

Report to Cabinet

13 September 2023

Subject:	West Midlands Deeper Devolution Deal
Cabinet Member:	Cabinet Member – Regeneration and WMCA Councillor Peter Hughes
Director:	Director – Regeneration and Growth Tony McGovern
Key Decision:	Yes
Contact Officer:	Tony McGovern Tony_McGovern@sandwell.gov.uk

1. Recommendations

- 1.1 That approval be given to the West Midlands Deeper Devolution Deal as set out in this report and attached Appendices, which includes the in-principle award of the Bus Operator’s Grant as a Mayoral function.
- 1.2 That the Leader of the Council is authorised to vote in favour of the Deeper Devolution Deal when it is considered at the West Midlands Combined Authority Board.
- 1.3 That any views of Cabinet on the draft Governance Review and Scheme for the devolution of Bus Services Operator Grant (BSOG) are submitted to WMCA by Wednesday 27 September 2023.
- 1.4 That the Director of Regeneration and Growth, Director of Finance and Monitoring Officer are authorised to engage on the detailed implementation of the agreed elements of the Deeper Devolution Deal.
- 1.5 That further reports are received by Cabinet (and Council if appropriate) on specific issues relating to the detail of the Deeper Devolution Deal such as opt-outs and approval of the making of the Statutory Instruments following the receipt of a draft order for BSOG.



- 1.6 That the Director of Regeneration in consultation with the Leader of the Council, Monitoring Officer and Director Finance, undertakes such actions and exercises all necessary powers required to give effect to the Deeper Devolution Deal where it is considered expedient and necessary to do so.
- 1.7 That the financial benefits and risks as set out in Section 8 are noted.

2. Reasons for Recommendations

2.1 The Deeper Devolution Deal provides additional funding to the West Midlands Region and some additional powers to make local rather than national decisions.

2.2 The additional funding at high level can be summarised as follows:

Fund	Value	New Money
Growth Zones	c.£0.5bn (minimum)	Yes
Business Rates Retention	c.£450m	Difficult to Assess
Affordable Housing Programme	£200-400m	Yes
Single Regen' Fund	£100m	Yes
Wednesbury to Brierley Hill Metro Extension	£60m	Yes
Smart City Region	£10m	Yes
Air Quality Sensors	£0.5m	Yes
Digital Devices	£4.0m	Yes
Industrial Decarb	£10.5m	Yes
Natural Environment	£1m	Yes
Cultural Infrastructure Fund	£5m	Yes

2.3 The benefits that could flow from this Deeper Devolution Deal for residents and businesses in Sandwell include the following:

A. Greater certainty over retaining business rates growth locally.

B. Growth Incentives arising from the Sandwell Levelling Up Zone from Wednesbury to Tipton based around the new Metro extension.



- C. Further investment in the Wednesbury to Brierly Hill Metro extension so that Sandwell residents can access employment opportunities more easily.
- D. Higher level of investment in affordable homes as Sandwell is only meeting 50% of the social housing need in the Borough.
- E. Housing regeneration funding for the derelict Chances Glassworks site that has important heritage monuments on site (expression of interest submitted for £20.8m gap funding) and to acquire and remediate brownfield land around the new Midland Metropolitan Hospital in Smethwick to facilitate new homes.
- F. Further funding to combat digital exclusion in the Borough – Sandwell has one of the highest levels of digital exclusion in the Region.
- G. Funding to support business to decarbonise their operations as part of the commitment to Net Zero.
- H. Investment in public realm technology through Smart sensors that could assist Sandwell in multiple ways.
- I. The devolution of the Bus Service Operators Grant opens an opportunity to transition to low carbon / EV buses in Sandwell – currently there is very little low carbon buses in the Borough despite Sandwell having the poorest air quality in the West Midlands region.
- J. Funding to improve the Cultural Offer in Sandwell which is a priority area for Arts Council funding due to low spend baseline on cultural facilities.

2.4 A detailed audit trail of benefits arising from Deeper Devolution Deal for Sandwell residents and businesses will be developed in conjunction with the West Midlands Combined Authority linked to the Implementation Plan. Sandwell Metropolitan Borough Council will need to work proactively with the Combined Authority and a wide range of local and regional stakeholders to maximise the benefits from this Deeper Devolution Deal.



3. Background on West Midlands Deeper Devolution Deal

- 3.1 The West Midlands and Greater Manchester Combined Authorities were identified in the Government's Levelling Up White Paper published on 2 August 2022 as the two areas for significant devolution of powers and resources as part of a Trailblazer Devolution Deal, now known as the Deeper Devolution Deal (DDDD). Detailed work and negotiations has been in progress over the last year since then with West Midlands Combined Authority (WMCA) setting up 20 Workstreams to identify proposals to be included in the DDD. There has also been continuous dialogue between WMCA officers and civil servants. Senior Local Authority (LA) officers and WMCA officers have been meeting very regularly to review the issues and in particular, to emphasise that whilst devolution from Government to WMCA is important, it is just as important that there is Double Devolution from WMCA to LA's on appropriate matters. There is also a Devolution Strategy Group which consists of all eight Chief Executive Officers of LA's and WMCA and regular briefings have been provided to Mayor and Leaders during this period to ensure political input into the negotiations on specific matters.
- 3.2 The outcome of these negotiations resulted in a final deal proposal from Government in March 2023. Whilst the offer on the table from Government does not meet the original ambitions of the WMCA and LA's, it is still a deal worth taking with potentially wide-ranging benefits.
- 3.3 On 10 March 2023 at the Mayor and Portfolio Leaders' (MPL) Group, local authority Leaders agreed in principle to the trailblazer deeper devolution deal (the deal) announced at Spring Budget. MPL does not have formal status within the WM Combined Authority's governance structure, so it was always recognised that there would need to be a formal process to ratify the deal at a later point. This formal decision has been scheduled for WMCA Board on 13th October 2023. A two-thirds majority decision is required at WMCA Board to ratify the deal. Before Leaders vote on the ratification of the deal at WMCA Board, each is engaging with their own governance structures on deal ratification.
- 3.4 Since MPL on 10 March, a collective decision was taken at WMCA Board **not to pursue** the statutory process to provide WMCA with the 'health improvement duty' offered through the deal. The potential health



improvement duty, therefore, does not form part of the deal that local authorities are being asked to ratify.

- 3.5 The decision to submit the Governance Review and Scheme to the Secretary of State will require a unanimous decision of all the Constituent Authority members under the terms of the Constitution.
- 3.6 Following the receipt of a draft Statutory Order each of the Constituent Councils will be asked to give formal consent to the making of the Order.
- 3.7 After the deal is ratified at WMCA Board in October, there will be further decisions for local authorities on key workstreams. The most important of these are:
 - A. The Single Settlement: WMCA officers, with support from local authority senior officers and Finance Directors, are working collaboratively to prepare for negotiations with Treasury and DLUHC to agree a memorandum of understanding (MoU) on the design of the single settlement. The negotiations on the MoU are unlikely to have concluded before October Board, however there will be a decision-point at a future WMCA Board to seek local authority agreement to the MoU; and
 - B. 10-year business rate retention. It is possible that insufficient detail on the workings of the 10-year business rate retention scheme offered through the deal will be available for October Board. If this is the case, there will be a further decision-point at a future WMCA Board to seek local authority approval to enter this arrangement.
- 3.8 WMCA Board will be engaged in other decisions on deal implementation; the accompanying implementation plan (Annex B) highlights a number of these instances. This is additional to the extensive engagement underway or scheduled across the region between Combined Authority and LA officers on the more detailed aspects of deal implementation.
- 3.9 This means there will be further decision-points for local authorities after the ratification decision at WMCA Board in October, particularly (but not exclusively) on the funding and financial elements of the deal.



4. How does this deliver objectives of the Corporate Plan?

	<p>The Best Start in Life for Children and Young People</p> <p>Opportunities for children and young people will be strengthened through the delivery of new homes in the Borough, better transport connectivity via the Metro extension and support to address digital exclusion for families.</p>
	<p>People Live Well and Age Well</p> <p>Opportunities for people to live and age well through more localised bus services, new homes, and opportunities for digital connectivity.</p>
	<p>Strong Resilient Communities</p> <p>The housing and regeneration funding provides an opportunity to develop a place-based approach in the Borough that supports the needs of specific communities.</p>
	<p>Quality Homes in Thriving Neighbourhoods</p> <p>The commitments in the deal provide a mixture of new funding streams of a value of £200-400m Affordable Housing Programme for the region which provides the opportunity for the delivery of an increased number of new and quality homes in the Borough.</p>
	<p>A Strong and Inclusive Economy</p> <p>The Deal provides a more stable arrangement for retaining business rates growth in the Borough to support the delivery of local services. The potential value of the deal to the region is, to a large extent, influenced by the region's ability to establish Growth Zones (formerly known as 'Levelling Up Zones') as intended, and the retained revenue which will flow back to local authorities through the business rates system.</p>





A Connected and Accessible Sandwell

New monies of £60m for the Wednesbury to Brierley Hill Metro Extension plus the benefits that should arise by local decision making and allocation of the Bus Service Operators Grant will make the Borough more connected in conjunction with the £168m CRSTS transport investment over the period 2022 – 2027 already secured in principle.

5. Context and Key Issues

5.1 The deal contains over 190 commitments of different types. These include:

- A. Commitments to provide new funds to the Combined Authority and its constituent authorities, such as for housing and regeneration.
- B. Commitments to increase flexibility and local decision-making power over existing and future funds, particularly though the single settlement.
- C. Commitments to new partnerships and co-working with government to design and deliver programmes, such as employment support, culture and heritage and working with Great British Railways; and
- D. Commitments to undertake further work with government on regional priorities, including transport innovation.

Taken together, the deal represents a significant step forward for the region's multi-year financial stability, particularly over local government revenue retention. This will help to reduce financial risks, de-risk investment decisions, provide new funding to deliver affordable housing, regeneration and transport schemes and give the region an influential role in shaping government policy in line with our shared inclusive growth agenda. The detail of the Devolution Deal is set out in the attached Appendix documents to this report.

5.2 At MPL on 10 March 2023, there are a number of commitments in the deal where even if the requisite number of local authorities ratify the deal at October WMCA Board, individual local authorities will still be able to opt out of these functions being exercised in their areas. These are as follows:



- A. Growth Zones
- B. Local area energy planning
- C. High street rental auctions

Once the detail is fully available on these issues, Cabinet will consider in future whether to opt in or out of these.

6. Overview of the Deeper Devolution Deal

- 6.1 The process to commence a 'Trailblazer Devolution Deal' for the West Midlands and for Greater Manchester was announced as part of the Levelling Up White Paper on 2 February 2022.
- 6.2 Following this, the WMCA, working with constituent authorities, instituted a complex programme with multiple workstreams to develop proposals for the deal, which were taken through various working groups and engagement with the constituent authorities and other partners such as the Office for the Police & Crime Commissioner. Alongside were ongoing negotiations with government. The constituent authorities were involved at various levels including Chief Executives, Finance Directors, the Senior Local Authority Officers Group, forums with subject leads (for example transport or public health), and the political leadership including the Met Leaders and Portfolios holders and WMCA Board.
- 6.3 The devolution deal was agreed in principle by the Mayor and Portfolio Leaders on 10 March 2023 and announced in the Chancellor's Budget on 15 March (with the Trailblazer Devolution Deal rebadged as the Deeper Devolution Deal). The health duty provisions in the deal were not agreed in-principle on 10 March and it was determined that these would be subject to further assessment and discussion between the constituent authorities and WMCA and would come back to a future meeting.
- 6.4 *Implementation:* Following the publication of the deal, the in-principle agreement (bar the health duty) was reaffirmed by the Mayor and Portfolio Leaders alongside the need for a more detailed implementation plan. This has been developed over the past months and is an ongoing live process.
- 6.5 The deal has around 190 paragraphs with different elements and activity mostly enhancing the existing functions of the WMCA, setting up new partnerships and unlocking around £1.5bn of new funds for the region. Almost all elements require further work to determine how they will be



implemented (hence the implementation plan), including double devolution and local delivery arrangements. Some elements require further negotiation with government, with the deal setting a headline aim and the detailed policy requiring further in-depth discussion and agreement.

6.6 The implementation is guided by a set of principles:

- A. The most should be made of every commitment in the deal, to derive as much value from the deal commitments ahead of the next general election and spending review.
- B. Local and regional engagement and collaboration is maximised through the implementation process, ensuring that delivery is driven at the most effective level with reporting on progress.
- C. Activity in different workstreams is integrated within mainstream work programmes so that devolved powers become business-as-usual for regional partners.
- D. A clear focus is retained on the need for more inclusive growth in the region in all aspects of deal implementation.

6.7 The deal elements are being monitored and progressed by the WMCA through a detailed 'tracker system'. In more general terms, the implementation plan is being structured around more than 20 different workstreams and looking at:

- A. How is implementation or further negotiations being conducted for the workstream i.e. which WMCA structure / group / local authority leads are determining this.
- B. How it is envisaged that the deal provisions will be administered, delivered, and decided upon (where this is needed).
- C. Key milestones and deliverables.
- D. Outstanding issues and questions.
- E. The implementation plan will also look at what the key outputs and outcomes that the deal elements should secure.



6.8 Deal elements: More significant areas of the deal include:

- A. Levelling Up Zones (aka Growth Zones) provision to establish up to six Levelling Up Zones with business rate growth retention for 25 years to fund infrastructure and other priorities.
- B. Up to £400m affordable homes funding to 2026 and £100m brownfield regeneration funding.
- C. Investment Zones - these were not technically part of the deal but were announced at the same time and are applicable to other Mayoral Combined Authority areas. The LUZ/IZ process is being developed in an interconnected way as they both cover growth and tax incentives for specific sites in the West Midlands.
- D. Business rate retention for 10 years.
- E. Measures to tackle digital exclusion including greater influence over high-speed broadband investment across the region and a £4 million fund for devices and data to get more people online.
- F. Greater local responsibility for developing and delivering careers advice and a partnership with the Department for Work and Pensions to target employment support.
- G. Devolution of the bus service operators grant and a new partnership with Great British Railways to offer greater local oversight and control of public transport services.
- H. The UK's first formally designated transport sandbox to deliver cleaner and safer vehicles and innovative transport services and supporting new jobs and investment.
- I. Single departmental-style settlement for the WMCA from 2025 at the next spending providing multi-year period covering five pillars: local growth & place; local transport; housing and regeneration; adult skills; and retrofit. The single settlement corresponds with new accountability arrangements and a single outcomes framework.



J. Within the single settlement is a commitment to devolve retrofit funding from 2025, to allow the WMCA, and partners, to set priorities for investment in insulation and green energy for homes.

- 6.9 *Single settlement and place plans:* The single settlement is the most significant reform with wide implications including how the WMCA may operate ahead. There are currently multiple sources of funding for the WMCA (and for local authorities) that are secured via competitive bids and with a range of requirements and criteria to follow. The idea of the single settlement is that instead of these arrangements there would be pillars or functions, with funding provided by government within these through a departmental-style, multi-year settlement. This should afford greater flexibility and therefore benefit and give certainty of funding. In turn, an outcomes framework would be agreed. The single settlement is part of a wider set of funding arrangements through the DDD. The emerging idea is for 'place plans' - plans draw up by local authorities including for growth corridors and key regeneration areas where funding can be applied in a more co-ordinated way including the single settlement. Both the form and operation of the single settlement and the place plans will require detailed work ahead and co-creation between the WMCA and constituent authorities. A Memorandum of Understanding on the single settlement is set to be agreed with government in January 2024.
- 6.10 *Affordable Homes Funding and Brownfield Regeneration Funding:* £100m Single Regeneration Fund will be deployed flexibly across the region, and for the first time, brownfield land funding will support commercial, employment land and mixed-use development, as well as delivering 4,000 homes in the region.
- 6.11 The commitment of up to £400m Affordable Housing Programme (AHP) funding to the region, and greater influence for the WMCA over affordable housing delivery and strategy acts a precursor to full devolution of the AHP, and additional extra funding to the region from 2026. This is the first time this has happened outside Greater London. The delivery of the AHP will be dependent on the appetite from providers and the development of joint pipeline and delivery plan, developed as part of the new Strategic Place Partnership as part of the deal. The Strategic Place Partnership will be established between Homes England and WMCA to support the WMCA on housing supply, investment, and urban regeneration and to bring new housing supply and regeneration



sites forward. The WMCA will work collaboratively with Homes England, constituent local authorities, and local delivery partners to develop a joint pipeline and delivery plan.

- 6.12 Should the concept of 'place plans' be agreed, the AHP and brownfield funding would likely form part of the suite of funding to underpin the plans.
- 6.13 *Levelling Up Zones/Investment zones*: LUZs and the IZs have been following an accelerated timetable given the government desire to move forward with IZs as quickly as possible. They are technically outside of the DDD and are being taken forward in other Mayoral Combined Authority Areas across the country too.
- 6.14 *Accountability*: A streamlined, overarching single accountability framework coordinated by DLHUC rather than multiple frameworks administered by different government departments is being developed. This will include the data sets used to monitor and chart outcomes. The WMCA will be held to account for delivering outcomes using the settlement funding and areas associated with devolved functions set out in the DDD and previous devolution deals.
- 6.15 The deal made provision for enhanced accountability arrangements. The WMCA governance team is looking at these and engaging with the WMCA Overview & Scrutiny Committee members with any changes brought to the WMCA Board for approval.
- 6.16 Additional scrutiny involves the Mayor and portfolio leads attending a full council meeting each year for each constituent council, if requested by the council, or if a Parliamentary select committee invites attendance. There will also be 'Mayor's question time', where the Mayor visits all parts of the region to take questions from the public, with an independent chair. The portfolio holders will present reports to the WMCA Overview and Scrutiny Committees and the WMCA will arrange public, broadcasted sessions where Members of Parliament representing West Midlands parliamentary constituencies will be able to scrutinise the Mayor and other portfolio leads.
- 6.17 The government is set to publish a scrutiny protocol and the WMCA has committed to reviewing the scrutiny arrangements and reporting on them as part of the implementation plan. This will work through the details of



the arrangements and implications such as Parliamentary scrutiny of the WMCA's work and in turn the relationship with the constituent local authorities and their scrutiny arrangements and constitutional requirements.

- 6.18 The ability for Mayoral Combined Authorities to financially remunerate their Overview and Scrutiny Committee and Audit Committee members is being taken through the Levelling Up and Regeneration Bill. A WMCA Board paper on 21 July 2023 outlines the payments that would be available should the legislation be passed. *Health duty removal from the deal*: Following the publication of the DDD, and as agreed by the Met Leaders and Mayor, further discussions took place on the potential adoption of the WMCA public health duties within the deal. The decision was that these duties were not to be pursued and these are now no longer part of the deal.
- 6.19 *Bus service operators grant (BSOG) devolution and scheme and governance review*: The devolution of the BSOG to the WMCA is considered by the WMCA to be a public authority function, which can be dealt with under section 105B of the Local Democracy, Economic and Construction Act 2009 but requires a scheme, governance review and the consent of the constituent authorities to the laying of the order by government. The scheme and governance review are attached to this paper. An in-principle agreement of the devolution of the BSOG is part of this paper and further formal agreement will be needed after the WMCA Board in October, which will be considering this.
- 6.20 Warwickshire: There has been a proposal for Warwickshire to potentially join the WMCA as a constituent member. If Warwickshire had become a constituent member it would have led to implications for the DDD in relation to the new funding and powers. However, given the proposal is not moving forward the implications are no longer live considerations.
- 6.21 Timetable: The WMCA is developing a detailed timetable on the deal elements. The latest draft is included as appendix.



7. Alternative Options

- 7.1 Sandwell Metropolitan Borough Council could decide not to support the final Devolution Deal at WMCA Board on 13th October 2023. However, this alternative option is not recommended as the Council would not be able to benefit from significant financial commitments from Government as set out in the Deal and this could lose some of the confidence that Government Ministers and officials have in the West Midlands and key local and regional partners. There are no specific reasons why Sandwell Metropolitan Borough Council should consider this alternative option.

8. Implications

- 8.1 The deal is a non-statutory agreement between different Government departments and WMCA and its constituent authorities. Therefore, if the necessary two-thirds agreement at Board to ratify the deal is not obtained, the consequences are at the discretion of the SoS for DLUHC. Should the necessary agreement not be obtained, there is a risk that all or some of the commitments in the deal, and their benefits to the region, may be withdrawn or modified. There is recent precedent for this outcome in other parts of England that are in the process of seeking (non-deeper) devolution deals.
- 8.2 The financial implications of the DDD as a whole are still subject to further discussion and analysis, and specific elements, such as the Single Settlement, will require a further decision-making process. At this stage it is not anticipated that any elements of the DDD will bring any negative financial impact for the Council. The commitment to 10-year Business Rates Retention across the region is estimated to be worth £450m over the period and will drive confidence in public sector borrowing, de-risk investment modelling and accelerate delivery. It will also remove the uncertainty of the current pilot scheme, boosting public financial sustainability and local authority spending power. However, it should be noted that the deal text does refer to this being subject to future Spending Reviews.
- 8.3 Through its 'Single Settlement', the Government commits to giving WMCA single capital and revenue funding certainty, equivalent to government departments – increasing regional autonomy and the ability to prioritise decisions locally in the areas of:



- local growth and place
- local transport
- housing and regeneration
- adult skills
- housing retrofit

8.4 These settlements will cover an entire spending review period. In addition, Government has committed to a £25m capital fund to support business decarbonisation, culture, environmental programmes, and the West Midlands’ Smart City Region initiative.

<p>Resources:</p>	<p>There are no direct financial implications that arise through this report. Any financial implications flowing from elements of the DDD will be reported to and approved through the governance structures of the WMCA and where necessary via the Cabinets of constituent authorities. This will form part of the implementation plan.</p> <p>The Single Settlement is the element of DDD with potentially wide funding implications, but this requires further detailed work which is ongoing.</p> <p>The commitment to 10-year Business Rates Retention is the continuation of the current pilot arrangement whereby all the business rates growth generated is retained locally. This would mitigate a significant risk in the Council’s current Medium-Term Financial Strategy, although the DDD text does state that this is still subject to future Spending Reviews.</p>
<p>Legal and Governance:</p>	<p>Sandwell Council is one of seven constituent metropolitan local authority members of the West Midlands Combined Authority. Each local authority member (including Sandwell) has two votes, and the Metro Mayor has one, for a total of 15 votes on the Board.</p> <p>The WMCA advice is that the new powers in relation to the Bus Service Operators Grant are considered to be public authority functions, which can be dealt with under section 105B of the Local Democracy,</p>



	<p>Economic and Construction Act 2009 but require a scheme, governance review and the consent of the Constituent Authorities to the laying of the order by the government. An in-principle agreement of the devolution of the BSOG is part of this report and further formal agreement will be needed after the WMCA Board in October, which will be considering this.</p>
Risk:	<p>There are significant risks relating to the Devolution Deal – especially in relation to the further detail relating to implementation of the Deal and the risk that Government changes some of the parameters of the Deal. There is also a risk that Sandwell Metropolitan Borough Council does not realise the full benefits of the Devolution Deal due to capacity and other priorities.</p>
Equality:	<p>The proposed interventions are in development stage. Through the project development process, consideration will be given to the impact on and improvements that can be made for residents with protected characteristics. Equality Impact screenings and EqlAs will be conducted, as appropriate.</p> <p>The WMCA advice is that the development of the DDD has been undertaken with reference to an equalities lens and reflects a range of WMCA goals and commitments including to inclusive growth. WMCA officers have reviewed provisions and recommended alternative approaches to, or reinforcement of key aspects, which were incorporated. Ahead, through the implementation of the deal, there will an opportunity to further assess DDD elements and their delivery in relation to equalities.</p>
Health and Wellbeing:	<p>One of the underpinning objectives of Regeneration is to ‘level up’ and reduce inequalities. Job growth and</p>



	transport connectivity should improve health and wellbeing
Social Value:	Any investment from the Devolution Deal into Sandwell needs to create local employment opportunities and local spend so that the local SME supply chain can benefit from new homes and transport connectivity.
Climate Change:	The funding for industrial decarbonisation will contribute to the net zero agenda. Housing and regeneration funding will need to deliver low carbon homes.
Corporate Parenting:	The Devolution Deal should create opportunities for the LA to deliver its responsibilities as a Corporate Parent by providing apprenticeship opportunities, digital devices, and an increase in the supply of affordable homes for care leavers.

9. Appendices

Appendix 1A - Governance Review– a requirement of the statutory process needed to implement the devolution of the Bus Service Operator Grant commitment in the deal.

Appendix 1B – Scheme – a requirement of the statutory process needed to implement the devolution of the Bus Service Operator Grant commitment in the deal.

Appendix 2 – Detailed Implementation Plan with thematic summaries.

Appendix 3 – DDD Implementation Plan

10. Background Papers

WM Devolution Deal Agreement with Government.



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