

Corporate Scrutiny Committee – 3rd July, 2018

Report of the Chief Executive

West Midlands Combined Authority – The Second Devolution Deal and Action Plan

Purpose

1. To consider the Second Devolution Deal between the West Midlands Combined Authority (WMCA) and the Government.
2. To outline the proposed approach to the implementation of the Deal and further devolution discussions with Government.
3. To provide details on the proposed Devolution Action Plan and “phase three” of devolution.
4. To provide information on the ways in which the WMCA intends to build on the commitments made in the Devolution Deal.

Recommendations

That the Corporate Scrutiny Committee note the recommendations to the Council:

5. To approve the second Devolution Deal agreement and the proposed approach to implementation (Appendix 1).
6. To approve the high level Action Plan and further work with the Government on devolution with the coverage and portfolio leadership as set out in Appendix 2.

Background

7. The First Devolution Deal was agreed in November 2015, setting up the Mayoral Combined Authority and bringing new powers and funding to the West Midlands.
8. Following the General Election in June 2017, the West Midlands Combined Authority initiated discussions with Government on a Second Devolution Deal, based on the proposals brought forward by the Devolution Strategy Group.
9. Negotiations were conducted by the WMCA Executive with the 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, Local Enterprise Partnership (LEP) Chairs and Executives, and others).

10. The Final Devolution Deal was agreed by the Mayor, the Metropolitan Leaders and LEP Chairs prior to announcement of the Deal at the Autumn Budget by the Chancellor of the Exchequer on 22nd November 2017.

Contents of the Second Devolution Deal

11. The Second Devolution Deal is 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.
12. 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.
13. The Devolution Deal covers 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:
 - Housing – with agreement to work on a Housing Deal
 - Skills
 - Transport
 - Digital
 - Air quality
 - Energy
 - Key sectors e.g. automotive, construction, culture
14. The Devolution Deal also sets 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.
15. The Deal also sets out that the Government, the Combined Authority and the Office of the Police and Crime Commissioner (PCC) will work together to incorporate the role and powers of the PCC 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 submit a joint report on the decisions to be taken and the proposed process for these governance changes to the WMCA Board, informed by guidance from the Home Office and the Ministry of Housing, Communities and Local Government.
16. Importantly, the second deal established a joint commitment between the Government and the WMCA to work together on a number of priority areas in which further devolution is sought but policies are not yet fully developed.
17. The full text of the Devolution Deal is contained in Appendix 1.

Benefits for Dudley

18. In addition to the wider regional benefits, the following is a list of the key benefits for Dudley arising from the two Devolution Deals:

First Devolution Deal

- Created the Mental Health Commission chaired by Norman Lamb MP and supported by Sarah Norman, Dudley MBC Chief Executive, to transform mental health services for the working age population. Key lines of enquiry included Employment and role of Employers, Housing, Criminal Justice and Zero Suicide.
- Provision to develop a programme to trial a Housing First principle in the West Midlands, focusing on those with mental health and multiple needs including those who are homeless.
- Commitment to consider business cases for the Wednesbury to Brierley Hill Metro Extension and development of the Dudley Business and Innovation Enterprise Zone DY5.
- £200m investment into the land remediation fund for the Black Country to bring contaminated brownfield land sites back into use.

Second Devolution Deal

- Transforming Cities provided funding for the Brierley Hill Metro Extension which will get £208m of the £250m funding available
- Industrial Strategy allows for a focus on raising the skills levels, the development of an Institute of Technology at Dudley College is one such scheme. A further investment is the Music Institute in Brierley Hill
- Land Remediation fund provides an opportunity to access funding to develop redundant and contaminated brownfield sites back into productive economic use with new employment and housing provision
- Other supported regeneration schemes include DY5 Enterprise Zone, Very Light Rail and the new Interchange Bus Station
- Work and Health programme, funded from the Joint Health & Work Unit launched that will work with people with mental health issues who are being treated in primary care and help them find paid work and then continue to support them and their employer. Since the launch the first person to be supported back into work is from within the borough.
- Government partnership with WMCA to tackle air quality issues including more detailed air quality monitoring and reporting across the key route network in borough, an under resourced area in local authorities including Dudley

- Bikeshare Scheme, a key priority in the West Midlands Physical Activity Strategy Framework for West Midlands on the Move. The bikeshare scheme will also be a key element of the overall approach to improving air quality. Dudley will form part of phase 3 from autumn 2018 with approx. 300 bikes

Developing a new approach to devolution

19. Discussions with officials from several government departments have indicated enthusiasm for a new approach to devolution discussions. The intention 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, and towards a more continuous, collaborative relationship.
20. This provides an important opportunity to develop proposals for more powers and flexibilities, and a better approach to funding, through longer term partnership, enabling evidence and cases for change to be fully developed and discussed and ensuring that trust is developed through implementation.

Implementation of the Second Devolution Deal

21. 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 are subject to separate reports to the WMCA Board and separate ratification processes by constituent authorities as necessary.
22. The WMCA has recognised the importance of engaging with Members of the constituent local authorities. This includes providing an opportunity to debate the second devolution deal as a whole and to engage with the positive future agenda set out in the Action Plan. All West Midlands constituent authorities have been asked to set aside time at their full council meetings to debate the deal and the Action Plan early in the 2018/19 municipal year.

The Action Plan

23. The Action Plan sets out the overall approach to this work and the partnership being sought with the Government. It 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.
24. 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.
25. The WMCA is engaging with government officials on the basis of a detailed programme built on the Action Plan and are working jointly with government officials to agree the shared agenda for future work. Portfolio leads (as indicated in the Action Plan) will be fully engaged in that process and the work ahead.

26. The attached documents have been approved by the West Midlands Combined Authority Board and are being submitted to the seven West Midlands Constituent Council's for approval. Subject to the approval of the Cabinet, this report will be submitted to the Corporate Scrutiny Committee prior to recommendations being considered by the Council on 9th July, 2018.

Finance

27. 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.
28. New financing powers were agreed in the Devolution Deal (e.g. borrowing, business rate supplement) and these will be developed by the WMCA Executive, with the approval of the WMCA Board and constituent authorities.
29. The 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.
30. Policy Advisor and programme support resource requirements to take forward the proposed action plan have been included with the WMCA 2018/19 Operational Budget. The specific resource implications of each policy development area will however be detailed and quantified as part of the ongoing refinement of the work programmes. Where these identify additional costs to be incurred, over that currently budgeted, this will require additional or alternative funding sources to be identified and reported separately to the WMCA Board for approval.

Law

31. 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 and every effort will be made to liaise and co-ordinate with the governance processes of the Constituent Authorities. There may also be a need for public consultation in respect of some of these Orders and of course Parliamentary Approval.
32. The Action Plan deals with those parts of the second devolution agreement that involve further joint work to develop new proposals. As such, there are no direct legal implications at this stage. However it is intended that some areas of work may lead to further devolution of powers and flexibilities requiring statutory processes. Any such proposals will be brought to the Board and the constituent authorities for approval, following approval by the Mayor and the leaders of the constituent authorities.

Equality Impact

33. There are no direct implications arising from this report. It is a duty for decision makers to pay due regard to the Equality Act 2010 public sector equality duty in making decisions on any future proposals.

Human Resources/Transformation

34. The implementation of the Devolution Deal will have significant implications to transform the future delivery of services across the region.



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Background Documents

Attached