

| | |
|-------------------------|---|
| Meeting: | Cabinet |
| Meeting date: | 28 July 2016 |
| Title of report: | West Midlands Combined Authority |
| Report by: | Leader of the council |

Classification

Open

Key decision

This is not a key decision.

Wards affected

Countywide

Purpose

To approve Herefordshire Council's application to become a non-constituent member of the West Midlands Combined Authority.

Recommendation(s)

THAT:

- a) Herefordshire Council applies to become a non-constituent member of the West Midlands Combined Authority (WMCA) at an annual cost of £25k;**
- b) the leader of the council, or his nominated substitute, be authorised to represent the council at the WMCA board, and exercise the council's vote as a non-constituent member; and**
- c) the general overview and scrutiny committee be invited to consider building into their future work programme an appraisal of further devolution options (to include the potential for the council to become a constituent member of WMCA) and report the outcome of their review to inform any future decision of Cabinet.**

Alternative options

1. The council could consider becoming a constituent member of WMCA. This is not currently recommended as there has been insufficient time to fully evaluate the governance, democratic and economic business case for doing so. However, we may consider this option at some point in the future.

2. The council could choose not to engage with WMCA. This is not currently recommended given that the government has a clear policy direction of devolution which indicates that engagement with a combined authority arrangement will become essential criteria to enable access to future growth funding. The council continues to explore devolution options with other potential partners but these discussions are insufficiently advanced at this stage to demonstrate how Herefordshire Council can meet the government's requirements.

Reasons for recommendations

3. To ensure the council is in the best possible position to continue to secure government funding to support the growth aspirations of the county whilst maintaining the flexibility needed to fully explore the implications of greater engagement in a combined authority arrangement.

Key considerations

4. The powers to establish a combined authority are detailed in the Local Government, Economic Development and Construction Act 2009.
5. The Cities and Local Government Devolution Act 2016, which received royal assent on 28 January 2016, provides for the creation of a directly-elected mayor of a combined authority to exercise specified functions e.g. economic development, regeneration and transport, etc. It also allows public authority functions to be conferred on a combined authority and enables the changing of local government structures e.g. mergers of councils and moves to unitary structures. The government has made clear its policy direction that devolution to councils should be contingent on a minimum population size in excess of 1m and on the establishment of combined authority arrangements with directly elected mayors.
6. The WMCA, which is currently composed of the twelve councils and three local enterprise partnerships (LEP), is working to devolve powers from Whitehall to the West Midlands and our locally elected politicians, who know this region best. Individual councils will still deliver services and retain their identity, but on the big decisions they would have the resources to work together.
7. WMCA would allow for integration and collaboration across member authorities, which would work together on growth in key areas including employment and skills, health, housing and transport.
8. WMCA has entered into an agreement with government which will see government making an annual contribution worth £40m for 30 years to support an overall investment package that will unlock £8b, alongside the creation of up to half a million jobs. This is in addition to any future Local Growth Fund allocation to the three LEPs, which will not be affected by this agreement.
9. The WMCA constituent members are currently: City of Birmingham, Wolverhampton Council, Coventry City Council, Dudley Metropolitan Borough Council, Sandwell Metropolitan Borough Council, Solihull Metropolitan Borough Council, and Walsall Council. The Non-Constituent Members are Cannock Chase District Council, Nuneaton and Bedworth Borough Council, Redditch Borough Council, Tamworth Borough Council and Telford, Wrekin Council, Black Country LEP, Coventry and Warwickshire LEP, and Greater Birmingham and Solihull LEP. Shropshire Council has applied to be a non-constituent member.

10. Initial discussions have been opened between the Marches LEP (covering Herefordshire, Shropshire and Telford and Wrekin council areas) and WMCA with a view to the LEP becoming a non-constituent member. To ensure that Herefordshire maintains the ability to access funding and influence economic policies for the region which will impact on the county, it is proposed that Herefordshire Council also apply to become a non-constituent member of WMCA.
11. As a non-constituent member, Herefordshire Council would be able to vote on the following:
 - adoption of growth plan and investment strategy and allocation of funding by WMCA;
 - the super Strategic Economic Plan along with its implementation plans and associated investment activity being undertaken using funding provided to WMCA;
 - the grant of further powers from central government and/or local public bodies that impacts on the area of a non-constituent member authority;
 - land and/or spatial activity undertaken by WMCA within the area of a non-constituent member authority;
 - public service reform which affects the areas of non-constituent member authorities
 - areas of LEP activity relevant to the non-constituent member authorities through geographical location or as part of a joint committee;
 - all WMCA matters concerned with education (further and higher), employment and skills, enterprise and business support, access to finance, inward investment, business regulation, innovation, transport, environmental sustainability, housing, economic intelligence, digital connectivity and regeneration;
 - future use of business rate retention funding generated beyond that retained within new and existing enterprise zones;
 - specific decisions to bid for and allocate revenue and capital funding provided to the WMCA for use in economic development activities; and
 - investment activity related to transport and connectivity, not funded by the transport levy and current maintenance and integrated transport blocks.
12. It should be noted that WMCA would have no say over the use of Herefordshire's business rates or how resources are allocated to transportation, skills or housing in the county.
13. It is also recommended that general overview and scrutiny committee be asked to consider the inclusion of an option appraisal for future devolution arrangements in their future work programme to inform any future cabinet consideration of the matter.

Community impact

14. The proposal to be part of the WMCA as a non-constituent member will support the

Further information on the subject of this report is available from
Geoff Hughes, director for economy, communities and corporate (01432) 260695

progression of the economic priorities of Herefordshire and it is anticipated that this will have a positive impact on the people of Herefordshire.

Equality duty

15. There are no direct impacts arising from the recommendations. As with any public body the combined authority will have to demonstrate how it is meeting its public sector equality duties in its decision making.

Financial Implications

16. Non-constituent membership is conditional on an annual membership fee of £25k. For 2016/2017 this will be met from within existing revenue budgets.

Legal implications

17. The Cities and Local Government Devolution Act 2016 provides for the creation of a directly-elected mayor of a combined authority to exercise specified functions e.g. economic development, regeneration and transport, etc. It also allows public authority functions to be conferred on a combined authority and enables the changing of local government structures e.g. mergers of councils and moves to unitary structures.
18. The powers to establish a combined authority are detailed in the Local Government, Economic Development and Construction Act 2009.
19. The regeneration, economic development and transport functions of Herefordshire Council cannot be undertaken by the WMCA, but remain in the council.

Risk management

20. A devolution deal which only has a strong urban focus could leave a rural blind spot in the discussion. There is a danger that the rural economic development agenda will be sidelined by urban economic plans.
21. The “rural recognition” and the rural-urban linkages and how these might be enhanced are the lacking elements in the devolution deals. There seems to be no recognition the contribution of rural hinterlands and rural areas to jobs and growth. Likewise, the deals do not recognise the urban-rural interdependency i.e. flows of people and things between places, as well as supply chain development.
22. In order to manage these risks, it is important that Herefordshire Council is part of the WMCA so that it can influence policy and funding decisions.
23. There is a risk that the uncertain economic climate and/or changes in government policy may make pursuit of a devolution deal a less compelling option. Becoming a non-constituent member, whilst further option appraisal is undertaken, ensures that the council remains in the best position to access funding and influence the development of policy, whilst retaining the flexibility to adapt to any future changes which may arise.

Consultees

24. The Marches LEP board agreed to apply to become a Non-Constituent Member of the WMCA on 5 July 2016. It also agreed to give the LEP Director and the LEP

Chairman the authority to carry out the necessary arrangements for becoming a non-constituent member and to represent the Marches LEP on appropriate groups of the WMCA.

Appendices

None.

Background papers

- **Summary of West Midlands Combined Authority's Statement of Intent**