

Meeting of the Overview & Scrutiny Committee – 25th January, 2024

Report of the Director of Regeneration and Enterprise

West Midlands Combined Authority - Formal ratification of the single settlement memorandum of understanding (MoU) between the West Midlands Combined Authority and His Majesty's Government

Purpose of report

1. To update Overview and Scrutiny Committee on the proposed single settlement memorandum of understanding (MoU) between the West Midlands Combined Authority and His Majesty's Government (HMG)

Recommendations

2. That Overview and Scrutiny Committee notes the proposed single settlement MoU between the West Midlands Combined Authority and His Majesty's Government as set out at appendix 1 of the report.
3. That Overview and Scrutiny Committee notes the high-level next steps for single settlement negotiations and implementation ahead of the first single settlement allocation which is likely to be 1st April 2025.

Background

4. The 'single settlement' was one of the most significant commitments in the West Midlands Combined Authority (WMCA) trailblazer deeper devolution deal announced at the 2023 Spring Budget. The deeper devolution deal was ratified by WMCA Board on 13 October 2023 on the basis that there would be further decisions about particular elements of the deal, including the single settlement. A draft of the MoU was considered and agreed in-principle by Mayoral and Portfolio Leaders on 3 November 2023.

What is the single settlement?

5. At every Spending Review, WMCA will be allocated a single funding settlement for local transport, adult skills, housing and regeneration, local growth and place, and retrofitting buildings¹.
6. The funding WMCA receives will cover the length of Spending Review periods and be calculated using allocation formulae. The quantum of single settlement funding WMCA will receive will be confirmed as part of the Spending Review. WMCA will retain the right to refuse the single settlement.
7. WMCA expect to receive the first single settlement at the beginning of the first financial year after the next Spending Review – likely to be 1 April 2025, but this is subject to HMG confirmation.
8. This consolidated funding will replace the individual, short-term and restrictive grants the region currently receives from HMG relating to the functions of the single settlement, ending competitive, time- and capacity-intensive bidding where relevant. Where an individual fund is within scope of the single settlement, WMCA and its constituent Local Authorities (LAs) will not need to – nor be able to – bid to government for an additional share beyond what we will be directly allocated as part of the Spending Review process. WMCA and LAs will continue to be able to bid into HMG for competitive funds where they are outside of the scope of the functions of the single settlement.
9. As set out in the MoU at appendix 1, the single settlement will not include any funding lines that fall within the scope of the local government finance settlement, or which directly underpin local authority statutory and/or core responsibilities.

What does the Single Settlement mean for the West Midlands?

10. The single settlement represents a significant change to how the region will receive funding from HMG for the relevant functions. In particular, it will enable LAs to develop place-based strategies, which will set out how the functions of the single settlement, and other sources of public and private investment, will come together in places to drive inclusive

¹ Funding for retrofitting buildings is included on the basis of a pilot arrangement. The scope of retrofit is the subject of on-going negotiations with HMG.

economic growth over the long-term. This will be additional to the funding that will continue to apply across the region as a whole.

11. The single settlement will provide the region with multi-year certainty over a consolidated funding allocation. This will enable a long-term, joined-up approach to funding delivery, which will, in turn, support the development and delivery of locally-led place-based strategies.
12. The single settlement will empower local decision-making. WMCA Board will decide the region's place-based strategies and agree 'functional' strategies for adult skills, buildings' retrofit, housing and regeneration, local transport, local growth and place; and approve the individual projects, interventions and programmes that will receive funding. This represents a major power shift from Ministers in Westminster to local leaders in the West Midlands.

Did anything substantive change in the MoU between MPL and publication?

13. A draft version of the MoU was agreed 'in principle' by Mayor and Portfolio Leaders (MPL) on 3 November 2023 and a final version published by HMG on 22 November 2023 at the Autumn Statement (see appendix 1). No substantive policy changes to the MoU were made between the MPL decision and publication of the MoU.

The following two items of note arose between MPL and the MoU being published:

- WMCA did not reach an agreement with HMG over the breadth of the retrofit / net zero function of the single settlement. Therefore, a decision on the final scope of the retrofit / net zero pillar of the single settlement was deferred until March 2024 to allow further negotiation to occur.
- The Department for Transport (DfT) confirmed its position, which was tentative in the MoU draft at MPL, that prior DfT approval will be required for business cases of transport schemes estimated to cost above £200 million funded through the single settlement. This is still a significant increase on the point at which DfT call in business cases as part of the current City Region Sustainable Transport Settlement.

Next steps

14. The MoU establishes the basic principles of how the single settlement will operate. However, there will be several further decision points and a lot of work to undertake across the region to prepare for implementation, as below.
15. The process of implementing the single settlement between now and 1 April 2025 – when WMCA expect to receive the first single settlement allocation – will be a complex and significant undertaking for the WMCA and LAs.
16. Within the region, there will be detailed engagement between the WMCA and LAs during the early part of 2024 to develop, agree and deliver the implementation strategy in the round. WMCA expects the process of implementation to break down into nine broad workstreams and areas of activity:

Further negotiations with HMG.

17. The final MoU leaves a number of residual matters to be negotiated with government between now and **March 2024**, including agreeing: the functional definition of net zero and the terms of the retrofit pilot; the allocation formulae; the details of spending controls; the provisional process for agreeing the outcomes framework; and, potentially, the scope of the business productivity function.
18. **Functional strategies.** It is expected that strategies for each of the five functions of the single settlement will need to be agreed by WMCA Board by the **end of summer 2024**.
19. **Place-based strategies.** Work is already underway between WMCA and LAs to scope the development of place-based strategies. WMCA have suggested a three-stage process concluding with a WMCA Board decision by the **end of summer 2024**, on the basis that place-based strategies will be iterative and can evolve over time.
20. **Single outcomes framework.** WMCA are working to agree the process for the outcomes framework by **March 2024**. The types of outcomes for the single settlement will not be agreed until the next Spending Review, expected to be in **November 2024**. The region's actual outcome targets

would be agreed shortly **after the Spending Review**, reflecting the quantum of funding confirming at the Spending Review.

21. **Assurance; strategic finance; and accountability & spending controls.** Between now and **1 April 2025** and with multiple milestones in-between, WMCA will, working with LAs, undertake an in-depth review of its internal financial processes and systems to ensure their readiness for the single settlement.
22. **Governance and partnership development.** In-depth conversations will be started between the WMCA and LAs in **early 2024** about the optimal governance and decision-making structures for the single settlement, as set out in the MoU, taking into account the nature and breadth of the decisions we will have to take collectively and the opportunity presented by the single settlement to strengthen partnership working across the region.
23. **Programme management, integration and delivery.** Work is underway now to develop an agreed an integrated approach to delivering the single settlement as a 'system', factoring in key decision points for WMCA Board and LAs.

Finance

24. At this point in time, the final funding allocation for WMCA's single settlement is unknown. However, as set out in the MoU: "The [funding] formulae [that will be agreed between WMCA and HMG by March 2024] will seek to deliver the principle that the [WMCA area] will be no worse off in terms of quantum of funding received than [the WMCA] would have been had the single [settlement] not been in place."
25. Whilst on the basis of the above, the WMCA does not expect the quantum of funding allocated to the region to significantly increase or decrease, longer term funding certainty, increased flexibility and the direct awards of traditionally competitive funding will enable better strategic financial planning and delivery.
26. Uncertainty over the eventual quantum of the single settlement should be set against the backdrop of existing arrangements: the region enjoys no certainty over the funding it will receive via competitive funding processes. Importantly, the WMCA reserves the right to refuse the single settlement

as part of its future involvement in the Spending Review process should the region decide the arrangements for the settlement would be detrimental. If it was decided to do so, WMCA would be funded through the arrangements in place for other areas (outside of WMCA and GMCA) who are not in receipt of a single settlement.

27. Beyond the implications relating to the overall funding quantum of the single settlement, should WMCA fail to achieve the outcomes agreed with Government, either through delivery slippage, under performance or by investing in initiatives which do not make a positive contribution towards the agreed outcomes, the WMCA will be subject to a range of 'interventions' by HMG².

Law

28. The proposals are in accordance with the provisions of the Local Democracy, Economic Development and Construction Act 2009.
29. In addition, the MoU is not a legally binding agreement and, technically, a future government could walk away from it. WMCA assessment is that the probability of this occurring is low.
30. The single settlement itself does not confer any new legal obligations or duties on WMCA or its constituent local authorities. Existing specific duties, for example, the legal duties accompanying the devolution of the Adult Education Budget, will not be altered as a consequence of it being included within the single settlement, nor will general legal duties be altered, such as obligations on the managing of public money.

Risk Management

31. There is a risk that, despite the commitment to working closely with government via the MoU to secure the single settlements provisions, any changes in policy or government could prevent this becoming a reality. There is also a risk that negotiations with government do not lead to the expected level of devolutionary commitment currently envisaged. Council officers will continue to work with the WMCA and Government as appropriate to secure the best possible deal and benefits for Dudley.

² See 'Table A.1 Matrix of Mitigation' on pages 27 – 28 of the [MoU](#).

Equality Impact

32. The implementation of the single settlement has the potential to yield a number of positive equalities and socio-economic implications which in Dudley include supporting the Council's strategic priorities, to increase the economic prosperity of the area and providing positive community impacts.

Human Resources/Organisational Development

33. Existing staff resources from across several service areas, in particular Regeneration and Enterprise, are providing support to the work of the WMCA. Officers work to represent the Council and its priorities through partnership working in working groups across the region. Officers continue to play an active role in discussions and negotiations to ensure the Council is effectively engaged and can respond and receive the benefits of the devolution deal.

Commercial/Procurement

34. There are no commercial or procurement implications arising directly from this report.

Environment/Climate Change

35. The provisions within the single settlement will help drive the net zero ambitions for the West Midlands by devolving tools and funding that will remove uncertainty and inefficiencies in the existing funding system, such as devolving housing retrofit funding and incentivising net zero transport interventions.

Council Priorities and Projects

36. The proposed deeper devolution deal and single settlement will support key Council priorities and help to increase the economic prosperity of the area and provide healthy and positive community impact for the Borough, by aiding, funding and delivering strategic economic and development priorities.

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Background Documents

Cabinet Report 13th October 2023, West Midlands Combined Authority West Midlands Trailblazer Deeper Devolution Deal

Appendices

Appendix 1

Memorandum of Understanding between for the single settlements with Greater Manchester and West Midlands Combined Authorities

https://assets.publishing.service.gov.uk/media/655d0945d03a8d001207fe19/Memorandum_of_Understanding_for_the_Single_Settlements_with_Greater_Manchester_and_West_Midlands_Combined_Authorities_FINAL.pdf