

Report title	West Midlands Second Devolution Agreement	
Decision Designation	RED	
Cabinet member with lead responsibility	Councillor Roger Lawrence Leader of the Council	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All Wards	
Accountable director	Jennifer Brake, Service Director, Public Service Reform	
Originating service	Public Service Reform	
Accountable employee(s)	Ian Culley	Lead Planning Manager
	Tel	01902 555636
	Email	ian.culley@wolverhampton.gov.uk
Report to be/has been considered by	Strategic Executive Board 12 June 2018	

Recommendations for decision:

The Cabinet is recommended to recommend that Council:

1. Endorse the Second Devolution Deal following the conclusion of negotiations between the West Midlands Combined Authority and the Government.
2. Approve the action plan for the implementation of the Second Devolution Agreement and agree to further discussions with Government.
3. Agree to receive further reports at the appropriate time resulting from detailed requirements of the devolution deal.

Recommendations for noting:

Cabinet is recommended to note:

1. The contents of the Second Devolution Deal and recognise that it contains a number of commitments to further devolution with the potential for significant further steps.
2. The implications for Wolverhampton resulting from the contents of the Second Devolution Deal.

1.0 Purpose

- 1.1 To inform Cabinet of the progress of the Second Devolution Deal and seek formal endorsement of the deal.
- 1.2 To outline the proposed approach to implementation of the deal and further discussion with Government.
- 1.3 To outline the benefits of the Second Devolution Deal for Wolverhampton.

2.0 Background

- 2.1 The first West Midlands Devolution Deal was agreed in November 2015 and endorsed by the City Council in March 2016. The Deal was an historic moment for the West Midlands and the first step in securing the powers, resources and independence needed to drive economic growth and public service reform. Work began immediately on developing proposals for the next stages of devolution and to explore further specific investment opportunities with government.
- 2.2 Since the first Agreement was signed the need for a successful industrial strategy delivered through strong local leadership and further devolution has become even greater, particularly the need to prepare the UK for a successful post-Brexit economy, improve skills and invest in infrastructure and the growth sectors that will provide for future prosperity.
- 2.3 The second devolution deal was agreed by the constituent authority leaders, the three LEP Chairs and the Mayor. Following this it was then announced by the government as part of the Autumn Budget on 22 November 2017. The West Midlands Combined Authority (WMCA) Board gave formal approval to the agreement at its meeting on the 9 February 2018 and requested that constituent authorities sought formal approval by Full Councils' for the deal, and proposed implementation plan, as early as possible in the municipal year 2018-2019.
- 2.4 This report details the contents of the Second Devolution Deal, its implications for Wolverhampton and outlines the implementation plan to support delivery of the agreement.

3.0 Contents of the Second Devolution Deal

- 3.1 The Deal is made up of a range of initiatives and commitments with the overall objective to address productivity barriers and support the delivery of a local industrial strategy.
- 3.2 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.
- 3.3 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. The key measures are outlined below:

- **Housing.** The Government will provide £6 million over three years to support a new mayoral Housing Delivery Team in the WMCA to help accelerate delivery and achieve the level of housing growth to meet the West Midlands Strategic Economic Plan of 215,000 homes by 2031. Government have also committed to working with the WMCA to progress a Housing Deal to increase land supply and delivery, building on the recommendations of the West Midlands Land Commission.
- **Skills and employment.** Government is committed to working with the WMCA to establish one of the first Skills Advisory Panels which will have a role in bringing together strategic planning for post-16 skills provision including future funding allocations to colleges to meet local labour market needs. Government is also committed to providing £5 million over the next three years for a local construction training programme. Other elements of the Agreement include a career learning pilot and helping people return to work, and agreement to create an employment support framework to coordinate employment, skills and health services.
- **Transport.** The principal announcement was the commitment from Government to £250 million funding for the Wednesbury to Brierley Hill metro extension. Other elements include joint working on HS2 stations, increased support for cycling plans and sign up to the Network Resilience Partnership to improve the operational efficiency of the highway network.
- **Industrial Strategy.** Government is committed to working with the WMCA on a wide ranging local Industrial strategy to include support for the regional energy commission and participation in a partnership to identify ways to improve air quality as key elements. The Agreement also refers to a number of workstreams to enhance digital capacity and capability.
- **Finance and funding.** The Agreement enables a range of powers for the WMCA including borrowing capability, the establishment of a Mayoral Business Rate and support for finding an agreed mechanism to enable a Mayoral precept to support the investment programme. The Agreement also includes capacity building funding for the WMCA, the quantity to be confirmed but anticipated to be up to £2 million over two years.
- **Transforming public services.** A package of initiatives around the Public Sector Reform agenda but this is likely to be more of a focus for the next stage of devolution. The measures included in this Devolution Agreement include confirmation of the West Midlands being one of three national pilots for Housing First to address rough sleeping, funding for an office of Data Analytics, further work to strengthen local commissioning and co-ordination of criminal justice systems and a commitment to the merger of the PCC and Mayoral roles by 2020.

- 3.4 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 papers to the WMCA Board and separate ratification processes by constituent authorities.
- 3.5 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.
- 3.6 The full text of Second Devolution Deal is contained in Appendix 1 to this report.

4.0 Potential benefits for Wolverhampton

- 4.1 For Wolverhampton, the Devolution Deal is bringing additional resources to support the delivery of our priorities and should be welcomed. Of particular significance is the identification of the Wolverhampton-Walsall Corridor as a regionally significant growth zone in the Housing Deal, and the Springfield Campus has been confirmed as the National Brownfield Institute. Additional funding has been secured through the Construction Skills Initiative to enable local people to be able to better access job opportunities in the house-building industry and addressing homelessness is recognised a key priority in the Housing First Programme.
- 4.2 Moving forward, it is recognised that the two Devolution Agreements and other WMCA programmes cover a wide range of issues with far-reaching implications for City priorities. It is considered timely to review existing working arrangements with a view to adopting a more focussed and targeted approach to engaging with WMCA initiatives and workstreams.

5.0 Developing a new approach to devolution

- 5.1 During negotiations for the Second Deal, discussion took place between Government and the Combined Authority to work together to develop a new approach to devolution. This acknowledged a need to re-calibrate the devolution process: away from annual 'deal-making', and towards a relationship between the West Midlands and Government characterised by ongoing deeper collaboration on priority issues.
- 5.2 This new approach 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.

6.0 The Action Plan

- 6.1 The new approach to devolution has been signified by continued work between the WMCA and Government to develop an action plan to guide implementation of the Agreement. A meeting of the WMCA Board on the 9 March approved the Devolution

Action Plan. This adds further detail to a number of initiatives and commitments set out in the Agreement.

- 6.2 Appendix 2 to this report sets out the overall approach to this work and the partnership the Combined Authority 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.
- 6.3 The Combined Authority will continue to engage with Government 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 appendix 2) will be fully engaged in that process and the work ahead.

7.0 Evaluation of Alternative Options

- 7.1 The second devolution agreement was approved by the constituent authority leaders and the Mayor and then announced by the government at the Autumn Budget on 22 November 2017. The WMCA Board gave formal approval to the agreement at its meeting of 9th February 2018.

8.0 Reasons for Decision

- 8.1 As stated in paragraphs 4.1 and 4.2 of this report, the Devolution agreement and corresponding action plan will strengthen the delivery of key City priorities.

9.0 Financial implications

- 9.1 On 16 January 2018 Cabinet (Resources) Panel approved delegated authority to the WMCA to approve the amendment to statutory regulations which amend the WMCA borrowing powers. On 3 May 2018 the new regulations were passed giving the WMCA the power to borrow to support the investment programme agreed as part of the first devolution deal.
- 9.2 On 20 February 2018 Cabinet approved the delegated authority to the WMCA to approve the amendment to statutory regulations which enable the raise income via a supplementary business rate scheme to support the investment programme agreed as part of the first devolution deal. It is anticipated that the amendment will be put before parliament in due course.
- 9.3 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.
- 9.4 The Second Devolution Deal brings approximately £280 million of new funding for the West Midlands region, under the West Midlands Combined Authority remit. Appendix 2 to this report outlines potential opportunities available to the City of Wolverhampton to benefit from the additional funding.

- 9.5 Future reports to Cabinet will detail the outcomes from the WMCA Action Plan and consequential financial implications for the City of Wolverhampton Council.

[MH/07062018/Q]

10.0 Legal implications

- 10.1 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 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.

[TS/07062018/Q]

11.0 Equalities implications

- 11.1 There are no direct equalities implications arising from this report. Moving forward work carried out by the WMCA will be subject to Equality Analyses as required, to ensure they are carried out in accordance with the Public Sector Equality Duty.

12.0 Environmental implications

- 12.1 There are no direct environmental implications arising from this report.

13.0 Human resources implications

- 13.1 There are no direct human resource requirements resulting from this report.

14.0 Corporate landlord implications

- 14.1 There are no direct corporate landlord implications from this report.

15.0 Schedule of background papers

9 February 2018, The Second Devolution Deal, West Midlands Combined Authority Board

9 March 2018, Devolution Action Plan, West Midlands Combined Authority Board