

CITY OF WOLVERHAMPTON COUNCIL	<h1>Cabinet</h1> <h2>21 February 2024</h2>
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Report title	Formal ratification of the single settlement memorandum of understanding (MoU) between the West Midlands Combined Authority and His Majesty's Government	
Cabinet member with lead responsibility	Councillor Stephen Simkins, Leader of the Council	
Wards affected	All	
Accountable Director	David Pattison, Chief Operating Officer	
Originating service	Policy and Strategy	
Accountable employee	Laura Collings Tel Email	Head of Policy and Strategy 01902550414 laura.collings@wolverhampton.gov.uk
Report to be/has been considered by	Strategic Executive Board Scrutiny Board	30 January 2024 21 February 2024

Recommendations for decision:

Cabinet is recommended to:

1. Consider and ratify the Single Settlement Memorandum of Understanding (MoU).

Recommendations for noting:

2. The high-level next steps for Single Settlement negotiations and implementation between the West Midlands Combined Authority and His Majesty's Government.
3. Working with the West Midlands Combined Authority and other constituent members the Council will seek to secure the best possible single settlement for the region which tackles inequalities and drives economic growth.
4. That a presentation and report on the Single Settlement was received by Scrutiny Board on the 21 February 2024.

1.0 Purpose

- 1.1 The purpose of this paper is to consider and ratify the single settlement memorandum of understanding (MoU) between the West Midlands Combined Authority (WMCA) and His Majesty's Government (HMG).

2.0 Background

- 2.1 On the 6 September 2023 Cabinet formally endorsed the West Midlands Combined Authority Trailblazer Deeper Devolution Deal (the deal) and agreed to receive further reports as the detailed requirements of the deal developed.
- 2.2 The single settlement represents a significant change in how the region will receive funding from HMG. It will provide the region with multi-year certainty over a consolidated funding allocation. This consolidated funding will replace the individual, short-term and restrictive grants the region currently receives from HMG, ending competitive, time- and capacity-intensive bidding where relevant. This will enable a long-term, joined-up approach to funding delivery, which will support the delivery of local priorities.
- 2.3 WMCA will secure significant additional flexibilities over the funding they receive through the single settlement. This will allow WMCA and constituent authorities to deliver projects and programmes more closely aligned to local needs and opportunities. Empowering local decision making and representing a major power shift from Ministers in Westminster to local leaders in the West Midlands.
- 2.4 A draft of the single settlement MoU was considered and agreed in-principle by Mayor and Portfolio Leaders (MPL) on 3 November 2023. The final version was published by HMG on 22 November 2023 at the Autumn Statement. Constituent local authorities of the WMCA will seek to individually consider the single settlement MoU through their own governance processes.
- 2.5 This item was considered by Scrutiny Board on the 21 February 2024 and will therefore not be available to call in once a decision is made by Cabinet.

3.0 Overview of the Single Settlement

- 3.1 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.
- 3.2 The funding WMCA received 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.

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.

- 3.3 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.
- 3.4 Where an individual fund is within scope of the single settlement, WMCA and its constituent local authorities will not need to – nor be able to – bid to government for an additional share beyond what WMCA 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.
- 3.5 As set out in the MoU, 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.
- 3.6 The above represents only a summary of some of the main features of the MoU. The full MOU is attached at appendix 1 to this report.

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

- 4.1 A draft version of the MoU was agreed ‘in principle’ by MPL on 3 November 2023 and a final version published by HMG on 22 November 2023 at the Autumn Statement. No substantive policy changes to the MoU were made between the MPL decision and publication of the MoU.
- 4.2 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.

5.0 Next Steps and Further Negotiations with Government

- 5.1 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.
- 5.2 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 constituent authorities.

- 5.3 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.
- 5.4 At this early stage in the process, and subject to further conversations with local authorities, WMCA expects the process of implementation to break down into nine broad workstreams and areas of activity:
1. Further negotiations with HMG: 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. A negotiating mandate for these matters will be brought to the MPL meeting in January 2024. Thereafter, there will still be further details to agree with HMG before the next Spending Review, expected to be in November 2024.
 2. Functional strategies: WMCA's expectation is 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.
 3. 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.
 4. 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.
 5. 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.
 6. 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 WMCA will have to take collectively and the opportunity presented by the single settlement to strengthen partnership working across the region.

7. Programme management, integration and delivery: Work is underway now to develop an integrated approach to delivering the single settlement as a 'system', factoring in key decision points for WMCA Board and LAs.

5.5 Working with the West Midlands Combined Authority the Council and the other constituent members of the Council will seek to secure the best possible single settlement for the region.

6.0 Evaluation of alternative options

6.1 Option 1 would be to not ratify the Single Settlement MoU. This would delay or prevent work from progressing between HMG, the WMCA, and local authorities according to the above workstreams.

6.2 Option 2, and the chosen option, is to ratify the Single Settlement MoU in line with the in-principle agreement by Mayoral and Portfolio Leaders on 3 November. This would enable work to progress between HMG, the WMCA, and local authorities according to the above workstreams.

7.0 Reasons for decision(s)

7.1 Cabinet is recommended to consider and ratify the Single Settlement Memorandum of Understanding (MoU) and note the high-level next steps for Single Settlement negotiations and implementation, in order to progress work to receive long-term, consolidated funding, which will replace the individual, short-term and restrictive grants the region currently receives from HMG. 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.

8.0 Financial implications

8.1 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 [we will be] no worse off in terms of quantum of funding received than [we] would have been had the single [settlement] not been in place."

8.2 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.

8.3 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 WMCA 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 WMCA decided to do so, they 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.

- 8.4 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.

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9.0 Legal implications

- 9.1 Although an MoU is not a legally binding agreement, the City of Wolverhampton Council has a responsibility to deliver and adhere to its duties and obligations as set out in the MoU (if any).and, technically, a future government could walk away from it. WMCA's assessment is that the probability of this occurring is low.
- 9.2 Subject to approval of the recommendation in this report, the City of Wolverhampton Council may be required to enter into the necessary legal agreements for such funding. The Council must therefore ensure that it adheres to all the obligations set out in any legal agreement and legal advice is sought, where appropriate. These obligations may include details of the funds to be provided together with any milestones that must be achieved and any clawback that the Council may be subject to.
- 9.3 That a full audit trail is in place that sufficiently demonstrates the City of Wolverhampton Council's compliance with the standards as expected.
- 9.4 The Council to ensure that they comply with the applicable statutory and other processes when receiving the funding.
- 9.5 The Council should engage their Monitoring Officer on any potential legal implications of the single settlement for their individual authorities and seek legal advice where appropriate.

[AS/02022024/A]

10.0 Equalities implications

- 10.1 The implementation of the single settlement has the potential to yield a number of positive equalities and socio-economic implications. The Equity Impact Assessment and the Single Assurance Framework process require WMCA to give sufficient care and attention to potential equalities impacts as part of the formulation of individual project business cases.

11.0 All other implications

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

11.1 The single settlement provides a powerful tool to more effectively pursue the vision to deliver on the priorities of our Good Growth strategy for the city. In moving away from delivering target 'outputs' from HMG grants over the short-term to delivering target 'outcomes' under the single settlement over the medium-term, WMCA will have a much greater ability to design interventions, projects, programmes and strategies in line with delivering inclusive growth for the region.

12.0 Schedule of background papers

12.1 [West Midlands Combined Authority Trailblazer deeper devolution deal](#)

13.0 Appendices

13.1 Appendix 1 Memorandum of Understanding for the Single Settlements for Greater Manchester and West Midlands Combined Authorities