

<b>Report title</b>	West Midlands Combined Authority Powers	
<b>Decision designation</b>	AMBER	
<b>Cabinet member with lead responsibility</b>	Councillor Roger Lawrence, Leader of the Council	
<b>Corporate Plan priority</b>	Confident Capable Council	
<b>Key decision</b>	No	
<b>In forward plan</b>	Yes	
<b>Wards affected</b>	(All Wards)	
<b>Accountable Director</b>	Claire Nye, Director of Finance	
<b>Originating service</b>	Corporate Finance	
<b>Accountable employee</b>	Claire Nye	Director of Finance
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<b>Report to be/has been considered by</b>	N/A	

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**Recommendations for decision:**

The Cabinet is recommended to:

1. Give delegated authority to the Leader of the Council in consultation with the Managing Director to implement the following recommendations at an appropriate time by way of written notification to the West Midlands Combined Authority:
  - a. Give delegated authority to the West Midlands Combined Authority to approve the amendment to statutory regulations which amend the West Midlands Combined Authority powers as set out in this report, subject to:
    - i. Each of the seven Constituent Authorities approving a complementary paper through their Cabinet to provide the approval to the West Midlands Combined Authority.
    - ii. Consent towards the proposals being obtained specifically from the West Midlands Combined Authority Mayor.

## 1 Purpose

- 1.1 The report is required to ensure the West Midlands Combined Authority (WMCA) is able to raise income via a Supplementary Business Rate scheme to assist in funding the Investment Programme.

## 2. Background

- 2.1 The West Midlands Combined Authority is required to develop funding plans through new financial mechanisms to the value of £3 billion to support £2 billion of investment and associated debt finance costs within the £8 billion Investment Programme agreed as part of the first Devolution Deal for the West Midlands.
- 2.2 Set out in the table below is how the new funding mechanisms intended use by the West Midlands Combined Authority Board were planned to contribute to the overall funding of the Investment Programme. In a number of cases the securing of these income streams are based on the West Midlands Combined Authority working together with Constituent Authorities to obtain or exercise new powers.

**Table 1: A breakdown of the £2 billion West Midlands Combined Authority funding**

<b>Funding Source</b>	<b>Investment £bn</b>	<b>Interest £bn</b>	<b>Total £bn</b>	<b>Share</b>
Devolution Deal	0.7	0.4	1.1	37%
Business Rates Supplement	0.6	0.3	0.9	30%
Business Rates Growth	0.5	0.3	0.8	26%
Mayoral Precept	0.2	0.1	0.2	7%
<b>Total</b>	<b>2.0</b>	<b>1.0</b>	<b>3.0</b>	<b>100%</b>

- 2.3 This funding is to be applied against the schemes listed in the table below. Each scheme has not been allocated to a specific source of income and so all projects are to some degree exposed to risks around the West Midland Combined Authority not being able to generate the required level of income. This has been discussed further in the 'Progress Update on the West Midlands Combined Authority Investment Programme' reported to the January 2018 West Midlands Combined Authority Board.

**Table 2: Provision Investment Programme Contributions not yet approved**

	<b>Funding Required £m</b>	<b>Ongoing Revenue Committed £m</b>
Coventry City Centre South	98.8	5.3
Land Remediation Fund	53.0	2.9
Solihull MBC Growth and Infrastructure Plan	4.5	0.3
Sprint Network	3.6	0.2
Coventry Friargate	0.5	<0.1
Edgbaston Metro Extension	58.9	3.2
WMCA Support	4.7	0.3
HS2 Governance Team	4.0	0.2
Wolverhampton Interchange	27.0	2.0
Commonwealth Games contribution	25.0	1.9
Wednesbury Brierley Hill Metro	5.6	0.3
Coventry UK Central (inc.Very Light Rail)	13.0	0.6
<b>Sub Total Approved Commitments</b>	<b>298.6</b>	<b>17.2</b>
Business Innovation	50.0	2.5
Coventry Friargate	50.7	2.9
Coventry UKC Plus (uncommitted)	234.0	11.2
Employment Education and Skills	20.0	1.5
HS2 Connectivity Package	471.4	21.8
Land Remediation Fund (uncommitted)	147.0	7.9
SMBC Growth and Infrastructure Plan	629.0	27.5
Sprint Birmingham to Sutton (uncommitted)	24.1	1.2
Wednesbury to Brierley Hill	97.4	6.3
<b>Sub Total Pending Commitments</b>	<b>1,723.6</b>	<b>82.8</b>
<b>GRAND TOTAL</b>	<b>2,022.2</b>	<b>100.0</b>

- 2.4 The 'Business Rates Supplements' income itemised above in Table 1 and totalling £900 million was initially intended by Central Government to be obtained through powers extended to elected Mayors of Combined Authorities to raise funding of up to an additional 2p in the £1 of rateable value on businesses to fund infrastructure investment through a new power contained in the draft Local Government Finance Bill of 2016-2017.
- 2.5 Set out in the first Devolution Deal was a planned implementation date of 1 April 2018. Due to the lead time to implement the charge, this date can no longer be achieved and work is being undertaken to confirm the impact that this delay may have on the Investment Programme's Funding Position, if a replacement scheme cannot be put into place for a 30 year period as envisaged in the original modelling.

- 2.6 The Local Government Finance Bill 2016-2017 was drafted to provide Mayoral Combined Authorities with two potential routes to generate this funding, the first of which being a Supplementary Business Rate (i.e. a scheme which is equivalent to existing powers which Local Authorities possess) and a Mayoral Infrastructure Supplement. The Mayoral Infrastructure Supplement was essentially similar to a Business Rates Supplement but with a small number of key differences as outlined in this report.
- 2.7 It was intended for these new powers to be provided to Mayors following the passing through Parliament of the Local Government Finance Bill 2016-2017. Around the time of the General Election in 2017, however, the Bill fell. This presented a potential issue for Combined Authorities across England who were to rely on business rates to raise income to support investment.
- 2.8 As part of the second regional Devolution Deal supported by all Constituent Authorities, the West Midlands Combined Authority set out to Central Government the potential impact that the withdrawal of the Local Government Finance Bill would have on the West Midlands Combined Authority's ability to fund and deliver the Investment Programme. During these discussions, it was suggested that a possible solution would be to simply extend to the West Midlands Combined Authority the equivalent and current powers that Local Authorities, including the seven Constituent Authorities and the Greater London Authority already have to raise a Supplementary Business Rate
- 2.9 The current powers available to Local Authorities and the Greater London Authority are similar to those proposed in the Local Government Finance Bill that has now fallen but differ in two key respects as set out in the table below.

**Table 3: Summarised comparison of Business Rates Supplement Schemes**

	<b>Proposals within the Local Government Finance Bill</b>	<b>Existing Powers that may now be granted to the WMCA</b>
Approval	Approval could be sought through the publication of a draft and final prospectus and consultation with affected businesses	Approval required through a ballot of businesses deemed to be affected
Rateable Value of Businesses captured	Subject to agreement on a scheme by scheme basis	Rateable Value over £50,000 (where undertaken to date)

- 2.10 It should be noted that the calculations underpinning the Investment Programme that were developed as part of the first Devolution Deal Investment Programme assumed a business rates scheme generating income of 2p in the £1 of rateable value on businesses with a rateable value of over £50,000. The financial modelling captured all businesses at that time across the whole region. The Business Rates Supplement Scheme has been used successfully in London to part fund the Crossrail project. In this case, the requirement for a ballot was waived by Central Government.

- 2.11 Following the regions second Devolution Deal it has now been confirmed by Central Government late in December 2017 that it intends to apply the equivalent powers to Mayoral Combined Authorities to allow a Supplementary Business Rate to be raised under the existing scheme available to Local Authorities and the Greater London Authority. The Department for Local Government and Communities has contacted West Midlands Combined Authority and the respective Chief Executives of the constituent Local Authorities to agree a process that would see legislation amended during March 2018.
- 2.12 In a consistent approach to that required by Central Government with regard to Borrowing Powers, the guidance and requirement from Department for Local Government and Communities regarding the West Midlands Combined Authority acquiring the relevant powers is that Central Government will require all Constituent Local Authorities to consent to the powers being applied to the West Midlands Combined Authority.
- 2.13 The West Midlands Combined Authority accept that the necessary local processes will need to be followed and will only enter into an agreement with Central Government once all seven consents have been received from the respective Local Authorities in addition to the necessary approval being obtained from the Mayor.
- 2.14 The West Midlands Combined Authority Board delegated power to the Section 151 Officer together with the WMCA Monitoring Officer, in consultation with the Portfolio Lead for Finance to finalise with Central Government on all necessary work to allow the provision of the powers to raise a Business Rates Supplement on the condition that all seven consents are received from Constituent Authorities and appropriate consent by the Mayor.
- 2.15 It was recognised that should the delegation not be provided then a significant risk may exist to the funding and delivery of schemes contained within the Investment Programme that are dependent on funding generated by the West Midlands Combined Authority

### **3 Next Steps**

- 3.1 Following the receipt of the necessary consents, the Department for Local Government and Communities intend to seek Parliamentary approval to make an order under the Local Democracy, Economic Development and Construction Act 2009 as amended by the Cities and Local Government Devolution Act 2016. This order will provide for the power to raise funding through a business rates supplement (currently exercised by the Greater London Authority) under the Business Rates Supplement Act 2009 to be

conferred on the Combined Authority. The order will also provide that the power when conferred will be exercised by the Mayor only.

- 3.2 Following the necessary powers being acquired, the Combined Authority will need to decide how to best implement the Supplementary Business Rate scheme. This will be subject to a further paper to the West Midlands Combined Authority Board later in 2018 along with intensive and detailed work with Constituent Authority Members and local Businesses.

#### **4 Evaluation of alternative options**

- 4.1 The alternative option could be to refuse to consent to the proposals to amend the statutory regulations which amend the West Midlands Combined Authority powers to enable the implementation of a supplementary business rate scheme. This option is not recommended since it will impact on the ability of the West Midlands Combined Authority to undertake and develop some of the key priorities for the region.

#### **5 Reasons for decisions**

- 5.1 The recommendations in this report will enable the West Midlands Combined Authority to enter into the necessary agreements with Government to amend existing statute and therefore enable the implementation of a supplementary business rates scheme.

#### **6 Financial implications**

- 6.1 The recommendations in this report have no direct financial implications for the City of Wolverhampton Council. However, there are significant financial implications for the West Midlands Combined Authority which are detailed in the body of the report.  
[CN/08/02/2018/I]

#### **7 Legal implications**

- 7.1 The approval of the proposals in this report will ensure that WMCA is able to enter into the necessary agreements with Government to amend existing statutory requirements. Specific legal implications are dealt with in the background details of this report.  
[TC/09022018/U]

#### **8 Equalities implications**

- 8.1 There are no equalities implications related to this report.

#### **9 Environmental implications**

- 9.1 There are no environmental implications related to this report.

**10 Human resources implication**

10.1 There are no human resources implications related to this report.

**11 Corporate Landlord implications**

11.1 There are no corporate landlord implications related to this report.