

Cabinet

28th August 2018

Name of Cabinet Member:

Cabinet Member for Policy and Leadership (Leader of the Council) - Councillor G Duggins

Director Approving Submission of the report:

Chief Executive

Ward(s) affected:

All

Title:

Second Devolution Deal for the West Midlands

Is this a key decision?

Yes - Approval is being sought for the introduction of the Second Devolution Deal for the West Midlands

Executive Summary:

To provide the Cabinet with an update on discussions with Government on a Second Devolution Deal for the West Midlands and to consider the implications for Coventry and the region. Then seek approval from the Cabinet for its introduction.

Recommendations:

Cabinet is recommended to:-

- 1) Consider the benefits of the second Devolution Deal and to agree to the Second Devolution Deal for the West Midlands.
- 2) Delegate authority to the Leader of the Council to advise the WMCA Board that it is the City Council's expectation that proper consultation on the proposed arrangements in respect of the new Governance model for the PCC and Mayoral roles will take place to inform any final decision of the WMCA Board and Constituent Councils; and that this should include public consultations on the principles of the proposed governance model and the detailed operational proposal for the governance model.

List of Appendices included:

Appendix 1 - Devolution Deal
Appendix 2 - Action plan

Background papers:

None

Other useful documents

None

Has it been or will it be considered by Scrutiny?

No

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

No

Report title: Second Devolution Deal for the West Midlands

1. Context (or Background)

1.1. To provide the Cabinet with an update on discussions with Government on a Second devolution deal for the West Midlands and to consider the implications for Coventry and the region.

1.2. Background

1.2.1. The West Midlands Combined Authority's first Devolution Deal was formally agreed by the Combined Authority Shadow Board on 17th November 2015, setting up the Mayoral Combined Authority and bringing new powers and funding to the West Midlands.

1.2.2. Following the General Election in June 2017, the West Midlands Combined Authority initiated discussions with Government on a second devolution deal based on proposals brought forward by the Devolution Strategy Group.

1.2.3. Negotiations were conducted by the WMCA Executive with support of the Mayor and the Combined Authority Leaders as required, and regular consultation and updates for Combined Authority stakeholders throughout the process (Constituent and Non-constituent Leaders, Chief Executives, LEP Chairs and Executives and others). The principles of the second Devolution Deal were announced at the Autumn Budget by the Chancellor of the Exchequer on 22 November 2017.

1.2.4. The second Devolution Deal was a balanced deal shaped around the priorities of the Combined Authority: driving economic performance, supporting inclusive growth, and bringing new financial support for the region.

1.2.5. The agreement recognises and reaffirms the roles of the constituent authorities, the non-constituent authorities and the LEPs in the Combined Authority, and commits the Government to support them all in delivering outcomes for citizens.

1.2.6. The Devolution Deal covered a number of areas where the Government committed to support the West Midlands as it develops its Local Industrial Strategy to drive regional economic growth:

1. Housing – with agreement to work on a Housing Deal
2. Skills
3. Transport
4. Digital
5. Air quality
6. Energy
7. Key sectors e.g. automotive, construction, culture

- 1.2.7. The Devolution Deal also set out a number of initiatives on public service reform, ways in which the West Midlands could have more control of financing its activities, and agreed governance changes, including a commitment to integrate the West Midlands Fire and Rescue Service into the Combined Authority.
- 1.2.8. The Deal also sets out that the Government, the Combined Authority and the Office of the PCC will work together to incorporate the role and powers of the Police and Crime Commissioner into the mayoralty from 2020. Work is now beginning to plan for this detailed and complex task which will include the establishment of regular dialogue and joint working with the Office of the PCC in order to secure continuity in good practice and public protection. The Combined Authority Executive, the Mayor's Office and the Police and Crime Commissioner's Office will bring a joint Report on the decisions to be taken and the proposed process for these governance changes to the Combined Authority Board, informed by guidance from the Home Office and the Ministry of Housing, Communities and Local Government. The City Council would expect that consultation on the proposed arrangements to have taken place to inform any final decision of the WMCA Board this should include public consultations on the principles of the proposed governance model and the detailed operational proposal for the governance model.
- 1.2.9. Importantly, the second deal established a joint commitment between the Government and WMCA to work together on a number of priority areas in which further devolution is sought but policies are not yet fully developed.
- 1.2.10. The full text of the Devolution Deal is contained in Appendix 1 to the report.

1.3. **Developing a new approach to devolution**

- 1.3.1. During negotiation of the second deal, some discussion has also taken place with government about developing a new approach to devolution discussions. The intention of the WMCA is that this should be more of a continuous process, with initiatives and agreements announced at different times, moving away from the stop-start approach to agreeing deals. Importantly, this should be more of a collaboration between partners and less of a deal making process.
- 1.3.2. The intention is to agree an Action Plan for the next stages of this work between the WMCA and government, based on the wide ranging agenda set by the second devolution deal. This will include work on the Housing Deal and the Local Industrial Strategy as well as projects covering skills, employment, transport, public services and the Finance for Growth Commission. It provides an opportunity for the West Midlands to move into the vanguard of the devolution agenda, working in a closer partnership with government to deliver our shared West Midlands priorities for the decade ahead.

1.4. **Implementation of the Second Devolution Deal**

- 1.4.1. Unlike the First Devolution Deal, there are relatively few items that will require changes to the powers and Constitution of the WMCA and the formal legal process of drawing up Statutory Orders and presenting them to Parliament.

These items relate to finance and governance arrangements and will be subject to separate ratification processes by constituent authorities (for example the changing governance of the West Midlands Fire Service, which is already underway and the creation of the new power to levy a Supplementary Business Rate).

1.5. The Action Plan

- 1.5.1. The CA has agreed an action plan for the implementation of devolution. Appendix 2 sets out the overall approach to this work and the partnership we are seeking with government. It then summarises a wide ranging agenda, including work on the Housing Deal and the Local Industrial Strategy as well as projects covering skills, employment, transport, public services and the Funding for Growth Commission.
- 1.5.2. The Action Plan provides an opportunity for the West Midlands to move into the vanguard of the devolution agenda, working in a closer partnership with government to deliver our shared West Midlands priorities for the decade ahead.
- 1.5.3. WMCA are engaging with government officials on the basis of a detailed programme built on this Action Plan and are working jointly with government officials to agree the shared agenda for future work. Portfolio leads will be fully engaged in that process and the work ahead. This in turn will feed into the forthcoming WMCA Annual plan.

2. Options considered and recommended proposal

- 2.1. The proposed Devolution Deal builds on “Devo 1”. Alternative options were considered as part of the discussions with government, and options for implementation will be considered as part of the action plan.
- 2.2. The proposals in the devo deal when implemented will enable the Combined Authority to continue to deliver devolution aspirations of the region.

3. Result of consultation undertaken

- 3.1. A formal consultation was undertaken when the original scheme for the creation of the West Midlands Combined Authority was being considered. The individual strands of this second devolution deal with require consultation and engagement of varying degrees in order to implement them.

4. Timetable of implementing this decision

- 4.1. The work resulting from Devolution Deal 2 is ongoing and with different elements of the deal progressing with different timescales.

5. Comments from Director of Finance and Corporate Resources

5.1. Financial implications

- 5.1.1. The Second Devolution Deal brought new funding for the region (total of approx. £280M), which has been incorporated into the Combined Authority's proposed Budget and into the Investment Programme.
- 5.1.2. New financing powers were agreed in the Devolution Deal (e.g. borrowing, business rate supplement) and these will be developed by the CA Executive, with the approval of the Combined Authority Board and constituent authorities.
- 5.1.3. Government has also committed to work together with the Combined Authority on the Funding for Growth Programme to develop new sources of funding and financing to support the region's activities.

5.2. Legal implications

- 5.2.1. There are some specific areas in the Deal where secondary legislation will be required which will need the consent of the Constituent Authorities. These will be brought forward on an individual basis in consultation with the relevant Government Departments. There may also be a need for public consultation in respect of some of these Orders and further Parliamentary Approval.

6. Other implications

6.1. How will this contribute to achievements of the Council's plan?

The product of any West Midlands devolution deal will be fundamentally important to the delivery of the City Council's priorities

Improved economic growth works alongside public sector reform and improved outcomes in the wellbeing of the city's population.

In order to achieve its ambitions for economic growth and improved wellbeing for its population, it needs a high performing regional platform of a scale that can attract the significant inward investment needed.

6.2. How is risk being managed?

The Combined Authority as a statutory organisation and its members would be required to manage the risks associated with its activities.

6.3. What is the impact on the organisation?

6.4. Equalities implications

There are no direct equalities implications arising from this report.

6.5. Implications for (or impact on) the environment

There are no environmental implications currently.

6.6. Implications for partner organisations

The proposals require partnership working and agreement with the other local authorities

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