7
Other	-	64.6	211.8	192.4	168.5	637.3
TOTAL FUNDING	**479.0**	**805.1**	**671.0**	**550.1**	**361.2**	**2,866.4**

* 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.

It is important that this Capital Strategy is read in conjunction with the Treasury Management Strategy (Appendix 9). The capital programme is the main driver for WMCA's borrowing activity and the Treasury Management Strategy documents the levels of debt held, forecast debt and debt limits, together with parameters for how that financing is intended to be secured, managed and repaid.

As detailed in the Treasury Management Strategy, as at 31 December 2022 the Authority has £513m borrowing but WMCA will likely need to borrow further externally in the coming years in order to support its Capital Expenditure.

Statutory guidance states that no Authority should have external debt above its Capital Financing Requirement. Additionally, WMCA are legally obliged to set Authorised and Operational limits for debt. These limits are detailed below, set against forecast external debt; WMCA expect to be able to comfortably manage within these limits based on the currently projected levels of capital expenditure.

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

£M	2023/24	2024/25	2025/26	2026/27	2027/28
Forecast Closing CFR	982	1,034	1,033	1,005	978
Forecast Closing Debt	**598**	**585**	**573**	**562**	**550**
Operational Boundary	982	1,034	1,033	1,005	978
Authorised Limit	1,032	1,084	1,083	1,055	1,028

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 2022/23 is £821m. As of 26 January 2023, formal notification of the debt cap remains outstanding from HM Treasury, although it is expected to be provided shortly. Indications from HM Treasury imply that the confirmation will be in line with WMCA requirements and as such, WMCA foresee no specific operational impacts. WMCA Board will, however, be notified once confirmation is received.

The borrowing limit can be re-negotiated with HM Treasury and in the event the Trailblazer Devolution Deal does provide significant additional (affordable) borrowing capacity, it is likely the limit may need reviewing during 2023/24.

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

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

Further information on WMCA's approach to treasury management including processes, due diligence, risk appetite, investments and liabilities can be found within the full Treasury Management Strategy at **Appendix 9**.

6 Commercial Activity

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

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

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

7 Capital Receipts

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

WMCA is not currently forecasting any material future capital receipts.

8 Capital Risk Management

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

In the delivery of any Capital Expenditure programme, risk must be managed in line with the organisation’s risk appetite.

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

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

9 Prudential Indicators for Capital

Prudential indicators are means of assessing overall fiscal sustainability. The CIPFA Prudential Code provides prudential indicators required for inclusion within the Capital Strategy. Compliance with the Code is a statutory requirement under the Local Government Act 2003.

For the Capital Strategy, the relevant Prudential Indicators required under the Code are:

- Estimated Capital Expenditure; and
- Estimated Capital Financing Requirement.

Treasury Management Indicators are disclosed within the Treasury Management Strategy at **Appendix 9**.

10 Governance Arrangements

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

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

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

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

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

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

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

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

Capitalisation Policy

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

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

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

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

Reporting

After a project budget has been approved, WMCA financial regulations require that any proposed increase to this budget in excess of 10% or greater than £5 million is reported to, and approved by, WMCA Board. As well as this, any unfunded budgets are required to be reported to WMCA Board.

11 Knowledge and Skills

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

The correct accounting treatment is applied across the capital programme and Treasury functions in accordance with CIPFA 2021/22 Code of Practice on Local Authority Accounting.

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

12 Affordability and Sustainability

The fundamental objective in the consideration of the affordability of WMCA's capital plans is to ensure that the total capital investment of the authority remains within sustainable limits. As a combined authority, WMCA should have due regard for potential impacts on its underlying member authorities. Much of the West Midlands capital expenditure is in respect of funding awarded to its constituent members and related to HS2, which will be shown within the capital strategies of these bodies. The members of WMCA play a crucial role shaping WMCA's strategy and risk appetite.

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

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

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

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

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

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

These external economic factors are causing pressures to emerge across the WMCA capital programme. An update was recently provided to ensure accountability and transparency at WMCA Board in December 2022 with a further update expected in March 2023.

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

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

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

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

APPENDIX 12 – MRP Strategy 2023/24

Annual Minimum Revenue Provision (MRP) Statement 2023/24

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. The consultation exercise was subsequently extended following feedback from the sector and any changes to the guidance are now expected to apply prospectively from April 2024 onwards, and so will not impact WMCA's policy or Budget for 2023/24.

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

As such, WMCA will charge MRP as detailed below:

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

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

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

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

In November 2017, WMCA Board agreed to the release of historic overpayments of MRP by suppressing the MRP charges to zero from April 2017. The policy amendment was undertaken in liaison with WMCA's external auditors (Grant Thornton) and the practice is common across UK Local Authorities. The duration of the 'zero MRP' was expected to be seven years. The value of overpayments released to March 2023 will be £28.2m leaving a residual balance of £2.3m to be released 2023/24. 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 13 – Pay Policy Statement 2023/24

1. Introduction and Purpose

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

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

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

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

2. Legislative Framework

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

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

3. Pay Structure

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

3.2. Based on the application of job evaluation processes, the West Midlands Combined Authority uses the nationally negotiated pay spine as the basis for its local grading structure (known as the main salary scale). This determines the salaries of the majority of the workforce, together with the use of other nationally defined rates where relevant. The West

Midlands Combined Authority's terms and conditions of employment for non-Chief Officers/non-Senior Management will be in accordance with collective agreements negotiated from time to time by the Passenger Transport Forum (PTF) for Passenger Transport Executive Staff set out in the Scheme of Salaries and Conditions of Service (Commonly known as the "Green Book") as amended or supplemented by such local collective agreements reached with trade unions recognised by the West Midlands Combined Authority, currently Unison. The association with the PTF is has been put under notice with the finalisation of the 2022-23 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 2022. Salaries quoted are based on the full time equivalent (FTE) of 36.5 hours per week.

4.2. The table lists the 74 Senior Management posts that make up 9.95% of the 744* people employed by the West Midlands Combined Authority.

**Refers to the staffing count as at 1st January 2023 which includes all permanent, temporary and casual employees*

Title	Grade	Minimum	Maximum
Chief Executive	1 post	£175,000	£195,000*

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

Title - Operational Directors	Grade	Minimum	Maximum
Director of Commercial and Investment Director of Communications Director of Delivery -Transport Portfolio Director of Development and Delivery Director of Integrated Transport Service Director of Legal and Governance Director of Network Resilience Director of Policy Strategy & Innovation Director of Rail and WMRE Director of Employment and Skills WMM Projects Director Technical Director - Swift	Operational Directors (12 posts)	£87,000	£130,000*

Title - Head of Service & SLT Directs	Grade	Minimum	Maximum
Head of Service & SLT Direct roles will have operational and/or highly strategic responsibility for a team or function of the WMCA, leading managers and/or professionals, setting objectives, managing performance and ensuring the teams delivery of its objectives forming part of the senior management team of WMCA	Head of Service (56 posts)	£60,000	£110,000*

**Salary amounts subject to pending 2023-24 pay awards*

Appendix 2 details roles for Head of Service & SLT Directs.

For information the main salary scale, covering the majority of the workforce, is shown in the Appendix1.

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 2022 this is £22,216 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 1st April each year following the increase.

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 1:8.77 and; between the lowest paid and average chief officer as 1:3.89. 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.

Appendix1

West Midlands Combined Authority - SALARY SCALES

INCREASED WITH EFFECT FROM 1 APRIL 2022

	NEW BASIC SALARY W.E.F.1.4.22
SALARY POINT	PER ANNUM
9	19273
10	19708
11	20201
12	20266
13	20377
14	20997
15	21591
16	22216
17	22992
18	23691
19	24416
20	24990
21	25916
22	26869
23	27875
24	28910
25	29987
26	31113
27	32276
28	33489
29	34758
30	36067
31	37435
32	38499
33	39597
34	40721
35	41890
36	43094
37	44325
38	45595
39	46908

40	48258
41	49646
42	51078
43	52553
44	54073
45	55641
46	57247
47	58913
48	60622
49	62376
50	64190

MARKET SCALES	**NEW BASIC SALARY W.E.F.1.4.22**
SALARY POINT	**PER ANNUM**
51	66057
52	67982

Appendix2

As at Jan 2023

Heads Of & SLT Directs

Position Title	Directorate
Cycling and Walking Commissioner	Transport for West Midlands
Director- Energy Capital	Strategy, Integration and Net Zero
Head of Behaviour Change Hub	Transport for West Midlands
Head of Bus	Transport for West Midlands
Head of Business Development and Partnerships	Housing, Property & Regeneration
Head of Business Improvement	Finance & Business Hub
Head of cEMV Delivery	Transport for West Midlands
Head of Corporate Support and Governance	Legal & Governance
Head of Customer Experience	Transport for West Midlands
Head of Cycling and Walking	Transport for West Midlands
Head of Economic Development and Delivery	Economy Delivery, Skills and Communities
Head of Economic Policy and Partnerships	Economy Delivery, Skills and Communities
Head of Employer Services	Economy Delivery, Skills and Communities
Head of Environment	Strategy, Integration and Net Zero
Head of Finance Business Partnering & Strategic Planning	Finance & Business Hub
Head of Financial Management	Finance & Business Hub
Head of Future Transport	Transport for West Midlands
Head of Health & Communities	Economy Delivery, Skills and Communities
Head of HP&R Development and Delivery	Housing, Property & Regeneration
Head of HR	Finance & Business Hub
Head of Inclusive Growth and Systems Change	Strategy, Integration and Net Zero
Head of Insight and Intelligence	Economy Delivery, Skills and Communities
Head of IT Delivery	Transport for West Midlands
Head of Key Route Network	Transport for West Midlands
Head of Legal Services	Legal & Governance
Head of Major Funding	Finance & Business Hub
Head of Mayoral Operations	Mayoral Office
Head of Mayoral Policy and Delivery	Mayoral Office
Head of Mental Health & Partnerships	Economy Delivery, Skills and Communities
Head of Network Transformation	Transport for West Midlands
Head of Operational Assets	Transport for West Midlands
Head of Policy – Housing and Regeneration	Housing, Property & Regeneration
Head of Policy and Public Affairs	Strategy, Integration and Net Zero
Head of Procurement	Finance & Business Hub
Head of Programme Assurance and Appraisal	Finance & Business Hub
Head of Programme Delivery / 3GT Delivery	Transport for West Midlands
Head of Projects	Transport for West Midlands
Head of Property and Strategic Assets	Housing, Property & Regeneration
Head of Rail Delivery	Transport for West Midlands
Head of Rail Development	Transport for West Midlands
Head of Rail Development and Integration	Transport for West Midlands

Head of Research, Intelligence and Inclusive Growth	Strategy, Integration and Net Zero
Head of RTCC Events & Emergency Planning	Transport for West Midlands
Head of Security and Policing	Transport for West Midlands
Head of Skills Development	Economy Delivery, Skills and Communities
Head of Solution Development	Transport for West Midlands
Head of Sprint Delivery	Transport for West Midlands
Head of Sprint Development	Transport for West Midlands
Head of Strategic Facilities Management	Housing, Property & Regeneration
Head of Strategy and Analysis	Housing, Property & Regeneration
Head of Structuring - Investment	Finance & Business Hub
Head of Swift on Rail	Transport for West Midlands
Head of Technical Engagement	Transport for West Midlands
Head of Technical Review	Transport for West Midlands
Head of Traffic Signals Technology & Design	Transport for West Midlands
Head of Transport Data	Transport for West Midlands
Head of Transport Implementation	Transport for West Midlands
Head of Transport Innovation	Transport for West Midlands
Head of Transport Skills	Transport for West Midlands
Head of Transport Strategy and Planning	Transport for West Midlands
Head of Utilities- Metro	Transport for West Midlands
Owner Representative	Transport for West Midlands
Rail Programme Director	Transport for West Midlands
Senior Implementation Manager	Housing, Property & Regeneration
Senior Investment Portfolio Manager	Finance & Business Hub
Strategic Head of Digital and Data	Transport for West Midlands
WMRE Head of Rail Programme	Transport for West Midlands