


## REPORT TO COUNCIL

06 March 2018

<b>Subject:</b>	West Midlands Combined Authority
<b>Presenting Cabinet Member:</b>	The Leader
<b>Director:</b>	Darren Carter
<b>Contribution towards Vision 2030:</b>	
<b>Key Decision:</b>	No
<b>Cabinet Member Approval and Date:</b>	The Leader 21 February 2018
<b>Director Approval:</b>	Yes
<b>Contact Officer(s):</b>	Sarah Sprung, Senior Service Improvement Lead, <a href="mailto:sarah_sprung@sandwell.gov.uk">sarah_sprung@sandwell.gov.uk</a>

### **DECISION RECOMMENDATIONS**

**That Council:**

1. That approval is delegated to the West Midlands Combined Authority (WMCA) to undertake a process that will result in an amendment to statutory regulations to provide the WMCA with the necessary powers to raise a supplementary business rate.
2. Consider opportunities for the Borough arising from the West Midlands Combined Authority.

## 1 PURPOSE OF THE REPORT

- 1.1 To provide Council with an update in relation to West Midlands Combined Authority activity since the last update was provided to Council on 17 October 2017.

- 1.2 This report gives an overview of a number of issues, further detailed information about West Midlands Combined Authority, including key projects and initiatives, is available on the [WMCA website](#).
- 1.3 The reports also sets out the requirements in relation to giving the CA the powers to levy a supplementary business rate (SBR).

## 2 IMPLICATIONS FOR SANDWELL'S VISION

- 2.1 Participation in West Midlands Combined Authority (WMCA) activity has the potential to help Sandwell deliver all of the ambitions contained in the Vision.

## 3 BACKGROUND AND MAIN CONSIDERATIONS

- 3.1 There have been some significant developments in WMCA activity recently with the approval of the Budget for 2018/19 and the second Devolution Deal being the headline elements.
- 3.2 Given that there is also now a full complement of staff in key roles (Chief Executive and Directors) work is also progressing in each of the Leaders' portfolio areas as well as with the three Commissions (Mental Health, Skills & Productivity and Land). For information the following portfolio responsibilities are held by each Leader: -

- Wellbeing Board and HS2 - Councillor Bob Sleight (Solihull MBC)
- Transport - Councillor Roger Lawrence (Wolverhampton City Council)
- Skills and Productivity - Councillor George Duggins (Leader of Coventry City Council)
- Economic Growth – Councillor Ian Ward (Leader of Birmingham City Council)
- Environment - Councillor Patrick Harley (Leader of Dudley MBC)
- Cohesion & Integration and Public Service Reform - Councillor Steve Eling (Leader of Sandwell MBC)
- Housing & Land - Councillor Sean Coughlan (Leader of Walsall MBC)
- Finance & Investments - Councillor Izzie Seccombe (Leader of Warwickshire County Council)

### **Budget**

- 3.3 At its meeting on 9 February 2018 the Combined Authority approved its budget for 2018/19, differing to the draft budget (presented in January) no Mayoral Precept was proposed. This was due to concerns raised by constituent authorities (including Sandwell) as it was felt that the increases in Council Tax together with the Adult Social Care Precept were going to have a significant impact on some of the poorest families in our communities, and that the further cumulative impact of a Mayoral Precept would present too high a demand.

3.4 For Sandwell, as a constituent authority, our yearly contribution to the Combined Authority in 2018/19 will be £0.612. The table below details the Mayoral Office Costs and where contributions have been sourced from following the deletion of the Mayoral Precept:

Element of Mayoral Office costs	Draft Budget	Final Budget
Mayoral Office	888,000	888,000
<u>Alternative Funding identified for 2018/19 only:-</u>		
Mayoral Capacity Fund (previously unallocated)		(358,000)
One-off TfWM forecast underspend rebate reallocated		(265,000)
Mayoral Capacity Fund reallocated due to DfE income		(153,000)
Reduction in Mayoral Budget for 2018/19 only		(65,000)
Constituent Authority Reallocation from Operational Budget		(47,000)
<u>Network Resilience</u>		
Funded now through the TfWM Levy for 2018/19	572,000	-
<u>Contribution to the Investment Programme</u>		
Deferred for one year due to review and 2016/17 income confirmed with MHCLG	6,000,000	-
<b>Total</b>	<b>7,460,000</b>	<b>-</b>

3.5 The table below details the approved revenue budget for the Combined Authority:

£m	Total	Mayor	Operational	Transport	Investment Programme
<b>Income</b>					
Transport Levy	114.7	-	-	114.7	-
Devolution Deal Grants	42.5	0.5	5.5	-	36.5
Business Rate Growth	8.1	-	-	-	8.1
Membership	1.8	-	1.8	-	-
Commissions	1.1	-	1.1	-	-
Corporate Services	1.7	-	1.7	-	-
Non Constituent Members	0.4	-	0.4	-	-
Investment Income	0.5	-	0.5	-	-
Third party Income	0.4	-	0.4	-	-
Use of Reserves	1.7	0.3	0.4	1.0	-
<b>Sub Total</b>	<b>172.9</b>	<b>0.8</b>	<b>11.8</b>	<b>115.7</b>	<b>44.6</b>
<b>Expenditure</b>					
Mayoral Office	0.8	0.8	-	-	-
Transport Delivery	115.7	-	-	115.7	-
Operational Budget	11.8	-	11.8	-	-
Interest Payable	3.6	-	-	-	3.6
Investment Programme Governance	1.0	-	-	-	1.0
Capital Expenditure Financing	40.0	-	-	-	40.0
<b>Subtotal</b>	<b>172.9</b>	<b>0.8</b>	<b>11.8</b>	<b>115.7</b>	<b>44.6</b>
<b>Net</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

3.6 Importantly for Sandwell the budget sets out the Transport Capital Programme allocation for the metro extension from Wednesbury to Brierley Hill: -

£m	2018/19	2019/20	2020/21	Total
Metro Wednesbury to Brierley Hill	13.7	12.6	38.9	65.2

3.7 The Wednesbury to Brierley Hill extension will connect with Midland Metro Line 1 at Wednesbury and run via Dudley town centre and Waterfront / Merry Hill to Brierley Hill. 6.7km of the route utilises the now abandoned South Staffordshire Railway corridor.

3.8 The Wednesbury to Brierley Hill extension comprises:

- 10.7 km of new twin track (of which 6.7 km runs along the former South Staffordshire Railway corridor and 4.0 km runs on-street through Dudley, the Waterfront / Merry Hill and Brierley Hill).
- 17 Metro stops (of which 4 are provisional)
- new Park and Ride sites
- 11 road traffic junctions crossed at-grade.
- 23 existing structures to be refurbished or rebuilt (road, railway and canal bridges, including the Parkhead Viaduct).
- new structures to be built (2 which connect with Metro Line 1 and 2 over Dudley Canal at Brierley Hill).
- Connections with Metro Line 1, Dudley Port Railway Station, Dudley Bus Station, Waterfront and Merry Hill Shopping Centre.

3.9 Also of interest for Sandwell is the allocation of £30m for the land remediation fund, a proportion of which will be allocated to the Black Country LEP to manage for the Black Country.

### **The Second Devolution Deal**

3.10 The Devolution Deal covers a number of areas where the Government has 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

3.11 The Devolution Deal sets 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.

- 3.12 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.
- 3.13 The Second Devolution Deal has 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.

### **Devolution Deal – Adult Skills Budget**

- 3.14 The Adult Education Budget (AEB) grant funds activity in Further Education (FE) Colleges, Local Authority Adult & Community Learning services and at a much smaller scale through contracts with private training providers. The devolved AEB budget will initially be based on current spend on residents of constituent member areas and will therefore relate to the residency of the learner not to the geographic base of recipient institutions. The indicative budget for the academic year 2018/19 is £112.08m.
- 3.15 The Department for Education (DfE) wrote to WMCA on 4 August 2017 confirming that delivering full devolution of the Adult Education Budget (AEB) as originally intended could not take place without unmanageable risks to the Further Education sector and learners due to time lost during the General Election period. Initial proposals for the transitional year were outlined and confirmed in a further letter from the Department received on 1 November. This letter outlined two options for consideration: a transition option and a delegation option.
- 3.16 The Combined Authority Board, at its meeting on 10 November 2017, agreed to proceed with the transition option. This option is about giving West Midlands Combined Authority a real say in what AEB provision will be available for residents and also acts as a stepping-stone to successfully delivering full devolution in 2019/20.
- 3.17 Key Features of the transition option are:
- a. Implementing a governance structure that ensures the Combined Authority is engaged with the Department so that there is an understanding of how post 16 policy aligns to AEB allocations and helping to achieve objectives for adult funding;
  - b. the Department will notify West Midlands Combined Authority of an amount of nationally-held AEB over which the WMCA will be able to influence, alongside the terms through which the WMCA will be able to influence AEB provision;
  - c. The Combined Authority will work with providers to establish potential delivery plans which take into account local priorities and the sustainability of the provider base. The Department will then work with the Combined Authority to consider these plans and agree implementation arrangements;
  - d. The Combined Authority will put in place monitoring processes, and inform the Department about them;

- e. The Combined Authority will put in place a strategic skills plan, reflecting an assessment of local strategic skills need. These will be discussed and agreed with the Department as a good opportunity to establish alignment of local AEB policy alongside national policies for non-devolved funding streams.

### **Supplementary Business Rate**

- 3.18 In order to deliver the £8 billion Investment Programme, the West Midlands Combined Authority is required to develop funding plans through new financial mechanisms to the value of £3 billion to support £2 billion of investment and associated debt finance costs agreed as part of the first Devolution Deal for the West Midlands.
- 3.19 The Local Government Finance Bill 2016/17 was drafted to provide Mayoral Combined Authorities with two potential routes to generate this funding, the first of which being a Supplementary Business Rate (i.e. a scheme which is equivalent to existing powers which Local Authorities possess) and a Mayoral Infrastructure Supplement. The Mayoral Infrastructure Supplement was essentially similar to a Business Rates Supplement but with a small number of key differences. However this Bill was withdrawn.
- 3.20 As part of the second regional Devolution Deal, the West Midlands Combined Authority set out to Central Government the potential impact that the withdrawal of the Local Government Finance Bill would have on the West Midlands Combined Authority's ability to fund and deliver the Investment Programme. During these discussions, it was suggested that a possible solution would be to simply extend to the West Midlands Combined Authority the equivalent and current powers that Local Authorities, including the seven Constituent Authorities and the Greater London Authority, already have to raise a Supplementary Business Rate.
- 3.21 Towards the end of 2016, each of the WMCA Constituent Authorities provided consent towards the implement of the first West Midlands Devolution Agreement which essentially uses the Combined Authority to facilitate the delivery of an £8 billion Investment Programme to:
- Secure the delivery of a comprehensive Metro and Sprint network.
  - Kick-start economic growth through Land Remediation programmes
  - Unlock development potential within the UK Central site, realising currently untapped opportunities to deliver a substantial number of new homes, jobs and facilities
  - Investment in the Coventry UK Central Plus area which include important junction enhancements to improve resilience and reliability, a programme to unlock University and Friargate growth access in addition to initiatives to unlock the further expansion of housing, employment and higher education.

- 3.22 The consent provided for the Devolution Agreement carried the intention to support the programme outcomes through a number of locally generated income streams which are a component of the £8 billion Programme. Whilst the Devolution Deal grant is expected to provide a long-term funding stream into the Combined Authority (£36.5 million over 30 years), the remaining sources need to be actively raised by the Combined Authority in partnership with Local Authorities and local businesses.
- 3.23 Therefore, there is a requirement for each Constituent Authority to approve the West Midlands Combined Authority having powers to raise Supplementary Business Rates.
- 3.24 Following the receipt of the necessary consents, the Department for Local Government and Communities intend to seek Parliamentary approval to make an order under the Local Democracy, Economic Development and Construction Act 2009 as amended by the Cities and Local Government Devolution Act 2016. This order will provide for the power to raise funding through a business rates supplement (currently exercised by the Greater London Authority) under the Business Rates Supplement Act 2009 to be conferred on the Combined Authority. The order will also provide that the power, when conferred, will be exercised by the Mayor only.
- 3.25 Following the necessary powers being acquired, the Combined Authority will need to decide how to best implement the Supplementary Business Rate scheme. This will be subject to a further paper to the West Midlands Combined Authority Board later in 2018, as any future decision to implement a SBR will require approval by the WMCA Board, along with intensive and detailed work with Constituent Authority Members and local Businesses.

### **Cohesion & Integration and Public Sector Reform**

- 3.26 As mentioned above Sandwell has a lead role in taking forward the agenda relating to Cohesion & Integration and Public Service Reform as the Leader, Councillor Eling, is the portfolio lead for this area. The vision for the portfolio is:
- To develop a proactive approach to cohesion and integration – including a clear strategy for inclusive growth – that supports the WMCA’s commitment
  - to growth that benefits the whole region and makes a difference to communities.
  - To develop an approach that promotes and leverages the diversity of the region – clearly positioning it as an asset to be celebrated and a core part of the WMCA’s strategy to building a ‘West Midlands community’.
  - To be clear about how the WMCA can support and add value to (and not undermine or duplicate) the work already being done by local authorities and public service agencies, so that the West Midlands becomes a national exemplar of collaborative working to achieve inclusive growth goals.

- To ensure that cohesion, integration and inclusion goals materially influence the development of our Industrial Strategy, the evolution of the Strategic Economic Plan and the metrics through which we develop economic and public service policy across the region.

3.27 Underpinning the Vision for the Portfolio are three key strands of work:-

- **Inclusive Growth** - promoting a model of economic growth that impacts positively on all the Combined Authorities residents and communities. The activities focus on building capacity to influence and promote inclusive growth priorities, driving social value, and developing specific actions to promote inclusive transport, housing, skills and public service outcomes.
- **Radical Prevention** - developing radical new ways of preventing social problems that are entrenched within the region, and which block the potential of many communities. Activities focus on changing outcomes for some of the most disadvantaged people, both through leading edge research and the application of new delivery models alongside members and system partners.
- **System Collaboration** - enabling change across the system of public services and civil society within the West Midlands - through creating space for collaboration and establishing the building blocks for whole place change. Activities focus on unlocking collaboration between members, and applying new ways of solving problems.

3.28 At the meeting of the Combined Authority Board in February 2018 proposals to establish a Social Economy Taskforce, as a key contributor to inclusive growth, were approved.

3.29 **The Social Economy Taskforce** - The “social economy” covers different types of organisations united by a clear social purpose – including the voluntary and community sector, social enterprises and charities.

3.30 The Taskforce is being established to look specifically at the role that the social economy sector can play within the inclusive growth picture, and ask how the WMCA can support and enable opportunities for the sector that will benefit our residents and communities.

The focus will be on creating a blueprint for progress based on three outcomes:

- A clear articulation of the difference that the WMCA can make to the strength of the social economy in the West Midlands – drawing out specific short, medium and long-term actions based on insight and input from within the sector and beyond.



- A clear steer on the role the WMCA can play to recognise and promote the role of charities, social enterprises and community organisations in delivering public service outcomes – with a specific focus on the sectors and services which offer the biggest opportunities, and the areas in which the WMCA can add value.
- A development plan for the areas in which social economy organisations can help the WMCA and its partners address some of the region’s most pressing problems – and an understanding of how collaboration between the public, private and social sectors can enable this.

3.31 In addition to leading the Cohesion & Integration and Public Sector Reform portfolio through the Leader, Sandwell also plays a key role in leading the overview and scrutiny function of the Combined Authority through Councillor Peter Hughes who chairs the Committee. Furthermore, Councillor Ann Shackleton, Cabinet Member for Social Care and Chair of Sandwell’s Health and Wellbeing Board, sits on the Combined Authority’s Wellbeing Board, along with the Chairs of other Health and Wellbeing Boards within the Combined Authority area and representatives from health.

### **Combined Authority Overview and Scrutiny (Councillor Peter Hughes)**

- 3.32 The Scrutiny Committee has recently focused its attention on scrutiny of the Combined Authority’s budget, including the process undertaken by the Combined Authority for developing the budget proposals.
- 3.33 The outcome of this work was a series of recommendations which were presented to the Combined Authority Board at its meeting on 9 February. The recommendations are detailed below:-
1. Commence budget discussions with Constituent Authorities much earlier in future financial years to allow sufficient time for open discussion and development of proposals, it is suggested that these discussions commence in September of each year;
  2. Ensure that papers and documentation in relation to the Funding for Growth Programme be made public (unless a relevant exemption applies) and that the timeline for exploring different fiscal options be explicit;
  3. Conduct a lessons learned exercise, with the engagement of overview and scrutiny, the Mayor, Cabinet, Chief Execs and Finance Directors, to fully assess how the budget process as a whole can be improved upon in future years;
  4. Ensure that each constituent authority assesses the robustness of their Council Tax Support Schemes to ensure that those members of the community most affected by increases in council tax are supported;
  5. Determine the wider impact of the loss of European funding and Brexit across the region (including rates of borrowing, project costs and trade) in order to assess the true effect of the loss and to start to look at possible alternative funding options to minimise impact on the local economy;
  6. Undertake a governance review of elected member involvement and engagement in CA governance and activity to ensure that the historical mix of transport functions and new CA functions have equality in representation and support;

7. Further consider the resources allocated to overview and scrutiny.

- 3.34 Whilst scrutiny of the budget has taken a considerable amount of member time, other areas of focus for Scrutiny at the Combined Authority have been in relation to the transition of the West Midlands Fire Authority to the Combined Authority, primarily to ensure that the process is transparent and that decision makers are held to account but also to ensure that the end result of the process delivers the best possible outcome for the Combined Authority and for residents.
- 3.35 In addition, there are further workstreams focusing on the work of the Land Commission, the Skills and Productivity Commission and the Mental Health Commission.

### **Combined Authority Wellbeing Board (Councillor Ann Shackleton)**

- 3.36 The Wellbeing Board considered six potential wellbeing priorities for the West Midlands Combined Authority. These were:
- Long term conditions – cardiovascular disease, diabetes and cancer
  - Prevention at a WMCA level – with options for a broad prevention programme linked to a long term condition or work focussed on a specific lifestyle issue such as obesity, smoking, alcohol, physical activity
  - Children and Young People – mental wellbeing, resilience and good child development that supports effective transition into adulthood (i.e. getting into work)
  - Transport – Active and other health impacts of
  - Housing and the built environment
  - The potential for delivering population and individual behaviour change across the WMCA
- 3.37 From this list the Wellbeing Board has identified two priority areas that further work will be undertaken on: -
1. Cardiovascular Disease and Diabetes
  2. Children and Young People
- 3.38 The Wellbeing Board agreed that that proposals should be developed for a Cardiovascular Disease and Diabetes Prevention Programme and that further work should be undertaken to scope work on the Children and Young People Priority to identify where the Combined Authority could most add value from a Wellbeing perspective.
- 3.39 Any health devolution proposals will be based on these two priority areas and on the overarching vision for the WMCA Wellbeing agenda that focuses on keeping people healthy by prevention and across system action.

- 3.40 The Wellbeing Board is also developing a West Midlands joint local government /health alliance. A meeting has been held to discuss the potential for an alliance involving professionals and clinicians from local government and health organisations across the whole of the West Midlands that will focus on reducing health inequalities across the region.

## **4 STRATEGIC RESOURCE IMPLICATIONS**

- 4.1 A provision of £0.5m was included in the Council's budget for 2016/17 to meet the cost of contributions to the Combined Authority. An equivalent budget provision of £0.5m was been made in 2017/18. As detailed in paragraph 3.4 of this report the contribution to the Combined Authority from Sandwell Council for 2018/19 will be £0.612.
- 4.2 Section 21 of the West Midlands Combined Authority (Functions and Amendments) Order 2017 has the effect that where costs are incurred by the Combined Authority and are not met from other sources of income, then they fall to be met by the seven constituent councils, including Sandwell.

## **5 LEGAL AND GOVERNANCE CONSIDERATIONS**

- 5.1 Part 6 of the Local Democracy, Economic Development and Construction Act 2009 ("the 2009 Act") provides for the establishment of combined authorities for the areas of two or more local authorities in England. Combined authorities are bodies corporate which may be given power to exercise specified functions of a local authority under sections 104 and 105 of the 2009 Act, and power to exercise specified functions of any other public authority under section 105A of the 2009 Act.

## **6 EQUALITY IMPACT ASSESSMENT**

- 6.1 The priorities of the West Midlands Combined Authority reflect the equality and diversity of the West Midlands, including striving to create prosperity through a strong and collective economic strategy and the policy aspiration to champion all that makes the West Midlands a Great Place to Live. The equality impact of any specific proposals will need to be addressed in reports to the WMCA Board or the appropriate decision making body.

## **7 DATA PROTECTION IMPACT ASSESSMENT**

- 7.1 The recommendations in this report do not result in the collection or retention of personal data.

## **8 CRIME AND DISORDER AND RISK ASSESSMENT**

- 8.1 There are no Crime and Disorder issues arising from the recommendations set out in this report.

## **9 SUSTAINABILITY OF PROPOSALS**

- 9.1 The information in this report does not directly have any sustainability implications, however as schemes are delivered by the WMCA there is a need to ensure that the evidence that underlies decision making is robust, up-to-date and is in line with current planning and environmental legislation.

## **10 HEALTH AND WELLBEING IMPLICATIONS (INCLUDING SOCIAL VALUE)**

- 10.1 All constituent members of the WMCA are be better placed to contribute and influence the Health and Social Care offer for local residents and create:
- A more sustainable local health and care economy;
  - Improved quality and experience of care;
  - Improved population health.

## **11 IMPACT ON ANY COUNCIL MANAGED PROPERTY OR LAND**

- 11.1 There are no direct implications contained in this report.

## **12 CONCLUSIONS AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS**

- 12.1 Participation as a constituent member of the WMCA enables Sandwell to deliver improvements to the locality that would otherwise be more difficult to achieve. In addition, through WMCA activity, we can ensure that Sandwell residents have the skills to access new employment opportunities both here in Sandwell and across the region, with excellent public transport available connecting the whole of the west midlands.

## **13 BACKGROUND PAPERS**

- 13.1 WMCA Board Papers:-

- i) [10 November, 2017](#)
- ii) [8 December, 2017](#)
- iii) [12 January, 2018](#)
- iv) [9 February, 2018](#)