



WEST MIDLANDS
COMBINED AUTHORITY

WMCA Board

Date	9 February 2018
Report title	The Second Devolution Deal
Portfolio Lead	Andy Street - Mayor of the West Midlands
Accountable Chief Executive	Deborah Cadman, West Midlands Combined Authority email: deborah.cadman@wmca.org.uk tel: (0121) 214 7552
Accountable Employee	Julia Goldsworthy – Director of Strategy email: julia.goldsworthy@wmca.org.uk
Report to be/has been considered by	WMCA Programme Board – 26 January 2018

Recommendation(s) for action or decision:

The WMCA Board is recommended to:

- (1) Approve the Second Devolution Deal on behalf of the Combined Authority following the conclusion of negotiations between the West Midlands Combined Authority and the Government.
- (2) Approve the outline approach to implementation of the Second Devolution Deal and further devolution discussions with Government (to be the subject of a further report to the Board in March).
- (3) Request that the Agreement is approved by the Constituent Authorities alongside the proposed approach to implementation and further discussions with Government on devolution, as early as possible in the 2018/19 municipal year.

Purpose

- 1.1 To bring the Second Devolution Deal between the West Midlands Combined Authority and the Government before the Combined Authority Board for formal approval.
- 1.2 To outline the proposed approach to implementation of the Deal and to further devolution discussions with Government (this will be the subject of a more detailed paper to the March Board meeting).

2.0 Background

- 2.1 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.
- 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 the proposals brought forward by the Devolution Strategy Group.
- 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).
- 2.4 The Final Devolution Deal was agreed by the Mayor, the Met Leaders and LEP Chairs prior to announcement of the Deal at the Autumn Budget by the Chancellor of the Exchequer on 22 November 2017.

3.0 Contents of the Second Devolution Deal

- 3.1 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.
- 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:
 - Housing – with agreement to work on a Housing Deal
 - Skills
 - Transport
 - Digital
 - Air quality
 - Energy
 - Key sectors e.g. automotive, construction, culture

- 3.4 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.
- 3.5 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.
- 3.6 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.
- 3.7 The full text of the Devolution Deal is contained in **Appendix 1**

4.0 Developing a new approach to devolution

- 4.1 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.
- 4.2 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.

5.0 Implementation of the Second Devolution Deal

- 5.1 The Devolution Deal was agreed with the Met Leaders and LEP Chairs prior to announcement of the Deal at the Autumn Budget by the Chancellor of the Exchequer on 22 November 2017.

- 5.2 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 Board and 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 a new power to levy a Supplementary Business Rate, which is the subject of a separate report to this meeting of the Board).
- 5.3 However, it is important that members of the local authorities are able to debate the second devolution deal as a whole and to engage with the positive future agenda to be set out in the Action Plan described above. Therefore it is proposed that each constituent authority be asked to set aside time at their full council meetings to debate the deal and the Action Plan early in the new municipal year.
- 5.4 The Executive will update the Combined Authority Board on the Action Plan and implementation process at the March Board meeting,

6.0 Financial implications

- 6.1 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.
- 6.2 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.
- 6.3 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.

7.0 Legal implications

- 7.1 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.

8.0 Equalities implications

- 8.1 There are no direct equalities implications arising from this report

8.0 Appendices

Appendix 1: Second Devolution Deal document