

STRATEGIC ECONOMIC PLAN

Technical appendix FISCAL IMPACT





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Executive Summary

Introduction

In February 2015, the Black Country Economic Intelligence Unit (EIU) launched a project to cultivate and refine an approach to approximating income and expenditure for the West Midlands Combined Authority (WMCA) geography. There are a number of ways to appraise both national income and expenditure streams in an analysis of this kind, the foremost aspiration of the exercise was to ascertain whether the WMCA is a 'net contributor' or a 'cost centre' to the national purse.

This report outlines the development and results of the modelling utilising various methodologies. The BC EIU will continue to develop further iterations of the model as new data and techniques emerge.

Income and Identifiable Expenditure Analysis

Government accounts contain both identifiable and non-identifiable expenditure. Given that we can only influence elements of identifiable expenditure we have *decided to exclude non-identifiable expenditure from the analysis*. In addition, it is difficult to proportion out non-identifiable expenditure to nations or regions which therefore makes proportioning out to LEP geographies more difficult. We are currently working with HMT to explore how we can develop a more robust methodology for apportionment of non-identifiable expenditure.

27 separate Income streams were used for the analysis in addition to 10 expenditure streams (aligned to COFOG categories). Due to a lack of information 7 of the 27 income streams were omitted from the analysis.

| | BCLEP | CWLEP | GBSLEP | WM Combined Authority |
|------------------|-----------------|----------------|-----------------|--------------------------|
| Income (Y) | £7,908,950,556 | £7,614,063,319 | £15,157,572,666 | £30,680,586,541 |
| Expenditure (Ei) | £9,953,450,580 | £7,630,091,891 | £17,024,803,459 | £34,608,345,930 |
| Gap (Y-Ei) | -£2,044,500,024 | -£16,028,572 | -£1,867,230,793 | -£3,927,759,388 |

Income and Expenditure (identifiable) at the LEP level has been calculated as follows:

By including non-identifiable expenditure, the gap rises from -£3,927,759,388 to -£8,970,631,292.

Income and expenditure (identifiable) at the MET level has been calculated as follows:

| | Birmingham | Coventry | Dudley | Sandwell | Solihull | Walsall | Wolverhampton | TOTAL |
|---------------------------------|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| INCOME (Y) | £ 7,683,617,033 | £ 2,362,325,557 | £ 2,315,803,819 | £ 2,048,692,668 | £ 1,885,046,243 | £ 1,789,803,945 | £ 1,754,660,626 | £ 19,839,949,891 |
| EXPENDITURE (identifiable) (Ei) | £ 9,453,074,475 | £ 2,895,830,151 | £ 2,710,442,091 | £ 2,718,166,594 | £ 1,801,525,633 | £ 2,353,398,421 | £ 2,171,443,474 | £ 24,103,880,839 |
| GAP (Y-Ei) | -£ 1,769,457,443 | -£ 533,504,593 | -£ 394,638,272 | -£ 669,473,926 | £ 83,520,610 | -£ 563,594,477 | -£ 416,782,848 | -£ 4,263,930,949 |

By including non-identifiable expenditure, the gap rises from -£4,263,930,949 to -£7,776,169,982.



Introduction

In February 2015, the Black Country Economic Intelligence Unit (EIU) launched a project to cultivate and refine an approach to approximating income and expenditure for the West Midlands Combined Authority (WMCA) geography. There are a number of ways to appraise both national income and expenditure streams in an analysis of this kind, the foremost aspiration of the exercise was to ascertain whether the WMCA is a 'net contributor' or a 'cost centre' to the national purse.

This has not been a straightforward task and there are many issues to consider – one key area being that a great deal of data is inaccessible at a small enough geography to make analysis precise. Consequently, a number of different methods had to be employed to ensure that the analysis remained as robust as possible. This predestined the model to be reiterated many times before we settled on the current methodology.

This report outlines the development and results of the modelling utilising various methodologies. The BC EIU will continue to develop further iterations of the model as new data and techniques emerge.

The Historical Model - the 'Manchester Model'

Initial attempts at understanding public finances focussed predominantly on reproducing the approach presented in the report '*A Plan for Growth and Reform in Greater Manchester*' (March 2014) produced by the Greater Manchester Combined Authority, which explored the gap between total public expenditure and total tax receipts. This approach gave the EIU grounding in the sources used and an understanding of income and expenditure at both the Local Economic Partnership (LEP) and Local Authority (LA) levels.

The model is frequently referred to as the 'Manchester Model'. At its basic core the model exploited the following income and expenditure streams:

| Income | GVA@35% | | | | | | |
|-------------|--------------------------------------|--|--|--|--|--|--|
| Expenditure | Total Service expenditure | | | | | | |
| | Police | | | | | | |
| | Fire | | | | | | |
| | Ambulance | | | | | | |
| | Ministry of Justice | | | | | | |
| | Benefits | | | | | | |
| | Clinical Commissioning Groups (CCGs) | | | | | | |

Table 1: Manchester Model income and expenditure streams

In later iterations of the model, the EIU generated a range of distinctive scenarios which contemplated numerous permutations of income streams in an attempt to fashion a more robust model. These included:

- 1. Stamp Duty
- 2. Vehicle Excise Duty



- 3. Income Tax
- 4. National Insurance Contributions
- 5. Business Rates
- 6. Council Tax

The three individual income scenarios were defined as:

| SCENARIO 1: | Replicating the Manchester Model (GVA@35%) |
|-------------|---|
| SCENARIO 2: | <i>Replicating the Manchester Model but also including VED and Stamp Duty as income streams</i> |
| SCENARIO 3: | Replaces GVA@35% with Stamp Duty, VED, Income Tax, NIC, Business Rates, and Council Tax |

All three of the scenarios highlighted above preserved the same expenditure streams.

At the WMCA 3 LEP level, income and expenditure across the two accepted scenarios was:

Table 2: Manchester Model Income & Expenditure scenarios - LEP

| | Manchester Scenario 1 | Manchester Scenario 3 |
|-------------|-----------------------|-----------------------|
| Income | £26,290,674,561 | £22,218,562,550 |
| Expenditure | £16,040,337,038 | £16,040,337,038 |
| Gap | £10,250,337,522 | £6,178,225,512 |

And at the WM MET level, income and expenditure was identified as:

Table 3: Manchester Model Income & Expenditure scenarios - MET

| | Manchester Scenario 1 | Manchester Scenario 3 |
|-------------|-----------------------|-----------------------|
| Income | £18,354,983,802 | £13,396,096,816 |
| Expenditure | £11,292,160,042 | £11,292,160,042 |
| Gap | £7,062,823,760 | £2,103,936,774 |

The Current Model – WMCA Replicating 'Centre for Cities'

In July 2015, Centre for Cities¹, a research and policy institute dedicated to improving the economic success of UK cities, published a detailed report titled '*Mapping Britain's Public Finances – where is tax raised and where is it spent?*' (McGough & Swinney).

The focus of the report was to:

¹ <u>http://www.centreforcities.org/</u>



'present for the first time an evidence base on the geography of tax and spend across the country to better inform debates around austerity, devolution, public sector efficiency and investment for growth' (McGough et al. 2015).

An initial review of the above mentioned report, followed by discussions with the Centre for Cities Report Author estimated total income at the MET level to be around £19bn whilst expenditure was estimated to be around £30bn:



Source: Extracted from- McGough, L., Swinney, P. (July 2015) *Mapping Britain's public finances - Where is tax raised, and where is it spent?* London: Centre for Cities.

Given that this objective closely aligned with the intellectual debate taking place around the West Midlands Combined Authority, the Black Country EIU undertook to replicate the analysis contained within the report as accurately as possible.

Income

Within the Appendix of the Centre for Cities report, the authors present a breakdown of the methodology employed for apportioning taxes to local geographies as well as the full list of taxes used for the analysis. These taxes are shown in the table below.

| Income tax | Stamp Duty on Shares | Insurance Premium Tax |
|----------------------------------|-----------------------------------|-------------------------|
| National Insurance Contributions | Stamp Duty Land Tax | Landfill Tax |
| Capital Gains Tax | Annual tax on Enveloped Dwellings | Climate Change Levy |
| VAT | Tobacco Duties | Aggregates Levy |
| Corporation Tax | Spirits Duties | Swiss Capital Tax |
| Bank Levy | Beer and Cider Duties | Customs Duties |
| Petroleum Revenue Tax | Wine Duties | Council Tax |
| Fuel Duties | Betting & Gaming | Business Rates |
| Inheritance Tax | Air Passenger Duties | Sales, Fees and Charges |

Table 4: Centre for Cities List of Taxes used



In some instances, it was not possible to replicate the apportionment of different taxes, so in a few minor circumstances, the EIU generated a 'Best Guess' on apportionment for the purposes of consistency.

Similarly, the variables highlighted in green in the table above were difficult to calculate so these were omitted from the analysis. However, in all likelihood these could probably be considered as minor taxes generating only small amounts of revenue for Government at the local authority level. Despite these neglected variables, the EIU are continuing to try and understand how these variables could be re-incorporated into future iterations of the model.

A full list of Income streams and how they were calculated can be found in Appendix 1.

The 27 distinct income streams have been further grouped into 5 main categories (as per the approach contained in the Centre for Cities report) to make analysis more meaningful. The five categories are:

| Labour: | Income Tax, NIC |
|-----------------------|--|
| Capital: | Capital Gains Tax, Corporation Tax, Bank Levy, Inheritance Tax, Stamp Duty on Shares, Insurance Premium Tax, Swiss Capital Tax |
| Consumption: | VAT |
| Land and Property: | Stamp Duty Land Tax, Annual Tax on Enveloped Dwellings, Council Tax, Business Rates |
| Other: | Petroleum Tax Revenues, Fuel Duties, Tobacco Duties, Spirit Duties, Beer and Cider Duties, Wine Duties, Betting and Gaming, Air Passenger Duty, Landfill Tax, Climate Change Levy, Aggregates Levy, Customs Duties, Sales Fees and Charges |

At the LEP level total income is estimated to be as follows (see Appendix 2):

Table 5: WMCA – Replicating Centre for Cities – LEP

| | BCLEP | CWLEP | GBSLEP | TOTAL INCOME |
|-----------------|-----------------|-----------------|------------------|------------------|
| Labour | £ 3,605,143,638 | £ 3,552,955,075 | £ 7,098,729,989 | £ 14,256,828,702 |
| Capital | £ 609,470,963 | £ 631,184,202 | £ 1,325,028,459 | £ 2,565,683,624 |
| Consumption | £ 2,185,573,541 | £ 1,703,482,908 | £ 3,664,437,374 | £ 7,553,493,823 |
| Land & Property | £ 766,180,341 | £ 835,057,541 | £ 1,529,524,796 | £ 3,130,762,678 |
| Other | £ 742,582,074 | £ 891,383,592 | £ 1,539,852,048 | £ 3,173,817,714 |
| Total | £ 7,908,950,556 | £ 7,614,063,319 | £ 15,157,572,666 | £ 30,680,586,541 |

Total income is estimated to be £30.7bn. The largest contributor to income is 'labour' at 46.5% followed by 'consumption' at 24.6%. GBSLEP contributes the largest amount to income of the three LEPs (49.4% of total Income) followed by BCLEP (25.8%) and then CWLEP (24.8%). BCLEP has higher levels of 'labour' and 'consumption' than CWLEP. However, CWLEP has higher levels of 'capital', 'land & property' and 'other' income than BCLEP.

The following figure illustrates income receipts by each of the five streams. 'Labour' contributes almost 47% to total income, whereas 'consumption' contributes around 25%. In comparison, 'capital'



contributes the least at around 8%. We would therefore expect that as the employment rate rises so too will income.



Figure 1: Proportion of Income by Stream

GBSLEP is estimated to contribute £15.2bn to the national purse with BCLEP contributing £7.9bn and CWLEP around £7.6bn. GBSLEP contributes almost twice as much income as CWLEP as indicated in the figure below.



Figure 2: Total Income by LEP Geography

Further analysis of income at the MET level provides the following breakdowns (see Appendix 2):



| | Birmingham | Coventry | Dudley | Sandwell | Solihull | Walsall | Wolverhampton | TOTAL |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| Labour | £ 3,555,065,728 | £ 1,158,845,459 | £ 1,142,194,201 | £ 876,605,189 | £ 929,697,149 | £ 835,265,207 | £ 751,079,041 | £ 9,248,751,974 |
| Capital | £ 776,362,377 | £ 229,859,635 | £ 156,486,472 | £ 173,152,650 | £ 189,894,321 | £ 124,369,784 | £ 155,472,559 | £ 1,805,597,798 |
| Consumption | £ 1,945,738,579 | £ 609,166,022 | £ 615,205,952 | £ 575,560,326 | £ 407,664,483 | £ 510,774,378 | £ 484,032,884 | £ 5,148,142,626 |
| Land & Property | £ 735,167,390 | £ 243,714,376 | £ 214,608,294 | £ 200,360,098 | £ 218,156,836 | £ 180,547,393 | £ 170,664,556 | £ 1,963,218,944 |
| Other | £ 671,282,958 | £ 120,740,064 | £ 187,308,900 | £ 223,014,405 | £ 139,633,453 | £ 138,847,183 | £ 193,411,585 | £ 1,674,238,549 |
| Total | £ 7,683,617,033 | £ 2,362,325,557 | £ 2,315,803,819 | £ 2,048,692,668 | £ 1,885,046,243 | £ 1,789,803,945 | £ 1,754,660,626 | £ 19,839,949,891 |

Table 6: WMCA – Replicating Centre for Cities – MET

At the 7 MET Level, combined income is estimated to be £19.8bn. This is in line with reported figures in the Centre for Cities Report. The vast majority of income is derived from 'labour' (46.6%) followed by 'consumption' (25.9%). Around 38.7% of total income is derived by Birmingham, followed by Coventry at 11.9%. Wolverhampton, by comparison contributes the least at 8.8%. Dudley has higher levels of 'consumption' and 'other' income than Coventry. Coventry also possesses the lowest proportion of income in the 'other' category out of the 7 Mets.

The following figure illustrates income receipts by each of the five streams. 'Labour' contributes almost 47% to total income, whereas 'consumption' contributes around 26%. In comparison, 'other' income contributes the least at around 8%.



Figure 3: Proportion of Income by Stream

At the MET level, total income is significantly higher in Birmingham than in each of the other Met geographies. Income is over three times higher in Birmingham than it is in Coventry and more than four times higher than in Solihull, Walsall, and Wolverhampton. The following figure illustrates the differences in estimated income for each of the seven geographies.



Figure 4: Total Income by Met Geography



Expenditure

A multitude of methods were initially employed to calculate the numerous expenditure streams. IN the analysis we use the HMT Country and Regional Analysis (2014) which aligns with the Centre for Cities methodology. The expenditure is based on the internationally recognised UN Classification of the Functions of Government (COFOG)² which provides data on the general government expenditure for the main socio-economic functions. It should be noted that the HMT CRA analysis uses both identifiable and non-identifiable expenditure. Non-identifiable expenditure is generally incurred on behalf of the UK or GB as a whole. This can include defence, overseas services, miscellaneous expenditure, net payments to EC institutions, and expenditure associated with general maintenance of government such as tax collected and population registration.

However, due to difficulties in the way that non-identifiable expenditure needs to be proportioned out to local geographies this has for now been excluded from the main analysis until a time when a more robust methodology can be identified for apportionment. For <u>information only</u> non-identifiable expenditure was calculated as follows:

Non identifiable Expenditure LEP
$$= \frac{UKNIE}{UKPOP} x$$
 LEPPop

Where:

UKNIE = Total UK Non-Identifiable Expenditure

UKPOP = UK Population

² <u>http://ec.europa.eu/eurostat/statistics-</u> explained/index.php/Government_expenditure_by_function_%E2%80%93_COFOG



LEPPOP = LEP Population

| | BCLEP | CWLEP | GBSLEP | СА |
|------------------|----------------|----------------|----------------|----------------|
| Non-Identifiable | £1,450,343,116 | £1,111,800,492 | £2,480,728,296 | £5,042,871,904 |

| | Birmingham | Coventry | Dudley | Sandwell | Solihull | Walsall | Wolverhampton | TOTAL |
|------------------|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| Non-Identifiable | £ 1,377,432,015 | £ 421,958,927 | £ 394,945,551 | £ 396,071,109 | £ 262,504,975 | £ 342,919,792 | £ 316,406,664 | £ 3,512,239,034 |

Table 7: UN COFOG Classification

| General public services | Fiscal affairs, legislative organs, foreign economic aid, R&D, public debt services etc. |
|----------------------------------|---|
| Defence | Military and civil defence, military aid, R&D |
| Public order and safety | Police, fire protection services, law courts, prisons |
| Economic affairs | Economic labour and commercial affairs, agriculture, forestry and fishing, fuel and energy, mining, manufacturing, construction, transport, communication, other industries |
| Environmental protection | Waste and water management, pollution abatement, protection of biodiversity and landscape |
| Housing and community amenities | Housing development, community development, water supply, street lighting |
| Health | Medical products, appliances and equipment, outpatient, hospital and public health services |
| Recreation, culture and religion | Recreation and sporting, cultural services, broadcasting and publishing services, religious and community services |
| Education | Pre-primary, primary, secondary and tertiary education, post-secondary non tertiary education, education non definable by level, subsidiary services to education |
| Social protection | Sickness and disability, old age, survivors, family and children, unemployment, housing, social exclusion |

The Centre for Cities report presents a brief introduction to calculating expenditure using HMT CRA (2014). Expenditure figures have been proportioned to local authority level using the local authority population as a proportion of the West Midlands population³.

At the LEP level total expenditure is estimated to be as follows (see Appendix 3):

³ Using mid-year population estimates for 2014



Table 8: Total Identifiable Expenditure by LEP

| | BCLE | Р | CWL | EP | GBSI | .EP | тот | AL |
|----------------------------------|------|---------------|-----|---------------|------|----------------|-----|----------------|
| General Public Services | £ | 92,357,044 | £ | 70,798,838 | £ | 157,971,400 | £ | 321,127,282 |
| Defence | £ | 1,217,895 | £ | 933,611 | £ | 2,083,139 | £ | 4,234,645 |
| Public Order and Safety | £ | 469,701,539 | £ | 360,062,661 | £ | 803,397,406 | £ | 1,633,161,605 |
| Economic Affairs | £ | 552,924,369 | £ | 423,859,416 | £ | 945,745,261 | £ | 1,922,529,046 |
| Environmental protection | £ | 125,443,194 | £ | 96,161,938 | £ | 214,563,352 | £ | 436,168,484 |
| Housing and community amenities | £ | 147,162,323 | £ | 112,811,335 | £ | 251,712,670 | £ | 511,686,328 |
| Health | £ | 2,275,028,022 | £ | 1,743,985,437 | £ | 3,891,304,290 | £ | 7,910,317,750 |
| Recreation, culture and religion | £ | 124,428,281 | £ | 95,383,929 | £ | 212,827,403 | £ | 432,639,613 |
| Education | £ | 1,667,501,356 | £ | 1,278,269,126 | £ | 2,852,164,948 | £ | 5,797,935,431 |
| Social protection | £ | 4,497,686,556 | £ | 3,447,825,600 | £ | 7,693,033,588 | £ | 15,638,545,744 |
| TOTAL | £ | 9,953,450,580 | £ | 7,630,091,891 | £ | 17,024,803,459 | £ | 34,608,345,930 |

Total expenditure across the LEPs is estimated at approximately £34.6bn. GBSLEP has the highest levels of expenditure (49.2%) out of the three LEPs followed by BCLEP (28.8%) and then CWLEP (22.0%). From the illustration below, social protection accounts for the largest share of expenditure at 45.2%, followed by health (22.9%). Defence, by comparison, accounts for the smallest at only 0.01%.

Figure 5: Total identifiable expenditure by stream



Expenditure across GBSLEP is £17.02bn as highlighted in the figure below. This is more than twice the CWLEP figure of £7.63bn and 71% higher than BCLEP levels of £9.95bn. Expenditure across BCLEP is 30% higher than CWLEP.







Total expenditure at the MET level is estimated to be as follows (see Appendix 3):

| | Bi | rmingham | Co | ventry | D | udley | Sá | andwell | S | olihull | W | alsall | W | olverhampton/ | TO | ITAL |
|----------------------------------|----|---------------|----|---------------|---|---------------|----|---------------|---|---------------|---|---------------|---|---------------|----|----------------|
| General Public Services | £ | 87,714,106 | £ | 26,870,110 | £ | 25,149,913 | £ | 25,221,588 | f | 16,716,171 | £ | 21,836,942 | £ | 20,148,601 | £ | 223,657,431 |
| Defence | £ | 1,156,670 | £ | 354,331 | £ | 331,647 | £ | 332,592 | f | 220,433 | £ | 287,960 | £ | 265,696 | £ | 2,949,329 |
| Public Order and Safety | £ | 446,088,880 | £ | 136,653,703 | £ | 127,905,274 | £ | 128,269,792 | f | 85,013,670 | £ | 111,056,447 | £ | 102,470,026 | £ | 1,137,457,791 |
| Economic Affairs | £ | 525,127,965 | £ | 160,866,329 | £ | 150,567,833 | £ | 150,996,937 | f | 100,076,593 | £ | 130,733,692 | £ | 120,625,908 | £ | 1,338,995,257 |
| Environmental protection | £ | 119,136,961 | £ | 36,496,106 | £ | 34,159,663 | £ | 34,257,014 | f | 22,704,602 | £ | 29,659,846 | £ | 27,366,671 | £ | 303,780,862 |
| Housing and community amenitie | £ | 139,764,234 | £ | 42,815,011 | £ | 40,074,038 | £ | 40,188,245 | f | 26,635,657 | £ | 34,795,127 | £ | 32,104,913 | £ | 356,377,225 |
| Health | £ | 2,160,658,674 | £ | 661,890,536 | £ | 619,516,987 | £ | 621,282,551 | £ | 411,768,890 | £ | 537,908,669 | £ | 496,319,815 | £ | 5,509,346,122 |
| Recreation, culture and religion | £ | 118,173,070 | £ | 36,200,830 | £ | 33,883,290 | £ | 33,979,854 | f | 22,520,907 | £ | 29,419,880 | £ | 27,145,258 | £ | 301,323,088 |
| Education | £ | 1,583,673,359 | £ | 485,138,361 | £ | 454,080,304 | £ | 455,374,390 | f | 301,809,550 | £ | 394,264,786 | £ | 363,781,877 | £ | 4,038,122,626 |
| Social protection | £ | 4,271,580,558 | £ | 1,308,544,834 | £ | 1,224,773,143 | £ | 1,228,263,630 | f | 814,059,160 | £ | 1,063,435,073 | £ | 981,214,710 | £ | 10,891,871,108 |
| TOTAL IDENTIFIABLE | f | 9,453,074,475 | £ | 2,895,830,151 | f | 2,710,442,091 | £ | 2,718,166,594 | f | 1,801,525,633 | f | 2,353,398,421 | f | 2,171,443,474 | f | 24,103,880,839 |

Table 9: Total Identifiable Expenditure by MET

Total expenditure at the MET level is estimated to be £24.1bn. This is around £6bn lower than that reported in the Centre for Cities report. The discrepancy is primarily due to the way that nonidentifiable⁴ expenditure has been proportioned out to local geographies. The largest expenditure stream is Social protection followed by health. Highest levels of expenditure can be found in Birmingham (39.2%) and the lowest in Solihull (7.5%). Expenditure levels across Sandwell and Dudley are broadly similar. Birmingham has higher levels of expenditure than Coventry, Dudley, and Sandwell combined.

⁴ Non-identifiable expenditure is generally incurred on behalf of the UK or GB as a whole. This can include defence, oversees services, miscellaneous expenditure, net payments to EC institutions, and expenditure associated with general maintenance of government such as tax collection and population registration.



The figure below demonstrates the level of expenditure by stream. High levels of expenditure are identified for Social protection at £10.9bn. This is almost twice the health expenditure budget (£5.5bn). Expenditure on defence by comparison is relatively low to the point of being negligible.



Figure 7: Total Identifiable expenditure by Expenditure Stream for METs

Total expenditure is highest in Birmingham at £9.5bn and lowest in Solihull (£1.8bn). Expenditure in Birmingham is over three times higher than in Coventry and over five times higher than in Solihull as can be seen from the figure below.



Figure 8: Total Identifiable expenditure by MET



Income - Expenditure Analysis

In an attempt to understand the data on income and expenditure in more detail, the respective figures have been brought together to enable the 'gap' between income and expenditure to be calculated. Any positive balance between income and expenditure suggests that the geography is a 'net contributor' to the national purse, and any negative balance is indicative of the geography being a 'cost centre'.

At the LEP level, income and expenditure has been condensed in the following table:

| | BCLEP | CWLEP | GBSLEP | Combined Authority |
|-----------------|-----------------|----------------|-----------------|-----------------------|
| Income (Y) | £7,908,950,556 | £7,614,063,319 | £15,157,572,666 | £30,680,586,541 |
| Expenditure (E) | £9,953,450,580 | £7,630,091,891 | £17,024,803,459 | £34,608,345,930 |
| Gap (Y-E) | -£2,044,500,024 | -£16,028,572 | -£1,867,230,793 | -£3,927,759,388 |

Table 10: Income and Identifiable Expenditure Compared - LEP

All three geographies are cost centres and the net result implies that the Combined Authority must also be a cost centre. In fact, the **deficit is estimated to be worth -£3.9bn** with GBSLEP and BCLEP broadly having similar levels of deficit (-£2.0bn and -£1.9bn respectively). CWLEP by comparison has the lowest at only -£16m. If the missing income variables discussed at the beginning of this document can be accounted for and incorporated into this analysis, the deficit is projected to be lower than -£3.9bn.

The following figure aids in the visualisation of the scale and variance between income and expenditure for each of the three LEP geographies.



Figure 9: Income and Identifiable expenditure compared at LEP geography

In addition the figure below illustrates the gap between income and expenditure at the LEP geographic level.





Figure 10: Analysis of Income and Identifiable expenditure Gap at LEP level

At the MET level Income and Expenditure is estimated to be as follows:

| Table 11: Income and Identifiable Expenditure Compared – MET | |
|--|--|
| | |

| | Birmingham | Coventry | Dudley | Sandwell | Solihull | Walsall | Wolverhampton | TOTAL |
|---------------------------------|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| INCOME (Y) | £ 7,683,617,033 | £ 2,362,325,557 | £ 2,315,803,819 | £ 2,048,692,668 | £ 1,885,046,243 | £ 1,789,803,945 | £ 1,754,660,626 | £ 19,839,949,891 |
| EXPENDITURE (identifiable) (Ei) | £ 9,453,074,475 | £ 2,895,830,151 | £ 2,710,442,091 | £ 2,718,166,594 | £ 1,801,525,633 | £ 2,353,398,421 | £ 2,171,443,474 | £ 24,103,880,839 |
| GAP (Y-Ei) | -£ 1,769,457,443 | -£ 533,504,593 | -£ 394,638,272 | -£ 669,473,926 | £ 83,520,610 | -£ 563,594,477 | -£ 416,782,848 | -£ 4,263,930,949 |

The total Met deficit is estimated to be -£4.3bn which is higher to the LEP deficit of -£3.9bn. Only Solihull is anticipated to be a net contributor with a positive balance of £83m. The other 6 Met geographies are all cost centres with the biggest deficit in Birmingham at -£1.8bn. This is over three times the deficit in Coventry and over four times the deficit in Dudley. The deficit in Birmingham is also more than the combined deficit in Coventry, Dudley and Sandwell.

The following figure illustrates the differences between income and expenditure for each of the 7 Mets.





Figure 11: Income and Identifiable expenditure compared by Met geography

And the following illustration shows the gap between the geographies in more detail.



Figure 12: Income and Identifiable expenditure gap by MET level.



The 'Vision' Scenario

The supporting technical appendix - "An Economic Forecasting Model for the WMCA" sets out the various economic scenarios that were generated in order generate the 'vision scenario for the WMCA. Utilising the estimates for population, GVA and employment we have calculated the potential impact on income and expenditure under this 'Vision Scenario' in order to forecast how the net balance will change as a result. Income is expected to almost double from a current estimate of £30.7bn to a forecasted £60.3bn, whilst expenditure will increase only modestly from £34.6bn to £35.2bn. **The WMCA therefore shifts from a -£3.9bn deficit to a surplus of £25.1bn.**



The following table highlights income and expenditure by each of the three LEPs under the Vision Scenario:

| | BC | CW | GB | TOTAL 2030 |
|--------------------|-----------------|-----------------|-----------------|-----------------|
| Total Income | £13,960,619,799 | £15,843,227,288 | £30,502,591,877 | £60,306,438,963 |
| Total Identifiable | | | | |
| Expenditure | £9,658,868,232 | £7,866,358,367 | £17,634,045,533 | £35,159,272,132 |
| Difference | £4,301,751,567 | £7,976,868,921 | £12,868,546,344 | £25,147,166,832 |

All three LEP geographies are anticipated to make a positive contribution towards the Balance.



National LEPs Compared

The following figure shows the estimated income from each LEP. Total Income across England is estimated to be around £541,015,103,679. However, within this figure there is likely to be double counting as some Local Authorities are contained in two LEP geographies. The over estimation is likely to be around 10% at most. As one would expect, London generates the lion's share of income with GBSLEP coming in at 10th position and BCLEP in 26th and Coventry in 27th.





An analysis of expenditure puts GBSLEP in 7th place, BCLEP in 18th and CWLEP in 27th. Total national expenditure is estimated to be £508,370,471,681.



21 LEPs have been identified as being a net contributor to the national purse whereas 18 are a cost centre. Of the 21 LEPs, 13 are based in the South, 7 in the Middle, and only 1 in the North of England. Conversely, of the 18 LEPs that are cost centres, 10 are in the North, 7 in the Middle, and only 1 from the South. Overall, the balance is £32.6bn though this will be an overestimation due to the Local Authorities that fall under two LEP's.

Appendix

Appendix 1: Methodology for calculation of Taxes (Income) at the Met and LEP geography

1. Income Tax

Income tax calculations rely on data provided by the Annual Survey for Hours and Earnings (resident analysis) for 2014 and is based on the median annual gross pay for full time workers. The data has been extracted from NOMIS and is provided at Local Authority level and then combined to LEP level.

An average income tax rate of 19.55% was applied to the median annual pay for each geography to calculate the average income tax receipt per person. This figure was then multiplied by the number of people in employment (derived from APS) to calculate the total Income Tax receipt.

2. National Insurance Contributions

National Insurance Contributions were calculated using the Income Tax data mentioned above but this time the average NIC rate of 13.4% was applied. This provided an average NIC receipt per person which was then multiplied by the total number of people in employment to get to a total NIC receipt.

3. Capital Gains Tax

To calculate Capital Gains Tax, we used ONS data on LEP GVA and calculated this as a proportion of the region in which the LEP exists. The total Capital Gains Tax bill was derived from the HMRC report Capital Gains Tax (CCG) Statistics (31 October 2014). The Share of LA GVA was then multiplied by the total WM CCG tax receipts to calculate the LEP contribution.

4. VAT

The main source used table A35 of the ONS Family Spending Survey (2013). The weekly expenditure was multiplied by 52 to get to an annual expenditure figure per household. To calculate the number of households, the 2011 Census was used (DC4101EW – Tenure by Household Composition). The number of households was then multiplied by the annual expenditure to arrive at a total annual expenditure figure per LEP. This was then multiplied by 0.2 to get to the VAT rate.

5. Corporation Tax

To calculate Corporation Tax we used the Gross Operating Surplus/Mixed Income by Region. The West Midlands proportion of GOS multiplied by the total UK corporation Tax receipt for the UK as derived from the HM Revenue and Customs Receipts for 2013/14 provided us with a regional Corporation tax receipt. This was then proportioned to each LEP using the LEP share of regional GVA.

6. Bank Levy

The BRES (2013) was interrogated to identify the number of employees working in the Financial and Insurance sector by LEP. The number of employees in each LEP as a proportion of the region was calculated. Also the percentage of GVA in finance and Insurance was calculated to arrive at a regional

contribution. The proportion of employees in each LEP was then multiplied by the regional Bank Levy contribution.

7. Petroleum Tax

Due to the fact that there are a low number of people employed in the Extraction of Crude Petroleum and Extraction of Gas industries across the 19 LA's this calculation was excluded from the analysis.

8. Fuel Duties

The main source of information used for this variable was the Road Transport Energy Consumption at Regional and Local Authority Level (2014) produced by the Department of Energy & Climate Change. The Combined Tonnes of Oil Equivalent (for Buses, Diesel Cars, Petrol Cars, Motorcycles, HGV, & LGV) was calculated for each LEP and then proportioned out. The proportions were then multiplied by the total UK fuel duty to calculate the LEP equivalent.

9. Inheritance Tax

Data was extracted from HMRC Inheritance Tax Statistics: Table 12.11 – Provisional numbers of tax paying estates passing on death in 2012 to 2013 by local administrative units. The LEP share of UK inheritance Tax units was calculated and then proportioned out to UK total Inheritance Tax revenue as derived from HM Revenue and Customs Receipts 2013-14.

10. Stamp Duty on Shares

The LEP share of UK GVA was calculated and then multiplied by the Total UK Stamp Duty on Shares as derived from HM Revenue and Customs Receipts 2013-14.

11. Stamp Duty Land Tax

Data extracted from HMRC Stamp Duty Land Tax by Local Authority (and amalgamated to LEP), Country and Government Office Region. The Values include both the residential and non-residential property transactions. No manipulation of the data was required.

12. Annual Tax on Enveloped Earnings

The Annual Tax on Enveloped Earnings database was interrogated to identify all properties in each LA and LEP with a value of more than £2m. The Regional AETD was then proportioned to LEP level.

13. Tobacco Duties

The total number of people employed in the Growing of tobacco, the manufacture of tobacco products, and the manufacture of machinery for food beverage and tobacco processing was derived from BRES (2013) at LA level. The LEP share of jobs as a proportion of England jobs was calculated and then multiplied by the total UK tobacco duty receipt (HM Revenue and Customs Receipts 2013-14) to calculate the LA share.

14. Spirit Duties

The number of people employed in each LEP in Distilling, rectifying and blending of spirits were calculated as a proportion of total national employment in that sector and then multiplied by the national receipt for spirits to arrive at the LEP share.

15. Beer and Cider duties

BRES (2013) was used to identify the proportion of people employed in the manufacture of cider and other fruit wines, manufacture of beer, and manufacture of malt. The LEP share of England employment was calculated and multiplied by the total beer and Cider Duty (HM Revenue and Customs Receipts 2013-14) to work out the LEP share.

16. Wine duty

BRES (2013) was used to identify the proportion of people employed in the manufacture of wine from grape. The LEP share of England employment was calculated and multiplied by the total duty (HM Revenue and Customs Receipts 2013-14) to work out the LEP share.

17. Betting and gaming

The LEP share of national employees in gaming and betting activities was derived from BRES (2013) and then multiplied by the total UK revenue derived from these activities to calculate the LEP contribution.

18. Air Passenger duty

The LEP population as derived from mid-year population estimates (2013) as percentage of UK population was calculated and then multiplied by the UK Airport duty to calculate the LEP proportion.

19. Insurance Premium Tax

BRES 2013 was used to identify the LEP proportion of national employment in the sale of care and light motor vehicles, sale of other motor vehicles, wholesale of electrical household appliances, retail sale of electrical household appliances in specialised stores, and travel agency activities. The LEP share was multiplied by the total UK Insurance Tax receipts (HM Revenue and Customs Receipts 2013-14) to calculate the LA contribution to the tax receipts.

20. Landfill tax

Unable to calculate this accurately so excluded from analysis

21. Climate Change Levy

Unable to calculate this accurately so excluded from analysis

22. Aggregates Levy

Unable to calculate this accurately so excluded from analysis

23. Swiss Capital Tax

Unable to calculate this accurately so excluded from analysis

24. Customs Duties

Unable to calculate this accurately so excluded from analysis

25. Council Tax

Council Tax receipts were derived from the DCLG Receipt of Council Taxes (2014-15). Data amalgamated to LEP level using LA.

26. Business Rates

Business rate data was extracted from DCLG Non domestic rates – net amount receivable from rate payers (2014-15). Data amalgamated to LEP level using LA.

27. Sales, fees and charges

Unable to calculate this accurately so excluded from analysis

| | Birmi | neham | Ś | ventrv | Du | dlev | San | dwell | So | lihull | Ň | Isall | Ň | olverhampton | 2 | TAL |
|---------------------------------|--------|------------|-----|--------------|----|---------------|-----|---------------|----|---------------|---|---------------|---|---------------|---|----------------|
| Income Tax | £ 2,1(| 07,978,750 | ч | 687,138,239 | ч | 677,264,863 | ч | 519,783,670 | ч | 551,264,585 | ч | 495,271,098 | ч | 445,352,851 | Ψ | 5,484,054,057 |
| NIC | £ 1,4 | 17,086,978 | ч | 471,707,221 | £ | 464,929,338 | £ | 356,821,519 | £ | 378,432,564 | £ | 339,994,109 | £ | 305,726,190 | £ | 3,764,697,917 |
| Capital Gains Tax | ч | 33,482,496 | ч | 9,777,585 | Ψ | 6,469,986 | ч | 8, 107, 957 | ч | 7,793,340 | ч | 5,869,397 | Ψ | 6,852,179 | Ψ | 78,352,940 |
| VAT | £ 1,9 | 45,738,579 | ч | 609,166,022 | ч | 615,205,952 | Ъ | 575,560,326 | ч | 407,664,483 | ч | 510,774,378 | ч | 484,032,884 | Ψ | 5,148,142,626 |
| Corporation Tax | £ 5(| 59,585,240 | £ | 166,330,731 | £ | 110,063,735 | £ | 137,927,971 | £ | 132,575,875 | £ | 99,846,848 | £ | 116,565,390 | £ | 1,332,895,790 |
| Bank Levy | £, | 13,428,244 | £ | 12,795,129 | £ | 3,254,824 | £ | 3,706,686 | £ | 5,500,017 | £ | 3,749,049 | £ | 5,604,157 | £ | 78,038,105 |
| Petroleum Revenue Tax | | | | | | | | | | | | | | | £ | |
| Fuel Duties | £ 2 | 36,967,435 | ч | 90,806,333 | Ψ | 87,138,153 | ч | 108,300,511 | ч | 121,084,712 | ч | 86,142,888 | Ψ | 61,152,727 | Ψ | 851,592,759 |
| Inheritance Tax | E F | 28,508,380 | ч | 7,602,235 | £ | 13,303,911 | £ | | Ψ | 22,806,704 | ч | | £ | • | £ | 72,221,229 |
| Stamp Duty on Shares | £, | 18,841,000 | Ψ | 14,262,587 | £ | 9,437,785 | £ | 11,827,097 | £ | 11,368,164 | £ | 8,561,703 | £ | 9,995,291 | £ | 114, 293, 628 |
| Stamp Duty Land Tax | ч | 34,823,529 | ч | 14,544,444 | Ψ | 10,000,000 | ч | 10,000,000 | ч | 15,235,294 | ч | 15,000,000 | Ψ | 9,000,000 | Ψ | 108,603,268 |
| Annual Tax on Enveloped Dwellin | £ | 31,837 | ч | | £ | | £ | | £ | | Ψ | | £ | | £ | 31,837 |
| Tobacco Duties | £ 1 | 34,075,107 | £ | | £ | 64,280,196 | £ | 24,835,530 | £ | 4,382,741 | £ | 14,609,135 | £ | | £ | 292, 182, 710 |
| Spirits Duties | £, | 11,158,249 | £ | | £ | - | £ | 61,737,374 | £ | - | £ | - | £ | | £ | 102,895,623 |
| Beer and Cider Duties | Е, | 39,663,190 | Ψ | 729,997 | £ | 12,409,955 | £ | | £ | 243,332 | £ | 1,459,995 | £ | 105,606,285 | £ | 160,112,754 |
| Wine Duties | | | | | | | | | | | | | | | £ | |
| Betting and Gaming | £ | 58,046,182 | £ | 13,466,325 | £ | 8,750,681 | £ | 13,369,095 | £ | 4,132,266 | £ | 23,845,605 | £ | 14,851,850 | £ | 136,462,004 |
| Air Passenger Duty | £ | 51,372,796 | £ | 15,737,408 | £ | 14,729,915 | £ | 14,771,894 | £ | 9,790,403 | £ | 12,789,559 | £ | 11,800,724 | £ | 130,992,699 |
| Insurance Premium Tax | Ъ, | 52,517,017 | ч | 19,091,369 | £ | 13,956,232 | £ | 11,582,937 | Ψ | 9,850,222 | Ъ | 6,342,787 | £ | 16,455,542 | £ | 129, 796, 106 |
| Landfill Tax | | | | | | | | | | | | | | | £ | |
| Climate Change Levy | | | | | | | | | | | | | | | £ | |
| Aggregates Levy | | | | | | | | | | | | | | | £ | |
| Swiss Capital Tax | | | | | | | | | | | | | | | £ | • |
| Customs Duties | | | | | | | | | | | | | | | £ | • |
| Council Tax | £ 3(| 01,709,000 | £ | 113,397,000 | £ | 110,685,000 | £ | 91,915,000 | Ĥ | 97,240,000 | £ | 97,486,000 | £ | 87,284,000 | £ | 899, 716, 000 |
| Business Rates | £ 3(| 38,603,024 | £ | 115,772,932 | £ | 93,923,294 | £ | 98,445,098 | £ | 105,681,542 | £ | 68,061,393 | £ | 74,380,556 | £ | 954,867,839 |
| Sales, Fees and Charges | | | | | | | | | | | | | | | £ | |
| TOTAL INCOME | £ 7,6 | 33,617,033 | £ 2 | ,362,325,557 | ч | 2,315,803,819 | ч | 2,048,692,668 | ч | 1,885,046,243 | Ч | , 789,803,945 | ч | 1,754,660,626 | ч | 19,839,949,891 |

Appendix 2: Income WMCA – Replicating Centre for Cities MET and LEP Income – MET

Income – LEP

| | | | | | Gre | ater | | |
|-----------------------------------|------|---------------|-----|---------------|------|----------------|----|----------------|
| | | | Cov | entry & | Birı | ningham & | | |
| | Blac | k Country | Wa | rwickshire | Sol | hull | TO | TAL |
| Income Tax | £ | 2,137,672,483 | £ | 2,106,727,237 | £ | 4,209,196,993 | £ | 8,453,596,712 |
| NIC | £ | 1,467,471,155 | £ | 1,446,227,838 | £ | 2,889,532,996 | £ | 5,803,231,990 |
| Capital Gains Tax | £ | 27,299,519 | £ | 27,542,493 | £ | 57,728,441 | £ | 112,570,453 |
| VAT | £ | 2,185,573,541 | £ | 1,703,482,908 | £ | 3,664,437,374 | £ | 7,553,493,823 |
| Corporation Tax | £ | 464,403,944 | £ | 468,537,270 | £ | 982,043,518 | £ | 1,914,984,732 |
| Bank Levy | £ | 16,314,716 | £ | 21,715,887 | £ | 57,121,803 | £ | 95,152,406 |
| Petroleum Revenue Tax | | | | | | | £ | - |
| Fuel Duties | £ | 342,734,280 | £ | 599,836,346 | £ | 721,464,726 | £ | 1,664,035,352 |
| Inheritance Tax | £ | 13,303,911 | £ | 30,408,939 | £ | 51,315,084 | £ | 95,027,933 |
| Stamp Duty on Shares | £ | 39,821,876 | £ | 40,176,302 | £ | 84,208,621 | £ | 164,206,799 |
| Stamp Duty Land Tax | £ | 44,000,000 | £ | 77,000,000 | £ | 74,000,000 | £ | 195,000,000 |
| Annual Tax on Enveloped Dwellings | 5 | | £ | 222,859 | £ | 31,837 | £ | 254,696 |
| Tobacco Duties | £ | 103,724,862 | £ | 208,910,638 | £ | 200,145,156 | £ | 512,780,656 |
| Spirits Duties | £ | 61,737,374 | £ | - | £ | 41,158,249 | £ | 102,895,623 |
| Beer and Cider Duties | £ | 119,476,234 | £ | 17,276,604 | £ | 406,608,529 | £ | 543,361,368 |
| Wine Duties | £ | - | £ | - | £ | - | £ | - |
| Betting and Gaming | £ | 60,817,231 | £ | 23,894,220 | £ | 77,953,980 | £ | 162,665,431 |
| Air Passenger Duty | £ | 54,092,093 | £ | 41,465,785 | £ | 92,521,407 | £ | 188,079,284 |
| Insurance Premium Tax | £ | 48,326,997 | £ | 42,803,311 | £ | 92,610,992 | £ | 183,741,300 |
| Landfill Tax | | | | | | | £ | - |
| Climate Change Levy | | | | | | | £ | - |
| Aggregates Levy | | | | | | | £ | - |
| Swiss Capital Tax | | | | | | | £ | - |
| Customs Duties | | | | | | | £ | - |
| Council Tax | £ | 387,370,000 | £ | 406,353,000 | £ | 711,624,000 | £ | 1,505,347,000 |
| Business Rates | £ | 334,810,341 | £ | 351,481,682 | £ | 743,868,959 | £ | 1,430,160,982 |
| Sales, Fees and Charges | | | | | | | £ | - |
| | | | | | | | £ | - |
| TOTAL | £ | 7,908,950,556 | £ | 7,614,063,319 | £ | 15,157,572,666 | £ | 30,680,586,541 |

| | Birmi | ingham | Co | ventry | Dı | ıdley | Sa | ndwell | So | lihull | W | alsall | W | olverhampton | T01 | ſAL |
|----------------------------------|-------|-------------|----|---------------|----|---------------|----|---------------|----|---------------|---|---------------------------|---|---------------|-----|----------------|
| General Public Services | £ | 87,714,106 | £ | 26,870,110 | £ | 25,149,913 | £ | 25,221,588 | £ | 16,716,171 | £ | 21,836,942 | £ | 20,148,601 | £ | 223,657,431 |
| Defence | £ | 1,156,670 | £ | 354,331 | £ | 331,647 | £ | 332,592 | £ | 220,433 | £ | 287,960 | £ | 265,696 | £ | 2,949,329 |
| Public Order and Safety | £ 4 | 146,088,880 | £ | 136,653,703 | £ | 127,905,274 | £ | 128,269,792 | £ | 85,013,670 | £ | 111,056,447 | £ | 102,470,026 | £ | 1,137,457,791 |
| Economic Affairs | £ 5 | 525,127,965 | £ | 160,866,329 | £ | 150,567,833 | £ | 150,996,937 | £ | 100,076,593 | £ | 130,733,692 | £ | 120,625,908 | £ | 1,338,995,257 |
| Environmental protection | £ 1 | 19,136,961 | £ | 36,496,106 | £ | 34,159,663 | £ | 34,257,014 | £ | 22,704,602 | £ | 29,659 <mark>,</mark> 846 | £ | 27,366,671 | £ | 303,780,862 |
| Housing and community amenitie | £ 1 | 139,764,234 | £ | 42,815,011 | £ | 40,074,038 | £ | 40,188,245 | £ | 26,635,657 | £ | 34,795,127 | £ | 32,104,913 | £ | 356,377,225 |
| Health | £ 2,1 | 160,658,674 | £ | 661,890,536 | £ | 619,516,987 | £ | 621,282,551 | £ | 411,768,890 | £ | 537,908,669 | £ | 496,319,815 | £ | 5,509,346,122 |
| Recreation, culture and religion | £ 1 | 18,173,070 | £ | 36,200,830 | £ | 33,883,290 | £ | 33,979,854 | £ | 22,520,907 | £ | 29,419,880 | £ | 27,145,258 | £ | 301,323,088 |
| Education | £ 1,5 | 583,673,359 | £ | 485,138,361 | £ | 454,080,304 | £ | 455,374,390 | £ | 301,809,550 | £ | 394,264,786 | £ | 363,781,877 | £ | 4,038,122,626 |
| Social protection | £ 4,2 | 271,580,558 | £1 | 1,308,544,834 | £ | 1,224,773,143 | £ | 1,228,263,630 | £ | 814,059,160 | £ | 1,063,435,073 | £ | 981,214,710 | £ | 10,891,871,108 |
| TOTAL IDENTIFIABLE | £ 9,4 | 153,074,475 | £2 | 2,895,830,151 | £ | 2,710,442,091 | £ | 2,718,166,594 | £ | 1,801,525,633 | f | 2,353,398,421 | £ | 2,171,443,474 | £ | 24,103,880,839 |

Appendix 2: Expenditure WMCA – Replicating Centre for Cities MET and LEP Expenditure – MET

Expenditure – LEP

| | BCLE | P | CWL | EP | GBSI | .EP | TOT | 4L |
|----------------------------------|------|---------------|-----|---------------|------|----------------|-----|----------------|
| General Public Services | £ | 92,357,044 | £ | 70,798,838 | £ | 157,971,400 | £ | 321,127,282 |
| Defence | £ | 1,217,895 | £ | 933,611 | £ | 2,083,139 | £ | 4,234,645 |
| Public Order and Safety | £ | 469,701,539 | £ | 360,062,661 | £ | 803,397,406 | £ | 1,633,161,605 |
| Economic Affairs | £ | 552,924,369 | £ | 423,859,416 | £ | 945,745,261 | £ | 1,922,529,046 |
| Environmental protection | £ | 125,443,194 | £ | 96,161,938 | £ | 214,563,352 | £ | 436,168,484 |
| Housing and community amenities | £ | 147,162,323 | £ | 112,811,335 | £ | 251,712,670 | £ | 511,686,328 |
| Health | £ | 2,275,028,022 | £ | 1,743,985,437 | £ | 3,891,304,290 | £ | 7,910,317,750 |
| Recreation, culture and religion | £ | 124,428,281 | £ | 95,383,929 | £ | 212,827,403 | £ | 432,639,613 |
| Education | £ | 1,667,501,356 | £ | 1,278,269,126 | £ | 2,852,164,948 | £ | 5,797,935,431 |
| Social protection | £ | 4,497,686,556 | £3 | 3,447,825,600 | £ | 7,693,033,588 | £ | 15,638,545,744 |
| TOTAL | £ | 9,953,450,580 | £ | 7,630,091,891 | £ | 17,024,803,459 | £ | 34,608,345,930 |

Appendix 3: Manchester Model – Income and Expenditure Income

| INCOME | GVA | <u>6</u> | VA@35% | Council Tax Receipts | Business Rate Receipts | VED Revenue | Income Tax Receipts | NIC Receipts | Stamp Duty Receipts |
|---------------|-----|------------------|------------------|----------------------|------------------------|---------------|---------------------|-----------------|---------------------|
| Dudley | f | 4,397,975,867 E | 1,539,291,553 | f 108,101,000 | £ 93,923,294 | £ 30,755,437 | £ 457,968,000 | £ 306,838,560 | E 505,000,000 |
| Sandwell | f | 5,513,330,069 f | 1,929,665,524 | £ 89,153,000 | £ 98,445,098 | £ 24,024,302 | £ 327,075,000 | E 219,140,250 | E 306,000,000 |
| Walsall | f | 4,000,190,862 E | 1,400,066,802 | £ 95,309,000 | £ 68,061,393 | £ 23,133,434 | £ 349,621,000 | E 234,246,070 | E 349,000,000 |
| Wolverhampton | £ | 4,659,923,553 £ | 1,630,973,244 | £ 82,354,000 | £ 74,380,556 | £ 20,313,789 | £ 296,703,000 | £ 198,791,010 | £ 375,000,000 |
| Birmingham | E 2 | 22,214,401,200 E | 7,775,040,420 | £ 292,549,000 | £ 398,603,024 | £ 116,467,188 | £ 1,613,062,000 | £ 1,080,751,540 | £ 1,827,000,000 |
| Coventry | £ | 6,472,944,869 E | 2,265,530,704 | £ 108,555,000 | f 115,772,932 | £ 27,417,145 | £ 443,664,000 | £ 297,254,880 | E 610,000,000 |
| Solihull | £ | 5,184,044,442 E | 1,814,415,555 | £ 96,025,000 | £ 105,681,542 | £ 31,854,871 | £ 505,450,000 | £ 338,651,500 | E 654,000,000 |
| Total Met | E 5 | 52,442,810,862 E | . 18,354,983,802 | £ 872,046,000 | £ 954,867,839 | £ 273,966,167 | £ 3,993,543,000 | £ 2,675,673,810 | £ 4,626,000,000 |
| BCLEP | E 1 | 18,571,420,351 E | 6,499,997,123 | £ 374,917,000 | E 334,810,341 | E 98,226,963 | £ 1,431,367,000 | E 959,015,890 | £ 1,535,000,000 |
| CWLEP | E 1 | 18,232,450,886 E | 6,381,357,810 | £ 390,710,000 | £ 351,481,682 | £ 89,047,377 | £ 1,778,342,000 | £ 1,191,489,140 | £ 2,362,000,000 |
| GBSLEP | £ 3 | 38,312,341,793 f | 13,409,319,628 | £ 693,065,000 | £ 743,868,959 | £ 148,322,059 | £ 3,398,742,000 | £ 2,277,157,140 | £ 4,061,000,000 |
| Total LEP | E 7 | 75,116,213,030 f | 26,290,674,561 | f 1,458,692,000 | £ 1,430,160,982 | f 335,596,398 | f 6,608,451,000 | £ 4,427,662,170 | £ 7,958,000,000 |

Expenditure

| Expenditure | Total Service Expenditure | Police Expenditure | Benefits Payments | Ministry of Justice | 900 | | ire Service | Ar | mbulance Service | TOTA | |
|---------------|---------------------------|--------------------|-------------------|---------------------|--------|-----------|-------------|------------|------------------|------|----------------|
| Dudley | E 516,042 | £ 30,045,026 | E 855,134,734 | E 49,896,400 | E 36 | 0,771,527 | f 8 | ,871,563 E | 12,367,550 | ч | 1,317,602,843 |
| Sandwell | f 557,063 | £ 30,130,652 | £ 846,325,688 | £ 50,038,600 | f 36 | 1,799,692 | f 8 | ,896,846 E | 12,402,797 | Ч | 1,310,151,337 |
| Walsall | f 425,217 | £ 26,087,227 | £ 758,055,611 | f 43,323,600 | f 31 | 3,247,476 | f 7 | ,702,921 E | 10,738,386 | £ | 1,159,580,438 |
| Wolverhampton | £ 478,412 | £ 24,070,271 | E 701,085,464 | £ 39,974,000 | f 28 | 9,028,488 | f 7 | ,107,364 E | 9,908,139 | Ч | 1,071,652,137 |
| Birmingham | £ 2,221,373 | £ 104,786,548 | £ 2,700,885,642 | £ 174,021,200 | £ 1,25 | 8,244,966 | f 30 | ,940,910 E | 43,133,692 | Ч | 4,314,234,331 |
| Coventry | f 539,788 | £ 32,100,037 | E 788,971,661 | E 53,309,200 | f 38 | 5,447,477 | f 9 | ,478,358 E | 13,213,463 | ч | 1,283,059,984 |
| Solihull | £ 300,372 | £ 19,969,762 | E 528,536,996 | E 33,164,200 | f 23 | 9,790,828 | £ | ,896,583 E | 8,220,231 | Ч | 835,878,973 |
| Total Met | f 5,038,267 | £ 267,189,523 | E 7,178,995,796 | E 443,727,200 | E 3,20 | 8,330,454 | f 78 | ,894,544 E | 109,984,257 | Ч | 11,292,160,042 |
| BCLEP | f 1,976,734 | £ 110,333,176 | £ 3,160,601,497 | £ 183,232,600 | £ 1,32 | 4,847,183 | f 32 | ,578,694 E | 45,416,872 | ч | 4,858,986,754 |
| CWLEP | £ 617,598 | £ 84,588,451 | £ 2,101,626,692 | £ 140,477,800 | £ 1,01 | 5,712,365 | E 24 | ,976,905 E | 34,819,471 | ч | 3,402,819,282 |
| GBSLEP | f 2,621,838 | £ 188,728,051 | E 4,874,153,893 | £ 313,424,600 | E 2,26 | 6,188,977 | f 55 | ,726,787 E | 77,686,857 | ч | 7,778,531,002 |
| Total LEP | £ 5,216,170 | £ 383,649,677 | f 10,136,382,081 | £ 637,135,000 | E 4,60 | 6,748,525 | f 113 | ,282,385 E | 157,923,200 | f | 16,040,337,038 |

Appendix 4: Manchester Model Scenarios

| | INCOME | | | | Expenditure | Gap | | |
|---------------|-----------------------------|---------|----------------|------------------|------------------|------------------|------------------|-----------------|
| | Scenario 1 | Scer | ario 2 | Scenario 3 | Expenditure | Gap SC1 | Gap SC2 | GAP SC3 |
| Dudley | E 1,539,291,55 | 3 E | 2,075,046,991 | E 1,502,586,291 | E 1,317,602,843 | E 221,688,711 | E 757,444,148 | E 184,983,449 |
| Sandwell | E 1,929,665,52 ⁴ | 4 E | 2,259,689,826 | £ 1,063,837,650 | E 1,310,151,337 | E 619,514,187 | E 949,538,489 | -E 246,313,687 |
| Walsall | E 1,400,066,80 | 2 E | 1,772,200,236 | £ 1,119,370,897 | E 1,159,580,438 | E 240,486,364 | £ 612,619,798 | -E 40,209,540 |
| Wolverhampton | E 1,630,973,24 | 4 E | 2,026,287,033 | £ 1,047,542,355 | E 1,071,652,137 | E 559,321,107 | E 954,634,896 | -f 24,109,782 |
| Birmingham | E 7,775,040,420 | 0 E | 9,718,507,608 | E 5,328,432,752 | E 4,314,234,331 | E 3,460,806,089 | E 5,404,273,277 | £ 1,014,198,421 |
| Coventry | E 2,265,530,70 ⁴ | 4 E | 2,902,947,849 | £ 1,602,663,957 | E 1,283,059,984 | E 982,470,720 | £ 1,619,887,865 | E 319,603,973 |
| Solihull | E 1,814,415,551 | 5 E | 2,500,270,426 | £ 1,731,662,913 | E 835,878,973 | £ 978,536,582 | E 1,664,391,453 | E 895,783,941 |
| Total Met | E 18,354,983,80 | 2 E | 23,254,949,969 | E 13,396,096,816 | E 11,292,160,042 | f 7,062,823,760 | £ 11,962,789,927 | £ 2,103,936,774 |
| BCLEP | E 6,499,997,12 | 3 E | 8,133,224,085 | E 4,733,337,194 | E 4,858,986,754 | f 1,641,010,368 | £ 3,274,237,331 | -E 125,649,561 |
| CWLEP | E 6,381,357,810 | 0 E | 8,832,405,187 | E 6,163,070,199 | E 3,402,819,282 | f 2,978,538,528 | E 5,429,585,905 | £ 2,760,250,917 |
| GBSLEP | E 13,409,319,628 | 8 f | 17,618,641,687 | £ 11,322,155,158 | E 7,778,531,002 | £ 5,630,788,625 | E 9,840,110,684 | £ 3,543,624,156 |
| Total LEP | E 26,290,674,56 | чл Т | 34,584,270,959 | £ 22,218,562,550 | E 16,040,337,038 | f 10,250,337,522 | £ 18,543,933,920 | £ 6,178,225,512 |
| | | | | | | | | |

Appendix 5: Comparison of data from different models

The evaluation of data contained within this report presents an outline of the analysis executed to date on Income and Expenditure at both the Met and LEP geographies. The following tables summarise the income, expenditure and balance using the Centre for Cities methodology and compares the values against the information calculated in the Manchester Model (see Appendix 4 & 5) at both a LEP and Met geography. Note that the Manchester Model has now been updated with the latest data available which is why the figures will differ from those previously published.

LEP:

| | WMCA – Replicating Centre for Cities | Manchester Scenario 1 | Manchester Scenario 3 |
|-------------|--|-----------------------|-----------------------|
| Income | £30,680,586,541 | £26,290,674,561 | £22,218,562,550 |
| Expenditure | £34,608,345,930 | £16,040,337,038 | £16,040,337,038 |
| Gap | -£3,927,759,388 | £10,250,337,522 | £6,178,225,512 |

Table 12: Income and Expenditure Models Compared - LEP

Each of the three different methods used to estimate income and expenditure results in different levels of gap. The Centre for Cities methodology is the only one that postulates a negative balance. It also communicates the highest levels of both income and expenditure. In fact, expenditure levels using the Centre for Cities approach is over twice the levels found using the two different Manchester Scenarios.

The figure below highlights the differences in income and expenditure between the three scenarios.

Figure 13: Income and expenditure using three different models (LEP)

The largest balance is found when using Scenario 1 which shows a positive balance and the smallest using the Centre for Cities approach which indicated that the Combined Authority at the LEP level is a cost centre. The figure below demonstrates the gap in more detail.

Figure 14: The gap between income and expenditure at LEP level

MET:

Table 13: Income and Expenditure Models Compared - MET

| | WMCA – | Manchester Scenario 1 | Manchester Scenario 3 |
|-------------|--------------------|-----------------------|-----------------------|
| | Replicating Centre | | |
| | for Cities | | |
| Income | £19,839,949,891 | £18,354,983,802 | £13,396,096,816 |
| Expenditure | £24,103,880,839 | £11,292,160,042 | £11,292,160,042 |
| Gap | -£4,263,930,949 | £7,062,823,760 | £2,103,936,774 |

At the MET level, the gap between income and expenditure is negative using the Centre for Cities methodology but positive for each of the two Manchester Scenarios, which follows a similar trend to the LEP analysis. Income is broadly similar using Centre for Cities and Manchester Scenario 1 implying that using GVA@35% may be a good proxy of total income. The following figure illustrates the differences between income and expenditure at MET level using each Model.

Figure 15: Total Income and Expenditure across MET geographies across three different models

Figure 16: The gap between total income and expenditure across the MET geographies across different models

