

APPENDIX 1: WEST MIDLANDS INVESTMENT ZONE – GOVERNANCE PROPOSALS

1. Introduction

- 1.1 WMCA is required by Government to act as the accountable body for the successful and compliant implementation of the WM Investment Zone. This includes the allocation of the initial IZ programme support funding (£80m) and future business rate surplus remitted as a result of the WM IZ development. Its governance arrangements in achieving this need to be inclusive and transparent as well as maintaining a direct relationship with the delivery mechanisms established for individual Investment Zone sites.
- 1.2 To achieve this, the Board is asked to approve the following approach which includes all local authorities with a responsibility for the Investment Zone and other partners with a specific interest (eg universities).
- 1.3 The proposal seeks to establish a ‘governance body’ which is chaired by the Mayor of the West Midlands and includes, as voting members, all 7 Constituent Authorities of the WMCA, Warwick District Council (‘WDC’) as the business rate billing authority for sites within the IZ, and Warwickshire County Council (‘WCC’) who are also closely affected by business rates arrangements for those sites. The Board is asked to approve the nomination of WCC to the ‘governance body’ as a voting member as a non-Constituent Authority. As WDC is currently neither a Constituent nor non-Constituent Authority of WMCA, arrangements for its membership are set out in Section 3.
- 1.4 Additional, non-voting members of the ‘governance body’ will include the universities with an interest in IZ delivery. Chairs of Overview and Scrutiny Committees may attend as observers.

2. Background

- 2.1 The background to the Investment Zone programme and policy is set out in Section 3 of the main Board paper to this Appendix. The purpose of this Appendix and recommendation to Board has arisen from the inclusion of areas outside the WMCA geography within the IZ and the need to ensure appropriate governance for decision-making to comply with expectations in the Government’s IZ policy. That is: providing full voting rights on decision-making for the business rate billing authorities and the remittance of business rates growth to WMCA to support IZ implementation and growth in the agreed primary economic sector.

3. Proposal

- 3.1 The development of IZ governance must meet a number of timed gateways if Orders for relevant fiscal measures are to be laid before parliament in time for a final announcement of the WM IZ at the Spring Statement and launch of the scheme in April 2024. To meet the relevant deadlines, Government needs sufficient confidence that the appropriate governance arrangements and agreements are in place for the fiscal measures to be developed. As such, WMCA Board is being asked to approve the principles of the WM IZ governance structure, with clear and consistent 'terms of reference' but two potential options for how the 'governance body' would manifest itself.
- 3.2 At its Cabinet and Council meeting of 15th November 2023, Warwick District Council is expected to consider the nature of its involvement within the WM IZ and associated governance arrangements. As neither a Constituent Authority nor non-Constituent Authority, it is not possible for WMCA, who are the accountable body for the Investment Zone, to give WDC voting rights on a decision-making body.
- 3.3 For this reason, it is proposed to establish a Joint Committee between WMCA and WDC, with equal voting rights for all members. It is proposed that the WM IZ Joint Committee would be chaired by the Mayor of the West Midlands, with all WMCA Constituent Authorities entitled to nominate members with full voting rights. As a non-Constituent Authority of the WMCA, Warwickshire County Council would be granted full voting rights and Warwick District Council would have full voting rights. Universities that have signed up to Investment Zone sites will be non-voting members of the governance body.
- 3.5 The WM IZ Joint Committee would have delegated authority from the WMCA Board and from Warwick District Council to make all decisions in relation to the Investment Zone up to a financial threshold to be set by WMCA Board as the Investment Zone's accountable body. The new body would be equivalent to WMCA's Investment Board in terms of the CA's governance structure, but with a remit for taking decisions solely in relation to Investment Zone matters. Its decisions would be reported to the WMCA Board in the same way as the decisions of the Investment Board. Decisions would also be reported for information to the relevant Warwick District Council governance.
- 3.6 Decisions that would be taken under the proposed governance structure include:
 - i. To consider the application of the tax incentive portion of £80 million government grant and the application of the cash portion of £80 million government grant.
 - ii. To consider the allocation of surplus retained business rates revenue, as set out in its Terms of Reference.

- iii. To ensure accountability for the successful and compliant implementation of the Investment Zone overall.
 - iv. To take account of the opportunities from, and implications for, other funding measures and programmes available through the CA and/or its partners.
- 3.7 Existing WMCA boards and committees, such as the WM Innovation Board, would advise the WM IZ Joint Committee, which in turn would align its decisions with the area's overall economic strategic direction set by WMCA's Economic Growth Board. Warwick District Council would also need to ensure that its involvement aligns with its own strategies and policies.
- 3.8 Decisions of the WM IZ Joint Committee would be subject to review and scrutiny by WMCA's Overview and Scrutiny Committee, and Audit, Risk and Assurance Committee. Scrutiny chairs from WMCA and Warwick District Council will be invited to attend meetings as observers.
- 3.9 All decisions would need to be taken in the context of existing WMCA and regional strategies and spending decisions, and would need to comply with the regional Single Assurance Framework and any other relevant accountability and assurance frameworks in place during the term of the Investment Zone. The Joint Committee must not import any undue risk to the WMCA for financing schemes that result from those decisions.
- 3.10 The Joint Committee would be supported by an officer steering group made up of representative officers of the member authorities and universities most closely involved with the implementation of the WM IZ to inform decision-making.
- 3.11 Under the new Levelling Up and Regeneration Act, as from 26th December 2023 the process for local authorities to become non-constituent authorities of the WMCA will be simplified to a simple majority decision by the WMCA Board following receipt of a request from the local authority and the satisfactory completion of the resulting Governance Review. In this scenario, there would be no need for a Joint Committee and the WMCA Board could nominate WDC to be a full voting member of a 'WM Investment Zone Board' within its existing structures.
- 3.12 In such a scenario, the WM Investment Zone Board would have identical arrangements as those described above and set out in the Terms of Reference below.
- 3.13 It is likely that there will be a need to establish a Joint Committee initially but that this then becomes a WM Investment Zone Board should WDC choose – and WMCA agree - to non-constituent status.

3.14 Each Investment Zone site will need to have its own delivery body and/or governance structures to ensure timely delivery and accountable implementation. These will be locally determined and established by the relevant local authorities and will be expected to have representation from all the major stakeholders in that Investment Zone site, in particular universities, and landowners and developers. The local body will be responsible for the delivery of Investment Zone developments and related interventions, and for delivering the expected outcomes. WMCA as accountable body for the overall Investment Zone programme will expect to be represented on these delivery bodies. The site delivery bodies will be expected to report into the Investment Zone governance body on progress and any major risks to delivery. This relationship is shown in figure 1 below.

4. Timing

4.1 At the latest, the governance body should be in place for the commencement of the implementation phase of the IZ in April 2024 but may be established earlier to inform the final phases of the IZ development over early Spring 2024. As such, and subject to the WMCA Board and Warwick District Council approving this governance structure, the WM IZ Joint Committee would be established with immediate effect to enable the full involvement of all parties in decision-making on the development and design of the Investment Zone proposition. Nominations for members of the Joint Committee will be sought from all participating Authorities following this Meeting.

4.2 Should WDC become a non-Constituent Authority, at that point the Joint Committee would become a WM IZ Board of the WMCA structures, with all terms of reference remaining consistent. In conjunction with these considerations, WMCA will continue to work with Government colleagues around the appropriate timing for the formal establishment of the WM IZ governance body to ensure alignment with WMCA's accountable body responsibilities.

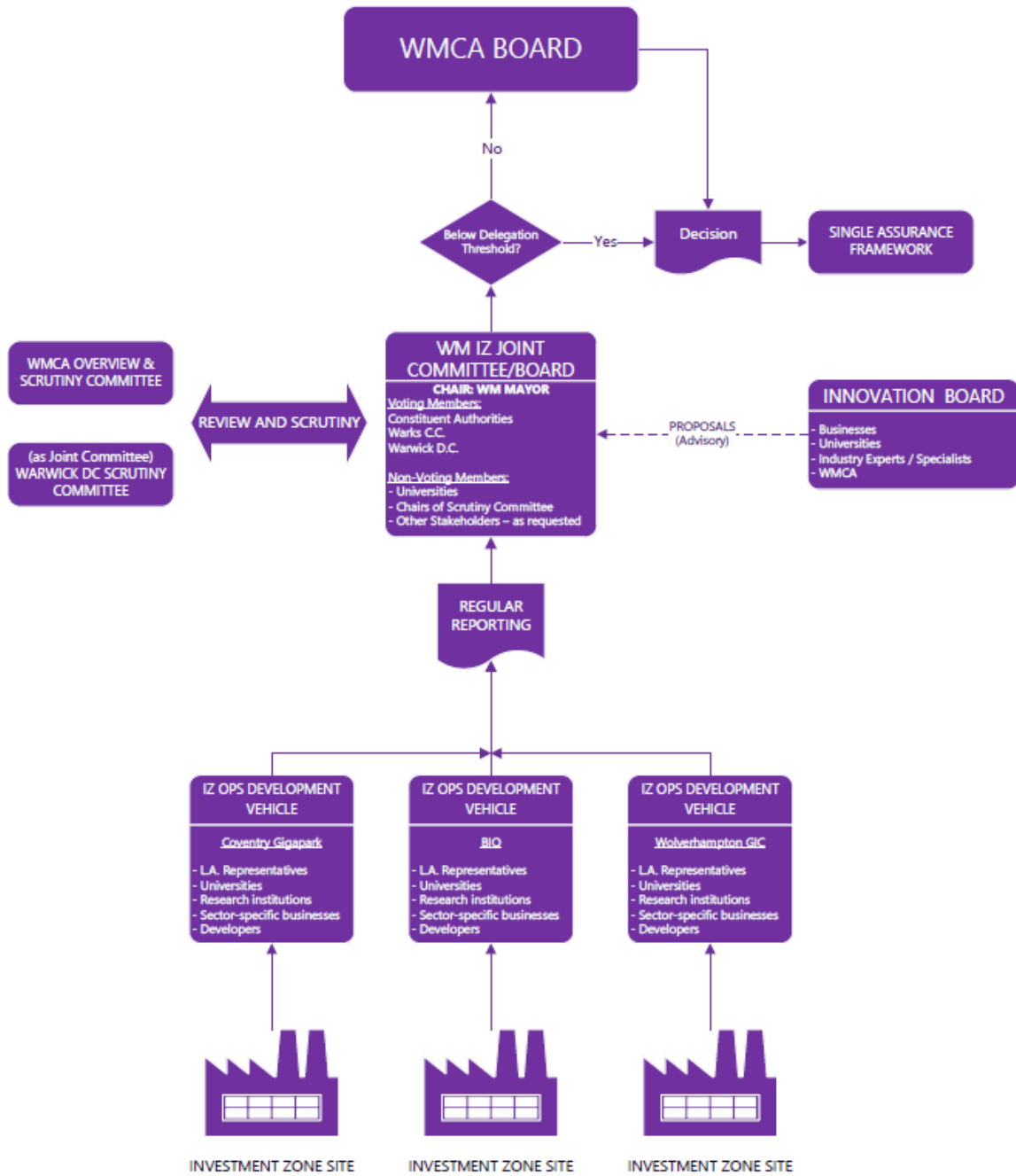


Figure 1: Governance structure illustrating relationships for new WM IZ governance body.

Annex 1: Draft Terms of Reference

Governance	WM Investment Zone Joint Committee / WM Investment Zone Board
Purpose	Overall responsibility for developing and delivering the West Midlands Investment Zone and ensuring accountability to Government for its successful and compliant implementation.
Membership	<p>Voting Members:</p> <p>Mayor of the West Midlands</p> <p>One representative from each of the WMCA 7 Constituent Authorities</p> <p>One representative from Warwick District Council</p> <p>One representative from Warwickshire County Council</p> <p>Non-Voting Members:</p> <p>Universities that have signed up to the Investment Zone sites.</p> <p>Observers:</p> <p>Overview and Scrutiny Chair from the WMCA</p> <p>Scrutiny Chair from Warwick District Council (in the event of a Joint Committee)</p> <p>Other stakeholders may be invited to attend as observers when appropriate.</p>
Chair	Mayor of the West Midlands.
	Vice Chair - to be appointed from among Members.
Voting	<p>All voting Members shall have one vote.</p> <p>Matters shall be decided by consensus where possible. Where consensus is not achieved, decisions shall be taken on the basis of a simple majority of the votes cast.</p> <p>The Chair shall not have a second or casting vote and in the event of an equality of votes the motion shall not be passed but shall be deferred to the next meeting.</p>
Quorum	Three voting members of the Committee.
Frequency	Quarterly or more frequently as required on the giving of 5 clear working days' notice.
Location	Meetings will be held at locations agreed by its members.

Timing of Meetings	To be determined.
Type of Meeting	Formal meetings shall be held in public except when exempt or confidential information is being considered and the press and public are excluded in accordance with the Local Government Act 1972 (as amended).
Administration	The meeting will be administered by WMCA and papers will be published on both authorities' websites at least 5 clear working days before the date of the meeting.
Allowances	None
Responsibilities	<p>The body will be a collaborative entity with the respective authorities working together to implement the WM Investment Zone in line with Government's Investment Zone Policy Prospectus and Technical Guidance.</p> <p>Its functions will include:</p> <ul style="list-style-type: none"> • Overall responsibility for developing and delivering the Investment Zone. • Approval in principle of Investment Zone sites development proposals and interventions. • Oversight of each Investment Zone Site delivery vehicle's performance in implementing the WM Investment Zone. • Ensuring delivery of the identified and agreed outcomes and outputs. • Allocation of Investment Zone resources in line with a developed and agreed Investment Plan. • Determination of the proportions between the tax incentives and spending elements of the £80 million IZ government grant. • Allocation of the tax incentives element of the £80 million grant and of the spending element of the £80 million grant. • Allocation of surplus retained business rates growth generated by the Investment Zone's BRR site, in line with Government's Investment Zone policy. • The allocation of retained business rates to be allocated by the WMCA through the established governance arrangements will be subject to a robust investment plan to be developed and approved by the IZ governance body. There will be a requirement within the investment plan that, over an agreed accounting cycle (not greater

	<p>than 5-years), sufficient investment will be in projects in those authorities who would otherwise be benefitting from alternative business rate regimes, to ensure that they are no worse off than if they had not agreed to participate in the WM Investment Zone. This will also reflect agreement between WMCA and Government that up until the point of a reset of business rates baselines, Government will allow relaxation of spending requirements within the Investment Zone business rates retention site to allow those rates retained to be invested in local growth.</p> <ul style="list-style-type: none"> • To ensure that the decisions of the Board do not import any undue risk to the WMCA in financing schemes that result from those decisions. • Approving reports to Government as part of the WMCA's accountability function.
Delegation	<ol style="list-style-type: none"> 1) Decisions in relation to the allocation of the initial £80 million government grant up to a total value of £80 million and within Government's proportionate allocation framework between the fund's components. 2) All other and subsequent decisions up to a value of £20 million. Decisions above £20million will be required to be taken by the WMCA Board as the accountable body for the Investment Zone. <p>All decisions will need to follow the WMCA's existing assurance frameworks and any introduced through the Deeper Devolution Deal or any subsequent legislative frameworks.</p>
Withdrawal from the Joint Committee	<p>Either Authority may give to the other not less than twelve months' written notice expiring on 31st March in any year of its intention to withdraw from the Joint Committee.</p> <p>Once the Joint Committee ceases to exist, unless that is by way of transitioning into a full Board of WMCA as outlined in 3.13 above, the functions delegated to it will each revert back to the relevant delegating Authority.</p>