Board Meeting

Date: 12 May 2017

Time: 11.00 am **Public Meeting?** YES

Venue: Council Chamber, Birmingham Council House, Victoria Square, Birmingham, B1 1BB

Membership

Chair (from item 2 onwards)
The Mayor of the West Midlands Combined Authority

Constituent Members
Birmingham City Council
City of Wolverhampton Council
Coventry City Council
Dudley Metropolitan Borough Council
Sandwell Metropolitan Borough Council
Solihull Metropolitan Borough Council
Walsall Metropolitan Borough Council

Non-Constituent Members
Black Country LEP
Cannock Chase District Council
Coventry & Warwickshire LEP
Greater Birmingham & Solihull LEP
North Warwickshire Borough Council
Nuneaton & Bedworth Borough Council
Redditch Borough Council
Rugby Borough Council
Shropshire Council
Stratford-on-Avon District Council
Tamworth Borough Council
Telford & Wrekin Council
Warwickshire County Council

Observers Awaiting Membership
Herefordshire Council
The Marches LEP

Observers
West Midlands Police & Crime Commissioner
West Midlands Fire & Rescue Authority

Co-Opted Members
Midlands Trades Union Congress

Quorum for this meeting shall be at least one member from five separate constituent councils.

Information for the Public

If you have any queries about this meeting, please contact the democratic support team:

Contact Jaswinder Kaur
Tel/Email 01902 550320 jaswinder.kaur2@wolverhampton.gov.uk
Address Combined Authority, Civic Centre, 1st floor, St Peter's Square, Wolverhampton WV1 1RL

Agenda

Item No. Title

No.	Item	Presenting	Papers
1.	**Meeting Business Items**		
1.1	Apologies for absence	Councillor Bob Sleigh	none
1.2	Declarations of Interests (if any)	Councillor Bob Sleigh	none
1.3	Minutes of the WMCA Meeting held on 21 April 2017	Councillor Bob Sleigh	attached
1.4	Outgoing Chair's Concluding Remarks	Councillor Bob Sleigh	none
2.	**Appointment of Mayor as Chair**		
2.1	Appointment of Mayor as Chair of the West Midlands Combined Authority	Clerk	none
2.2	Mayor's Remarks	Mayor (Chair)	none
2.3	Forward Plan	Chair	attached
3.	**Combined Authority Governance**		
3.1	Investment Board Minutes - 27 February 2017	Councillor Bob Sleigh	attached
3.2	Transport Delivery Committee Minutes - 3 April 2017	Councillor Bob Sleigh	attached
4.	**Economic Growth**		
4.1	Consultation Response: 'Increasing the Regional Impact of Channel 4 Corporation'	Councillor John Clancy	to follow
5.	**Finance & Investments**		
5.1	Financial Monitoring 2016/17	Councillor Izzi Seccombe	attached
5.2	Joint Response - Government Consultation Business Rates Retention	Councillor Izzi Seccombe	attached

5.3	Collective Investment Fund Update	Councillor Izzi Seccombe	attached
5.4	Treasury Management Outturn	Councillor Izzi Seccombe	attached
6.	**Productivity & Skills**		
6.1	Productivity & Skills Portfolio Update	Councillor George Duggins	attached
7.	**Transport**		
7.1	National Productivity Investment Fund	Councillor Roger Lawrence	attached
8.	**Any Other Business**		
8.1	None notified		
9.	**Date of Next Meeting**		
9.1	Friday 23 June May 2017, 1100 – 1300 (this date replaces the originally schedule date of 9 June 2017)		

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WEST MIDLANDS COMBINED AUTHORITY

Board Meeting

Friday 21 April 2017 at 11.00am

Minutes

Constituent Members

Birmingham City Council	Councillor Peter Griffiths
City of Wolverhampton Council	Councillor Roger Lawrence
Coventry City Council	Councillor George Duggins
Coventry City Council	Councillor Abdul Khan
Dudley Metropolitan Borough Council	Councillor Pete Lowe
Sandwell Metropolitan Borough Council	Councillor Steve Trow
Solihull Metropolitan Bough Council	Councillor Ian Courts
Solihull Metropolitan Borough Council	Councillor Bob Sleigh (Chair)
Walsall Metropolitan Borough Council	Councillor Sean Coughlan

Non-Constituent Members

Black Country LEP	Ninder Johal
Greater Birmingham & Solihull LEP	Steve Hollis
Redditch Borough Council	Councillor Bill Hartnett

Observer Members Awaiting Membership

North Warwickshire Borough Council	Councillor David Humphreys
Stratford-on-Avon District Council	Councillor Chris Saint
Warwickshire County Council	Councillor Izzi Seccombe

Co-Opted Member

Midlands Trades Union Congress	Lee Barron

Observer Members

Police & Crime Commissioner	David Jamieson
West Midlands Fire & Rescue Authority	Councillor John Edwards

In Attendance

Matt Bowers	Tamworth Borough Council
David Cockroft	Coventry City Council
Paula Deas	Coventry & Warwickshire LEP
Kevin Dicks	Redditch Borough Council
Monica Fogarty	Warwickshire County Council
Alan Franks	Nuneaton & Bedworth Borough Council
Keith Ireland	City of Wolverhampton Council
Jonathan Jardine	Office of the Police & Crime Commissioner
Jan Jennings	West Midlands Combined Authority
Stella Manzie	Birmingham City Council
Steve Maxey	North Warwickshire Borough Council

Sarah Middleton	Black Country Consortium
Adam Norburn	Rugby Borough Council
Sarah Norman	Dudley Metropolitan Borough Council
Nick Page	Solihull Metropolitan Borough Council
Paul Sheehan	Walsall Metropolitan Borough Council
Mark Taylor	West Midlands Combined Authority
Katie Trout	Greater Birmingham & Solihull LEP
Dave Webb	Stratford-on-Avon District Council
Councillor Richard Worrall	WMCA Transport Delivery Committee

Item No. **Title**

1.1 **Apologies for Absence**

Apologies for absence were received from Councillor George Adamson, Jonathan Browning, Councillor John Clancy (substituted by Councillor Peter Griffiths), Councillor Steve Eling, Councillor Dennis Harvey, Councillor Lee Jeavons, Councillor Malcolm Pate and Councillor Michael Stokes.

1.3 Minutes

The minutes of the meeting held on 7 April were agreed as a correct record, subject to an amendment to minute no. 3.2 ('UK Central Urban Growth Company Hub Growth & Infrastructure Delivery Plan') to provide clarity regarding funding sources for the plan.

1.4 Forward Plan

The plan of items to be reported to future meetings of the WMCA Board was noted.

1.5 Chair's Remarks

(a) AGM - 9 June 2017

Councillor Bob Sleigh reported that because a General Election had been called for 8 June and it was possible that a number of the counts would be taking place on the following day, the WMCA's AGM scheduled for 9 June would now be re-arranged to an alternative date.

2.1 Mayoral Election Update

Councillor Bob Sleigh indicated that this was the last meeting of the WMCA before the mayoral election was held on 4 May.

On behalf of all the member authorities, Councillor Sean Coughlan expressed his thanks and appreciation to Councillor Bob Sleigh for chairing the WMCA during the last year, and his tireless work in contributing to its success. Councillor Bob Sleigh thanked him for these comments, and expressed his own thanks for the role that all members and officers involved in the WMCA had played in establishing the organisation and ensuring that its first year had been the success it was widely considered to be.

2.2 Embedding the Universities: Higher Education Representation

Councillor Bob Sleigh presented a report that set out the important role that universities within the region played in supporting the delivery of the WMCA's aspirations, and made a number of proposals to strengthen this relationship to maximise the impact and return from the universities for the WMC and the region.

Universities had initially agreed to invest in the West Midlands Growth Company and to help fund a Director post to support the WMCA. It order to build on establishing a strong relationship, the universities were prepared to offer advisers to sit on specific boards and working groups through the appointment of a nomination and substitute for each meeting.

Councillor George Duggins noted that Further Education colleges were already engaged in the Productivity & Skills Commission, Councillor Izzi Seccombe welcomed this positive approach from the universities and Councillor Ian Courts noted that the willingness of the region's universities to becoming embedded within the work of the WMCA would make a significant contribution to its ability to deliver on its ambitions.

Resolved:

The universities 'offer' to contribute to WMCA business through the current WMCA governance structure, as detailed within the report, be approved.

3.1 2017/18 Combined Authority Review and Annual Plan

Councillor Bob Sleigh presented a report on the draft 2017/18 WMCA Annual Plan.

The Annual Plan outlined the importance of the day-to-day delivery of the strategic objectives of the WMCA and set out the objectives that would develop and grow its agenda during 2017/18. The more detailed Transport Plan for the forthcoming year, setting out objectives that would enable people to meet their daily employment, leisure, education and shopping needs, had been approved by the Board at its meeting on 17 March

Councillor Roger Lawrence welcomed the Annual Plan, which he considered to give a good representation of the work to date of the WMCA and its priorities for the forthcoming year. Councillor Ian Courts stressed the importance of the environmental and 'quality of life' issues that ran through the WMCA's workstreams. Councillor Bob Sleigh confirmed that meetings had been held with the Environment Agency, who were keen to work further with the WMCA.

Although this was intended to be the final version of the plan, Keith Ireland explained that if authorities wished to suggest any further amendments, they should do so before 26 April. If any further comments were received, they would be circulated to all members of the Board for information.

Resolved:

(1) The draft 2017/18 Combined Authority Review and Annual Plan be approved.

(2) The Chair, in consultation with the Chief Executive, be given delegated authority to sign-off any further changes made to the plan necessary to be made prior to it being published on 30 April.

4.1 Midland Metro Wednesbury to Brierley Hill Extension

Councillor Roger Lawrence presented a report that provided an update on the on-going Wednesbury to Brierley Hill Midland Metro extension development work, and seeking approval to submit an Initial Outline Business Case to Government.

The Wednesbury to Brierley Hill metro extension comprised 10.7km of new twin track, 17 metro stops, 11 road traffic junctions crossed at-grade, 23 existing structures to be refurbished or rebuilt, 4 new structures to be built, and connections with Metro Line 1, Dudley Port railway station, Dudley bus station and the Waterfront and Merry Hill shopping centre.

Councillor Lowe welcomed the proposals contained within the report and considered that the proposed extension would have a significant benefit to the region in improved passenger inter-connectivity.

Resolved:

(1) The progress being made on delivering the Wednesbury to Brierley Hill extension be noted in respect of:

(a) the period up to 31 March 2017.

(b) the delivery of an Outline Business case submission to the WMCA Assurance process.

(c) the period up to March 2018.

(2) The increase in estimated outturn cost for the project of £343.6m and the principle of WMCA providing financial cover for the local element of this cost to enable the submission of a business case to Government be noted.

(3) It be noted that the approval of funding of up to £4m for the 2017/18 financial year was to be sought from the Investment Board, in accordance with the scheme of delegation, in order to progress the scheme.

(4) Subject to the outcome of the WMCA governance processes, the submission of the Outline Business Case to Government for the Wednesbury to Brierley Hill extension be approved, and confirmation of project funding be sought in the 2017 Autumn Statement.

4.2 Contactless Ticketing and Fare Capping

Councillor Roger Lawrence presented a report on the key findings and recommendations from the work undertaken by PA Consulting to develop a roadmap to deliver contactless payment and best value capping.

Councillor Izzi Seccombe welcomed the report and considered contactless ticketing to be one of the most tangible benefits that could be delivered to bus passengers. She requested that consideration be given as to the practicalities of delivering contactless ticketing within Warwickshire. Councillor Roger Lawrence welcomed these comments and suggested she meet with Matt Lewis, Head of Swift at Transport for West Midlands, to discuss these matters further.

Resolved:

It was approved, in principle and subject to future business cases, that the following projects be progressed by Transport for West Midlands:

(a) The enhancement of the Swift platform to include Swift Pay-As-You-Go capping and Swift on Mobile.

(b) Work with National Express and INIT to deliver an interim contactless payment with capping solution for bus and tram.

(c) Work with Transport for the North to help shape a national back-office solution for contactless payment that would ultimately be deployed across all public transport modes in the West Midlands and more widely.

4.3 Swift Journeys - New Record

Councillor Roger Lawrence presented a report highlighting the increasing popularity of the Swift smartcard.

Swift was the largest and most comprehensive smartcard scheme in the UK outside of London, both in terms of the range of tickets and functions offered and customer usage. In the past 15 months, the number of smart journeys had increased from 675,000 to 3.27m, along with continued ticket and function enhancements. A number of new tickets and functions were due to be delivered on to the Swift platform throughout 2017/18, including a range of child tickets and further rollout across the rail network.

Councillor Roger Lawrence reported that the Swift card had been relaunched in recent months, and this had helped to further raise public awareness.

Resolved:

The continued delivery of the Swift programme, recognising Swift's increasing popularity as monthly Swift card journeys exceeded 3.25m for the first time in March 2017, be agreed.

6.1 Date of Next Meeting

Friday 12 May 2017 at 11.00am

7. Exclusion of the Press and Public

That in accordance with Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting for the following item of business as it involved the likely disclosure of exempt information relating to an individual, information which is likely to reveal the identity of an individual and/or information relating to the business affairs of any particular person (including the authority holding that information).

7.1 West Midlands Growth Company

The Board considered a report providing an update on the West Midlands Growth Company draft business plan and Board of Directors nominations process.

The draft business plan was currently being prepared and would be submitted to a future meeting of the WMCA Board. Nominations had also been received for Directors of the Growth Company, and these would be considered at a separate meeting of 'A' Members.

Keith Ireland indicated that the on 26 April, Marketing Birmingham would hold an Extraordinary General Meeting at which they would be dissolved into the West Midlands Growth Company, which would become effective from 1 May.

Resolved:

(1) It be noted that the West Midlands Growth Company first draft business case was being prepared for consultation and would be presented to a later meeting of the Board.

(2) It be noted that the 'A' Members of the West Midlands Growth Company would (at a separate meeting) consider and confirm the nominations to the Board of Directors.

The meeting ended at 11.40am.

This report is PUBLIC
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Forward Plan of the West Midlands Combined Authority Board

Date	Title	Lead Member	Lead Officer	Aim
23 June 2017 (AGM)	**Governance**			
	Appointments to the WMCA	Mayor	Keith Ireland	
	Schedule of Meetings	Mayor	Keith Ireland	
	Membership Update	Mayor	Keith Ireland	
	Devolution			
	Devolution Update	Mayor	Martin Reeves	
	Finance			
	2017/18 Financial Monitoring	Cllr Izzi Seccombe	Mark Taylor	
	Investment Propositions	Cllr Izzi Seccombe	Mark Taylor	
	Commissions			
	Land Commission	Cllr Sean Coughlan	Jan Britton	
	Productivity & Skills Commission	Cllr George Duggins	Nick Page	
	Strategic Framework			
	Chair of the WMCA • Establishing an Innovation Board • WM Global Co-Innovation Centre • Policy Research Plan 2017	Mayor	Martin Reeves	
	Economic Growth	Cllr John Clancy	Martin Reeves	
	Finance and Investments	Cllr Izzi Seccombe	Mark Taylor	
	Health & Wellbeing • Mental Health and Young People • 'West Midlands on the Move' Physical Activity Strategy Update	Cllr Pete Lowe	Sarah Norman	
	Housing & Land	Cllr Sean Coughlan	Jan Britton	
	Public Service Reform	Cllr Steve Eling	Phil Loach	
	Skills & Productivity	Cllr George Duggins	Nick Page	
	Delivery			
	'Thrive West Midlands' Mental Health Implementation Plan	Cllr Pete Lowe	Sarah Norman	
	Transport	Cllr Roger Lawrence	Keith Ireland	
7 July 2017	**Governance**			
	Devolution			
	Devolution update	Mayor	Martin Reeves	
	Finance			

Date	Title	Lead Member	Lead Officer	Aim
	2017/18 Financial Monitoring	Cllr Izzi Seccombe	Mark Taylor	
	Investment Propositions	Cllr Izzi Seccombe	Mark Taylor	
	Commissions			
	Land Commission	Cllr Sean Coughlan	Jan Britton	
	Productivity & Skills Commission	Cllr George Duggins	Nick Page	
	Strategic Framework			
	Chair of the WMCA	Mayor	Martin Reeves	
	Economic Growth	Cllr John Clancy	Martin Reeves	
	Finance & Investments	Cllr Izzi Seccombe	Mark Taylor	
	Health & Wellbeing	Cllr Pete Lowe	Sarah Norman	
	Housing & Land	Cllr Sean Coughlan	Jan Britton	
	Public Service Reform	Cllr Steve Eling	Phil Loach	
	Skills & Productivity	Cllr George Duggins	Nick Page	
	Delivery			
	Transport	Cllr Roger Lawrence	Keith Ireland	
11 August 2017	***Provisional Board meeting, if required - hold***			
8 September 2017	**Governance**			
	Devolution			
	Devolution update	Mayor	Martin Reeves	
	Finance			
	2017/18 Financial Monitoring	Cllr Izzi Seccombe	Mark Taylor	
	Investment Propositions	Cllr Izzi Seccombe	Mark Taylor	
	Commissions			
	Land Commission	Cllr Sean Coughlan	Jan Britton	
	Productivity & Skills Commission	Cllr George Duggins	Nick Page	
	Strategic Framework			
	Chair of the WMCA	Mayor	Martin Reeves	
	Economic Growth	Cllr John Clancy	Martin Reeves	
	Finance & Investments	Cllr Izzi Seccombe	Mark Taylor	
	Health & Wellbeing	Cllr Pete Lowe	Sarah Norman	
	Housing & Land	Cllr Sean Coughlan	Jan Britton	
	Public Service Reform	Cllr Steve Eling	Phil Loach	
	Skills & Productivity	Cllr George Duggins	Nick Page	
	Delivery			
	'Thrive West Midlands' Mental Health Implementation Plan Update	Cllr Pete Lowe	Sarah Norman	

Date	Title	Lead Member	Lead Officer	Aim
	Transport	Cllr Roger Lawrence	Keith Ireland	
13 October 2017	**Governance**			
	Devolution			
	Devolution update	Mayor	Martin Reeves	
	Finance			
	2017/18 Financial Monitoring	Cllr Izzi Seccombe	Mark Taylor	
	Commissions			
	Land Commission update	Cllr Sean Coughlan	Jan Britton	
	Productivity & Skills Commission update	Cllr George Duggins	Nick Page	
	Strategic Framework			
	Chair of WMCA	Mayor	Martin Reeves	
	Economic Growth	Cllr John Clancy	Martin Reeves	
	Finance & Investments	Cllr Izzi Seccombe	Mark Taylor	
	Health & Wellbeing	Cllr Pete Lowe	Sarah Norman	
	Housing & Land	Cllr Sean Coughlan	Jan Britton	
	Public Service Reform	Cllr Steve Eling	Phil Loach	
	Skills & Productivity	Cllr George Duggins	Nick Page	
	Delivery			
	Transport	Cllr Roger Lawrence	Keith Ireland	
10 November 2017	**Governance**			
	Devolution			
	Devolution update	Mayor	Martin Reeves	
	Finance			
	2017/18 Financial Monitoring	Cllr Izzi Seccombe	Mark Taylor	
	Commissions			
	Land Commission update	Cllr Sean Coughlan	Jan Britton	
	Productivity & Skills Commission update	Cllr George Duggins	Nick Page	
	Gangs & Violence Commission final report	PCC David Jamieson	Jonathan Jardine	
	Strategic Framework			
	Chair of the WMCA	Mayor	Martin Reeves	
	Economic Growth	Cllr John Clancy	Martin Reeves	
	Finance & Investments	Cllr Izzi Seccombe	Mark Taylor	
	Health & Wellbeing	Cllr Pete Lowe	Sarah Norman	
	Housing & Land	Cllr Sean Coughlan	Jan Britton	
	Public Service Reform	Cllr Steve Eling	Phil Loach	

Date	Title	Lead Member	Lead Officer	Aim
	Skills & Productivity	Cllr George Duggins	Nick Page	
	Delivery			
	Transport	Cllr Roger Lawrence	Keith Ireland	
	'Thrive West Midlands' Mental Health Implementation Plan	Cllr Pete Lowe	Sarah Norman	

This report is PUBLIC
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WEST MIDLANDS COMBINED AUTHORITY

Investment Board

Date 27 February 2017

Minutes

Voting Members

Councillor Izzi Seccombe (Vice Chair – In the Chair)	Warwickshire County Council
Councillor Robert Hulland	Solihull Metropolitan Borough Council
Councillor Peter Richards	Stratford on Avon District Council
Nick Abell	Coventry and Warwickshire Local Enterprise Partnership
Gary Taylor	Greater Birmingham and Solihull local Enterprise Partnership

Non Voting Member

Sue Summers	Finance Birmingham

In Attendance

James Aspinall	West Midlands Combined Authority
David Cockroft	Coventry City Council
Carl Craney	West Midlands Combined Authority
Phil Hewitt	Transport for West Midlands
Sarah Middleton	Black Country Local Enterprise Partnership
Nick Oakley	Finance Birmingham

11/16 Apologies for absence

Apologies for absence had been received from Councillor Jim O'Boyle (Coventry City Council), Councillor Sean Coughlan (Walsall MBC), Councillor Peter Richards (Stratford on Avon District Council) and Mark Taylor (City of Wolverhampton Council) and Katie Trout (Greater Birmingham and Solihull Local Enterprise Partnership).

12/16 Declarations of Interest

Gary Taylor declared an interest in any matters relating to Paradise Circus as a member of the Greater Birmingham and Solihull Local Enterprise Partnership.

13/16 Minutes

Resolved:

That the minutes of the meeting held on 21 November 2016 be confirmed as a correct record and signed by the Chair.

14/16 Matters arising

Nick Abell referred to Minute No. 08/16(3) (Business Case for Coventry City Centre South proposal) and queried the position with the financial framework which underpinned the investment process. James Aspinall explained that the 50% uplift in Business Rates would apply to all schemes funded through the Investment Board but that the legal agreement was still in the course of preparation.

15/16 Membership and Voting Rights of the WMCA Investment Board

James Aspinall presented a report which informed the Board on the outcome of the sub group meeting to consider the membership and voting rights of the WMCA Investment Board.

Resolved:

That the WMCA Board be recommended to:

(1) adopt weighted voting as follows for the Investment Board in order to provide equality between the Council and LEP members:

Committee Structure	Number of Members	Votes per member	Weighted Votes
Independent Chair	1	2	2
Finance and Investment Portfolio Holder	1	1	1
Councillors	7	1	7
LEP representatives	3	2	6
Total			16

(2) that the inclusion of the Finance and Investments Portfolio holder as a member in their own right, which will always be a Councillor be approved;

(3) the adoption of weighted voting ensures that there is equality between the Council and non-Council members i.e. a total of 8 votes each be noted;

(4) that the Chair having a casting vote in the event of a split decision be noted;

(5) that the Constitution be amended as necessary.

16/16 Appointment of Independent Chair – Progress Report

James Aspinall presented a report which informed the Board on the progress with the appointment of an Independent Chair of the Board.

Resolved:

(1) That the proposals outlined in paragraphs 2.3 – 2.8 of the report as the means of recruiting an independent member to chair the Board be noted;
(2) That Paul Brown, Black Country Local Enterprise Partnership representative be appointed to serve on the appointment panel;
(3) That the revised Terms of Reference of the Board be circulated to the Board following the approval of the recommendations contained in Minute No. 15/16 above have been determined by the WMCA Board.

17/16 Land Fund: Black Country Land Strategic Brownfield Land Programme Bid

Sarah Middleton presented a report which summarised the Black Country land Development programme proposed by the Black Country LEP (BCLEP) and which sought to deliver a wide ranging Brownfield Land site preparation and remediation programme to bring forward a portfolio of strategic sites for Commercial and Residential development.

Councillor Robert Hulland enquired whether the existence of mine shafts had been factored into the programme risk management strategy. Sarah Middleton advised that this had formed part of the site investigation works and whilst the existence of such shafts could not be discounted completely the investment had been de-risked as much as possible. In the first phase of the proposed programme some £53m had been de-risked. Nick Oakley commented that two of the schemes were also being considered for Collective Investment Funding and comprehensive site investigations had been carried out. Nick Abell reminded the Board that the Strategic Brownfield Land Programme was also included in the current Devolution Deal. The Chair queried whether the programme would be managed by the BCLEP. Sarah Middleton explained that it would be managed through the Black Country Joint Committee.

Resolved:

(1)That the Portfolio bid from the Black Country LEP in partnership with the Association of Black Country Authorities (reporting to the Black Country Joint Committee) to deliver a Black Country wide Strategic Brownfield Land Programme by providing a minimum investment of £150m support towards delivering the overall Programme be supported;

(2)That a Phase 1 initial £53m facility be made available during years 1 – 4 of the Programme (with a 2017/18 year 1 start) to deliver the stated Outputs of New Jobs, New Houses and New Commercial Floorspace agreeing with the WMCA a dashboard style of reporting progress against the Programme be supported;

(3) That a separate proposal be brought to this Board to support a drawdown of Phase 2, the remaining £97m, facility as delivery of the Priority schemes within this initial tranche of £53m support is reported;

(4) That agreement having been reached via Management Board for an officer from the WMCA to sit on the Funding Sub-Board of the BCLEP be noted;

(5) That to ensure recognition is afforded to the WMCA through use of its branding and logo on sites being remediated be noted.

18/16 Midland Metro: Centenary Square / Edgbaston (Five Ways) Extension – Full Business Case

Phil Hewitt presented a report which sought approval to:

- Accept Project Proposals for construction of the Centenary Square and Edgbaston (Five Ways) Metro Extensions from the Midland Metro Alliance;
- Submit a Full Business Case to the Department for Transport (DfT);
- Submit under the provisions of section 239 of the Local Government Act 1972 (which applies in this case by virtue of section 20 of the Transport and Works Act 1992) an application for The Midland Metro (Birmingham City Centre Extension, etc.) (Edgbaston Extension land Acquisition) Order to the Secretary of State for Transport under the Transport and Works Act 1992, and
- Delegations from WMCA to the TfWM Leadership Team to progress the Birmingham Edgbaston (Five Ways) and Centenary Square extension projects within the overall budget envelope as detailed in the report.

The Chair, Councillor Izzi Seccombe commented that the opening of the extension to Grand Central had exceeded expectations in terms of growth and footfall. Phil Hewitt confirmed that to be the case. Councillor Robert Hulland asked what would occur if the Department for Transport did not support the proposal. Phil Hewitt advised that the scheme would be re-visited but that it was more likely to be delayed rather than refused out right. Councillor Robert Hulland enquired whether alternative funding sources would be considered in the event of the DfT not supporting the scheme. Phil Hewitt confirmed that alternative funding and/or re-packaging of the scheme would be considered in such circumstances. He explained that the requirements to improve air quality in the city centre would drive the need for the existing Metro scheme to be extended to the Hagley Road. The Chair, Councillor Izzi Seccombe reminded the Board that the project was also included in the current Devolution Deal.

Resolved:

That the report be approved for submission to the WMCA Board on 3 March 2017 seeking to:

(1) approve the acceptance of TC1 Project Proposals from Midland Metro Alliance that would deliver the Centenary Square Extension at a total outturn cost of £61.8m and that the Edgbaston (Five Ways) Extension for a total outturn price of £87.4m;

(2) approve the submission by WMCA to the Secretary of State for Transport of an application for The Midland Metro (Birmingham City Centre Extension, etc.) (Edgbaston Extension Land Acquisition) order ("the Order") and the associated commitment of £59.0m of WMCA funding to the scheme;

(3) Approve the submission of a Full Business Case to the Department for Transport;
(4) Approve the expenditure at risk of up to £15.5m and drawdown of for the continuation of project development, utility diversion and early enabling works prior to the approval of the Business Case by the DfT and;
(5) Approve the delegation of powers from the WMCA to the Metro Programme Director and the Corporate Services Director to :-
   a. Accept the TC2 Project Proposals from Midland Metro alliance for the projects provided they deliver the Centenary Square and Edgbaston (Five Ways) extension projects within the approved TC1 Project proposal outturn costs and subject to a satisfactory report by the Alliance Auditor;
   b. finalise the various application documents for the Order;
   c. progress negotiations with any affected parties or objectors to the Order with the aim of avoiding or securing the withdrawal of any objections to the Order;
   d. comply and deal with any public local inquiry processes and procedures arising or resulting from the submission of the application for the Order;
   e. process negotiations with any landowners and leaseholders and make necessary arrangements to acquire the land within the proposed Order, conditional on the basis the Order will be made; and
   f. place orders to appoint the Midland Metro Alliance, other consultants, legal advisors and others as necessary to undertake further design development work on the scheme and support the on-going statutory process, in line with any existing agreements and in compliance with internal governance requirements and procurement best practice an d in consultation with Head of Governance where appropriate;
(6) Approve the delegation of powers from the WMCA to the Head of Governance or his/her nominated representative top negotiate, agree, enter into, execute and serve (where appropriate) all legal agreements, notices and other documentation necessary to facilitate and underpin the Order.

19/16 Exclusion of Public and Press

Resolved:

That in accordance with Section 100(A) of the Local Government Act, 1972 the press and public be excluded from the meeting for the following item of business as it involves the likely disclosure of exempt information relating to the business or financial affairs of any particular person (including the authority holding that information).

20/16 Collective Investment Vehicle – Complex Developments Projects Ltd. – Coventry City Centre

Nick Oakley presented a report which detailed the opportunity to fund speculatively the land acquisition and accelerate the development of two strategically important sites in Coventry City Centre. Nick Abell reported that the Coventry and Warwickshire LEP supported the proposal but he questioned whether the proposal would assist in unlocking other sites. He also expressed concern as to the high number of units which would be made available as student lets. He queried who would have first charge on the leasehold as the properties were not freehold. Nick Oakley reported on the proposed leasing arrangements between the company and Coventry City Council and the proposed phasing arrangements. David Cockroft reported that Coventry City Council would work closely with the WMCA with regard to due diligence measures. Nick Oakley advised that Coventry City Council would also be required to provide a 'letter of comfort' to the WMCA with regard to the leasing and phasing arrangements.

Gary Taylor commented on the cost of remediation of the second site. Nick Oakley confirmed that Complex Development Projects Ltd. would be required to provide warranties as part of the due diligence process.

Councillor Robert Hulland requested that the Board be provided with details of the resources available for investment purposes. The Chair, Councillor Izzi Seccombe requested that a report on pipeline projects together with details of progress or reasons for certain projects not progressing be submitted on a regular basis to this Board. Sue Summers undertook to prepare a 'Dashboard' incorporating such information for consideration by the Board. Nick Oakley suggested that the 'Dashboard' could also include details regarding the type of development and cash utilisation. Nick Abell requested that progress reports on supported projects also be submitted to the Board. James Aspinall agreed to arrange for such reports to be submitted.

Resolved:

(1) That the speculative acquisition in order to accelerate the development of two strategically important sites in Coventry City Centre be supported on the terms detailed in the report and subject to a letter of surety being provided to the WMCA by Coventry City Council;

(2) That reports be submitted to future meetings of this Board on the available resources for investment purposes, pipeline projects, progress reports on supported schemes, reasons for schemes not progressing, the type of schemes supported and cash utilisation.

This report is PUBLIC
[NOT PROTECTIVELY MARKED]

WEST MIDLANDS COMBINED AUTHORITY

Meeting: Transport Delivery Committee

Subject: Minutes

Date: Monday 3 April 2017 at 1.00pm

Present:

Councillor Richard Worrall (Chair)	(Walsall Metropolitan Borough Council)
Councillor Philip Davis (Vice-Chair)	(Birmingham City Council)
Councillor Pervez Akhtar	(Coventry City Council)
Councillor Robert Alden	(Birmingham City Council)
Councillor Susan Eaves	(Sandwell Metropolitan Borough Council)
Councillor Mohammed Fazal	(Birmingham City Council)
Councillor Kath Hartley	(Birmingham City Council)
Councillor Diana Holl-Allen	(Solihull Metropolitan Borough Council)
Councillor Roger Horton	(Sandwell Metropolitan Borough Council)
Councillor Timothy Huxtable	(Birmingham City Council)
Councillor Chaman Lal	(Birmingham City Council)
Councillor Keith Linnecor	(Birmingham City Council)
Councillor Ted Richards	(Solihull Metropolitan Borough Council)
Councillor Judith Rowley	(City of Wolverhampton Council)
Councillor David Stanley	(Dudley Metropolitan Borough Council)
Councillor Daniel Warren	(City of Wolverhampton Council)
Councillor David Welsh	(Coventry City Council)

Apologies for absence were received from Councillors Andrew and Brothwood.

In attendance:
Lee Eteo (Customer Relations Manager)
Babs Coombes (Rail Partnerships Manager)
David Crockett (CH2M)
Steve Grimes (Midland Metro Alliance)
Jon Hayes (Head of Network Delivery)
Steve Hayes (Network Development and Delivery Manager)
Phil Hewitt (Metro Programme Director)
Linda Horne (Head of Finance)
Steve McAleavy (Interim Director of Transport Services)
Alejandro Moreno (Midland Metro Alliance)
Peter Sargant (Head of Rail)
Laura Shoaf (Managing Director, TfWM)

95/16 Chair's Remarks

The Chair asked Laura Shoaf, Managing Director, to update members on the recent staffing changes to TfWM and WMCA.

The Managing Director informed the committee that Chris Cassidy, Chris Perry and James Aspinall had left the organisation on 31 March. With regard to human resources, she reported that Jenny Groves and Rita Rais would be covering this area in the interim and that Mark Taylor, Director of Finance, City of Wolverhampton Council, would be would be covering the role of Corporate Services Director, on an interim basis, working three days for the WMCA. In addition, it was noted that Alison Pickett, Head of Sustainable Travel and Kerry Swingler, Smarter Choices Manager, had decided to leave the organisation to pursue new careers.

The Managing Director also introduced Steve McAleavy who would be covering the role of Director of Transport Services on an interim basis whilst Pete Bond was taking adoption leave.

96/16 Minutes

The minutes of the meeting held on 6 March 2017 were agreed, and signed by the Chair, as a correct record.

97/16 Matters Arising

(a) **UK Bus Summit** (*minute no.94/16)*
In relation to the slides from the conference and presentational material, the Head of Network Delivery undertook to circulate the information to members.

98/16 Midland Metro Centenary Square/Edgbaston (Five Ways) Extension

The committee considered a report of the Metro Programme Director that updated the board on the Midland Metro Centenary Square/Edgbaston (Five Ways) Extension and the decisions taken by the WMCA Board at its meeting on 17 March 2017.

Phil Hewitt, Metro Programme Director, informed the committee of the decisions taken by the WMCA Board at the last meeting.

A presentation on the Centenary Square/Edgbaston (Five Ways) Extension was given by Steve Grimes, Midland Metro Alliance (MMA) that outlined the plans for the route and the top risks to delivery.

The committee also received a presentation from Alejandro Moreno (MMA) on the Bilston Road track replacement programme that would commence June

2017. The presentation outlined the delivery schedule, the 12 work streams and the new technology solution for the track.

In relation to an enquiry from Councillor Warren as to whether there could be issues with regards to mineshafts beneath the track, the Metro Programme Director reported that MMA has undertaken lots of exploratory groundworks so did not envisage any unforeseen circumstances.

In relation to an enquiry from Councillor Stanley as to whether the tram would terminate at Priestfield during the works, Councillor Horton reported that passengers would be encouraged to alight at The Crescent,

With regards to an enquiry from Councillor Rowley regarding the closure dates for the track replacement works and whether briefings would be given to members notably the Transport Cabinet Member and officers at the City of Wolverhampton Council, Phil Hewitt confirmed that briefings and consultations would be held and that the target date for the work to commence was 12 June 2017. He added that the completion date for the works was before Christmas 2017, although the target date was November which was preferable.

In relation to the Birmingham Centenary Square to Edgbaston Extension and an enquiry from Councillor Rowley regarding whether the lessons learnt from Wolverhampton would be taken into consideration for Pinfold Street and the ground inspections would be as thorough as they could be, the Metro Programme Director reported that it was recognised that the ground is poor at Pinfold Street and as a result a huge amount of attention has been given to the design to take account of the ground conditions.

The Chair thanked officers for their presentations and at the request of the committee Phil Hewitt undertook to circulate both presentations to members for information.

99/16 Park and Ride Update

The committee considered a report of the Interim Director of Transport Services that provided an update relating to the delivery and development of Park and Ride sites in the TfWM area.

The Head of Rail, Peter Sargant, outlined the report and advised the committee that following the Task and Finish Review in 2015, consultants CH2M Hill had undertaken a further review.

David Crockett, CH2M, was in attendance to present the key findings from the review.

It was noted that the review examined the usage of park and ride, the wider policy context, priorities for expansion and options for optimising space, car park design standards, car park operation and management, revenue

opportunities (including charging) encouraging non-car access, best practice review (including other metropolitan areas) and provided a regional perspective on park and ride.

In relation to an enquiry from Councillor Huxtable regarding the Park and Ride Development Programme and in particular Lea Hall and Hall Green and whether the schemes have been considered in conjunction with each other rather than in isolation, noting the implications of Metro and housing development on Lea Hall and Sprint and HS2 on Hall Green, the Head of Rail reported that the schemes would be reviewed to find the right solution in the context of any development and Lea Hall would be reviewed in the wider context of Metro to consider whether this was located in the right place.

In relation to an enquiry from Councillor Huxtable regarding the responsibility for ancillary services at park and ride sites namely lighting, including the use of energy efficient lighting and carrying out repairs, the Head of Rail reported that TfWM is responsible for these services and if there are instances of lights not working, TfWM would inform its contractors when notified in these instances. He added that park and ride sites were in the process of being updated with energy efficient lighting.

In relation to a comment from Councillor Akhtar regarding whether train operating companies contribute towards park and ride costs as they benefit from increasing passenger numbers using their services, the Head of Rail advised that train companies do not contribute towards the costs of TfWM park and ride sites although London Midland and Virgin do charge a commercial rate for car parks they operate.

Councillor Welsh welcomed the work undertaken/expansion of park and ride which he considered a success story and would help alleviate congestion and considered charging for park and ride would be self-defeating.

Councillor Horton, Lead Member for Rail and Metro, reported that charging for park and ride is a policy matter that would need to be determined by West Midlands Leaders.

In relation to a comment from Councillor Stanley regarding the need for additional parking at Coseley Rail Station to alleviate parking problems in the local area and new housing developments in the area which would add further pressure on parking at the station, the Head of Rail advised that he was aware of the issues at the station and it would remain on the list to be considered for expansion.

In relation to an enquiry from Councillor Richards regarding the proposed expansion of Whitlocks End which is needed due to new housing developments, the Managing Director confirmed this scheme would be taken forward.

With regards to an enquiry from Councillor Huxtable regarding ‘Pinch Point’ funding and whether any bids have been submitted by TfWM for further

funding, the Managing Director advised Councillor Huxtable that unfortunately this funding source was no longer available, however, TfWM would seeking funding where possible as park and ride remained a priority.

The Chair thanked officers for their presentation and enquired whether the WMCA Board would be giving consideration to park and ride at a future meeting.

The Managing Director reported that strategic park and ride was on the forward plan for the WMCA Board and was hugely important due to the links with HS2 and Sprint Schemes and this would be considered by the WMCA Board later in the year.

Resolved:

(1) That TfWM provides nearly 9,000 car parking spaces across the rail, metro and bus network be noted ;

(2) That the approach being taken to deliver park and ride as outlined in the report be supported and noted ;

(3) That the presentation from CH2M Hill regarding the park and ride review be noted;

(4) That TfWM actively works with partner organisations and other stakeholders to develop a significant expansion of the park and ride capacity across all public transport modes to support resilience and other policy agendas be noted and

(5) That the annual revenue cost of supporting the delivery of TfWM's free park and ride spaces is circa £2.4m per annum.

100/16 Rail Business Report

The committee considered a report of the interim Director of Transport Services that provided an update relating to the performance, operation and delivery of rail services in the West Midlands including rail partnership agreements and West Midlands Rail Activity.

The Rail Partnerships Manager, Babs Coombes, presented the report and highlighted the key areas to the committee.

In relation to the minimum improvements being delivered in the next West Midlands Franchise and an enquiry from Councillor Warren regarding the upgrading of passenger facilities at stations such as Tipton, Coseley and Smethwick Galton Bridge, the Rail Partnerships Manager advised that Birmingham to Wolverhampton has been identified as a pilot but the nature of the improvements would be a matter for the train operator to determine.

Councillor Horton concurred that the customer experience and infrastructure for Smethwick Galton Bridge was poor and that he also asked TfWM to look into the matter.

Councillor Davis reported that he welcomed the development of the 'Stations Alliance' to bring about improvements to rail stations in the West Midlands as he hoped this would provide the opportunity to resolve problems with graffiti as Network Rail has failed to tackle the issue.

The Rail Partnership Manager concurred with Councillor Davis noting the perceptions around anti-social behaviour and the need to include a section on graffiti for the Stations Alliance to take forward.

In relation to a comment from Councillor Huxtable regarding the importance of involving stakeholders including elected members in projects, the Head of Rail reported that he was engaging partners with regards to Longbridge and University stations and would also involve Birmingham City Council Officers and Members at the appropriate time

Resolved:

(1) That the report be noted.

101/16 Bus Report

The committee considered a report of the Interim Director of Transport Services relating to the performance, operation and delivery of bus services in the West Midlands

The Network Development and Delivery Manager, Steve Hayes, presented the report and advised the committee that with regards to the Autumn 2016 National Bus Passenger Survey, overall passenger satisfaction remains at 85% which is the same as 2015 and within the Bus Alliance target of maintaining satisfaction above 85%.

In relation to a comment from Councillor Stanley regarding the need for Dudley MBC to fulfil traffic enforcement around Dudley Bus Station to prevent delays to bus journeys, the Head of Network Delivery reported that he was aware of the problems but would raise the issue formally with Dudley MBC.

In relation to an enquiry from Councillor Welsh regarding whether the creation of the Clean Air Zone in Birmingham City Centre would lead bus operators to move more polluting buses to Coventry, Dudley and Wolverhampton, the Network Development and Delivery Manager reported that all subsidised contracts would need to be Euro V which was a good standard and he would expect the bus fleet in the West Midlands to be one of the cleanest in the UK in keeping with the commitment of the Bus Alliance.

In relation to the announcement made by the Network Development and Delivery Manager, that the Managing Director of National Express, Peter

Coates would be retiring in May this year, the Chair conveyed best wishes to Peter Coates on behalf of the committee.

The Chair noted that the Network Development and Delivery Manager would be leaving his post in May to take up the position of the Head of Transport at Milton Keynes Council and this would be his last meeting. The Chair conveyed his congratulations and best wishes to Steve Hayes on behalf of the committee.

Resolved:

(1) That the report be noted.

102/16 Customer Engagement Update

The committee considered a report of the interim Director of Transport Services on the key engagement forums and activities undertaken during the municipal year 2016-2017.

The Customer Relations Manager, Lee Eteo was in attendance to present the report.

Councillor Hartley, Lead Member for Putting Passengers First, reported that the Passenger Champion Scheme has evolved over the last five years and invitations regarding Passenger Champion Briefings are sent to members along with details of Your Public Transport Matters events so that members can be involved in events in their district.

Lee Eteo informed the committee that Your Public Transport events have been rebranded to focus on different transport themes such as Swift and there would be improved publicity to encourage more people to attend.

In relation to a comment from Councillor Stanley regarding the lack of kerbs at bus stands at Merry Hill Bus Station that creates difficulties for disabled people to board the bus and results in delays in bus boarding times, the Head of Network Delivery undertook to speak to the Bus Station Teams to see if anything could be done.

Resolved:

(1) That the report be noted.

103/16 CityConnect Cycle Superhighway Site Visit

The committee considered a joint report from Councillors Warren and Rowley that provided a report back from the Leeds Bradford Cycle Superhighway visit on 22 February 2017.

Councillor Rowley outlined the report and reported that one of the most significant features regarding the CityConnect cycle route was to the decision to locate the Superhighway from Leeds to Bradford in one of the most deprived areas of the region (where propensity to cycle is generally lower) which provided improved access to employment and levels of physical activity.

Councillor Warren reported that he had cycled on the route and had felt very safe cycling in the dedicated cycle lane that was separate from traffic on the highway.

Resolved:

(1) That the report be noted.

104/16 WMCA Update – Transport Reports For Information Only

Review of Swift Brand

The committee considered a report on the Review of Swift Brand that had been approved by the West Midlands Combined Authority (WMCA) Board at its meeting on 17 March.

Councillor Rowley reported that she was surprised to learn of the rebranding of the Swift card as no mention was made of this in the Swift Programme Update report that was presented to this committee on 6 February 2017. Councillor Rowley considered the new look design for Swift was old-fashioned, enquired why the design had changed and why members had not been consulted on the change, adding that she was very proud of Swift.

Councillor Alden reported that he concurred with Councillor Rowley and felt the design of the Swift card looked dated and old- fashioned and enquired as to the actual costs of the redesigned Swift card and asked to be provided with the breakdown of costs.

Councillor Davis, Lead Member for Finance and Performance Monitoring reported that he was told the cost was £55k which was taken from the marketing budget but he shared the concerns of members.

The Chair reported that whilst he understood this committee was responsible for delivery, he considered members should have been consulted where they have the ability to add value and considered the matter should have been handled better.

Councillor Huxtable considered that this committee could have been consulted on the changes to Swift at its meeting on 6 March which would have allowed members to have provided comments before the WMCA Board determined the matter.

Councillor Welsh reported that he considered elements of the new Swift card design to be positive, in particular the use of colour to denote different Swift products and added that he was looking forward to how Swift would be publicised in the future.

The Managing Director, Laura Shoaf, reported that the WMCA Board established the TfWM Smart Programme Board with the functionality for smart ticketing/ Swift and the board was responsible for the rebranding of Swift.

The Managing Director explained that the rebrand was not a criticism of Swift as all reports to the WMCA Board have highlighted its success. However, the original Swift card needed to be updated with details of the WMCA. The Managing Director advised that the decision was taken to refresh the brand design at the same time as correcting the information and sending out Swift cards to 12,000 direct debit nTrain customers that were converted from paper tickets to Swift which was challenging. It was noted that the new Swift card design made the WMCA branding more prominent and the colours reflected those of the Authority; the cost of the brand design (£44k) was off-set by funding for nTrain direct debit and the marketing budget.

The Managing Director reported that it was regrettable the way this matter was handled and apologised for this, undertaking to feedback comments from this committee to the board. She added that the change to the Swift card was only cosmetic rather than a change to the product and that different colours were used to identify the range of ticket types available.

In relation to an enquiry from Councillor Welsh regarding why the new Swift card was branded WMCA rather than TfWM, the Managing Director reported that WMCA was the legal entity and legal advice had been sought on the matter.

In relation to an enquiry from Councillor Horton regarding a Swift Update report on the forward plan for the next meeting, the Managing Director explained that the report was the standard update report.

105/16 Forward Plan

The committee considered a report of agenda items to be submitted to future meetings.

Resolved:

(1) That the report be noted.

CHAIRMAN

This report is PUBLIC
[NOT PROTECTIVELY MARKED]

WEST MIDLANDS
COMBINED AUTHORITY

Board Meeting

Date	12 May 2017
Report title	Responding to the Government's Consultation on Increasing the Regional Impact of Channel 4 Corporation
Cabinet Member Portfolio Lead	Councillor John Clancy – Economic Growth
Accountable Chief Executive	Martin Reeves, West Midlands Combined Authority Chief Executive Email: martin.reeves@coventry.gov.uk Tel: 024 7683 1383
Accountable Employee	Neil Rami, Chief Executive, West Midlands Growth Company Tel: 0121 202 5011
Report to be/has been considered by	

Recommendation(s) for action or decision:

The Combined Authority Board is recommended to:

1. Welcome the publication of the Government's consultation on *Increasing the Regional Impact of Channel 4 Corporation*.

2. Agree that the WMCA should submit a regional response to the consultation on behalf of the West Midlands and commission the West Midlands Growth Company to lead on the preparation of the response.

3. Welcome the funding of a feasibility study by a number of partners including the Black Country and the Greater Birmingham & Solihull (GBS) LEPs, Coventry City Council and the Coventry & Warwickshire LEP, subject to their Board's approval.

4. Note the next steps and agree to receive a further report at the CA Board meeting on 23 June 2017 where delegated authority for sign-off of the final submission will be sought.

1.0 Purpose

1.1 To inform the Board of the consultation document that the Government has recently launched on the future of Channel 4.

1.2 To seek agreement to the WMCA developing a response and the commissioning of the West Midlands Growth Company to lead on this work.

2.0 Background

2.1 On 12 April 2017, the Government launched a consultation on *Increasing the Regional Impact of Channel 4 Corporation*. They are seeking views on how Channel 4 can most effectively contribute to regional economic growth, stimulate regional creative industries and better serve regional audiences. Specifically they would like to look at:

- To what extent should Channel 4 be based outside London, potentially including moving its headquarters;
- Whether more programmes shown on Channel 4 should be made outside London; and
- Whether Channel 4 should be able to make larger investments in production companies to support the development of emerging talent, including that from the regions, and help bolster Channel 4's future financial position.

2.2 The Government is seeking responses to a series of questions set out in the consultation document. The deadline for submissions is 5 July 2017.

2.3 Considerable work has been undertaken to date across the region, including engagement across Government on regional policy in this area, and it is considered that the West Midlands is well positioned to make a strong case for the relocation of Channel 4.

2.4 Birmingham City Council, Solihull Metropolitan Borough Council and GBSLEP have been promoting the relocation of Channel 4 over a number of months with Birmingham city centre and UK Central (Solihull) highlighted as potential locations. Coventry City Council has registered its interest in the Friargate development in Coventry city centre being considered. There are also other potential interests being expressed associated with Enterprise Zones in the Black Country. All sites would be considered on an equal basis during the development of the bid.

3.0 Next Steps

3.1 Given the likely strong competition from across the country, it is clear that the West Midlands will need to produce a compelling proposition if Channel 4 is to re-locate here. It is proposed that the West Midlands Growth Company will be best placed to lead on this work on behalf of the WMCA, reporting into a 'commissioning group'. This will need to include representatives from across the three LEP geography who will collectively develop the proposal, drawing on the expertise of other partners and stakeholders as appropriate. It will be this group's responsibility to keep relevant members of the CA Board briefed on developments and engaged with the process.

3.2 If the Board agrees to a joint response, early actions will be to develop a project plan and formulate a stakeholder engagement plan. A number of partners have agreed to co-fund a feasibility study to support the preparation of a bid, including the Black Country and GBS LEPs, Coventry City Council and the Coventry & Warwickshire LEP, subject to their Board's approval.

4.0 Financial implications

4.1 There are no financial implications for the WMCA arising from this report at this stage of the consultation process.

5.0 Legal implications

5.1 There are no legal implications arising from this report

6.0 Schedule of background papers

6.1 Government Consultation: *Regional Impact of Channel 4 Corporation*.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/608416/Increasing_the_Regional_Impact_of_Channel_4_Corporation_-_Consultation___1_.pdf

WEST MIDLANDS
COMBINED AUTHORITY

Board Meeting

Date	12 May 2017
Report title	Financial Monitoring 2016/17
Cabinet Member Portfolio Lead	Councillor Izzi Seccombe – Finance & Investments
Accountable Chief Executive	Martin Reeves Email martin.reeves@coventry.gov.uk
Accountable Employee	Mark Taylor Email Mark.Taylor@wmca.org.uk Tel 0121 214 7600
Report to be/has been considered by	WMCA Programme Board – 28 April 2017

Recommendation(s) for action or decision:

WMCA Board is recommended to:

1. Approve the 3 year advance payment of the Pension Fund employers superannuation contribution given the discount available from the Pension Fund.

2. Note the final outturn position for 2016/17.

1.0 Purpose

1.1 To provide an update of the WMCA finances as at the end of March 2017.

2.0 Financial Monitoring

2.1 A summary of the revenue and capital financial outturn against the reported forecast are attached at Appendices 1 and 2. A Summary Balance sheet is reported in Appendix 3 and a summary of the Investment Programme along with current commitments is included in Appendices 4 and 5.

2.2 The final outturn against the transport budget was only £0.074m higher than forecast, being £0.083m lower than budgeted deficit at £0.856m for the year.

2.3 Key variances from forecast are one off costs within the **ENTCS** concessions budget relating to the purchase of Swift card readers (£0.220m) and consultancy costs relating to Swift capping work (£0.270m), offset by savings against the child concessions budget of £0.100m due to slightly lower than forecast patronage.

The **FY** variances against budget and forecast within finance costs are due to reorganisation costs which are offset by savings against loan interest, due to no borrowing taking place. Also there has been a revenue contribution to capital of £0.322m for additional digital advertising panels, funded by additional advertising revenue and the Metro 2030 study looking at future Metro works with regard to optimising costs and achieving savings.

Specific commentary is included in Appendix 1.

2.4 Also shown in Appendix 1 is the final position of the WMCA operational budget. The final outturn shows a minor adverse variance from forecast of £0.018m.

Specific commentary is included in Appendix 1.

2.5 In Appendix 2 transport major schemes ended the year 18% behind budget which is mainly as a result of delays to works on the Centenary Square, Edgbaston and Wolverhampton metro extensions relating to utility / ground works and land acquisitions, and within other major projects the 2016/17 spend on the Birmingham City Centre scheme reflects safety works and the final account with the contractor.

2.6 The minor works programme was 16% (£0.9m) behind budget, mainly relating minor variances across a number of projects, most significant of which being the digital advertising panel roll out and park and ride development activity.

2.7 The WMCA balance sheet as at 31 March is reported at Appendix 3. This shows a general fund balance of £1.825m as at 31 March 2017, which is significantly below recommended levels.

WMCA General Fund	TFWM £000	WMCA £000	Total £000
1 April 2016 Opening Balance	2,522	0	2,522
Movements in the year	(856)	159	(697)
31 March Closing Balance	1,666	159	1,825

2.8 The 2016/17 WMCA Investment Programme as at 28 February is attached at Appendix 4. This is one month behind as the process gives districts 2 weeks post month end to supply their latest claim and forecast figures. Of the £39.5m spend year to date, £6.5m is WMCA funding. A variance commentary is included in the appendix.

2.9 Projects with a total value of £457m have entered the WMCA Assurance Framework with £222.8m of projects gaining approval, most notable of which is the £98.7m towards the Coventry City Centre Regeneration project.

2.10 The 2016/17 financial outturn reported is subject to external audit with the annual accounts to be presented to the Audit, Risk & Assurance Committee (ARAC) in May for sign off for the audit to commence on 15 May as per the approved audit plan. Audit findings and the final audited annual accounts will be reported for approval to ARAC on 16 June for final accounts approval at the main board in July.

2017/18 Transport Budget Pension Contributions

2.11 In approving the 2017/18 Combined Authority revenue budget in March, approval was given to take up the opportunity to pay the full 3 year deregulated pension fund deficit in advance to take advantage of an advance payment discount and this lower discounted figure was reflected within the budget approved.

2.12 Following this approval the opportunity to also pay the Pension Fund employers superannuation contribution three years in advance was also offered based on an assumed payroll level. Any overpayment or underpayment, based on actual payroll data, will be adjusted in subsequent years or rolled up into the next actuarial valuation in the case of the third year. The advance discount levels are year one 2.4%, year two 7.1% and year three 11.5% and will result in an estimated 3 year saving of £0.412m. It is considered that discount levels offered are higher than the cost of the return of any investments from the cash held or used, hence it is recommended that take up of this opportunity is endorsed.

2.13 The Combined Authority auditors requested that the decision to take advantage of the discounted payment is formally approved by the full board.

3.0 Legal implications

3.1 There are no legal implications.

4.0 Equalities implications

4.1 There are no equalities implications

5.0 Appendices

- Appendix 1 – WMCA Revenue Summary – March 2017
- Appendix 2 – WMCA Transport Capital Programme - March 2017
- Appendix 3 - WMCA Balance Sheet as at 31 March 2017
- Appendix 4 – WMCA Investment Programme February 2017
- Appendix 5 – WMCA Investment Programme Commitments to date

Appendix 1

West Midlands Combined Authority Revenue Report March 2017

OVERALL REVENUE BUDGET STATUS GREEN	March 2017 Year to Date			Full Year 2016/17			Commentary
	Actual £'000	Budget £'000	Variance £'000	Actual £'000	Forecast £'000	Variance £'000	
INCOME							
Transport Levy	124,830	124,830		124,830	124,830		
Total Income	**124,830**	**124,830**		**124,830**	**124,830**		
EXPENDITURE							
Concessions							
National Bus Concession	53,707	53,633	(74)	53,663	53,352	(311)	The favourable FY variance within the concessions budget is £1.427m reflecting final patronage and operator payments for the year.. The adverse variance to forecast is largely due to the purchase of Swift card readers (£0.220m) and a piece of consultancy work undertaken regarding Swift capping (£0.270m) this is partially offset by lower patronage with non NX operators and child concessions £0.100m.
Metro / Rail	4,247	4,213	(34)	4,247	4,213	(34)	
Child Concession	9,886	11,425	1,539	9,886	9,986	100	
Passes and Permits	177	171	(5)	177	165	(12)	
	68,017	69,442	1,425	67,973	67,716	(257)	
Bus Services							
Bus Stations / Infrastructure	4,021	2,931	(1,089)	4,065	4,085	20	The adverse variance to budget within bus services is largely due to a reduction in advertising income FY (£0.539m) as a result of a new contract. Additionally an increase in prices due to new cleaning contract, routine maintenance and shelter repairs has resulted in an adverse variance of (£0.322m). Other minor variances make up the balance.
Subsidised Network	7,569	7,558	(11)	7,569	7,624	55	
Tendering / Monitoring	879	986	107	879	946	66	The favourable variance against forecast largely relates to monitoring and marketing campaigns that have not taken place along with a small saving on subsided service payments due to operator under performance.
Accessible Transport	7,564	7,568	4	7,564	7,567	2	
	20,034	19,043	(990)	20,078	20,221	144	
Rail Services							
Metro	993	876	(117)	993	1,005	12	The Metro adverse variance against budget largely occurred due to unbudgeted stray current monitoring and tram storage legal fees, insurance costs and additional Marshalls at the December 16 German markets (£0.117m).
Rail Enhancements							
Car Park and Ride	1,116	1,059	(58)	1,116	1,152	36	
West Midlands Rail	600	580	(21)	600	587	(13)	
Bromsgrove Rail Station		510	510		283	283	The favourable variance against budget and forecast relating to Bromsgrove rail station has occurred due to receiving more income than initially budgeted, as a result of station access charges being re-profiled by the DFT and budgeted capital financing costs not being required to be charged in year.
	2,710	3,024	314	2,710	3,028	318	
Integration							
Safety and Security	1,072	1,073	1	1,072	1,072		The FY adverse variance against budget within passenger information has occurred as a result of additional staff being required within the customer intelligence and customer services team, due to the opening of the metro extension (£0.078m). Also unbudgeted licence cost within the customer insight team and Swift marketing have led to further adverse variances of (£0.094m).This is offset by a favourable variance within the WMTIS budget £0.048m, which is no longer in existence. The (£0.115m) variance against forecast has largely occurred due to Swift marketing and a backdated service charge settlement.
Passenger Information	5,501	5,209	(292)	5,501	5,386	(115)	
Sustainable Travel	(70)	(65)	5	(70)	(67)	3	
	6,503	6,218	(285)	6,503	6,391	(112)	
Business Support Costs	3,500	3,273	(228)	3,500	3,449	(52)	The adverse FY variance within business support costs relates to recruitment costs and building maintenance.
Policy and Strategy and Elected Member Services	1,740	1,975	234	1,740	1,813	73	The favourable variance against budget within the Policy and Strategy area is largely due to vacant posts.
Finance Charges							
Finance Costs	16,329	15,922	(407)	16,329	16,141	(188)	The FY variances against budget and forecast within finance costs are due to reorganisation costs which are offset by savings against loan interest, due to no borrowings taking place. Also there has been a revenue contribution to capital of £0.322m for digital advertising panels funded by the additional advertising revenue above and the Metro 2030 study looking at future Metro works with regard to optimising costs and achieving savings.
Deregulation Pension Costs	6,854	6,873	19	6,854	6,853	(1)	
	23,182	22,794	(388)	23,182	22,994	(188)	
Total Expenditure	**125,686**	**125,769**	**83**	**125,686**	**125,612**	**(74)**	
Net	**(856)**	**(939)**	**83**	**(856)**	**(782)**	**(74)**	

West Midlands Combined Authority Operational Budget - March 2017

FINANCIAL SUMMARY AS AT MARCH 2017	MARCH 2017 YEAR TO DATE			FULL YEAR 2016/17		
	ACTUAL £000	BUDGET £000	VARIANCE £000	ACTUAL £000	FORECAST £000	VARIANCE £000
2015/16 Contributions - 7 Met Council's	492	492	0	492	492	0
Contribution - 7 Met Council's	1,750	2,002	(252)	1,750	1,750	0
Non-Constituent Members	375	250	125	375	375	0
Associate Members / Official Observers	50	50	0	50	50	0
DWP Grant - Health - Led Employment Trials		0	0			0
Total Income	**2,667**	**2,794**	**(127)**	**2,667**	**2,667**	**0**
Collective Investment Fund	(292)	(350)	58	(292)	(350)	58
Communications	(152)	(298)	146	(152)	(225)	73
Culture and Tourism	(16)	(20)	4	(16)	(20)	4
Housing & Land Commission	(323)	(317)	(6)	(323)	(357)	34
Midlands Engine Contribution	(140)	0	(140)	(140)	(160)	20
Mental Health Commission	(232)	(223)	(9)	(232)	(225)	(7)
Productivity & Skills Commission	(150)	(150)	0	(150)	(30)	(120)
Program/Policy/Governance	(624)	(645)	21	(624)	(599)	(25)
Public Sector Reform	(462)	(500)	38	(462)	(389)	(73)
Skills	0	(101)	101	0	0	0
Transport	(117)	(190)	73	(117)	(135)	18
Total Expenditure	**(2,508)**	**(2,794)**	**286**	**(2,508)**	**(2,490)**	**(18)**
TOTAL RETURN	**159**	**0**	**159**	**159**	**177**	**(18)**

OVERALL WMCA OPERATIONAL BUDGET STATUS

GREEN

Final Outturn V Forecast

At the end of the year there is a surplus of £0.159m within the WMCA operational budget. This is explained below:

CIF - Savings have been made as management fee was charged for 10 months of the year rather than 12.
Communications - Savings relate to the promotional budget largely due to the scaled down launch of the Land Commission and lower than expected expenditure on the launch of the Mental Health Commission.
Housing & Land Commission - Provision was made in the forecast for a possible Land Commission launch conference which did not happen.
Midlands Engine - the confirmed 2016/17 contribution was £0.020m less than forecast.
Mental Health - There is a minor overspend against forecast in the full year. Expenditure to date reflects expected contract spend and expenses for commission members to the end of the year.
Productivity & Skills Commission - The overspend against forecast relates to consultancy work carried out by PWC which has happened earlier than originally expected.
Program/Policy/Governance - Adverse variance relates to the Programme Office team based in Wolverhampton where final staff costs and expenses are higher than forecast.
PSR - There is an over-spend against forecast of (£0.073m) which is consultancy work relating to Information Sharing for which the costs have been provided in 2016/17.

Appendix 2

West Midlands Combined Authority Transport Delivery Capital Programme - March 2017

WEST MIDLANDS COMBINED AUTHORITY

FINANCIAL SUMMARY AS AT MARCH 2017	VARIANCE TO BUDGET				VARIANCE TO FORECAST			
	ACTUAL £000	BUDGET £000	VARIANCE £000		ACTUAL £000	FORECAST £000	VARIANCE £000	
STRATEGIC ECONOMIC PLAN MAJOR SCHEMES								
Longbridge Connectivity Package	(14)	(250)	236	94%	(14)	(10)	(4)	40%
Hagley Road Sprint	(273)	(432)	159	37%	(273)	(670)	397	59%
A45 Sprint	(200)	(276)	76	28%	(200)	(248)	48	19%
Metro Centenary Square Extension	(6,092)	(6,561)	469	7%	(6,092)	(6,167)	75	1%
Metro Birmingham Eastside Extension	(2,479)	(2,976)	497	17%	(2,479)	(2,606)	127	5%
Metro Wolverhampton City Centre Extension	(3,357)	(3,846)	489	13%	(3,357)	(3,094)	(263)	9%
Metro Edgbaston Extension	(5,090)	(8,087)	2,997	37%	(5,090)	(5,090)	0	0%
District Delivered - Managing Short Trips (BC LEP)	(4,418)	(4,380)	(38)	1%	(4,418)	(4,375)	(43)	1%
SUB TOTAL - SEP SCHEMES	**(21,923)**	**(26,808)**	**4,885**	**18%**	**(21,923)**	**(22,260)**	**337**	**2%**
OTHER MAJOR PROGRAMMES								
Better Bus Area Programme	(273)	(283)	10	4%	(273)	(283)	10	4%
Smart Networks Smarter Choices (LSTF 1)	(156)	0	(156)	0%	(156)	(144)	(12)	8%
Birmingham City Centre Metro Extension	(7,127)	(4,833)	(2,294)	47%	(7,127)	(5,078)	(2,049)	40%
Metro Wednesbury to Brierley Hill Extension	(1,711)	(1,500)	(211)	14%	(1,711)	(1,384)	(327)	24%
Metro East Birmingham to Solihull Extension	(860)	(1,500)	640	43%	(860)	(879)	19	2%
Bromsgrove Station	(504)	(380)	(124)	33%	(504)	(579)	75	13%
Bilston Road Track Replacement	(285)	0	(285)	0%	(285)	(423)	138	33%
Metro Catenary Free	(108)	(158)	50	32%	(108)	(158)	50	32%
SUB TOTAL - OTHER MAJOR SCHEMES	**(11,024)**	**(8,654)**	**(2,370)**	**27%**	**(11,024)**	**(8,928)**	**(2,096)**	**23%**
GRAND TOTAL MAJOR SCHEMES	(32,947)	(35,462)	2,515	7%	(32,947)	(31,188)	(1,759)	6%
MINOR PROGRAMMES								
Minor Works Programme Total	(4,923)	(5,861)	938	16%	(4,923)	(5,198)	275	5%
FULL PROGRAMME GRAND TOTAL	(37,870)	(41,323)	3,453	8%	(37,870)	(36,386)	(1,484)	4%

OVERALL PROGRAMME STATUS

GREEN

The Strategic Major Works Programme under-spent against budget by 18% in 2016 / 2017 mostly due to issues around Metro utilities works and land acquisitions which were factored into the forecast out-turn projections.

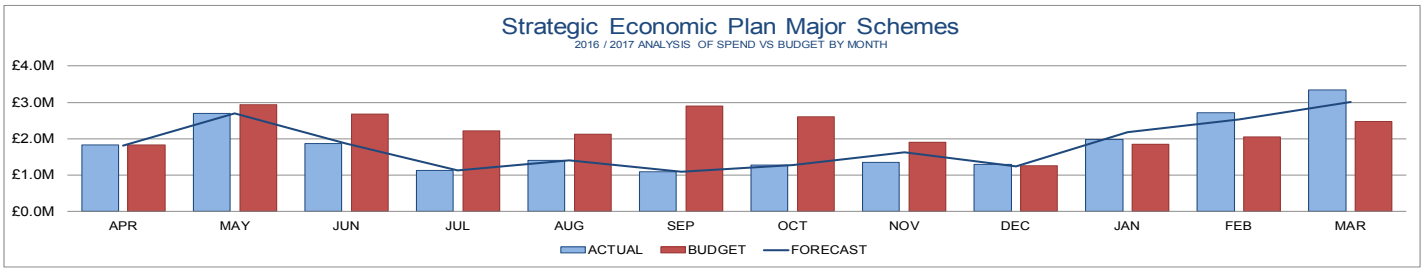
The forecast for the year was a marginal underspend of 2% with the most significant variance being due to Hagley Road Sprint utility and land acquisition costs being deferred to 2017 / 2018.

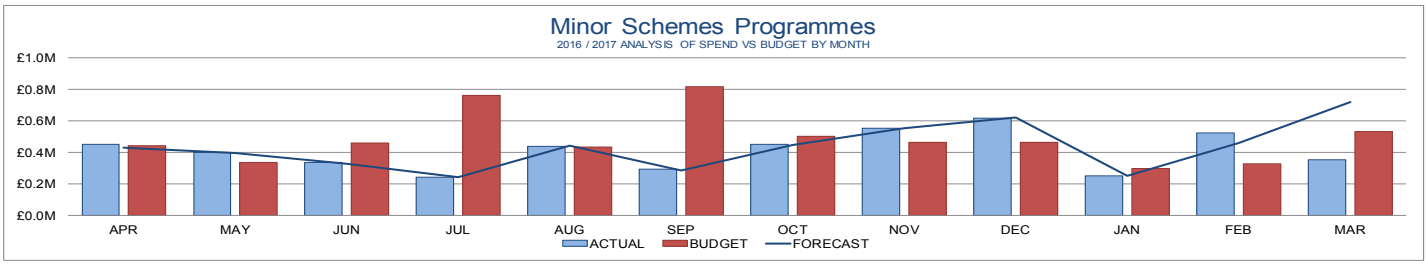
The Major Works Programme over-spent by 27% (£2.370m) of its annual budget, mostly due to the final works associated with the Birmingham City Centre Metro Scheme.

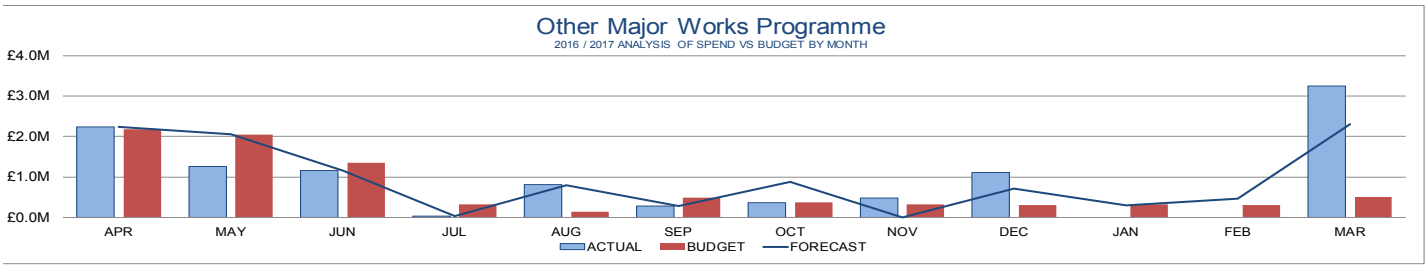
In addition, Metro East Birmingham to Solihull underspent by 43% of it's annual budget due to deferred activity relating to route options and preliminary development work.

The actual for the year was 23% over the forecast estimate, driven mostly by costs relating to the final settlements against the Birmingham City Centre Metro scheme.

The Minor Works programme under-spent by £0.9m due mostly to minor delays across a number of schemes. The forecast showed a 5% underspend of £0.2m mostly due to Metro Minor works and a deferral of activity on Walsall Cutting.







Appendix 3

WMCA Balance Sheet as at 31 March 2017

	31 March 2017 £'000	28 February 2017 £'000	Movement £'000
Property, plant and equipment	248,739	245,897	2,842
Long-term assets	248,739	245,897	2,842
Debtors	23,926	25,242	(1,316)
Short -term deposits	50,200	50,900	(700)
Cash and bank	104	(232)	336
Current assets	74,230	75,910	(1,681)
Loans - interest due	(2,360)	(2,769)	409
Short-term creditors/accruals	(41,379)	(33,472)	(7,907)
Current liabilities	(43,739)	(36,241)	(7,498)
Net current assets	**30,491**	**39,669**	**(9,178)**
Provisions	(6,803)	(5,062)	(1,741)
Finance lease liabilities	(2,675)	(2,675)	-
PWLB	(147,719)	(147,719)	0
Other loans - Barclays	(10,000)	(10,000)	-
Dudley MBC	(8,499)	(9,068)	569
Grants receipts in advance	(11,803)	(16,106)	4,303
Long-term liabilities	(187,499)	(190,630)	3,131
Net assets	**91,731**	**94,937**	**(3,206)**
General fund balance	1,825	3,725	(1,900)
Earmarked reserves	48,039	47,110	929
Capital grants unapplied reserve	247	247	-
Usable reserves	50,111	51,082	(971)
Revaluation reserve	7,358	7,360	(2)
Deferred capital grants account	241,361	238,519	2,842
Capital financing account	(207,099)	(202,025)	(5,074)
Unusable reserves	41,620	43,855	(2,235)
Total reserves	**91,731**	**94,937**	**(3,206)**

The WMCA Balance Sheet reflects a healthy financial position. Main changes since February reflect TfWM capital spend and work-in-progress funded mainly by grants in advance. This has resulted in an increase in creditors/accruals offset by the decrease in grants receipts in advance and increase in fixed assets (namely from projects relating to Metro extensions).

The Balance Sheet excludes the valuation on Bromsgrove station which will not be available until May 2017. There is no financial impact on the general fund from the valuation.

Appendix 4

Investment Programme Summary Financials

Period Ending 28th February 2017

OVERALL PROGRAMME STATUS GREEN	PROJECT RAG	YEAR TO DATE ACTUAL £M	YEAR TO DATE BUDGET £M	YEAR TO DATE VARIANCE £M	CURRENT YEAR BUDGET £M	CURRENT YEAR FORECAST £M	CURRENT YEAR VARIANCE £M	COST TO COMPLETION BASELINE £M	COST TO COMPLETION LATEST £M	COST TO COMPLETION VARIANCE £M
UK Central Growth and Infrastructure Plan *(Excl £216m Hub in HS2CP Below)*		2.4	3.3	0.9	3.7	2.9	0.8	1,406	1,406	0.0
HS2 Curzon Street Station Masterplan		0.0	0.0	0.0	0.0	0.1	(0.1)	556.5	556.5	0.0
HS2 - Eastside (Adderley St to Digbeth Metro)		2.3	2.8	0.5	3.0	2.6	0.4	137.2	137.2	0.0
HS2 - Metro Birmingham Interchange		0.7	1.3	0.7	1.5	0.9	0.6	675.0	735.0	(60.0)
HS2 Wider Connectivity Package excluding Metro Birmingham Interchange		12.8	17.5	4.7	19.2	15.3	3.9	1,257.0	1,257.0	0.0
Brierley Hill Metro Extension		1.3	1.3	0.1	1.6	1.4	0.2	310.0	310.0	0.0
High Speed Supply Chain & Business Support		0.0	0.0	0.0	*5.5*	5.5	*0.0*	*350.0*	-	-
Employment, Education & Skills - National College for High Speed Rail		12.4	11.6	(0.8)	12.9	14.1	(1.3)	28.5	24.9	3.6
Programme Management		0.3	0.3	0.0	0.3	0.3	TBC	4.4	4.4	0.0
HS2 Growth Strategy Total		**32.1**	**38.1**	**6.0**	**47.6**	**43.0**	**4.6**	**4,724.4**	**4,430.7**	**(56.4)**
Coventry UK Central Plus Connectivity		3.3	3.5	0.2	3.9	4.4	0.5	370.0	370.0	0.0
Coventry City Centre Regeneration		0.4	0.3	(0.1)	0.3	0.4	0.1	150.0	151.2	(1.2)
Collective Investment Vehicle		3.6	4.4	0.8	4.4	4.4	0.0	1,000.0	1,000.0	0.0
Land Reclamation		0.0	0.0	0.0	0.0	0.0	0.0	200.0	200.0	0.0
Devolved Transport Investment		*0.0*	*TBC*	*TBC*	*TBC*	*TBC*	*TBC*	*1,299.0*	*1,299.0*	*0.0*
EZ Expansion Excluding Curzon		*0.0*	*TBC*	*TBC*	*TBC*	*TBC*	*TBC*	*20.0*	*20.0*	*0.0*
Business Innovation		*0.0*	*TBC*	*TBC*	*TBC*	*TBC*	*TBC*	*50.0*	*50.0*	*0.0*
West Midlands Revolving Housing Fund		0.0	0.0	0.0	0.0	0.0	0.0	500.0	0.0	500.0
OTHER INVESTMENT PROGRAMME SCHEMES		**7.4**	**8.2**	**0.9**	**8.6**	**9.3**	**0.6**	**3,589.0**	**3,090.2**	**498.8**
GRAND TOTAL		**39.5**	**46.3**	**6.9**	**56.3**	**52.3**	**5.2**	**8,313.4**	**7,520.9**	**442.4**

Analysis of Year to Date Funding	Year to Date £m
Central Government	10.4
Local Growth Fund / LEP	8.6
WMCA	6.5
Enterprise Zone	5.4
Collective Investment Borrowing *	3.6
DFT	2.3
Local Authority	2.1
EU	0.5
Grand Total	39.5

* Undertaken by BCC in advance of WMCA obtaining powers

Commentary on Significant Variances as at 28th February

The year to date variance of £6.9m is mostly attributable to variances against the HS2 Connectivity Package in relation to utilities and land acquisitions within the Birmingham City Centre (Centenary Square /Edgbaston) and Wolverhampton Metro schemes.

The 2016/17 Full Year position on the Programme shows spend broadly in line with expectations, with some minor slippage against the HS2 Connectivity Package due to the issues detailed above. The forecast for the year of £52m suggests a spend of £13m to be incurred in March although that figure assumes £5.5m of HS2 Supply Chain investments are undertaken before 31st March 2017. The remaining spend is largely expected to be incurred against the Connectivity Package and the HS2 College.

There remains a forecast £60m over-spend against the Metro to Birmingham Airport due to the inclusion of optimism bias within the estimates, which is expected to be reduced downwards as the project detail is refined.

The Curzon St Station Masterplan is fully funded from EZ and has been re-based at £556.5m to include the main HS2 and Social / Transport Infrastructure Works (£485m) plus £71m of Curzon EZ Revenue costs as advised by BCC Finance.

It should be noted that WMCA Board approved the re-prioritised HS2 Connectivity Package on 17th February 2017. In addition, the UKC Growth and Infrastructure Plan as accepted by the Delivery Board is included in the above at a total value of £1.622bn across the UKC and HS2 Connectivity scheme headings.

APPENDIX 5 - WMCA Investment Programme Commitments

Scheme	Board	WMCA Funding £
Approved Investment WMCA Management Board & Assurance Framework:		
Coventry City Centre South		98,753,985
Innovation CDIS		25,000
Land Remediation Fund		53,000,000
UKC Utilities Investigation		100,000
Metro East Birmingham *		12,000,000
UKC Land Valuations		50,000
UKC Cap Park Strategy		30,000
Edgbaston Metro Extension		58,900,000
Sub Total Approved		**222,858,985**
Projects Progressing through the Approval Process:		
Coventry City Centre First	Investment Board 03/04/2017	51,000,000
Hagley Road Sprint	Investment Board 03/04/2017	2,400,000
Coventry Friargate	Technical Appraisal Panel 12/04/2017	51,200,000
Sprint Birmingham to Sutton	Technical Appraisal Panel 12/04/2017	27,100,000
Wednesbury Brierley Hill Metro	Technical Appraisal Panel 12/04/2017	103,000,000
Sub Total Gaining Approval		**234,700,000**
Total Potential Commitment Against Devoloution Grant		**457,558,985**
Collective Investment Vehicle Approvals to Date		**88,580,000**
Total WMCA Borrowing Commitments to Date		**546,138,985**

*** In leiu of DfT funding to develop scheme**

This report is PUBLIC
[NOT PROTECTIVELY MARKED]

WEST MIDLANDS
COMBINED AUTHORITY

Board Meeting

Date	12 May 2017
Report title	Joint response – Government Consultation Business Rates Retention
Cabinet Member Portfolio Lead	Councillor Izzi Seccombe – Finance & Investment
Accountable Chief Executive	Keith Ireland Managing Director Wolverhampton City Council Email: keith.ireland@wolverhampton.gov.uk Tel: 01902 554500
Accountable Employee	Mark Taylor Section 151 Officer Email: mark.taylor@wmca.org.uk Tel: 0121 214 7600
Report to be/has been considered by	WMCA Management Board 27 April 2017 WMCA Programme Board 28 April 2017

Recommendation for decision:

WMCA Board is recommended to:

1. Endorse the proposed joint response of the West Midlands Combined Authority and seven Metropolitan District Councils to the government consultation on 100% business rates retention.

1.0 Purpose

1.1 To seek approval for the proposed joint response of the West Midlands Combined Authority and seven Metropolitan District Councils to the Government's consultation on behalf of the region.

2.0 Background

2.1 The Department for Communities and Local Government (DCLG) issued a consultation paper on the design of a reformed business rates retention system on 15 February 2017, following an earlier paper published in July 2016. The Government is continuing to work with the Local Government Association and other representatives of the sector on the design of the scheme and further consultation papers will be issued as the proposals are refined.

2.2 The original timetable for the design of a new system of local government funding is shown below:

April 2017	Business rates pilots begin, with a further tranche in April 2018.
3 May 2017	Deadline for responses to the further consultation on the design of the new business rates retention system.
Spring 2017	A further consultation on the progress of the Fair Funding Review.
Spring 2017	Local Government Finance Bill passes through the House of Commons and moves to the House of Lords. Royal Assent expected in late 2017.
Summer 2018	Engagement on Fair Funding Review and system design outcomes and impacts on individual local authorities.
April 2019	The new system is implemented.

2.3 On 20 April 2017 the government announced that the Local Government Finance Bill which provides the legislative framework will not complete its parliamentary progress in advance of the General Election and it will be for the new Government to look at how to progress the business rates pilots originally planned for 2018/19.

2.4 Therefore when the legislation is put in place is subject to determination of priorities of the next Government and would appear likely that the introduction could be delayed until April 2029.

3.0 Next Steps

3.1 Officers from the West Midlands Combined Authority and seven Metropolitan District Councils have been working together to agree a joint combined authority response to the latest consultation paper, which is attached at Appendix 1. This builds on the joint response to the previous consultation paper which was submitted to DCLG in September 2016.

3.2 The Government is committed to fundamental elements of the new system, including the continuation of resource equalisation between authorities through tariff and top-up payments, the removal of the levy on growth above a baseline level and periodic "resets" to reflect changes in relative needs and resources. However, at this stage no firm proposals for the detail have been developed and the paper asks a number of open questions on some technical aspects of the design of the new system, as summarised below.

3.3 DCLG proposes to "partially reset" the system every 5 years, at which point the baselines for business rates income and relative needs which underpin the system will be recalculated. Part of the growth achieved by individual authorities up to that point will then be redistributed, with the remainder retained locally. This proposal is welcomed in the joint response, as is the assurance that no authority would be required to retain any losses after a reset had taken place.

3.4 Feeding into this element of the scheme design, there are a number of different ways in which "growth" could be measured over a reset period and the attached response is open to proposals which reflect underlying trends whilst retaining a degree of transparency.

3.5 The Government is considering different options for incentivising the creation of business rates pools under the new system, such as allowing pools to establish local growth zones or retain a greater proportion of growth at a reset. The attached response recognises that such flexibilities would be attractive, whilst cautioning against the Government's intention to replace the requirement for all affected authorities to consent to membership of a pool with a requirement to merely consult with them.

3.6 The impact of appeals in the current system of business rates retention continues to be a significant concern for local authorities, which have experienced substantial volatility in income as a result, and the joint response welcomes the Government's proposal to compensate local authorities for the impact of appeals resulting from "valuation errors" through loss payments. However more detail on how this system would work has yet to be confirmed.

3.7 The joint response agrees with the proposal that local authorities should continue to be protected from significant shocks to their business rates income through a safety net, set at a threshold of baseline funding levels. The West Midlands pilot is trialling a safety net set which protects individual authorities from losses of more than 3%.

3.8 Finally, the consultation paper sets out some proposals which are designed to review the central ratings list ahead of the introduction of the new scheme and keep it up to date. Further more detailed consultation papers will be published before the changes are made but broadly the joint response welcomes the proposals and looks forward to greater detail and clarity.

3.9 The Board is asked to consider and approve the submission of the attached response on behalf of the Combined Authority and its constituent members. The Combined Authority Main Board will be asked to note the submission at their next meeting on 12 May, which follows the deadline for submission of 3 May.

4.0 Financial Implications

4.1 Retention of Business Rates is fundamental to the longer term investment in and economic growth of the region.

5.0 Legal Implications

There are no immediate legal implications arising from this report, any revisions to the business rates retention system will however have potentially significant legal implications.

6.0 Equalities Implications

6.1 There are no implications arising from this report.

Appendix

Q1 What are your views on the proposed approach to partial resets?

The authority supports the introduction of a partial reset every 5 years. Fixed reset periods provide the greatest certainty for local authorities in planning and a cycle of 5 years would provide a balance between allowing authorities which are growing to benefit from that growth, and protecting authorities which are not. This would also allow for adjustments to reflect significant changes in demographics and demand for local services.

We welcome the assurance given in the consultation paper that any authority which had experienced a reduction in income would not be required to retain any losses after a reset had taken place. We would also support the introduction of transitional arrangements after a reset, on the basis that they would unwind after a maximum of 4 years as suggested in the consultation paper.

Whatever the design of any revised business rates retention system, there must always be a strong safety net that prevents individual areas (and the key services being delivered to their residents) suffering from significant resource reductions arising from sudden losses in rateable value. Such losses may arise from economic factors that are far beyond the direct influence of individual local authorities.

Q2 What are your views on how we should measure growth in business rates income over a reset period?

The proportion of growth that local authorities will be able to retain after a reset remains a critical element of the design of the new system in order to ensure that it provides an incentive to maintain/promote future growth. A balance will have to be struck between resetting authorities which lose business rates income back to 100% at reset and retaining a reasonable proportion of growth at individual local authority level to act as an incentive.

There is a balance to be struck between a methodology which is simple and transparent and one which reflects real underlying growth trends without being distorted by one-off events or adjustments. It is important that growth should be real growth after stripping out inflation and any growth over and above inflation as a consequence of revaluation. Real growth should incorporate new assessments, business expansions and RV increases from redevelopment only.

Measuring against an authority's actual yield at the start of the period or against the business rates baseline determined by the Government is crucial to the exercise and should be part of future consultation. It will be determined by the overall quantum or control total, the final shape of the appeals provision arrangements and the number of years that will be used for the baseline.

It would seem to be sensible to measure growth in real terms using the same multiplier as is used for top-ups and tariffs. Averages should be used to smooth out peaks and troughs in business rates income and to counteract perverse incentives. It should be noted that if revaluation and rest periods do not coincide then a methodology to adjust for revaluation will also need to be developed. However, we also need to ensure that if an authority has an unusual pattern of growth that the averaging does not create a false average.

We would urge DCLG to involve representative organisations such as the LGA and SIGOMA in the modelling that is undertaken to explore this.

Q3 What are your views on the Government's plans for pooling and local growth zones under the 100% business rates retention system?

We acknowledge the Government's concerns around the operation of business rates pools under the 50% system but would caution against removing the requirement for all authorities to agree to being designated as a pool. Replacing the requirement for consent with a requirement for consultation risks undermining local accountability and is inconsistent with greater moves towards devolution.

Offering pools the ability to establish local growth zones or retain a greater proportion of growth at a reset would be attractive incentives to pooling in a system without levy payments, but without any detail on the proposed parameters it is difficult to understand the implications at both the local level and for the total amount of business rates growth available for redistribution at a reset.

Clarity is required to understand whether there will be a clear distinction between growth zones and enterprise zones, who will manage local growth zones and whether growth will remain with local authorities rather than LEPs. In addition, it is important for adjustments to be made to take account of the impact of revaluation adjustments within growth zones.

Q4 How can we best approach moving to a centrally managed appeals risk system?

We welcome the proposal to introduce loss payments to mitigate the impact on changes to local ratings lists relating to valuation errors, to be funded from a top slice of the total collectible business rates quantum, before baseline funding levels are set.

We would want the government to take the risk on the level of the top slice being sufficient and to ensure that any excess top slice will be returned to local government.

We look forward to more detail on how loss payments will work and, in particular, how valuation errors will be defined and calculated and what level of compensation is available to local authorities. Further work is needed in order to define those circumstances where the Government funds the impact.

Q5 What should our approach be to tier splits?

The Government should explore the potential for using tier splits as a way of meeting the obligations arising from Devo deals and growth in Central Share in the new system.

Q6 What are your views on proposals for a future safety net under the 100% business rates retention system?

We agree that safety net protection should be set nationally at a level that will allow local authorities to continue to provide the functions they are required to deliver. Through the West Midlands business rates retention pilot we will be trialling a 97% safety net which we anticipate would be appropriate under 100% business rates retention.

Q7 What are your views on our proposals for the central list?

The proposals outlined leave local authorities at greater risk if clarity as to what can be included in the central list is lost and if reliefs are introduced for central list properties which make the central list more attractive to large nationwide businesses and government departments. Therefore, it is essential that a clear statement of policy for the ratepayers and properties which should be assessed on the central list is set out and that the principles are transparent and uniformly applied

to ensure consistency across the business rates system and greater certainty for local government and ratepayers.

It is also vital that any growth in central list items within a local authority's area should result in a compensating adjustment to the individual local authority. As well as the need for fairness, this should help to avoid the likelihood of perverse incentives - local authorities are less likely to pursue developments which are of benefit to the overall economy if there is a risk that they will be on the central list without such compensation.

It is important that any moves between central and local lists should be done at the start of the system when the baseline is set so they do not have an impact on authorities either before or after further rates retention has been introduced. Any subsequent transfers between lists should be compensated in full to ensure financial neutrality through appropriate adjustments to tariffs and top ups.

Finally, we would welcome clarity about how the revenue raised from the central list is spent.

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WEST MIDLANDS
COMBINED AUTHORITY

Board Meeting

Date	12 May 2017
Report title	Collective Investment Fund Update
Member Portfolio Lead	Councillor Izzi Seccombe – Finance and Investments
Accountable Chief Executive	Martin Reeves, Chief Executive, WMCA
Accountable Employee	Mark Taylor, Director of Finance, City of Wolverhampton Tel: 01902 55 6609 Email: mark.taylor@wolverhampton.gov.uk
Report to be/has been considered by	Management Board – 30 March 2017 Programme Board – 28 April 2017

Recommendations for decision:

WMCA Board is recommended to approve:

1. That until such time as the Combined Authority has the power to borrow, the Collective Investment Fund (CIF):

   a) Will be reduced from the £70 million originally approved to £60 million.

   b) Will no longer be available to support projects within the geographical area of Sandwell Metropolitan Borough Council.

2. That at the time the Combined Authority has the power to borrow, the CIF:

   a) Will revert back to the £70 million originally approved.

   b) Will once again be available to support projects within the geographical area of Sandwell Metropolitan Borough Council.

WMCA Board is recommended to note:

1. That all Metropolitan District Councils, with the exception of Sandwell, have formally agreed to enter into a legal agreement with Birmingham City Council to share the risks associated with the CIF and therefore any losses in equal proportions. It is for this reason that the total value of the CIF must be reduced to £60 million.

2. That it may now be necessary for individual Metropolitan District Councils to seek approval to underwrite one sixth of the revised CIF fund of £60 million.

3. The progress that Finance Birmingham has made developing the pipeline of potential projects, along with the investments that are already being part funded by the CIF.

1.0 Purpose

1.1 To seek agreement from the Combined Authority Board to reduce the Collective Investment Fund (CIF) to £60 million, from £70 million, until such time as the Combined Authority has the power to borrow. An update on the progress that Finance Birmingham has made developing the pipeline of potential projects, along with the investments that are already being part funded by the CIF, is also provided.

2.0 The Collective Investment Fund

2.1 On 10 June 2016, the Combined Authority Board approved the establishment of a £70 million CIF. The CIF was to be funded from prudential borrowing, however, as the Combined Authority did not have the power to borrow for non-transport related investment, the Combined Authority Board also approved that until such time as the Combined Authority has the power to borrow:

- Birmingham City Council would undertake any borrowing relating to the CIF.
- Each of the other 6 Metropolitan Districts would enter into a formal agreement with Birmingham City Council to confirm that they will share the risks associated with the CIF and therefore any losses in equal proportions.
- That when the Combined Authority has the necessary power to borrow for these purposes, any borrowing undertaken by Birmingham City Council relating to the CIF will be 'purchased' by the Combined Authority.

2.2 The draft agreement between Birmingham City Council and the other 6 Metropolitan Districts is nearing completion, however, Sandwell Metropolitan Borough Council has confirmed that is does not intend to enter into the legal agreement. In order to ensure that the other 6 Metropolitan Districts exposure does not exceed the £10 million originally anticipated, it is now necessary to reduce the total of the CIF to £60 million.

2.3 During this period, i.e. while the Combined Authority does not have the power to borrow for these purposes, it is recommended that the CIF will no longer be available to support projects within the geographical area of Sandwell Metropolitan Borough Council.

2.4 It is important to note that it may now be necessary for individual Metropolitan District Councils to seek approval to underwrite one sixth of the revised CIF fund of £60 million.

2.5 It is also recommended that at the time the Combined Authority has the power to borrow, the CIF will revert back to the £70 million originally approved and that once again the CIF will be available to support projects within the geographical area of Sandwell Metropolitan Borough Council.

2.6 The CIF was established to bring forward commercial land and property investment opportunities and consistent with the principles of balance and fairness the CIF was to be focussed on securing a broader economic return across the West Midlands region, rather than purely maximising the financial return for the Combined Authority.

2.7 The CIF was set up to operate as a revolving fund, for an initial 10-year period, with the aim being that the initial capital would be repaid to the Combined Authority in full at the time the CIF was wound up.

2.8 In addition, the Combined Authority Board approved that the CIF would be available to support projects within the geographical areas of those constituent and non-constituent members of the Combined Authority named in the original Parliamentary Order.

2.9 Finance Birmingham were appointed as the Fund Manager for the CIF and significant progress has already been made in developing the potential pipeline of investments, in addition a number of investments have been approved to receive CIF funding.

2.10 In summary, the first 8 months since launch, the CIF has been very well received within the commercial real estate development community, to date £17 million of funding has been agreed across 5 separate investment opportunities, all sites are brownfield regeneration sites that are not currently in economic use and will deliver circa 1,045 new jobs and significant inward investment, including direct equity of £10 million.

2.11 The work to developing the pipeline of investments is also strong, with a further 8 opportunities, totalling £29 million currently going through due diligence, with a view to progressing to the Combined Authority Investment Board for approval. These opportunities are across a range of sectors including industrial, technology to social housing. Opportunities being geographically spread across the region, in Walsall, Birmingham, Wolverhampton and Stratford-upon-Avon.

2.12 All investments to date have been senior debt first charge secured transactions at a commercial rate of interest.

3.0 Financial Implications

3.1 These are set out in the body of the report, in summary the CIF, including the Finance Birmingham management fee, will be funded from the interest charged on loans granted from the CIF.

4.0 Legal Implications

4.1 Finance Birmingham is a company wholly owned by Birmingham City Council and therefore able to enter into an agreement to deliver the CIF fund management services directly to the Combined Authority.

4.2 Birmingham City Council will undertake the prudential borrowing required to support the CIF, until such time as the Combined Authority has the power to undertake the borrowing.

4.3 Where providing funding to private developers out of the CIF the Combined Authority will be required to satisfy itself that any funding arrangements are not caught by applicable 'state aid' restrictions. It is also the intention to develop a mechanism to ensure that, where appropriate, any potential super profits realised by developers, as a consequence of CIF funding, is shared equitably with the public purse.

5.0 **Equalities Implications**

5.1 There are no Equalities implications arising from the recommendations in this report.

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WEST MIDLANDS
COMBINED AUTHORITY

Board Meeting

Date	12 May 2017
Report title	Treasury Management Out-turn 2016 / 2017
Cabinet Member Portfolio Lead	Councillor Izzie Seccombe Warwickshire County Council
Accountable Chief Executive	Jan Britton Email: Jan_britton@sandwell.gov.uk Tel: 0121 569 3501
Accountable Employee	Mark Taylor Email: Mark.Taylor@wolverhampton.gov.uk Tel: 0121 214 7400
Report to be considered by	WMCA Board

Recommendation(s) for action or decision:

WMCA Board is recommended to:

1. Note the results of the Treasury Management Outturn as at 31 March 2017.

2. Notes the internal investment return for 2016/17 of 0.56% as set out in paragraph 6.1.

3. Note that the Authority's borrowing is within the prudential indicators established at the beginning of the year as outlined in Appendix 1.

1.0 Purpose

1.1 The report provides an update on the West Midlands Combined Authority Treasury Management Outturn 2016/17 and is a being submitted as a requirement under the CIPFA Treasury Management Code.

2.0 Background

2.1 The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that authorities report on the performance of the treasury management function at least twice yearly (mid-year and at year end).

2.2 The Authority's Treasury Management Strategy for 2016/17 was endorsed by WMCA shadow board on 10 June 2016 and ratified at the inauguration meeting on 17 June 2016. The Treasury Management midyear report was agreed by WMCA Main Board on 9 December 2016.

2.3 The Authority 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. This report covers treasury activity and the associated monitoring and control of risk.

2.4 The daily management of WMCA's cash resources is overseen by the WMCA Treasury Management Group, consisting of the WMCA Section 151 Officer, The Head of Finance, Projects and Programme Accountant and the Business Accountant. The Treasury Management Group is referred to throughout this report.

2.5 Investments and borrowing are made directly by the WMCA, with advice from external treasury advisors, Arlingclose Limited.

3.0 Treasury Management Activity in 2016/17

External Context – The Economic and Outlook

3.1 Following the sharp decline in household, business and investor sentiment that was prompted by the unexpected outcome of the referendum on EU membership in Quarter 2, the preliminary estimate of Quarter 3 2016 GDP defied expectations as the economy grew 0.5% quarter-on-quarter, down only slightly from 0.7% in Quarter 2 and year/year growth running at a healthy pace of 2.3%.

3.2 Economic data continued to challenge the current sentiment throughout the quarter. Consumer Price Inflation (CPI) fell to 0.9% in October but rose to 1.2% in November, both predominantly driven by clothing, fuel and hotel prices although the Office for National Statistics (ONS) advised that there was little evidence to link this rise to the decline in the value of sterling. With sterling falling by around 20% with its impact on prices still to follow, according to the ONS, CPI will be close to the Bank of England's target rate of 2% in the

first half of 2017; consistent with the forecasts contained within the Bank's last quarterly *Inflation Report* issued in November 2016.

3.3 After a weak August, British consumer spending increased in Quarter 3. UK retail sales growth surged to a 14-year high in October as consumers kept spending and colder weather boosted clothing sales. According to the British Retail Consortium (BRC), fears over Brexit are likely to reduce sales in the period ahead.

3.4 Labour market data also proved resilient, showing a small rise in the level of unemployment by 10,000, and average earnings dipping slightly, but at 2.3% still delivering real earnings growth although clearly under pressure from higher prices. The UK unemployment rate remained at 4.9%, its lowest level in 11 years.

3.5 At its August meeting, the Bank of England's Monetary Policy Committee (MPC) had stated that the majority of members expected to support a further cut in Bank Rate at one of the MPC's forthcoming meetings during the course of the year. However, in the final calendar quarter of 2016 the MPC kept the Bank Rate unchanged at 0.25% and asset purchases at £435 bn.

3.6 In addition to the above, uncertainty surrounds whether or not the new US President will make good the fiscal, regulatory and policy initiatives / changes which were central to the campaign and, if so, their timing and size and their effect on growth, employment and inflation both domestic and globally.

3.7 Following a strengthening labour market, in a move that was largely anticipated, at its meeting in December, the Federal Reserve's Open Market Committee (FOMC) increased the target range for official interest rates for just the second time in the last decade. The range was increased to between 0.5% and 0.75%, from 0.25% and 0.5%. In the accompanying statement, FOMC Chair Janet Yellen also highlighted the expectation of three further rate hikes in 2017, followed by three hikes in each of 2018 and 2019.

Market reaction

3.8 Following the referendum result, gilt yields (which influence the cost of WMCA borrowing from Treasury) had fallen sharply across the maturity spectrum on the view that Bank Rate would remain extremely low for the foreseeable future. Since September there has been a reversal in longer dated gilt yields which have moved higher, largely due to the MPC revising its earlier forecast that Bank Rate would be dropping to near 0% by the end of 2016. The yield on the 10-year gilt rose from 0.75% at the end of September to 1.24% at the end of December, which is almost back at pre-Brexit levels of 1.37% on 23 June. 20- and 50-year gilt yields have also risen considerably in the third quarter to 1.76% and 1.7% respectively, and are nearly back up to pre-Brexit levels.

3.9 However, this recovery was not realised across all maturities. The 1 year gilt yield dropped from 0.13% at the end of September to -0.004% at the end of

December. The one year gilt yield first went negative at the beginning of December, having only been negative intra-day previously. 2 and 3 year gilt yields have also continued to fall.

3.10 After recovering from an initial sharp drop in Quarter 2, equity markets appear to have continued their rally, although displaying some volatility at the beginning of November following the US presidential election result. The FTSE 100 and FTSE All Share indices closed at 7,142.83 and 3,873.22 respectively on 30 December, up 3.5% and 3.1% over the quarter.

3.11 Money market rates for very short-dated periods (overnight to 1 month) have largely started recovering from a noticeable fall in the previous quarter. 7 day and 1 month LIBID (London Interbank Bid Rate) rates increased by about 0.1%, to 0.35% and 0.61% respectively. Longer-dated periods (6 months to 2 years) also increased by between 10 and 20 basis points; on 30 December the 6-month LIBID rate was 0.64%, 12-month 0.81% and the 2-year swap rate 0.60%.

4.0 Treasury Management Outturn 2016/17

4.1 Table 1 shows WMCA borrowing and investments held at 1 April 2016 and 31 March 2017. It shows that net borrowing has decreased by £27.91m mostly as a result of the £36.5m Devolution Fund income received during August 2016, and debt maturity and repayment of £5.86m.

Table 1: Borrowing and Investments

	1st April 2016 £m	Borrowing Repaid / New Investments £m	31st March 2017 £m	Notes
Borrowing	(172.08)	5.86	(166.22)	Reduction in borrowing due to £5m PWLB loan matured Dec 16, £291k PWLB annuity loan repayments, and £569k Dudley Debt annual principal repayment. No new borrowing undertaken.
Investments	28.15	22.05	50.20	The increase in investments is due to the Devolution Deal grant of £36.5m less utilisation of cash to minimise borrowing requirements.
Net Borrowing	**(143.93)**	**27.91**	**(116.02)**	

5.0 Borrowing Activity

5.1 The Authority's chief objective when borrowing continues to be striking an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective.

5.2 Affordability and the "cost of carry" remained important influences on the Authority's borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested

in the money markets at rates of interest significantly lower than the cost of borrowing. As short-term interest rates have remained, and are likely to remain for a significant period, lower than long-term rates, the Authority determined it was more cost effective in the short-term to use internal resources instead.

5.3 The benefits of internal borrowing were monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose (treasury advisors) assists the Authority with this 'cost of carry' and breakeven analysis.

6.0 New Short Term Borrowing Undertaken

6.1 Effective cash flow management to-date, and the use of grants received in advance have minimised borrowing. As a result no new short term borrowing has been undertaken to meet working capital requirements during 2016/17. This is partly due to the fact that WMCA treasury management activity is rightly being managed as a whole cash position for the Combined Authority.

6.2 In August 2016 WMCA received a full year allocation (£36.5m) of Devolution Deal Grant to fund the approved Investment Programme. In cash terms, TfWM Capital Investment Programme continues to spend and will require some finance funded by 'borrowing'. It is likely, however, in order to avoid actually borrowing which would in effect, simply increase the overall funds WMCA have available to invest, the Authority will use available cash resources from its balance sheet and will internally recharge the financing cost of the requirement to the Transport Budget in year.

7.0 New Medium to Long Term Borrowing Undertaking

7.1 Similarly, effective cash management during the year has meant no additional borrowing has been undertaken in 2016 / 17.

8.0 Historic Borrowing

8.1 The main borrowing sources are Public Works Loan Board (PWLB / HM Treasury) and money markets. The Treasurer of the Authority continues to review the opportunities to reschedule debt. The costs associated with early repayment have been too onerous to be beneficial. During 2016/17 there has been one PWLB maturity of £5m in December 2016, and some principal repayable during the year on annuity loans. WMCC (West Midlands County Council) annual principal repayment of £569k was made in March 2017.

8.2 Table 2 shows borrowing held at 1 April 2016 and 31 March 2017. It shows that borrowing has decreased by £5.860m due principal repayments during the year.

Table 2 - Outstanding debt as at 31st March 2017				
	Balance at 1st Apr 2016 £000	**Repaid in Year £000**	**Raised in Year £000**	**Balance at 31 March 2017 £000**
PWLB	153,010	(5.291)	-	**147,719**
LOBO (Barclays Bank)	10,000	-	-	**10,000**
Ex WMCC	9,068	(0.569)	-	**8,499**
Total Long Term Borrowing	**172,078**	**(5.860)**	**-**	**166,218**

8.3 The cost of servicing the £166.218m debt was £9.695m during 2016/17 (as summarised below in table 3) which equates to an average annual rate of 5.83%.

Table 3 - Cost of Borrowing	
Debt Source	**Interest Paid 2016 / 2017 £000**
PWLB	8,730
LOBO (Barclays Bank)	403
Ex WMCC	562
TOTAL	**9,695**

9.0 Future borrowing / capital programme

9.1 Table 4 below identifies the funding requirements for the next 3 years. It illustrates that using internal funds and cash investments held by the WMCA, no actual borrowing was undertaken in 2016/2017 (compared to a theoretical requirement of £10.6m). It is expected there will be a need to borrow an additional £57.4m in 2017/18 which is driven by the Devolution Deal Investment Programme underpinned by Gain Share Grant and Business Rates income.

9.2 In addition, debt repayments from maturing loans of £5m in 2017/18 and £23m are due in 2018/19 which will have to be rescheduled.

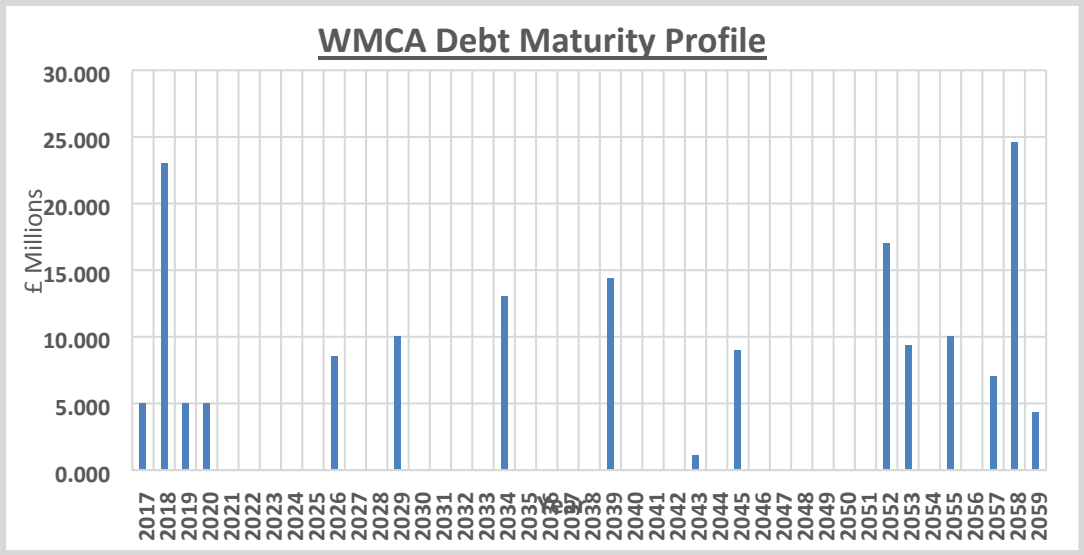
Table 4 : Funding Requirement	2016/17 Actual	2017/18 Forecast	2018/19 Forecast	2019/20 Forecast
TOTAL PROGRAMME / EXPENDITURE	**37,892**	**130,437**	**369,600**	**364,588**
Funded By:				
Department for Transport	7,544	35,065	109,967	135,271
Enterprise Zone Funding	6,091	6,029	30,400	22,000
Local Authority Contributions	322	7,158	6,135	12,929
Local Growth Fund	8,531	15,178	20,004	6,305
Network Rail	-	-	5,100	7,400
3rd Party	126	1,093	5,519	3,400
Central Government Other	-	3,824	-	-
TOTAL FUNDING	**22,614**	**68,347**	**177,125**	**187,305**
BALANCE FUNDED BY LOCAL RESOURCES	**15,278**	**62,090**	**192,475**	**177,283**
Local Resources:				
MRP	4,590	4,646	5,752	9,154
Borrowing	10,688	57,444	186,723	168,129
TOTAL FUNDED BY LOCAL RESOURCES	**15,278**	**62,090**	**192,475**	**177,283**

10.0 Long Term Debt Profile

10.1 It can be seen from table 5 and the graph below that significant debt repayments are due between 2017 and 2020. These borrowings are likely to need replacing and given historically low long term interest rates, WMCA are monitoring when might be the optimal time to undertake replacement borrowings. The debt maturity profile of the loans show that after 2020 the next major repayments do not occur until 2034.

Table 5 - Debt Maturity Profile

	Value of Loans Maturing £m
Repayable 2017/18	6
Repayable 2018/19	24
RepayableBetween2019/20 to 2020/21	12
RepayableBetween2021/22 to 2022/13	3
RepayableBetween2023/24 to 2026/27	5
RepayableBetween2027/28 to 2030/31	12
RepayableBetween2031/32 to 2039/40	23
RepayableBetween2039/40 to 2048/49	11
RepayableBetween2049/50 to 2059/60	70
TOTAL BORROWING	**166**



10.2 As stated in Section 5 any new borrowing will depend upon the prevailing interest rates at the time, and the forecast cash requirements, as to whether it should be short term or long term.

10.3 The majority of WMCA borrowing is with PWLB, however the Authority has a LOBO (£10m) over 50 years with Barclays Bank (maturity date June 2055). In June 2016 Barclays decided to permanently waive its right under the lenders option of the LOBO feature to change interest rates in the future. Meaning WMCA loan with Barclays is no longer variable but a fixed term loan. No other term or condition of the loan is amended and will still mature June 2055. The WMCC (West Midlands County Council) debt is due for maturity in 2026 (principal and interest are repaid annually).

11.0 PWLB Certainty Rate

11.1 The Certainty Rate was introduced by the PWLB in November 2012, allowing the authority to borrow at a reduction of 20 base points (bps) on the standard PWLB rate. The Authority has continued to submit information required in order to be eligible for the Certainty Rate and be on the PWLB approved list of Authorities who could access the preferential rates. Thus any future borrowing can be done at this preferential rate.

12.0 Investment Activity

12.1 The Authority holds invested funds, representing income received in advance of expenditure plus balances held. The Guidance on Local Government Investments in England gives priority to security and liquidity and the Authority's aim is to achieve a yield commensurate with these principles.

12.2 Given the risk and continued low returns from short-term unsecured bank investments, it is the Authority's aim to diversify into more secure and/or

higher yielding asset classes. The majority of the Authority's surplus cash was previously invested in short-term unsecured bank deposits, and money market funds.

12.3 Short term investments are split between term deposits, where cash is invested to periods in excess of one day and up to 3 months, and overnights money and call accounts where cash is available instantly. For overnight money and call accounts the Authority has predominately used HSBC Bank plc, HSBC Global Liquidity Fund – Sterling), Santander UK Plc, Barclays Bank, Lloyds Plc.

12.4 Fixed term investments are deposits where cash is invested in excess of 3 months.

12.5 As at the 31 March 2017, all short term investments have given a return to the Authority of £223,456 in 2016/17 as shown in Table 6 below, and an average rate of 0.56%.

Table 6: Investment Interest

Period April 16 - March 17	Average Rate	Investment Interest Earned £
National Counties Building Society	0.80%	19,375
Newcastle Building Society	0.80%	19,375
West Bromwich Building Society	0.78%	18,891
Lloyds Bank Plc	0.75%	31,507
Santander UK plc (call)	0.66%	71,533
Close Brothers	0.50%	1,027
Lloyds Bank Plc (call)	0.46%	27,802
London Borough of Haringey	0.45%	25
Nottingham Building Society	0.43%	2,827
Police & Crime Commissioner	0.35%	67
Telford & Wrekin	0.30%	1,151
HSBC Global Liquidity Fund	0.25%	24,240
Barclays Bank (call)	0.25%	1,496
HSBC Bank Plc (call)	0.12%	4,140
TOTAL INVESTMENT INTEREST		**223,456**

12.6 Despite interest rates being depressed following the vote to leave the EU and yields continuing to fall across all investment types, active cash flow management and investment management has led to WMCA improving on its investment return. This was partially aided by receipt of the Devolution Deal grant of £36.5m on 23 August 2016. Investments held as at the 31 March 2017 were as set in Table 7 below:

Table 7 - Short Term Investments held as at 31 March 2017

	Interest Rate %	Investment Value £000	Investment type	Maturity date
London Borough of Haringey	0.45	2,000	Fixed	28/04/2017
National Counties Building Society	0.80	4,000	Fixed	22/08/2017
Newcastle Building Society	0.80	4,000	Fixed	22/08/2017
West Bromwich Building Society	0.78	4,000	Fixed	22/08/2017
Close Brothers	0.50	5,000	Fixed	15/09/2017
Lloyds Fixed Term	1.00	5,000	Fixed	29/09/2017
Santander	0.55	10,000	Call	
Lloyds Bank Plc	0.37	5,000	Call	
HSBC Bank Plc (MMF)	0.25	11,200	Call	
Total		**50,200**		

12.7 For information, the investment with HSBC Global Liquidity Fund of £11.2m is within the tolerances set within the Treasury Management Strategy as this is a highly diversified money market fund and hence is classed as a lower risk investment.

13.0 Interest Rates

13.1 At the start of 2016/17 the base rate stood at 0.50%. On 4 August 2016, however and following the unexpected result of the EU referendum, the Bank of England base rate was reduced from 0.50% to 0.25%; the first change to the rate since 2009.

13.2 This change was against the expectation some months previous of an increase in rates towards the latter part of 2016. The Authority's treasury adviser Arlingclose's central case currently is for UK Bank Rate to remain at 0.25% during 2017 / 18.

13.3 The Bank of England has, however, highlighted that excessive levels of inflation will not be tolerated for sustained periods. Given this view and the current inflation outlook, further falls in the Bank Rate look less likely.

13.4 Negative Bank Rates, although a low probability, cannot be entirely ruled out in the medium term, particularly if the UK enters recession as a result of concerns over leaving the European Union.

14.0 Performance measurement

14.1 The WMCA treasury management function participates in a local benchmarking group which compares WMCA's treasury management performance with other local authorities, to ensure that relative to other local authorities the Authority is achieving a fair investment return without any undue risk. Performance is also regularly reviewed at the monthly Treasury Management Group.

14.2 One of the key requirements in the CIPFA Code of Practice on Treasury Management is the formal introduction of performance measurement relating to investments, debt and capital financing activities. The Prudential Indicators as at 31 March 2017 are shown in Appendix 1. All key prudential indicators are met or complied with.

15.0 Treasury Management Strategy

15.1 The Treasury Management Strategy for 2016/17 has been underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practise on Treasury Management. Treasury Management is defined as:

> *"The management of local authority's investment and cash flows, its banking, money market and capital transactions; effective control of risk associated with those activates; and the pursuit of optimum performance consistent with those risks."*

15.2 The Treasury Management Strategy is reviewed regularly and amended throughout the year to reflect changes in the financial markets and the economic climate.

15.3 It should be noted that for a short period during 2016/17, the Treasury Management Group endorsed the placement of funds with Santander Plc at a level which exceeded the Treasury Management Strategy guidelines. This resulted in a short term deposit of £15m being held on call with Santander versus the Treasury Management Strategy suggested cap of £10m per financial institution. The decision was taken by the Group following an assessment of the likely risks whilst the WMCA counter-party list was being broadened. Once the WMCA counter-party list was broadened, the investment with Santander was returned to the recommended level.

16.0 Counterparty Ratings

16.1 Security of capital has remained the Authority's main investment objective. This has been maintained by following the Authority's counterparty list policy as set out in the Treasury Management Strategy Statement 2016/17.

16.2 Counterparty credit quality is assessed and monitored with reference to credit ratings (the Authority's minimum long-term counterparty rating is BBB+).

16.3 At the end of November, the Bank of England released the results of its latest stress tests on the seven largest UK banks and building societies (Barclays, HSBC, Lloyds/Bank of Scotland, Santander UK, HSBC, RBS/Natwest and Nationwide BS). The 2016 stress tests were more challenging and designed under a new Bank of England framework, which tested the resilience of banks to tail risk events. Royal Bank of Scotland, Barclays and Standard Chartered Bank were found to be the weakest performers.

16.4 The stress tests were based on banks' financials as at 31 December 2015; one of the main short-comings of these tests is that by the time the results are published, they are 11 months out of date for most banks. As part of its creditworthiness research and advice, the Authority's treasury advisor Arlingclose regularly undertakes analysis of relevant ratios - "total loss absorbing capacity" (TLAC) or "minimum requirement for eligible liabilities" (MREL) - to determine whether there would be a bail-in of senior investors, such as local authority deposits, in a stressed scenario.

16.5 Changes to long-term credit ratings over the quarter included Moody's upgrades to rating of both Barclays Bank and Credit Suisse to A1 and to Santander UK plc's rating to Aa3 from A1. S&P upgraded the long-term rating of Goldman Sachs International Bank to A+ from A.

16.6 Various indicators of credit risk reacted negatively to the result of the EU referendum on the UK's membership of the European Union. There was no immediate change to Arlingclose's (treasury advisors to WMCA) credit advice on UK banks and building societies as a result of the referendum result. WMCA's advisor believes there is a risk that the uncertainty over the UK's future trading prospects will bring forward the timing of the next UK recession.

16.7 The credit rating and financial resilience of counterparties are being monitored regularly and will be assessed with due regard to other financial information as and when it becomes available. Treasury advisors Arlingclose will continue to update the WMCA Treasury Management Group of any changes, both to the ratings and the maximum level of duration for investments.

17.0 Prudential Code and Indicators

17.1 The Local Government Act 2003 and the associated CIPFA Prudential Code for the capital finance set the framework for the new local government capital finance system. Authorities are able to borrow whatever sums they see fit to support their capital programmes, subject to them being able to afford the revenue costs. This is a fundamental feature of the current system and requires that the Authority sets and monitors a number of Prudential Indicators (PIs) relating to capital, affordability, external debt, and treasury management

17.2 The Authority's Prudential Indicators for 2016/17 were set out as part of the Treasury Management Strategy, shown in appendix 1. These show that the authority is compliant with Prudential Code and parameters set at the beginning of the year.

APPENDIX 1 : Summary Prudential Indicators

Measure	2016/17 Outturn £000	2016/17 Forecast £000	NOTES
Affordability			
Ratio of financing costs to net revenue stream:			
(a) financing costs	14,137	14,814	Finance costs are reduced due to effective cash flow management reducing the need to borrow
(b) net revenue stream	161,330	152,330	A full year of devoloution deal funding was received vs the expected pro-rate amount in the 16/17 Forecast
Percentage	8.76%	9.72%	
Estimates of Capital Investment on Income (%)	(1.56%)	(1.20%)	The percentage difference reflects the lower borrowing and incresed income position
Prudence			
Gross borrowing and the capital financing requirement:			
Gross Borrowing (excludes inhereted debt)	**157,719**	**175,081**	The reductions in the Capital Financing Requirement and Gross Borrowing requirement in 2016/17 are as a result of a reduction in the expected 2016/17 capital expenditure.
Capital Financing Requirement (Gross borrowing in year 2016/17 must not exceed year CFR in 2018/19)	192,438	196,937	
Capital Expenditure, External Debt and Treasury Management			
Capital Expenditure	37,874	173,442	The reduction in capital spend is largely due to a deferal of Devoloution Deal Investment Programme spend into later years and borroring undertaken in relation the to Collective Investment Vehicle being undertaken by Birmingham until suitable powers are acquired by WMCA.
Operational boundary for external debt			
Operational boundary for borrowing	235,719	253,081	The reduction in the Operational Boundary is driven by the reduced requirement to borrow in 2016/17
Authorised limit for external debt			
Authorised limit for borrowing	240,719	258,081	The reduction in the Authorised Limit is driven by the reduced requirement to borrow in 2016/17
Interest rate exposures			
Upper limit on fixed rate exposures	100%	100%	
Upper limit on variable rate exposures	30%	30%	
Investments longer than 364 days			
Upper limit	8,000	8,000	

CIPFA Treasury Management Code? Has the authority adopted the TM Code?	**YES**

This report is PUBLIC
[NOT PROTECTIVELY MARKED]

WEST MIDLANDS
COMBINED AUTHORITY

Board Meeting

Date	12 May 2017
Report title	Productivity & Skills Portfolio Update
Cabinet Member Portfolio Lead	Councillor George Duggins – Productivity & Skills
Accountable Chief Executive	Nick Page Email: npage@solihull.gov.uk Tel: 0121 704 6018
Accountable Employee	Rachel Egan Email: regan@solihull.gov.uk Tel: 0121 704 8219

Recommendation(s) for action or decision:

The Combined Authority Board is recommended to:

1. Note progress and future direction of travel for the implementation of the employment and skills aspects of the Devolution Agreement and the Productivity & Skills Commission.

1.0 Purpose

1.1 To provide the Board with an up to date understanding of the implementation of the employment and skills aspects of the Devolution Agreement and Productivity & Skills Commission to support future decision making items.

2.0 Background

2.1 Delivery of the employment and skills aspects of the Devolution Agreement and setting up the Productivity & Skills Commission are the key areas of focus for the portfolio as well as looking at potential areas for further devolution.

2.2 The Devolution Agreement includes three key aspects in relation to employment and skills:

a) Devolution of the Adult Education Budget from 2018

b) Co-design of the DWP Work & Health Programme to be launched Autumn 2017

c) Putting together a business case for an innovative employment support pilot for the hardest to help.

2.3 The Productivity & Skills Commission has been set up with the following aims:

a) To establish the true extent of the productivity and skills challenge in the West Midlands.

b) To understand the component causes of the productivity and skills challenge and the inter-relationships between them.

c) To make recommendations as to how these causes can be addressed at pace, taking a whole system approach.

d) To ensure appropriate plans are developed for the implementation of these recommendations and monitoring systems exist to review their effectiveness.

3.0 Progress to date

Devolution of the Adult Education Budget

3.1 The Adult Education Budget (AEB) combines all Skills Funding Agency participation and support funding (not including European Social Fund, Advanced Learner Loans and apprenticeships). Its principal purpose is to engage adults and provide the skills and learning that they need to equip them for work, an apprenticeship or further learning. It also enables more tailored programmes of learning to be made available, which do not need to include a qualification, to help those furthest from learning or the workplace. AEB funds activity in Further Education (FE) Colleges, Local Authority Adult & Community Learning services and, at a much smaller scale, through private training providers. It also funds a number of statutory entitlements.

3.2 Based on current institutional allocations, the devolved Adult Education Budget is expected to be in the region of £100m. Earlier indications were that government would develop a new funding formula prior to devolution to ensure that the budget is aligned to local need

rather than historic allocations. In April 2017 government revised this approach and have informed devolved areas that initially the budget will be based on historic spend on local residents. Devolution of AEB applies only to constituent member areas and therefore the budget will be based on current AEB spend on residents of constituent member areas.

3.3 In preparation for devolution, there are a number of 'readiness conditions' to meet as laid out within the Devolution Agreement. The readiness conditions for full devolution are that:

a) Parliament has legislated to enable transfer to local authorities of the current statutory duties on the Secretary of State to secure appropriate facilities for further education for adults from this budget and for provision to be free in certain circumstances
b) Completion of the Area Reviews process leading to a sustainable provider base
c) After the Area Reviews are complete, agreed arrangements are in place between central government and the Combined Authority to ensure that devolved funding decisions take account of the need to maintain a sustainable and financially viable 16+ provider base
d) Clear principles and arrangements have been jointly agreed between central government and the Combined Authority for sharing financial risk and managing failure of 16+ providers, reflecting the balance of devolved and national interest and protecting the taxpayer from unnecessary expenditure and liabilities.
e) Learner protection and minimum standards arrangements are agreed.
f) Funding and provider management arrangements, including securing financial assurance, are agreed in a way that minimises costs and maximises consistency and transparency.

3.4 Devolved areas have been working collaboratively with the Department for Education (DfE) to understand the detail and implications of the readiness conditions and preparations required for devolution. DfE indicated that devolved areas would receive a number of items of clarification in August/September 2016 that could then be taken forward. Following the changes in government as a result of the EU referendum there was a significant delay and the clarification required was not received until early April 2017. Officers are currently awaiting confirmation of a date to discuss the content of the letter from DfE in detail. The most significant challenge is around the proposed timescale for the laying of Orders. Prior to the announcement of the General Election it was proposed that Orders would be laid by the time of the Summer recess.

3.5 Officers are working collaboratively with FE Colleges and Local Authority Adult & Community Learning services to analyse current provision and develop a commissioning framework in preparation for full devolution of funding in 2018. A set of joint working principles between WMCA, FE Colleges and Local Authority Adult & Community Learning Services has been agreed to demonstrate this collaborative working relationship, underpinned by a shared objective to ensure that the needs of the learner and the local economy are at the heart of decision making. A joint piece of work has been commissioned to understand how AEB is currently being spent to use as a baseline.

3.6 Currently, elements of AEB funded activity are used to match fund European Social Fund (ESF) projects through the Skills Funding Agency opt-in arrangement. Detailed consideration of the options to utilise AEB to match fund ESF activity following devolution will be undertaken in due course.

Co-design of the DWP Work & Health Programme

3.7 Officers have been engaged in a series of workshops with DWP to understand the co-design process for the Work & Health Programme. Through this engagement it became clear that the expectation that devolved areas would co-design the nature and content of the Work & Health Programme would not be met. DWP's position is that they believe it is best for potential providers to propose how they will deliver the programme.

3.8 The Work & Health Programme is being commissioned by DWP under an Umbrella Agreement for the Provision of Employment and Health Related Services. An officer has been involved in scoring tenders as part of both the Umbrella Agreement and the Work & Health Programme Invitation to Tender on behalf of WMCA. Scores submitted in relation to the Work & Health Programme tender process were based on the input of a local evaluation panel consisting of local authority officers that were able to sign the necessary ethical walls agreement.

3.9 All contractual arrangements will be between DWP and the selected provider. WMCA will participate in contract management meetings with the provider, alongside DWP. Details of the governance arrangements are to be agreed. The contract package area covers the whole of the DWP Central England Area and therefore stretches beyond the WMCA boundaries. This aspect of the Devolution Agreement applies to constituent member areas only although the programme will be delivered across the whole country.

Innovative Employment Support Pilot

3.10 Government provided guidance relating to the innovative employment support pilot in December 2016. Officers have been working with the Warwick Institute for Employment Research and the What Works Centre to develop the pilot proposal as well as engaging with officers from across the Combined Authority area, particularly those that are involved in delivering projects that could be learned from to develop the pilot.

3.11 Government has indicated that the pilot should be innovative and designed to fill gaps in the 'what works' evidence. The results will be used to inform future government policy and the next spending review. The proposal is based around the influence and use of social networks to support people in areas of high unemployment into employment. It has been confirmed that, if successful, the pilot can support both benefit claimants and non-benefit claimants including those on low incomes and that it can be delivered in non-constituent areas. The pilot will be delivered in up to ten areas across the Combined Authority based on local priorities and fit with the evaluation framework.

3.12 The business case, seeking funding of £4.5m was submitted at the end of February 2017. Successful pilot proposals will be announced following the purdah period. Delivery of the pilot is scheduled to commence in March 2018.

Productivity & Skills Commission

3.13 The Productivity & Skills Commission was launched on 5th April at an event hosted by Dr Andy Palmer, Chair of the Commission. Attendees included members of WMCA and LEP Boards, confirmed members of the Productivity Leadership Group and Technical Reference

Group, contributors to the preparatory work and other key stakeholders with an interest in driving productivity and skills in the West Midlands.

3.14 The Call for Evidence can be found at Appendix 1. This document outlines the purpose and approach of the Commission, the key challenges faced by the region and the five drivers of productivity. A number of questions are included within the document that consultees are encouraged to respond to. The Call for Evidence has been widely promoted through social media and the press. The deadline for responses is 31st May although given the decision to hold a General Election on 8th June the newly elected Mayor, Councillors and local MPs will be given the opportunity to engage with this stage of activity soon after the election.

3.15 Responses to the Call for Evidence will be analysed and collated and key themes will be drawn out into an initial summary report. The first meeting of the Productivity Leadership Group will take place towards the end of June 2017 during which the summary report on the response to the Call for Evidence will be considered and the initial timetable of activity agreed.

4.0 Financial implications

4.1 A budget of £544,000 has been approved to deliver the Productivity & Skills Commission and essential activities to ensure that WMCA obligations relating to employment and skills as identified within the Devolution Agreement are met.

4.2 The amount of Adult Education Budget to be devolved is yet to be confirmed but is expected to be in the region of £100m.

4.3 The bid for the employment support pilot seeks funding of £4.5m.

5.0 Legal implications

5.1 None directly arising from this report.

6.0 Equalities implications

6.1 The activities of the portfolio are reflected in the draft WMCA Equalities Scheme.

7.0 Other implications

7.1 N/A

8.0 Schedule of background papers

8.1 Appendix 1 – Productivity & Skills Commission Call for Evidence

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PRODUCTIVITY AND SKILLS COMMISSION

Call for Evidence

WEST MIDLANDS
COMBINED AUTHORITY

FOREWORD

As a proud Midlander and business leader, I have a major stake in this community and I want to see the West Midlands thrive. I seized the opportunity to Chair the Productivity and Skills Commission because I believe it can make a fundamental difference to the lives of my employees, my business and all citizens of the West Midlands.

Coming from the automotive sector, I know there is no one factor behind the recent decline in the region's productivity. However, it is my view and ambition that with increased investment in public infrastructure and a renewed focus on skills and innovation through the West Midlands Combined Authority (WMCA), I am confident that together we can make a difference to the region's fortunes over the coming years.

It is well known that there is a national challenge around productivity, but this challenge is even greater in the West Midlands. In our area, 57% of our £14bn output gap is attributed to the skills and employment rate of our population and for this reason, improving skills is a key part of our focus and why we are launching a combined Productivity and Skills Commission.

We will be focussed on solutions to the productivity shortfall of the region, looking to the future and not focussing on the problems of the past. The people that know the region best will lead the way in sharing their ideas, knowledge and experience to deliver practical yet achievable growth plans. We are proud to accommodate numerous world-class businesses, universities and highly skilled people in the West Midlands, and we have combined these talents to work towards delivering significant benefits for the area. But we are only a part of the solution to the challenges we face. We need all West Midlanders to come together, businesses, from Micro to Multi-National, academics, providers of skills and individuals. Only by hearing your ideas, challenges and solutions, can we find the right answers for our area.

The Commission is keen to learn from past experience in the West Midlands to ensure that this Commission produces lasting and meaningful change. We are focusing our work on generating practical action to drive tangible results. We need your help to identify the key actions that we can take to drive prosperity in the West Midlands and tackle the productivity challenge head on. I am proud to be involved in this work and hope that together we can create change that will improve our economy and the lives of those who live and work in it.

I look forward to hearing your views, thoughts, and proposals on how we can put the West Midlands back on the map as a leading international player.

Dr Andy Palmer CMG
Chief Executive Aston Martin Lagonda Ltd.
Chair Productivity & Skills Commission

WEST MIDLANDS
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BACKGROUND

DEVOLUTION, SKILLS AND PRODUCTIVITY IN THE WEST MIDLANDS

The West Midlands Combined Authority (WMCA) comprises 18 local authorities and 4 Local Enterprise Partnerships (LEPs).

By having control of newly devolved powers from Whitehall, the WMCA is tasked with the effective targeting of policy and spending in the region through well-informed decision making by those that know the area and that will be in the best interests of the West Midlands population.

Devolution offers a once in a lifetime opportunity to prioritise and deal with the productivity and skills issues that matter most to the West Midlands. With skills being a fundamental part of the devolution agenda, there is a real opportunity to stimulate a resurgence in industry and economic growth whilst also increasing employment opportunities for all. The first devolution deal agreed will see the government make an annual contribution of £36.5 million for 30 years, unlock £8 billion and create up to half a million jobs in the West Midlands.

WMCA has produced a Strategic Economic Plan (SEP) which outlines the vision, objectives, strategy and actions for improving growth and prosperity in the West Midlands. The SEP provides the context and ambition for the devolution agreement and gives insight into how power and resource will be deployed to priority areas in order to fulfil the 2030 vision of making the West Midlands the best region to do business within the UK.

The Productivity and Skills Commission has been set the task of understanding the true extent of the productivity challenge in the West Midlands, identifying the component causes and making recommendations to address the issues identified. The first stage has been to collate baseline information on what we already know about the productivity and skills landscape within the West Midlands and to identify areas where we need a greater understanding of the issues, how they are currently being addressed, what works and what we could do differently to make a step change in performance. The next step, through this Call for Evidence, is to seek wider views and input on the issues that can be used as a basis to articulate a clear vision for productivity and skills in the West Midlands.

A WMCA Productivity Leadership Group, led by Dr Andy Palmer and bringing together business leaders from across the LEPs, will ensure that our plans to drive productivity are designed by and for local businesses. This group will be advised by experts from across the region and central government including senior leaders operating within the productivity and skills system as well as senior academics from across our Universities.

The Commission will develop Integrated Productivity and Skills Plans for each of the transformational sectors identified within the SEP, setting out detailed roadmaps to get us from where we are now to where we want to be. The Commission recognises the multiple and interconnected nature of the solutions to improving productivity and therefore wishes to test and prototype different approaches in understanding what works and what doesn't, taking on constant feedback to allow appropriate action to be taken.

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THE PURPOSE OF THIS CALL FOR EVIDENCE

As part of the ambition for developing growth and productivity in the West Midlands, the Call for Evidence has been created to invite feedback and inform thinking on what is holding back the region in terms of productivity and skills and what the practical actions are that WMCA can take to address this.

This work is not a standalone piece, but is rooted in the wider national productivity and skills framework which originates from the Government's Productivity Plan (2015), Industrial Strategy (2017) and Post-16 Skills Plan (2016). Through the work of the commission the West Midlands will lead the development of a place based approach to Industrial Strategy with direct alignment to delivery of the new technical routes outlined within the Post 16 Skills Plan.

This document outlines research that has investigated the five key areas recognised as having an impact on productivity, and will seek to initiate discussions on the impact these factors can have, enabling the commission to begin presenting solutions across each of the five drivers to shape productivity and skills policy and strategy in the West Midlands. These areas are:

- Skills
- Innovation
- Investment
- Competition
- Enterprise

The response to the Call for Evidence will provide a wealth of information that the Productivity and Skills Commission will use to better understand productivity and skills issues in the region by:

- Providing a better understanding of the component causes of the productivity and skills challenges and the inter-relationships between them,
- Making recommendations as to how these individual causes can be addressed,
- Ensuring appropriate plans are developed for the implementation of these recommendations.

WHAT BENEFITS CAN THE WEST MIDLANDS EXPECT?

The Midlands Engine is seeking to leverage the potential of the East and West Midlands in making the region a driving force for the UK economy. Part of the Midlands Engine vision is to create 300,000 new jobs over the next 15 years in efforts to bring transformational economic growth to the region. The Commission will play an integral role in helping to deliver this vision.

The government's new Industrial Strategy provides a framework for action which the West Midlands can use as an opportunity to secure further benefits across the area. The Industrial Strategy aims to improve the nation's productivity, prosperity and economic performance, with the West Midlands being a key player in driving change for the country as a whole. Through building on plans for the Midlands Engine and the new Industrial Strategy, we can secure additional investment and strategic support to deliver the best possible outcomes for our employers and our people.

The benefits include:

- Strengthening local supply chains and re-shoring activity to the West Midlands,
- Enabling more businesses to take advantage of the R&D and innovation infrastructure,
- Boosting business birth, survival and growth rates in parts of the region,
- Improving the skills base and ensuring that businesses have access to the skills they require,
- Improving road and rail infrastructure.

By bringing a collaborative and well-informed strategy to the productivity and skills agenda through the Commission and the SEP, the region has the potential to boost productivity (Gross Value Added – (GVA) per head) by 5% higher than the national average.

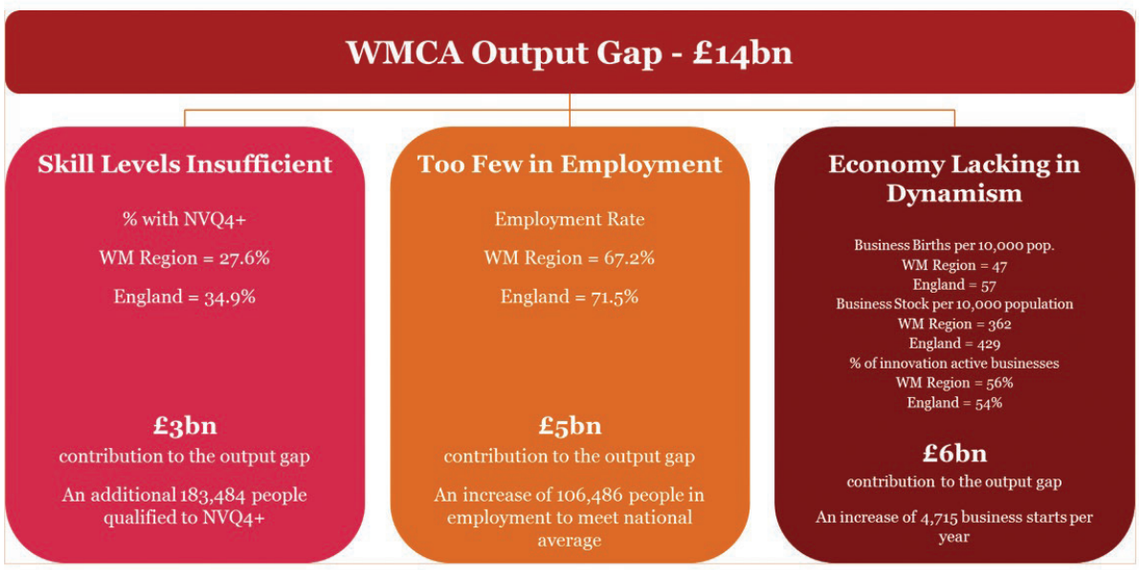
The investment in the WMCA Productivity and Skills Commission will enable the region to strategically target areas where there is potential to boost productivity, reigniting underperforming industry, reducing unemployment and underemployment, and ultimately tackling a widening skills gap.

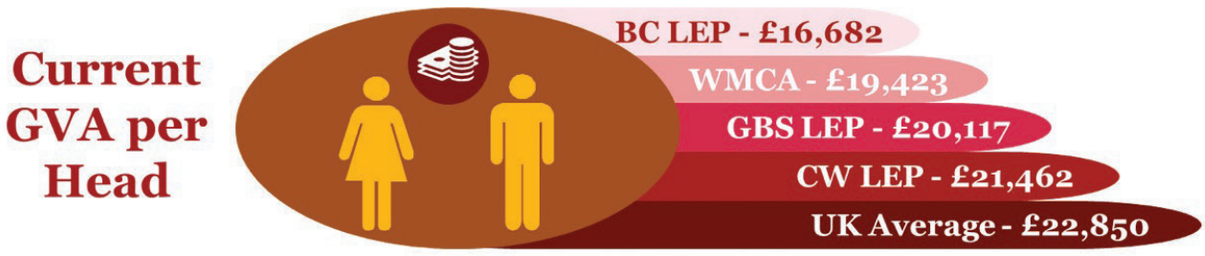
The result will be a prosperous, inclusive and thriving economy that works to meet the needs of the people of the West Midlands.

UNDERSTANDING PRODUCTIVITY

THE WEST MIDLANDS OUTPUT GAP

There is a £14bn Output Gap between the WMCA area and national figures - GVA per head in WMCA is currently at £19,423 – which is nearly £3,500 less than the national figure for each of the 4 million WMCA residents. The following analysis of the output gap identified the impact on productivity of insufficient skills levels and too few of our residents in employment which together account for 57% of the gap. The remaining 43% is attributed to an economy lacking in dynamism – underperformance in competition, investment, innovation and enterprise. It is for this reason that WMCA decided not to undertake separate commissions to look and productivity and skills – getting the right skills is essential to driving productivity in our region and we need to take an integrated approach to examining and tackling the issues if we are to have a significant and lasting impact upon them.





1. Analysis provided by the Black Country Consortium's Economic Intelligence Unit

WEST MIDLANDS COMBINED AUTHORITY

THE PRODUCTIVITY CHALLENGE

While productivity is a complex matter concerning all different levels of governance in the UK and internationally, it is also widely accepted that productivity, at the firm, region, or national level is the key driver of income. Yet significant and persistent differences in economic performance exist between and within UK city regions. There is a need for regional and local policy that reaches out to the numerous drivers of productivity, building on the indigenous strengths within each locality to drive growth and build a stronger economy.

Accepting that there are considerable technical issues with measuring productivity at the national and local level, with the standard measures of Gross Domestic Product (GDP) and GVA often incorrectly used leaving large gaps in our knowledge at the regional level, there are essentially two ways of increasing GVA (Productivity);

- To increase the total labour input in the economy by having a higher level of employment by hours worked.
- To increase productivity by increasing the amount of output each person produces.

Whilst many major economies have experienced slower growth in productivity post the financial crisis, the slowdown for the UK has been more marked. Research by the Office of National Statistic (ONS 2016) has shown that in 2014, labour productivity was lagging 18 percentage points behind other G7 nations. The weaknesses in UK labour productivity since the 2007/08 financial crises has been termed the UK 'productivity puzzle'. Understanding the true causes of this downturn is necessary for securing the future of both the UK economy and that of the West Midlands in allowing the region to achieve its potential in a national and international context.

A paper published by the Bank of England in 2016 uses ONS firm-level data to explore and aid our understanding of the drivers of these weaknesses. The paper concludes that although the financial crisis without doubt had a persistent impact on the level of productivity, there are a multitude of other factors yet to be fully explored and understood with any great certainty.

The post Brexit outlook provides further need to understand the priorities for improving UK growth and productivity. A recently published McKinsey (2016) report warns how reduced trade, Foreign Direct Investment and movement of people could have negative implications for innovation, investment, competition, access to talent and economies of scale. The report suggests that improving management practices, the participation of women in the labour force, the level of public sector productivity and the affordability of housing could help reverse the challenges facing post Brexit productivity. Understanding how best to address these issues, as well as the new freedoms and opportunities available in a changing economy will go some way to tackling the productivity problem.

Part of the puzzle around the weak productivity growth of the UK can be considered, at least partly, as a result of the changing dynamics of the labour and business landscape. We are now seeing an increase in demand for both low and high skilled jobs as the labour market responds to technological change at both ends of the spectrum, but a consequent decline in demand for mid-skilled jobs.

The following points expand on some of these influencing factors that have had an impact on productivity in the West Midlands:

OCCUPATIONAL STRUCTURE

It's important to consider the region's occupational structure when looking to understand the factors impacting on the productivity gap. Historically, the West Midlands has been home to a large number of high value manufacturing jobs, but there is an increasing switch to a structure more representative of England as a whole. This means the comparative advantage to sectors such as advanced manufacturing and energy could be lost.

As this shift takes place there is an ever growing drag on the productivity and therefore value of jobs. This has led to the region having fewer managers and senior professional and technical roles, which in 2015

stood at 8.1% for those in employment within the WMCA compared to a UK national average of 10.3% (APS, 2015). The forecasts projected by WMCA on the demand for the higher level skills that we need to deliver growth indicate that this gap in supply is set to increase.

INCLUSIVE GROWTH

To ensure inclusive growth we need a system that allows everyone to contribute to and benefit from growth (World Bank, 2009). Growth needs to be broad based and focussing on quality jobs across sectors, inclusive of a large part of the labour force, and whilst accepting there may be trade-offs the commission would like to have a greater understanding of this within the region.

Bringing inclusive growth to the West Midlands will involve capturing results on business performance at the local level, then linking findings back to wider determinants of growth at the macro level. This can be achieved by gaining insight into our ability to influence structural transformation, economic diversification and the subsequent changes to industry and employment, as well as our ability to protect our business base and the jobs they provide from economic and political shocks. The wide-spread adoption and increased commercialisation of new technologies by firms across sectors in the West Midlands is crucial to this type of broadly-based productivity improvement.

PLACE BASED PERSPECTIVE ON PRODUCTIVITY

City regions form their identity based on factors such as work flows, business supply chains, service provision, utilities, and access to education. The location of firms and workers in any given area reflects a variety of historic and market drivers which have developed over time to give places the characteristics we are familiar with today.

When thinking of places, we can typically classify their attributes in terms of, for example, business structure, labour market and skills and infrastructure development. Whilst these broader themes help us to form an understanding of why areas perform in the way they do, they do not typically assess the extent to which places perform differently because of the mix of assets and characteristics within them. We should look to not just simply understand what attributes places have, but instead ask questions as to the actual 'quality' of and relationships between these assets and the varying impacts they can have on growth and prosperity in a region, such as accessibility to London, large commercial centres and airports/transport links both nationally and internationally.

Understanding the relationships and interdependencies between the West Midland's key assets forms part of the aims for the Productivity and Skills Commission. The Centre for Cities, Cities Outlook 2017 report investigates this relationship, in particular in the context of the largest British exporting cities and the characteristics which help constitute these cities as attractive exporters. Gaining insight into how the local business landscape contributes or drags on productivity will help the Commission to inform such strategy and policy.

Place based factors to bear in mind when considering productivity in the West Midlands include:

- Spatial differentials in firm-level productivity determinants such as technology, capital intensity, infrastructure, investment, firm size, innovation, foreign ownership, managerial capability, competition, market power, characteristics of product and factor markets as well as consumer tastes and preferences.
- Agglomeration effects in cities such as larger markets and access to skills pools. Externalities, such as knowledge spill-overs, arising from the concentration of businesses in the same area. These spill-overs are of differential importance to different sectors.
- Methodological concerns. Differences in the types of outputs and the skills of workers involved will lead to different productivity levels. Price differences between regions and localities are not accounted for in the methodology and may explain some of the productivity differentials in the analysis.

Worth noting here is that whilst wider infrastructure such as housing and transport policy will play a key part in solving the productivity challenge in the West Midlands, there are currently separate structures in place to address these challenges and create plans to tackle them going forward.

As economies develop – at all levels of geography - levels of integration expand and different forms of network structures (formal and informal) emerge. In particular for the West Midlands, the effects from agglomeration of the three WMCA LEPs has the potential to produce great benefits for the region, bringing together labour, business and knowledge sharing.

In addition to the broad areas that are set out within this document, widely recognised to be the main determinants of productivity, it is important to recognise that researchers have sought to link many other factors to productivity growth, including:

- Outsourcing / offshoring
- Knowledge transfer into the firm from its foreign affiliates (often referred to as knowledge sourcing Foreign Direct Investment)
- Network effects
- Physical Geography
- Infrastructure and transport links
- Digital connectivity
- Clustering and agglomeration economics
- Links between firms and universities
- Openness of the economy
- Migration (either in terms of "brain drain" or new skills being attracted)
- Constraints on firm growth and the ability to capture scale economies (eg access to finance)

We do not go into these in detail here. Many of these relate more to firm growth rather than productivity specifically, and often represent second order problems, as well as capturing the counterfactual (what would have happened to productivity had the firm not done this), rather than the productivity specifically, but evidence on the importance of any of these issues for the local economy is also welcome.

CONCLUSIONS

There are many ways in which we can make a positive impact on the level of productivity in the West Midlands. Professor Diane Coyle has highlighted the following four points as key areas of focus when targeting action to improve productivity:

- "The importance of social investment for productivity, long-term programmes linked to the needs of specific areas where employment and skills are low,
- The need to focus not just on workers' skills but also on how employers use those skills to make workplaces productive,
- The role of the entire institutional framework for science-based firms, for example so that problems are owned, regulations do not make people over-cautious, public procurement is used intelligently,
- The need to correct the UK's significant under-investment over decades in infrastructure, with a focus on what services infrastructure provides to the economy."

The Commission's Call for Evidence and subsequent research, enquiries and recommendations will enable further conversation and action on all of the above points with the aim of improving productivity and growth for the West Midlands region.

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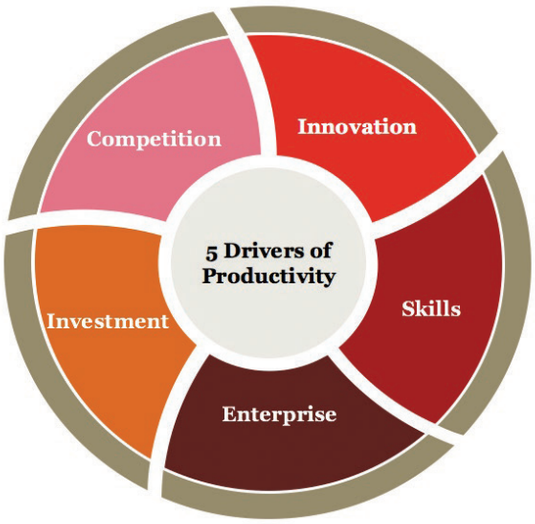
DRIVERS OF PRODUCTIVITY

INTRODUCING THE 5 DRIVERS OF PRODUCTIVITY

There are a number of factors that underlie any economy's productivity. These five key drivers of growth were first set out in "Productivity in the UK: The evidence and the Government's approach" published alongside the 2000 Pre-Budget Report, which describes the UK's productivity performance in a national context. They are:

- Innovation
- Skills
- Enterprise
- Investment
- Competition



INNOVATION

Innovation in the West Midlands

Innovation at the firm level is crucial for the West Midlands if the region is to raise its productivity levels, and firms should be proactive to exploit the freedoms technology and devolution are providing to do this. The commission should be considering whether businesses have adequate access to finance, whether this be simply raising awareness of existing financial support packages, or creating new ones entirely.

At present the quality of data on the levels of innovation and exporting activity, as well as the barriers firms commonly face to such activity in the West Midlands, is limited at the local level and only available with a significant time lag. Therefore improving the scope and quality of this data should also be viewed by the Commission as a priority to driving growth through innovation in the region.

The WMCA and the three LEPs Identified within the SEP are currently undertaking a Science and Innovation Audit across the area. This is focusing on the innovation ecosystem factors, enabling competencies and market strengths laid out in the framework at **http://www.birminghamsciencecity.co.uk/groups-and-networks/advisory-and-steering-groups-2/wmca-innovation-working-group/**. This local report complements the Science and Innovation Audit completed for the Midlands Engine last year as part of a national programme (see **https://www.midlandsengine.org/wp-content/uploads/2017/02/Midlands-Engine-SIA-Volume-1-Report-01-Nov-1.pdf**). It is important that the West Midlands takes its place in the national debate and makes sure that the area plays a key role in shaping national policy.'

The Science and Innovation Audit has been led by the West Midlands Combined Authority Innovation Working Group (WMCA IWG) which was initially set up to support the development of the innovation strand of the WMCA Devolution Deal. The group includes representatives from the Greater Birmingham and Solihull LEP, the Coventry and Warwickshire LEP, the Black Country LEP, Marketing Birmingham, Innovate UK (with links to the Catapult centres) and the six research active WMCA Universities (Aston, Birmingham, Birmingham City University, Coventry, Warwick, and Wolverhampton).

With the support of the Birmingham Science City Executive, the IWG is continuing to raise the profile of, and facilitate the innovation aspects of, the Devolution Deal. It is also supporting the development and delivery of the innovation actions in the WMCA Strategic Economic Plan, including supporting the development of WMCA innovation project proposals, while facilitating and supporting collaboration for funding including ESIF.

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Why is innovation important

There is now strong evidence that exporting and innovation in products, services and business models can contribute to the productivity and performance of individual enterprises, localities and nations. Positive effects occur both directly and through spillovers or externalities – multiplier effects, knowledge and productivity spillovers and demonstration and halo effects. Innovation is therefore important for leading edge technology firms in the West Midlands, but the region should remember the adoption of innovations developed elsewhere is also important for improving performance in smaller, more locally-oriented firms. This type of broadly based innovation is key to achieving productivity increases.

Boosting collaboration between firms and between firms and research organisations (including universities) is a mechanism which will play a key role in the growth of the economy. Local and international connections are both important here, and international innovation partnerships can also provide the basis for future trade and exports. Ensuring the right policy is in place for both financial and advisory support, which serves to encourage such collaborative and innovative behaviour is a further driver in supporting firms with their innovation and subsequent activity. Resources are often limited, however, and so it is our view that effective targeting to support this policy is therefore important to maximise local benefits for the region.

We also know that collaboration is key to successful innovation, with partnerships between firms and between firms and research organisations (including universities) playing a key role in the growth of the economy. Local and international connections are both important here, and international innovation partnerships can also provide the basis for future exporting. We believe that the West Midlands will need to leverage these collaborative and increasingly cross-border partnerships to ensure productivity is maximised through continued focus on such investment.

Finally, having the right policy for both financial and advisory support is a further driver in supporting firms with their innovation and exporting activity. Local support can be particularly important in helping firms to successfully commercialise new innovations and subsequently support productivity improving innovation.

What next?

The Productivity and Skills Commission will consider the findings of the Science and Innovation Audit and will use the recommendations to shape our actions going forward.

For more information on the Science and Innovation Audit, please see
http://www.birminghamsciencecity.co.uk/groups-and-networks/advisory-and-steering-groups-2/wmca-innovation-working-group/

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SKILLS

Skills in the West Midlands

Skills are a vital driver to improving the productivity of the West Midlands. In the years running up to the financial crisis, the region was already suffering slower-than-average jobs growth, with the lowest employment rate of any of the city regions.

Whilst slower than average, employment rates in the West Midlands have been increasing over recent years along with the number of private sector jobs. At the same time the number of 16-64 year olds claiming an out of work benefit has been falling. However, the worklessness rate remains above the national average and significant challenges remain around the numbers claiming Employment Support Allowance or Incapacity Benefits, those individuals workless due to mental health issues and persistent low skills in parts of the area.

Data from Working Futures shows that 36% of all WMCA based jobs have a requirement for higher level (NVQ L4+) skills and 21% require either lower level (NVQ L1) or no qualifications. Over the 10 year period 2012-2022 it is projected that the requirement for higher level skills will increase by 36%, whereas the requirement for NVQ L1 skills will shrink by -22% and that for no qualifications by -42%.

Understanding what skills employers require, the constraints for education and training providers, and the complexity of (and frequent changes in) the national and local skills system all present challenges to getting skills investment right. Indeed, in 2015, 24% of vacancies in the WMCA area were identified as hard to fill due to a lack of appropriate skills, qualifications, or experience.

Our estimates show that if the skills profile of the three LEP areas identified within the SEP were to match the England average (reduction in those with no qualifications from 13.6% to 8.7% and increase in those with level 4 from 29.1% to 36.1%) GVA (based on 2015 data) would increase by an estimated 4.4% (£3,871 million). In turn this would generate an additional £1,548 million annually in tax revenue. If unemployment across the three CA LEP areas were to fall to match the England average (from 2.8% to 1.9% as at February 2017) there would be a saving of £58.9 million per annum in benefit spending and an increase of £46.2 million per annum in tax revenue. there would be a saving of £62.8 million per annum in benefit spending and an increase of £49.3 million per annum in tax revenue.

Why skills are important

If we are to improve the productivity of the West Midlands it is essential that we have the right skills in the labour market to support and achieve this growth and that we align investment in skills to growth sectors, skills gaps and areas of need. When businesses have the skilled employees they require, supported by quality management and leadership practices, firms can expect productivity and growth improvements to follow.

Recognising the importance of management practices is vital, with the managerial ability within firms having a significant impact on productivity and business growth. The variable quality of management decision-making can affect investment in equipment, staff and skills development, innovation and intangible capital and is known to underpin international, regional, cross-sector and within-sector differences in productivity. There is a need for both operational and senior management teams to possess these managerial skills and ambitions to drive productivity in response to opportunities in growing markets.

Linked to this is the concept of 'Good Work' which involves working practices that benefit employees through regular and fair reward schemes, access to training and development programmes, having job security and tailored career progression conversations, and ways of working which listen to and act on employee feedback to secure continued business improvements. Fundamental to the concept of Good Work is understanding that it is about more than simply motivating the workforce through monetary benefits and pay. Rather, it is about building a workplace culture which promotes a healthy environment and good general well-being where employees feel valued, trusted and supported to adapt their working patterns around their life styles and phases of life.

Finally, thought should be given to considering how demand for skills is likely to be impacted by the rise in automation and artificial intelligence (AI), and the knock on effects this will have for the occupational profile of the West Midlands. Evidence would suggest that technology has redefined the nature of routine jobs and the skills required, rather than replacing such jobs altogether, but with the interconnected and digitalised world we now live in far more advanced than that of previous technological waves, there is a need for the WMCA to consider the effects on labour demand across all grades and sectors, and the appropriate skills training that will need to be provided to support such shifts.

Through increasing individuals' skills in the region we not only begin to support both business and economic growth, but we are also able to give people the foundations for improving their life opportunities. Improving the education and skills offering of the region also brings the benefit of raising productivity through indirect mechanisms, such as facilitating knowledge transfer, technological diffusion, collaborative improvement and innovation.

What next?

The skills system is highly complex with a number of institutions, policies, regulations and funding streams to navigate when formulating solutions. WMCA will take a whole system approach to skills focussed on developing solutions for people who are in education, in work or out of work, equipping them with the right information about employer needs for skills and ensuring that pathways are in place to gain these skills. Access to information is a key enabler with independent advice and guidance about careers and training pathways being a critical success factor.

The devolution agenda underlines the role of local areas and employers in creating the conditions for growth and establishing a post-16 skills system that is responsive to local economic priorities. Devolution for the West Midlands has already been agreed in relation to the Adult Education Budget and some aspects of employment support but further devolution would enable greater impact and the ability to simplify the skills system at a local level.

Maximising the benefits of recent and forthcoming changes designed to improve the skills system presents both a challenge and an opportunity for the West Midlands. The new approach to technical education following the 2016 review by Lord Sainsbury, apprenticeship reforms including the introduction of the apprenticeship levy and proposals to introduce new Institutes of Technology all provide an opportunity to address the mismatch between supply and demand for skills and will be important tools to support delivery of our Integrated Productivity & Skills Plans. We will also build on the advantage of hosting the National College for High Speed Rail and the opportunity to tap into the wider National College network to support the development of higher level skills in priority sectors.

The Commission will identify aspects of the system that it will shape and influence as well as identifying areas where local control will deliver better outcomes for local people and businesses.

Consultation questions

1.	How are current actions in the West Midlands supporting the improvement of meaningful skills development across the area? Please give examples of what you think is working well and what could be improved particular in light of recent and forthcoming changes in the skills system. Please provide evidence to support your views.
2.	What are they key barriers to skills development and how could they be removed? Please provide evidence to support your views.
3.	What do you see as the likely impact of Brexit on skills in the West Midlands? How could opportunities be maximised and threats be mitigated? Please provide evidence to support your views.
4.	How effective is careers advice in the West Midlands and how could it be improved? Please provide evidence to support your views.
5.	What could be done to further develop effective leadership and management practises in West Midlands? Please provide evidence to support your views.
6.	How are businesses putting the concept of 'Good Work' into practice? What can other businesses learn from this? Please provide evidence to support your views.

ENTERPRISE

Enterprise in the West Midlands

Enterprise policy must be carefully considered to ensure it is most effective at the level of the firm and the individual entrepreneur and takes into account the complexities and diversity of the region's economic geography. Evidence suggests that the WMCA area has a lower start-up rate than elsewhere in the country and enjoys a less prominent share of fast-growth firms in the business population. In 2015, there were 5.46 business births per 1000 of the population in the WMCA area compared to 5.88 nationally.

The WMCA is establishing a growth company to promote the region around the world and help inspire enterprise and entrepreneurial behaviour. It will support taking the best of the West Midlands to a new range of buyers and open up a wealth of new opportunities.

The growth company will help create new jobs, expand existing businesses and promote the region's considerable business and tourism assets to secure investments from around the world. It will also support delivery of the WMCA's Strategic Economic Plan (SEP).

Why enterprise is important

Creating an environment for enterprise and business growth to thrive is a key enabler for boosting productivity in the economy. Setting a framework which encourages business development and growth along with targeted leadership and entrepreneurial education initiatives and advice are all important in fostering an entrepreneurial economy. But we must also recognise the importance of the local level, where historical, cultural and geographical influences have created variances in demographic, wealth, educational and occupational profiles of places and communities and therefore the level of entrepreneurial activity within these. Worth noting is the difference between enterprise and self-employment – the former as someone attempting to build a business around an innovative idea or concept, whilst the latter is a term which can be applied more broadly, at times to an entrepreneur, but also to an individual performing the same service to employers that they previously did as an employee. It is important to give consideration to the varying models of enterprise and self-employment, and the types of behaviour one wishes to stimulate as a result.

Entrepreneurship is integral to driving growth and covers start-up firms as well as the development of new business opportunities in established businesses. An entrepreneurial culture is an environment where someone is motivated to innovate, create and take risks in response to opportunities and harness the appropriate resources. In an established business, an entrepreneurial culture means that employees are encouraged to brainstorm new ideas or products. This can be an important factor in driving productivity and business growth. Business leaders should challenge themselves and ask the question of whether these behaviours are present in their businesses, and if not, why not.

What next?

The accessibility of finance for the entrepreneur poses a potential issue for the Commission to investigate in understanding whether the lack of financial support for potential new enterprises is having a detrimental effect on productivity. Addressing such issues through targeted policy and creating a business environment that encourages entrepreneurship and business growth are key initial steps the Commission will consider in boosting productivity in the region. Understanding whether there is a need to focus on providing the right support for businesses through network hubs, training schemes and information centres is a further line of enquiry the Commission could look to consider further.

Consultation questions

7.	How are current actions in the West Midlands supporting enterprise across the area? Please give examples of what you think is working well and what could be improved? Please provide evidence to support your views.
8.	What are they key barriers to enterprise and how could they be removed? Please provide evidence to support your views.
9.	What do you see as the likely impact of Brexit on Enterprise in the West Midlands? How could opportunities be maximised and threats be mitigated? Please provide evidence to support your views.
10.	How could the West Midlands support an increase in new start-ups? What else could be done to support their success? Please provide evidence to support your views.
11.	What support should be available to ensure the sustainability of fast-growth firms beyond their initial growth period? Please provide evidence to support your views.
12.	What actions could be taken to boost the levels of enterprise within existing businesses and their employees? Please provide evidence to support your views.

INVESTMENT

Investment in the West Midlands

There are numerous ways in which the West Midlands can experience positive gains in productivity due to investment, both internally at the firm and regional level, and also internationally. There has been a significant boost in FDI projects in the region, with 168 projects in 2015-16, 3 times those present in 2012-13. 11,119 new jobs have been created as a result of these investments (UKTI, 2015-16).

There is less clarity on the state of play with regards to internal investment in the region. Whilst FDI is no doubt beneficial for the West Midlands, improving the level of investments within and between businesses in the region is something that the Commission should actively encourage and support. Such investments are made by those that know the region best and help keep the monetary flows within the West Midlands economy, leading to greater growth and competitiveness on a range of geographical scales.

The presence of head-quartered businesses in a region has a knock on effect for productivity. Such functions come with the ability to direct spend, investment, supply chain growth and training decisions and has been shown to have a positive impact on local areas and economies. Such thinking fits with the current situation in the West Midlands, where the gap in supply of higher paid, higher skilled roles ties into the fact that the region is home to less head-quartered functions where such roles are typically found. There is therefore a need for greater understanding around the reasons for the low number of head-quartered functions in the region, and what can be done to attract such employers in the future.

Why investment is important

Internal business investments made in R&D, supply chain efficiency, human resource, technology and expansion as a selection of examples, will all have an impact on the productive potential of a firm. Improvements in efficiency and resource utilisation can lead to increased sales and revenue for businesses, as well as a more motivated workforce with greater tools for executing their jobs. Another example is through better linkages and communications through the supply chain, leading to lower costs and wastage. Prospective rises in productivity at the micro level will ultimately feed through to the macro level and showcase the importance for internal investments by businesses in producing greater growth and prosperity for an economy.

By pursuing an inward investment policy since the mid-1980s the UK government has also sought to encourage the superior foreign technology, R&D, innovation activity, economies of scale and capital investments that accompany these inward investments in efforts to improve the growth of the nation.

By attracting more productive foreign firms to the West Midlands, we would hope to see an increase in the average productivity of the region's industries. There is then the possibility that technology, which notoriously accompanies many of these investments, 'spills over' in a less formal manner to domestic firms through various channels. For example, linkages that domestic firms have with foreign inward investors in supplier or strategic relationships has the potential to teach domestic firms better management techniques and new ways of working which may be more efficient than those currently in practice. The so called 'Japanisation of UK industry' is a case in point. A further effect can be seen in the tacit knowledge embodied in skilled labour which may move from foreign inward investors to local domestic firms, again improving productivity for the region.

The presence of multinational enterprises, as leaders in both technological and capital accumulation, serves to stimulate further the possibility for agglomeration and co-location in regional hot spots and clusters around the host country. This enables improvements to supply chain linkages and further technology transfer, and may therefore improve the likelihood of technological capabilities and productivity of domestic firms via spillovers in the West Midlands.

What next?

There is a need to understand what the current level of internal investment in the region is, what the opportunities are for businesses to improve and get the most out of their investments, and also the factors which frustrate and deter firms of the West Midlands from engaging in such activity. Creating and maintaining this regional investment landscape at the firm level will serve as a strong platform for simultaneously increasing productivity and prosperity.

HS2 represents an enormous infrastructure project currently being delivered in the West Midlands. It offers exciting opportunities for boosting productivity in a multitude of ways through mechanisms and partnerships which naturally accompany investments of this scale. In more uncertain territory, the post-Brexit outlook provides less clarity on the future direction of investment in the region. However, with a strong manufacturing heritage, there is the potential to open up new markets for trade and investment as new deals are agreed, each bringing with them new opportunities for economic growth in the West Midlands.

We suggest all of the above have the potential to impact positively on productivity in the West Midlands. The region should be looking to promote its assets to potential investors at all opportunities, both domestic and international, with the aim of developing industry hot spots, creating jobs and the channels to share best practice between firms, ultimately boosting productivity and growth.

Consultation questions

13.	How are current actions in the West Midlands supporting investment across the area? Please give examples of what you think is working well and what could be improved? Please provide evidence to support your views.
14.	What are they key barriers to attracting internal and external investment and how could they be removed? Please provide evidence to support your views.
15.	What do you see as the likely impact of Brexit on investment in the West Midlands? How could opportunities be maximised and threats be mitigated? Please provide evidence to support your views.
16.	What is the current state of firm level investment in the region? What could be done to encourage this type of investment? Please provide evidence to support your views.
17.	How can the levels of inter-West Midlands cooperation and supply chain collaboration be improved across the area? Please provide evidence to support your views.
18.	Which sectors in the WMCA would most benefit from investment and why? Which sectors represent the best value proposition to investors? Please provide evidence to support your views.

COMPETITION

Competition in the West Midlands

The West Midlands area offers both challenges and competitive advantages dependent upon the evidence datasets used to articulate competition. For example GVA per head in the area is amongst the lowest in the country, whilst clusters of businesses in high value sectors (e.g Aerospace) are well above the national average. The Purchasing Managers Index also sets a picture of an economy which recognises the importance of dynamism and in the West Midlands. We are seeing examples of best practice around supply chain integration and how this is being delivered on a daily basis to support competitive collaboration, such as High Value Manufacturing City Digital Platform.

Why competition is important

The level of competition for firms in a given market can have a big impact on the level of innovation and productivity in that economy. Evidence strongly supports the view that high levels of competition in a market with low barriers to entry gives firms a far greater incentive to invest and innovate in product development in order to remain competitive in that market compared to firms who sit in a less competitive market with high barriers to entry.

In short, competition leads to productivity benefits in 3 main ways as described in the Productivity and Competition report by the Competition and Markets Authority (2015):

- It acts as a disciplining device, putting pressure on management within firms to be more efficient and cost effective,
- High competition ensures that the more productive firms in a market will increase their market share at the expense of less productive firms. These less productive firms will eventually leave the market, making space for new, innovative and more productive firms to enter, driving further competition in the market.
- Competition drives firms to innovate, leading to improved efficiencies, greater growth and productivity.

The level of exports in particular markets is also impactful here. Firms that export more are generally increasingly competitive due to the nature of their market and the need to stay ahead of the competition, driving down costs to secure business deals, trade and growth. Having the right trade and export policies in place is therefore important for fostering healthy competition between exporters in markets, leading to increased efficiencies, innovations and ultimately growth and productivity.

What next?

The WMCA will develop a greater understanding of the levels of competition which exist in markets in the West Midlands, and how this impacts on the levels of productivity within these industries. This must explore how competition can be harnessed to drive up skills and productivity and how future support programmes can be tailored to be of most relevance to growth firms.

Consultation questions

19.	How are current actions in the West Midlands supporting competition across the area? Please give examples of what you think is working well and what could be improved? Please provide evidence to support your views.
20.	What are the key barriers to stimulating competition and how could they be removed? Please provide evidence to support your views.
21.	What do you see as the likely impact of Brexit on competition in the West Midlands? How could opportunities be maximised and threats be mitigated? Please provide evidence to support your views.
22.	What can the WMCA do in order to help local business to increase their domestic and international competitiveness? What stimulus measures would drive greater competition? Please provide evidence to support your views.
23.	Which industries or sectors would benefit most from targeted interventions to boost the levels of competition? Please provide evidence to support your views.
24.	What are the key skills that employers in the West Midlands need most to improve their competitiveness? Please provide evidence to support your views.

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RESPONDENT INFORMATION SHEET

Please note this form must be returned to **productivityandskills@wmca.org.uk** or **Productivity and Skills Commission, Communications Department, 16 Summer Lane, Birmingham B19 3SD** with your response by **31st May 2017**. For clarity, there is no requirement that your response to the Call for Evidence answers every question posed.

Please take the opportunity to provide any additional information that would be of benefit to the Commission but isn't covered directly by the questions outlined in this document.

Are you responding as an individual or an organisation?
Full name or organisations name
Phone number
Address
Postcode
Email
The West Midlands Combined Authority (WMCA) may wish to publish your response in full or in part. The WMCA commit not to distort or misrepresent your response in any full or part publication. Please indicate your publishing preference: 1. Publish response with name 2. Publish response only (anonymous) 3. Do not publish response

Should you wish for your response not to be published, it will only be shared within the WMCA and used for the purposes of informing future planning.

Should the WMCA wish to contact you in the future, would you be willing to be contacted?

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ACKNOWLEDGEMENTS

The WMCA would like to extend their gratitude to the following academics for their time, support and enthusiasm in providing contributions to the Call for Evidence:

Academic lead

Nigel Driffield, University of Warwick

Academic contributors

Rebecca Riley, City-REDI, University of Birmingham

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Dr Yama Temouri, Aston University

Professor David Bailey, Aston University

Professor Simon Collinson, Deputy Pro-Vice-Chancellor for Regional Economic Engagement and Director City-REDI, University of Birmingham

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ANNEX 1 – WMCA PRODUCTIVITY AND SKILLS COMMISSION INTELLIGENCE PACK

In November 2016 the Black Country Consortiums Economic Intelligence Unit developed a supporting evidence pack which sets out the productivity challenge in terms of GVA and the output gap analysis. They also developed a dashboard for each of the 7 transformational sectors to enable us to target our action to support economic growth. The dashboards include the scale of GVA, jobs and businesses for each sector and sub sectors and the comparison of the proportion of GVA and jobs to the national average - current and ambition levels. They also provide a list and spatial mapping of the top performing businesses in each sector with an analysis of financial records to establish GVA contribution, average GVA per employee, GVA growth rates, level of value added – high/medium/low and an overview of the ownership of these businesses.

To view Annex 1 please visit
https://westmidlandscombinedauthority.org.uk/what-we-do/commissions/productivity/annex

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ANNEX 2 - MEASURING PRODUCTIVITY

It is well acknowledged that productivity is a complex concept, with many approaches to defining the term and explaining its determinants. Starting with the measurement issues, perhaps the thorniest issue is how to capture the much used, and often misunderstood term "gross value added". Partly because of the many different processes that contribute to value added, there are varying approaches to measuring productivity. These can essentially be grouped into the below:

Simple ratios

The most common of these is labour productivity, typically expressed in terms of value added per unit of labour. This may be expressed in terms of an annual figure using full time equivalent employment, or per hour of labour. It may also distinguish types of labour, seeking to compare skilled and unskilled, or full and part time for example. While less common, the same can be done per unit of capital.

Econometric approaches

These are econometric based approaches, designed to capture total factor productivity (TFP). One starts by expressing a simple production function such as a cobb-douglas or a translog function, and then estimating this using econometric approaches of varying levels of sophistication, and for comparable firms or sectors. Essentially the residuals from such an approach then form the basis of estimates of differences in productivity; the larger the residual from the regression the greater a firm's productivity compared with the cohort. The essential question to bear in mind with this technique is to ensure one is comparing like with like. If one takes the simplest form of production function where output depends on three inputs, capital (machines), labour (people) and materials, then one can allow for the fact that the nature of these relationships differ by sector, and also that the quality of both inputs and outputs will differ by firms.

Techniques designed to employ this approach vary in econometric complexity. For example, one may want to control for the fact that inputs are decided by the firm. Suppose a firm is anticipating a "productivity shock" – a new technology for example. It may therefore take investment decisions to reflect this – delaying or bringing investment forward to take advantage of this. This is known to the firm, but not to the investigator. Such approaches therefore seek to allow for the endogeneity of this decision (see Olley and Pakes, 1996).

PRODUCTIVITY AND SKILLS COMMISSION

Call for Evidence

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Board Meeting

Date	12 May 2016
Report title	National Productivity and Investment Fund Programme
Cabinet Member Portfolio Lead	Councillor Roger Lawrence – Transport
Accountable Chief Executive	Keith Ireland, Managing Director - Wolverhampton Email: keith.ireland@wolverhampton.gov.uk Tel: 01902 554500
Accountable Employee	Mark Corbin, Key Route Network Manager – Transport for West Midlands Email: mark.corbin@tfwm.org.uk Tel: 0121 214 7355
Report to be considered by	WMCA Programme Board - 28 April 2017

Recommendations for action or decision:

WMCA Board is recommended to:

1. Agree the 2017/18 investment programme for the National Productivity Investment Fund.
2. Agree to appoint a Senior Responsible Officer (SRO) who should be accountable for successful delivery of the Fund and chair the Steering Group.
3. Agree the approach set out in section 8 for future National Productivity Investment Fund bids.
4. Agree the approach to over-programme by between 5% and 10% as detailed within Section 9.

1.0 Purpose

1.1 This report provides a progress update regarding the National Productivity Investment Fund (NPIF) and seeks approval for the 2017/18 West Midlands provisional programme and the establishment of governance to manage the fund. The government has allocated a total of £5.788m to the West Midlands Combined Authority (WMCA).

2.0 Background

2.1 A paper setting out the key points relating to the NPIF and the other road maintenance funding streams, specific to the Combined Authority was considered by STOG on 30 January 2017. The recommendations included establishing a Working Group to develop a centrally managed coordinated programme.

2.2 WMCA issued a call for proposals to all local constituent authorities and Transport for West Midlands (TfWM) on 10 February 2017. A total of 17 submissions were received totalling more than £12.9m. These proposals were subjected to an objective prioritisation exercise which considered the following factors.

2.3 The proposals were assessed against 5 main criteria:

- How well does it develop economic and job creation opportunities? (what and how many).
- Does it clearly state how the proposal would improve access to employment and housing? (locations and numbers).
- How well does the proposal aim to reduce congestion at key locations? (scale and impact).
- Does the proposal aim to upgrade or improve highway assets reaching end of life? (no, some, or significant scope).
- Is the proposal deliverable within 2017/18? (risks around consultation, contractors, land-use, physical works, and officer resource).

2.4 In addition, a range of local factors which were referenced in the bid proforma were also considered; these included:

- Geographic Coverage
- Lead Time
- Design stage
- Local Authority Contributions
- Would this be supported by any other funding streams?
- Is this listed or contained within the 10 Year Delivery Plan?
- What Strategic Transport Plan outcomes are targeted?

2.5 These criteria and factors were organised into 1 of 3 cases in the Department for Transport (DfT) 'five case' model (Strategy, Economy, and Management). Within each case, the criteria and factors (plus some specific local issues – network resilience, relationship to Enterprise Zones, environment and equity impacts) were scored on a (mainly) seven-point scale as in the DfT Appraisal Summary Table. The scores were then summed for each proposal, and a rank order worked out for each case. The sum of all the ranks (plus the rank by promoter contributions) gave an overall rank, as a guide to the final decision-making process. An additional level of challenge to the prioritisation

output was provided through a consensus meeting involving representative from the local authorities and TfWM. The outcome of the prioritisation and consensus meeting was a provisional programme for delivery in 2017/18, which is included below for consideration.

3.0 Impact on the Delivery of the Strategic Transport Plan

3.1 The impact of the contents of this report on delivery of the 15 STP Policies and/or the development/operation of:

- The National & Regional Tier
- The Metropolitan Tier: Rail and Rapid Transit Network, Key Route Network, Strategic Cycle Network

3.2 The policies that are supported include:

- Policy 1 - Accommodate increased travel demand by existing transport capacity and new sustainable transport capacity.
- Policy 2 - Use existing transport capacity more effectively to provide greater reliability and average speed for the movement of people and goods.
- Policy 3 - Maintain existing transport capacity more effectively to provide greater resilience and greater reliability for the movement of people and goods.
- Policy 4 - Improve connections to new economic development locations to help them flourish, primarily through sustainable transport connections.
- Policy 5 – To help make economic centres attractive places where people wish to be.
- Policy 6 – To improve connections to areas of deprivation.
- Policy 8 – To improve connections to new housing development locations to help them flourish, primarily through sustainable transport connections.

4.0 Wider WMCA Implications

4.1 The report deals with investments on the KRN which is located within the constituent authority area, but will serve to improve connectivity, improved reliability and efficiency across the wider WMCA area and improving links to the Strategic Road Network.

5.0 The National Productivity Investment Programme (Provisional)

5.1 The following proposals comprise the National Productivity Investment Fund programme for 2017/18. The programme is focused primarily on the upgrade of traffic signal technology, bus lane enforcement and the repair of a bridge to help enable efficient operation of the network in Solihull during HS2 construction. The figure of £6.4m is just over 10% of the original allocation as it takes into account over programming. It should also be noted that the allocation is further supplemented by additional local contributions to the value of £4.0m. STOG should be aware that deliverability within the next financial year is a key requirement stipulated by the Department for Transport. The list below does not include the Solihull Bridge programme for 2018/19-2021 which was also submitted as a proposal for consideration.

NPIF BID SUMMARY TABLE	Coventry	Solihull	Wolver-hampton	Dudley	Sandwell	Walsall	Birmingham	TfWM	TOTAL
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Recommended Schemes									
Keeping Coventry Moving	700.0								700.0
A34 Stratford Road Growth Corridor		616.5							616.5
Solihull Bridge Five Year Programme (2017/18)		600.0							600.0
A4124 Traffic Signal Upgrades and Bus Priority			500.0						500.0
Brierley Hill Strategic Centre				660.0					660.0
A34 Birmingham Road/A4041 Queslett Rd/Newton Rd					273.0				273.0
A461 Eastern Opportunity Area						920.0			920.0
Bus Lane Enforcement Tranche 2 *							98.0		98.0
Bromford Gyratory Ph. 1							569.0		569.0
Holloway Circus							700.0		700.0
Journey Time Reliability to City Growth Area							530.0		530.0
Sub Total - Recommended Programme	**700.0**	**1,216.5**	**500.0**	**660.0**	**273.0**	**920.0**	**1,897.0**	**-**	**6,166.5**
Schemes Not Recommended at this Stage									
Brierley Hill Strategic Centre (reserve allocation for balance)				1,180.0					1,180.0
UTC SCOOT/MOVA Detection **								875.0	875.0
Bloxwich & Brownhills High Streets Resurfacing **						700.0			700.0
Sub Total - Schemes Not Recommended at this stage	**-**	**-**	**-**	**1,180.0**	**-**	**700.0**	**-**	**875.0**	**2,755.0**
Schemes Not Recommended									
Walsall - Northern Opportunity Area						85			85.0
Street Furniture, Vehicle Restraints & Street Lighting			550						550.0
Safety Cameras, Future Operating Model							135		135.0
TfWM - Longbridge park and ride								1,500.0	1,500.0
Sub Total - Schemes Not Recommended at this stage	**-**	**-**	**550.0**	**-**	**-**	**85.0**	**135.0**	**1,500.0**	**2,270.0**
TOTAL VALUE OF BIDS RECEIVED	**700.0**	**1,216.5**	**1,050.0**	**1,840.0**	**273.0**	**1,705.0**	**2,032.0**	**2,375.0**	**11,191.5**

* Further Clarifications being obtained regarding delivery as a commercial proposal

** Reserve list schemes pending identification of financial resource.

6.0 Governance

6.1 The Working Group established to identify the programme should now continue as a Steering Group chaired by an SRO from STOG to oversee the delivery of the programme and to identify future proposals in anticipation of further NPIF allocations.

7.0 Next Steps

7.1 The programme should now enter early mobilisation phase and this should include a workshop with the various project managers, development of a detailed programme of work, risk and issues registers, a clear project execution plan and appointment of a Senior Responsible Officer. This would enable greater insight regarding delivery and any issues that need to be raised immediately by stakeholders.

8.0 Future National Productivity Investment Fund bids

8.1 As part of the budget announcement in March 2017, a further £690 million of NPIF will be competitively allocated to local authorities for roads and local transport, with £490 million made available by early autumn 2017. Details on how the bidding process will be announced shortly, although no firm date has yet been provided.

8.2 Recognising this impending announcement, it is recommended that we agree a WMCA approach for bidding. It is proposed that any future bids for NPIF should be coordinated through the WMCA with recommendations agreed via STOG, supported by with a senior Steering Group to provide oversight and direction to the bid with membership as follows:

- Perry Wardle – Solihull MBC (STOG Lead NPIF Bid)

- Stuart Everton – BC Authorities
- Colin Knight – Coventry CC
- Anne Shaw – Birmingham CC
- Mike Waters – TfWM (Delivery Plan alignment)
- Sandeep Shingadia – TfWM (Lead for bid production)

8.3 Alongside the additional funding for roads and local transport, an allocation of £2.3bn by 2020/21 has also been made for a Housing Infrastructure Fund (HIF) funded by NPIF. This will also be allocated competitively. The HIF will provide infrastructure targeted at unlocking new private house building in the areas where housing need is greatest.

8.4 It is likely that government will also examine options to ensure that other government transport funding better supports housing growth. Significant coordination will be required with land use planning officers from Local Authorities to ensure local transport investment is aligned to housing growth locations. This coordination will also support potential bids into HIF for unlocking housing sites through local road investment (which is additional to the roads and local transport funding).

9.0 Financial implications

9.1 As detailed above, the NPIF allocation to the WMCA region by DfT for 2017/18 totals £5.788m with the total value of the programme as recommended by the NPIF Consensus Group being £9.9m as detailed below:

	Promoter contribution £000	NPIF Contribution £000	Total Programme Value £000	Maximum NPIF Contribution
Keeping Coventry Moving	670.0	700.0	1,370.0	51.0%
A34 Stratford Road Growth Corridor	68.5	616.5	685.0	90.0%
Solihull Bridge Programme (2017/18)	112.0	600.0	712.0	84.0%
A4124 Traffic Signal Upgrades and Bus Priority	-	500.0	500.0	100.0%
Brierley Hill Strategic Centre	510.0	660.0	1,170.0	56.0%
A34 Birmingham Road/A4041 Queslett Rd/Newton Rd	-	273.0	273.0	100.0%
A461 Eastern Opportunity Area	1,380.0	920.0	2,300.0	40.0%
Bromford Gyratory Ph. 1	141.0	569.0	710.0	80.0%
Holloway Circus	958.0	700.0	1,658.0	42.0%
Journey Time Reliability to City Growth Area	-	530.0	530.0	100.0%
Bus Lane Enforcement Tranche 2 Development	-	98.0	98.0	100.0%
TOTAL	**3,839.5**	**6,166.5**	**9,908.0**	
Grant Available 2017 / 2018		5,788.0		
Over Programmed Value		378.5		
Over Programmed Percentage		7%		

9.2 The NPIF contributions above represent the value of grant to be applied to each project as follows:

i. All financial risks in relation to over-spend sit with the Project Promoter.

ii. The total NPIF payable will be the lower of the amount detailed above, or the actual amount of NPIF claimed at completion.

iii. NPIF funding can be ‘called down’ in advance of Promoter Contributions being used to fund the project, providing the financial completion statement shows the final percentage of NPIF to be a value not exceeding the percentage shown in the table

above.

iv. Any NPIF over-claimed in relation to point 'iii' above should be returned to WMCA to progress new NPIF initiatives or reserve list schemes.

9.3 It is recognised that future allocations of NPIF funding to the WMCA region will be informed by the ability of WMCA to deliver the programmes within the financial year and as such, an element of over-programming is suggested to off-set any slippage in delivery.

9.4 The over-programmed value will effectively need to form the basis of a prior call against future NPIF allocations to WMCA. Should there be no further NPIF allocations, it is suggested that a corresponding reduction (£378,500) is made in the Integrated Transport Block formula in the relevant year to fund the deficit; although this is considered unlikely. Should this not be acceptable, an alternative will be to curtail each allocation, pro-rata, to the value of the available grant.

9.5 The grant will be payable to local authorities quarterly in arrears with a light touch claim process requiring Section 151 Officer sign off. The DfT grant conditions imposed upon WMCA will be imposed upon local authorities, which are expected to be in line with Integrated Transport Block and Highways Maintenance conditions, requiring spend against works of a capital nature, and a declaration in the autumn following the end of the financial year.

9.6 If there are any variations to the NPIF Programme as a result of the inclusion of additional schemes (specifically, following the clarifications regarding bus lane enforcement commercial proposal), the programme will be adjusted accordingly and reported through STOG in the first instance. It should be noted that the inclusion of the fully originally requested project value for bus lane enforcement into the 2017/18 NPIF Programme will increase the degree of over-programing to 10% (being £578,500).

10.0 Legal implications

10.1 All necessary grant agreements and any other legal documentation will need to be entered into by the relevant parties to give effect to the funding arrangements and all terms and conditions will need to be reviewed.

11.0 Equalities implications

11.1 There are no equality implications arising from this report.