

Motion from the Leader of the Council:

Devolution in the West Midlands

This Council:

- Notes and welcomes the progress on devolution in the West Midlands since the first devolution agreement of November 2015, including the second devolution agreement of November 2017 and the subsequent deals on skills and housing.
- Notes the paper from the Leader of the Council attached.
- Supports the current work of the Combined Authority and its member authorities to secure further devolution, including through the Spending Review 2019.
- Believes that the UK needs stronger, more resilient cities and city regions and a more balanced economy if it is to prosper in the years ahead, and that this requires greater devolution and more sustainable public services. The popular desire to “take back control” must mean more powers for our city regions, cities and communities.
- Calls upon the Government, the Combined Authority and the Mayor of the West Midlands to adopt a “double devolution” policy, identifying opportunities for further devolution and flexibilities at the local authority level and below, and recognising the role of local authorities and their services in the delivery of a stronger economy and a fairer society.
- Calls upon the Government to renew its commitment to devolution and use the 2019 Spending Review to set out a bolder and more coherent approach which can provide for sustainable local government funding, locally controlled economic investment and joined up public services and which can restore civic pride to our great cities.

Devolution in the West Midlands – Update and Future Prospects

Paper from the Leader of the Council

February 2019

Purpose

This paper provides an update on the second West Midlands Devolution Agreement and the further progress on devolution made over the last year. It also outlines current work to take the devolution agenda forward and argues the case for further devolution and a “double devolution” approach.

Background

The government introduced its policy of agreeing devolution deals with combined authorities, including the creation of elected mayor posts in 2014, with the Greater Manchester deal. This built on the previous approach of growth deals and city deals and was given legal status in the Cities and Local Government Devolution Act, 2016, which enables powers to be devolved to local areas and elected city region mayors to be established. The first wave of deals also saw elected mayors and devolution deals for Liverpool City Region, West of England (Bristol area), Tees Valley and Cambridgeshire and Peterborough.

The leaders of the West Midlands local authorities published a [statement of intent](#) in the summer of 2015, declaring their intention to establish a combined authority. That statement contained the working principles for how the authorities would collaborate, including the key guiding principle that “all communities will benefit from growth, but not necessarily at the same time or in the same way”.

Following the creation of the West Midlands Combined Authority in July 2015, the [first devolution deal](#) was signed in November of that year. That deal included a thirty year investment fund and measures to begin the process of devolution on transport, skills and housing. The Mayor was elected in May 2017.

Birmingham holds the Economic Growth portfolio in the Combined Authority and this includes oversight of the Local Industrial Strategy - a key aspect of devolution that brings together work on skills, housing and infrastructure investment. It is therefore important that the City Council plays a leading role in shaping the agenda for devolution and collaborating across the region on both policy innovation and programme delivery.

Progress in the last year

A [second devolution deal](#) was agreed in November 2017 and this set out a range of commitments to further joint work on employment and skills, transport, housing, a Local Industrial Strategy and public service reform. It agreed to further work on finance and borrowing powers for the CA. It provided £250m of additional infrastructure funding from a new Transforming Cities Fund. Proposals for the transfer of the Police and Crime Commissioner functions to the Mayor are also progressing.

The intention with the second agreement was to move the process on from a stop-start set of deals to a more continuous dialogue with government which would yield further progress across the agenda. During 2018 this has, to a large extent become a reality, with further work including:

- The first [Skills Deal](#) agreed with a combined authority, in July 2018
- The first [Housing Deal](#) agreed with a combined authority, including a £100m Land Fund and a West Midlands delivery partnership with Homes England.
- An extension to the Transforming Cities Fund in the autumn Budget 2018
- Additional funding announcements, including the Perry Barr Athletes Village funding, the 5G pilot, national resources for town centre regeneration and support to creative industries.

There are also ongoing discussions on:

- A social and affordable housing deal
- Financial reforms, including the future replacement for EU structural funds and the development of the Mayoral Combined Authority model, including capacity to deliver on shared ambitions across local partnerships
- The Local Industrial Strategy, which has been consulted upon and will be finalised in the near future.

Overall, the Combined Authority and the devolution deals have brought an additional £1.8bn of funding to the West Midlands and are supporting an £8bn investment programme (see attached table). Investment agreed or under delivery directly in Birmingham includes the Five Ways metro extension, housing investment for the Commonwealth Games athletes' village and regeneration in Perry Barr and the town centre programme in Bordesley Green. Birmingham is also engaged in the employment support pilots and much of the city is included in the 5G pilot area. Longer term investment plans include the Eastside metro extension, including the Curzon HS2 station and Sprint bus routes.

As the largest employment centre in the city region, Birmingham will of course also benefit from the wider infrastructure investment, e.g. the Wednesbury to Brierley Hill metro extension and UK Central and housing investment across the region. It is

strongly in the city's interest to be part of a strategic, region-wide approach to housing and transport investment.

At the national level, during the last year further devolution deals and mayors have been put in place in Sheffield City Region and the North of Tyne area (Mayoral election 2019).

Taking devolution forward

Despite the progress outlined above (particularly in the West Midlands) there is a widely held perception that the devolution agenda has stalled or at least slowed considerably in the last year. In part this is due to the impact on government of the Brexit process, but it is also due to changed priorities since the change of Prime Minister in 2016 and the 2017 election.

However, there is no stated intention in government to abandon the current process and the actions outlined above suggest that further progress can still be made if other factors can be overcome. The Northern Powerhouse minister has recently made positive suggestions about fiscal devolution. The Government is also planning the following related steps and these will be progressed as government time allows:

- A **National Framework for Devolution** is expected to be published and is intended to set out a coherent approach to devolution for the whole country.
- As agreed in the second devolution deal, the West Midlands is one of a small number of areas piloting a **Local Industrial Strategy** and the Government has been refining its approach to these and how they will channel future investment in the regions. These will be led by mayoral combined authorities or by LEPs in areas where they don't exist
- The **review of Local Enterprise Partnerships** has sought to rationalise the boundaries of LEPs and strengthen their governance.
- There will be a public consultation on the proposed design of the **Shared Prosperity Fund** – the Government's proposed replacement for EU structural funds, on which private discussions with combined authorities and core cities have already taken place.

The Government also plans to conduct a **Spending Review** this year and (assuming it goes ahead) this provides an opportunity to make the case once again for a stronger approach to devolution.

In particular the Spending Review can be used to highlight the interconnections between spending across different departments and different local services and to argue that the economic growth agenda must be linked firmly to public service reform. Prosperous economies depend on sustainable, high quality public services, high education and skill levels and a healthy and secure population, as much as on infrastructure investment.

The above case has been made by the Core Cities in its publication [Core Cities UK 2030: Global Success, Local Prosperity](#).

The context of Brexit also provides an opportunity to make the case for more radical devolution, whatever the outcome of the process. **The political case** is based on the “take back control” sentiment that surrounded the referendum. It is thought that many people voted to leave the EU because of a general sense of disempowerment and exclusion from the economic and social life of the country. Clearly “take back control” meant a lot more than just moving powers from Brussels to Westminster. In order to tackle the profound economic and social exclusion experienced by many of our citizens we must move power further down, to a level that people can engage with and at which public agencies can better understand local needs and concerns.

The economic case is two-fold:

- Local areas will need additional resources and powers if we are to build greater resilience in regional economies to withstand the impact of change. At present local authorities do not have the capacity to respond to economic shocks as they have done in the past and the loss of EU funding will worsen that position
- Creating stronger city leadership is vital if we are to grasp the opportunities, rebalance the economy and create greater prosperity over the longer term.

There is also a need to develop an approach to devolution that reaches down to local authorities and the neighbourhoods within them – a so called “**double devolution**”. The complex nature of the public services and local leadership, particularly in the city regions, means that leadership and delivery cannot be at one level. It is therefore imperative that local government is empowered at all levels to deliver their part of the jigsaw.

Some functions are clearly local rather than city regional but even in those areas where there is a clear strategic role for the city region, there will be an important element of delivery that is local (for example skills, transport, employment, regeneration, housing). In reality there will be lots of areas where a strategic approach to growth corridors can be married with a local focus on regeneration.

In addition, as suggested above, devolution needs to be felt in local communities if it is to be meaningful and local authorities need to devolve further themselves to empower communities. Place matters in terms of people’s identity, the meaning they derive from their community and social solidarity.

Conclusion

Government needs to develop **a comprehensive policy** for how devolution will enrich and revitalise our local democracy and public services, bringing together the currently separate localism, civil society and city region devolution strands. Such a comprehensive approach could bring together the economic and the social spheres of policy – infrastructure investment and public services – and bring a sense of inclusion and voice back to excluded communities.

Appendix: Summary of Additional Government Funding Secured by the Combined Authority (to September 2018)

WMCA: Additional government funding levered, pre and post Mayoral Election in May 2017

The following table provides a summary of the £1.8 billion worth of government funding levered to date by WMCA since its establishment in June 2016. The funding is separated to illustrate funding levered before and after the Mayoral Election in May 2017.

Funding source	Description & profile	£'000	£'000
<u>Secured pre Mayoral election</u>			
Gainshare	Devo 1 commitment to fund WMCA investment programme. £36.5m a year for 30 years.		1,095,000.0
<u>Secured post Mayoral election</u>			
Transforming Cities Fund	To fund local transport priorities (including Wednesbury to Brierley Hill metro extension) over 4 years.	250,000.0	
Mayoral Capacity Fund	To support Mayoral Housing Delivery Team over 3 years.	6,000.0	
Mayoral Capacity Fund (Housing)	To deliver local growth priorities/Industrial Strategy over 2 years.	2,000.0	
Office for Data Analytics	To deliver regional ODA over 2 years.	800.0	
Adult Education Budget	AEB Transition Funding (one-off for 2017/18).	220.0	
Housing First Pilot	To support rough sleepers over 3 years.	9,600.0	
Construction Training Fund	Construction Skills over 3 years.	5,000.0	
Devo 2 commitment	Regional Integrated Control Centre business case development (one-off)	250.0	
Devo 2 commitment	West Midlands Regional Energy Commission (one-off)	120.0	
One Public Estate	Sandwell MBC to transfer the cash they have received on behalf of the West Mids	490.0	
Clean Bus Technology Fund 2017 to 2019	To enable older vehicles to meet minimum emissions standards & contribute to better air quality over 2 years	3,000.0	
Black Country Growth Deal	Managing Short Trips	4,255.0	
Land Fund	To buy and clean up land around priority sites (one-off)	100,000.0	
Connected & Autonomous Vehicles	Connected Autonomous Vehicles (one-off)	5,675.0	
National Productivity Investment Fund	National Productivity Innovation Fund schemes over 2 years (Birmingham CC, Solihull MBC & Walsall)	11,267.0	
Skills Deal	To boost digital and technical skills	49,000.0	447,677.0
<u>Funding not yet fully secured</u>			
Housing Investment Fund	Development of priority sites - shortlisted		250,000.0
	GRAND TOTAL		1,792,677.0

Note: this table excludes further funding announced in the October Budget, including confirmation of funding for the Perry Barr Athletes Village (shown here within the Housing Investment Fund but subsequently funded from a different source) and an additional £70m of Transforming Cities Fund.