

## **Meeting of the Cabinet – 20<sup>th</sup> September, 2023**

### **Report of the Director of Regeneration and Enterprise**

### **West Midlands Combined Authority - West Midlands Trailblazer Deeper Devolution Deal**

#### **Purpose of report**

1. To set out the necessary actions in advance of the West Midlands Combined Authority (WMCA) Board meeting on 13<sup>th</sup> October, 2023 to support the ratification of the trailblazer deeper devolution deal (the deal).

#### **Recommendations**

2. That any feedback on the draft Governance Review and Scheme be forwarded to WMCA to enable any amendments to be made to the final drafts of the Governance Review and Scheme prior to formal approval at the WMCA Board on 13<sup>th</sup> October, 2023.
3. That the Leader be authorised to assent to the ratification of the deal, on behalf of the Council, at the meeting of the WMCA Board on 13<sup>th</sup> October, 2023 and to take any necessary or consequential actions to proceed with the deal implementation.

#### **Background**

4. On 10<sup>th</sup> March, 2023 at the WMCA Mayor and Portfolio Leaders' Group (MPL), the Leaders of the seven West Midlands Councils agreed in principle to the trailblazer deeper devolution deal announced at the Spring Budget. Formal approval of this decision has been scheduled for the WMCA Board meeting on 13<sup>th</sup> October, 2023. Before the deal is considered at the WMCA Board meeting, engagement is taking place through the governance structures of the West Midlands Councils concerning the ratification of the deal.

5. Since the MPL meeting on 10<sup>th</sup> March, 2023, a collective decision was taken at WMCA Board not to pursue the statutory process to provide WMCA with the 'health improvement duty' offered through the deal. The potential health improvement duty, therefore, does not form part of the deal that local authorities are being asked to ratify.
6. The decision to submit the Governance Review and Scheme to the Secretary of State will require a unanimous decision of all the Constituent Authority members under the terms of the WMCA Constitution.
7. Following the receipt of a draft Statutory Order each of the Constituent Councils will then be asked to give formal consent to the making of the Order.
8. To support the deal ratification process, the following documents have been provided:
  - a. Appendix A - Governance Review – a requirement of the statutory process needed to implement the devolution of the Bus Service Operator Grant commitment in the deal;
  - b. Appendix B – Scheme – a requirement of the statutory process needed to implement the devolution of the Bus Service Operator Grant commitment in the deal;
  - c. Appendix C – a detailed Implementation Plan with thematic summaries that act as an executive summary for engaging Leaders.

### **Approval processes after WMCA Board on 13<sup>th</sup> October, 2023**

9. Subject to the deal being ratified at the WMCA Board in October, there will be further decisions for local authorities on key workstreams. The most important of these are:
  - a. The single settlement - WMCA officers, with support from local authority senior officers and Finance Directors, are working collaboratively to prepare for negotiations with the Treasury and the Department for Levelling Up, Housing and Communities to agree a memorandum of understanding (MoU) on the design of the single settlement. The negotiations on the MoU are unlikely to have concluded before the October WMCA Board meeting, however, there will be a decision-point at a future WMCA Board to seek local authority agreement to the MoU; and
  - b. 10-year business rate retention - It is possible that insufficient detail on the workings of the 10-year business rate retention scheme offered through the deal will be available for the October WMCA Board

meeting. If this is the case, there will be a further decision-point at a future WMCA Board to seek local authority approval to enter this arrangement.

10. WMCA Board will be engaged in other decisions on deal implementation; the accompanying implementation plan highlights a number of these instances. This is additional to the extensive engagement underway or scheduled across the region between the Combined Authority and local authority officers on the more detailed aspects of deal implementation.
11. This means there will be further decision-points for local authorities after the proposed ratification decision at WMCA Board in October, particularly (but not exclusively) on the funding and financial elements of the deal.

### **Consequences of non-ratification**

12. The deal is a non-statutory agreement between different Government departments, WMCA and its constituent authorities. Therefore, if the necessary agreement at the WMCA Board to ratify the deal is not obtained, the consequences are at the discretion of the Secretary of State. Should the necessary agreement not be obtained, there is a risk that all or some of the commitments in the deal, and their benefits to the region, may be withdrawn or modified.
13. In particular, non-ratification of the deal and accompanying governance review and scheme would end the statutory process required to progress the devolution of the Bus Services Grant.

### **Opt in/out elements of the deal**

14. There are a number of commitments in the deal where even if the requisite number of local authorities ratify the deal at the October WMCA Board meeting, individual local authorities will still be able to opt out of these functions being exercised in their areas. These are as follows:
  - a. Growth Zones
  - b. Local area energy planning
  - c. High street rental auctions

### **Overview of the deal**

15. The deal contains over 190 commitments of different types. These include:

- a. Commitments to provide new funds to the Combined Authority and its constituent authorities, such as for housing and regeneration;
  - b. Commitments to increase flexibility and local decision-making power over existing and future funds, particularly through the single settlement;
  - c. Commitments to new partnerships and co-working with government to design and deliver programmes, such as employment support, culture and heritage and working with Great British Railways; and
  - d. Commitments to undertake further work with government on regional priorities, including transport innovation.
16. Taken together, the deal represents a significant step forward for the region's multi-year financial stability, particularly over local government revenue retention. This will help to reduce financial risks, de-risk investment decisions, provide new funding to deliver affordable housing, regeneration and transport schemes and give the region an influential role in shaping government policy in line with our shared inclusive growth agenda.
17. The documents enclosed provide greater detail on the commitments in the deal, the outcomes we expect they will achieve and how we will work across the region to implement them.

## **Finance**

18. The commitments in the deal provide a mixture of new funding streams for the region.

<b>Fund</b>	<b>Value</b>	<b>New Money</b>
Growth Zones	<b>c.£0.5bn (minimum)</b>	Yes
Business Rates Retention	<b>c.£450m</b>	Difficult to Assess
Affordable Housing Programme	<b>£200-400m</b>	Yes
Single Regen' Fund	<b>£100m</b>	Yes
Wednesbury to Brierley Hill Metro Extension	<b>£60m</b>	Yes
Smart City Region	<b>£10m</b>	Yes
Air Quality Sensors	<b>£0.5m</b>	Yes
Digital Devices	<b>£4.0m</b>	Yes
Industrial Decarb	<b>£10.5m</b>	Yes

Natural Environment	£1m	Yes
Cultural Infrastructure Fund	£5m	Yes

19. The potential value of the deal to the region is, to a large extent, influenced by the region's ability to establish Growth Zones (formerly known as 'Levelling Up Zones') as intended, and the retained revenue which will flow back to local authorities through the business rates system.
20. In addition to the sums in the table above, the deal, particularly through single settlement and other initiatives like the Affordable Housing Programme, provides greater flexibility on how funding is used and brings decision-making on spending closer to the region.

### **Law**

21. The proposals are in accordance with the provisions of the Local Democracy, Economic Development and Construction Act 2009. Formal ratification of the deal by WMCA Board in October will take place at the same time as the Board formally asking the Secretary of State to lay a Draft Order with respect to the formal statutory functions arising from the deal.

### **Risk Management**

22. There is a risk that, despite the commitment to working closely with government to secure the devolution provisions and funding commitments, any changes in policy or government could prevent the third Devolution Deal plans from coming to fruition. 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.

### **Equality Impact**

23. The proposed Deeper Devolution Deal will support the Council's commitment to equality and diversity by supporting the Council's strategic priorities, including increasing the economic prosperity of the area and providing positive community impacts.

## **Human Resources/Organisational Development**

24. 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**

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

## **Environment/Climate Change**

26. The deal 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 bus service transition. There is recognition of the region's involvement in wider energy system management and planning, and responsibility for heat zone designation, energy efficiency advice and attracting private sector finance. In addition, funding is anticipated for industrial decarbonisation programmes for regional businesses, natural environment finance models and air quality monitors to support the region's wider environment and net zero ambitions.

## **Council Priorities and Projects**

27. The proposed Deeper Devolution Deal 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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## **Appendices**

Appendix A - Governance Review

Appendix B – Scheme

Appendix C – a detailed Implementation Plan with thematic summaries that act as an executive summary for engaging Leaders.