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9. **Cabinet Minute, 17 October 2023 - West Midlands Combined Authority Devolution Deal**



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Agenda Item 9
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Council – 17 October 2023
Recommendation from Cabinet
17 October 2023

Coventry City Council
Minutes of the Meeting of Cabinet held at 10.00 am on Tuesday, 17 October 2023

Present:

Members: Councillor G Duggins (Chair)
Councillor A S Khan (Deputy Chair)
Councillor L Bigham
Councillor R Brown
Councillor K Caan
Councillor P Hetherton
Councillor K Sandhu
Councillor P Seaman
Councillor D Welsh

Non- Voting Deputy
Cabinet Members Councillor S Agboola
Councillor G Hayre
Councillor A Jobbar
Councillor G Lloyd

Non-Voting Opposition
Members: Councillor S Gray

Other Non-Voting
Members: Councillor R Lakha

Employees (by Service Area):

Chief Executive: J Nugent (Chief Executive)

Finance: B Hastie (Chief Operating Officer (Section 151 Officer))

Law and Governance: O Aremu, U Patel

Policy and Public Affairs: M Greenwood

Apologies: Councillors N Akhtar, C Miks, S Nazir, J O'Boyle, G Ridley,
E Ruane

RECOMMENDATION

Public Business

38. **West Midlands Combined Authority Devolution Deal**

The Cabinet considered a report of the Chief Executive which provided an overview of the background to the Deeper Devolution Deal (the Deal), the main elements, the proposed implementation and the next steps.

The Deal was agreed in principle by the West Midlands Combined Authority (WMCA) Mayor and Portfolio Leaders on 10 March 2023 and announced in the Chancellor's Budget on 15 March 2023.

Following the announcement, a formal ratification of the deal is required by the WMCA and its constituent Local Authorities (LAs). The WMCA was expected to take the decision to approve the Deal at its Board Meeting on 13 October 2023. A two thirds majority of voting Constituent Members is required for the Deal to be ratified.

The devolution of the Bus Service Operators Grant (BSOG) to the WMCA is a public authority function, which can be dealt with under section 105B of the Local Democracy, Economic and Construction Act 2009. It would require a scheme, governance review and the consent of the LA's before the laying of the order by Government. An in-principle agreement of the devolution of the BSOG (the order) is part of this paper and would be considered at the WMCA Board on 13 October 2023.

The Order would then be considered through the constituent authorities governance, before returning to the WMCA Board later in the year for final approval.

The first 'devolution deal' setting out which responsibilities would be devolved to the regions, was agreed in 2015 in preparation for the formal establishment of the WMCA the following year. This was followed in 2017 by a second devolution deal which provided for the establishment of a West Midlands Industrial Strategy.

Over the last year, a third devolution deal has been negotiated between WMCA and Government, in consultation with the constituent local authorities. The latest deal covers more than twenty themes including proposals for the WMCA to receive a single funding settlement rather than multiple individual grants, extension of business rate retention for a further 10 years, additional funding for affordable homes and a new Strategic Productivity Partnership with Government. The report provided a summary of the deal and how it would affect Coventry. The devolution deal would be formally approved by WMCA at their Board meeting on 13 October 2023 and the seven constituent local authorities were being asked to ratify the deal through their individual political processes. Ratification would be followed by further development of the implementation plan to develop the details required for delivery.

The report provided a summary of the funding opportunities available through the Deal and their potential benefit to Coventry. A copy of the latest WMCA Devolution Deal Thematic Summaries and WMCA Devolution Deal Implementation Plan were attached to the report as Appendix 1 and 2 respectively.

The report stated that if the City Council chose not to ratify the Deal, this could prevent Coventry and the region from accessing the additional funding and powers

available. It would also undermine the relationship between the WMCA and the Government and make future cooperation on devolution or other policy topics far more difficult. This option was therefore not recommended.

The recommended approach would be for the City Council to ratify the new Devolution Deal based on an examination of all the opportunities, and the associated risks of the proposals contained within the Deal. Officers have worked hard to understand the implications of each of the themes within the Deal and ways to maximise the opportunities for the city whilst monitoring and mitigating risks as far as possible. Consideration had also been given to how the Deal could help to deliver the aims of the Once Coventry Plan. The Council would ensure that it works to get the most out of the new deal by having the right involvement from members and officers in the various WMCA groups responsible for each of the devolution themes.

Each of the key themes in the Deal and the risks and opportunities associated with them, were detailed in the report. Briefly, these comprised of:

Single Settlement – instead of being funded through 50+ individual grants, it was proposed that the WMCA would instead be funded by a single funding settlement covering a full spending review period, in the same way that a government department would. The WMCA and its constituent authorities would be accountable to government to achieving an agreed set of outcomes across identified themes, but there would be flexibility to move funding between priorities to meet local needs. However, it had to be noted that there were some potential risks associated with this approach to Coventry and other constituent members. For example, Coventry would be ineligible to bid for certain funds under these arrangements but would need to be confident that it would be get its fair share of funding by working through the WMCA's governance processes.

Levelling Up Zones – The Devolution Deal proposes the establishment of Levelling Up Zones (LUZs) which would allow business rates retention and provide access to skills, housing and regeneration funding. The deal named Coventry Airport, site of West Midlands Gigafactory as one of these zones. Since the Deal was published, Coventry Airport has been proposed as an Investment Zone site which would provide additional benefits beyond those provided by LUZs. Therefore, even though it was not necessary to pursue a LUZ linked to the Gigafactory proposals, there was no reason for Coventry not to support this part of the Devolution Deal which would be a useful tool in other parts of the region.

Business Rates Retention (BRR) – The Deal was proposing to allow constituent members of the WMCA to retain business rates generated for a further 10 years. This would effectively allow the continuation of the current West Midlands pilot BBR scheme in place since 2017.

Single Regeneration Fund – The WMCA would receive at least £100m of devolved funding with a target delivery of 4,000 new homes as a result. For the first time commercial developments would also be eligible. The WMCA Housing and Land Board and the officer Delivery Steering Group would be key forums for deciding how this funding is used. Coventry would require a strong presence on these to shape recommendations on the focus of this fund and to ensure that

Coventry projects feature in the pipeline. Similarly, Coventry would require a strong presence on the WMCA Housing and Land Delivery Board.

Skills and Employment Support – the Deal proposes the establishment of a Post-16 Technical Education and Skills Board and to increase flexibility in funding for Boot Camps and Free Courses for Jobs.

Transport - A range of transport options are included in the deal. Significantly this included devolving powers for the payment of the Bus Service Operators Grant (BSOG) to the Mayor. The new arrangements would provide the region with greater control to influence how the money is allocated.

In addition, there would be a focus on developing the West Midlands to become a test bed for regulatory improvements which would lead to new transport innovations. Coventry Very Light Rail (CVLR) would potentially benefit from this approach for example by reducing the regulatory hurdles for the city demonstrator.

The Government also commits to a Round 2 of City Region Sustainable Transport Settlement (CRSTS). The Single Settlement presents a possible opportunity for funding transport schemes in the future, allowing funding across years and potentially across spending review periods. However, there were possible risks to be noted with future CRSTS rounds, including budgets potentially being used to meet existing inflationary and other major project pressures. Coventry would need to ensure that any such budget pressures do not impact on the ability to fund and deliver Coventry Very Light Rail and other transport schemes in full. This would be overseen through the Deal's implementation governance with the constituent members and the WMCA.

Data and Smart Cities - The Devolution Deal commits Government and WMCA to transform its approach to using, sharing, and reusing data. The WMCA would be considered as a Local Authority for data purposes, which would improve our ability to share data with them (and vice versa). In addition, the deal proposes the establishment of a Smart City Region, which would have a strong focus on Health and Social Care. This included the Deal committing additional funds to pilot 5G solutions in areas such as remote monitoring and early diagnosis. The Deal would also provide opportunities for Coventry to work with WM5G to ensure that the next stage of the Smart City Region has a strong mobility focus, which would benefit Coventry. Although both activities were being processed as part of our “business as usual”, the Deal gave this extra focus and impetus.

Affordable Homes Programme (AFP) - Homes England would invest at least £200 million and up to £400 million of AHP funding within the WMCA area by March 2026 with a clear ambition for the WMCA, local partners and Homes England to work together to build more social and affordable homes by 2026. As with the Single Regeneration Fund, Coventry would need to be appropriately represented to work closely with WMCA's officers to have stronger influence over the more detailed design and focus of the funds and ensure that priority Coventry projects feature strongly on the Fund pipeline.

Homelessness - There would be an expansion of the Live and Work Model previously trialled in Sandwell. The scheme provides accommodation for young workers, who may otherwise be at risk of homelessness, giving them an affordable

place to live without reliance on the benefit systems. In addition, a new pilot for rent simplification was also being proposed which would help young people in supported accommodation to transition into work. Coventry would support these pilots and actively seek to get involved.

Innovation, Business Productivity and Trade - A new Strategic Innovation Partnership between the WMCA and UK Research and Innovation (UKRI) was proposed, as well as a Strategic Productivity Partnership which would allow WMCA and its members to shape the national model for provision of business support in the region. The deal also proposed the appointment of West Midlands Growth Company (WMGC) as the region's lead agency working with Department for Business and Trade on inward investment. Coventry's involvement would be crucial to ensure that appropriate links are made between innovation and business support, and to shape any additional business support activities which are devolved to local control. The Council must also work closely with WMGC, to ensure that they are actively working to add value to Coventry's priorities, and to constructively hold them to account as funder and shareholder.

Culture and Tourism – The Deal would allow the West Midlands to retain Commonwealth Games funding underspend of c. £70m to make the most of the of culture, heritage and sport in terms of economic opportunities and improved wellbeing for the region's population. Coventry would need to make sure that the parameters of these funds and the application processes are structured in a way that would benefit the city and its residents, but the ability to retain these funds in the region is to be welcomed.

Energy and Environment - This theme would establish a pilot scheme to devolve net zero funding to WMCA from 2025 onwards, through the Single Settlement, rather than through competitive national bidding. The Deal also recognises the region's involvement in wider energy system management and planning, responsibility for heat zone designation, and energy efficiency advice. The Deal sets out commitments for improving the natural environment, climate change adaptation and proposes additional regional monitoring of air quality.

Health and Wellbeing - The Deal set out plans to agree a new formal duty on the WMCA to improve public health, however this element of the deal could only progress if all seven constituent authorities wished to pursue it. This was not unanimously supported by the region's LAs and so the public health duty will not be progressed. The Data and Smart Cities theme outlined above has a strong focus on health and wellbeing.

Governance and Accountability - A new requirement would be placed on LAs to strengthen scrutiny arrangements. The details are not finalised, but it was understood they would include the West Midlands Mayor and the WMCA's portfolio holders being given the option of attending a Council meeting of one of the constituent authorities every year if appropriate and invited. In addition, there would be the establishment of an enhanced Mayor's Question Time. Further arrangements would be put in place to allow local MPs to scrutinise the work of the Mayor.

With regard to timescales, the WMCA is due to approve the Devolution Deal at its board meeting on 13 October 2023. This would be followed with the development

of a Memorandum of Understanding (MoU) between themselves, Government and the 7 local authority members in November 2023 in respect of Business Rates Retention. The funding settlement itself would not begin until April 2025, but work to understand the implications of such a deal on the WMCA and its constituent authorities had already commenced. Other elements of the deal such as Commonwealth Games Legacy funding would commence immediately.

In addition, the Bus Services Operating Grant (BSOG) would require further negotiations with Government. The outcome of these negotiations would form an order, allocating the BSOG responsibilities to the Mayor. Once further negotiations with Government have taken place, all 7 constituent members of the WMCA would be asked to approve the new arrangements. These would be brought back to Cabinet at the appropriate time for debate and decision.

RESOLVED that, Cabinet recommends the City Council to:

- 1. Approve the ratification of the West Midlands Devolution Deal as set out in the report and attached Appendices including the in-principle devolution of the management of Bus Services Operator's Grant as a Mayoral function.**
- 2. Note the performance to date of the West Midlands 100% Business Rates Retention pilot.**
- 3. Agree to the development of the Memorandum of Understanding with Government, regarding the offer of 10-year, 100% Business Rate retention for the West Midlands, in accordance with the Devolution Deal.**
- 4. Delegate authority to officers, overseen by the Chief Executive, and following consultation with the appropriate Cabinet Members, to engage on the detailed implementation of the agreed elements of the Devolution Deal, which will include aspects that require further negotiation and future decision making.**
- 5. Request that further reports are received by Cabinet (and Council if appropriate) on specific issues relating to the detail of the Devolution Deal such as approval of the making of the Statutory Instruments following the receipt of a draft order for Bus Service Operator's Grant (BOSG).**
- 6. Request that throughout the duration of the implementation of the Devolution Deal, half yearly updates be submitted to Cabinet and Scrutiny to outline progress.**