

Report to Cabinet

13 March 2023

Subject:	Ratification of Single Settlement Memorandum of Understanding between the West Midlands Combined Authority and HM Government
Cabinet Member:	Regeneration and the WMCA. Councillor Peter Hughes Councillor Piper – Cabinet Member for Finance & Resources
Director:	Brendan Arnold, Director of Finance and S151 Officer Tammy Stokes, Assistant Director Spatial Planning & Growth Tammy_Stokes@sandwell.gov.uk
Key Decision:	Yes - borough wide impact
Contact Officer:	Assistant Director Spatial Planning & Growth Tammy_Stokes@sandwell.gov.uk

1 Recommendations

It is recommended that -




- 1.1 Approval be granted to the single settlement Memorandum of Understanding as set out in the report and attached Appendix A.
- 1.2 the Leader of the Council be authorised to endorse Sandwell Council's entry into the single statement Memorandum of Understanding when the matter is determined by the West Midlands Combined Authority Board.
- 1.3 Cabinet note and endorse the proposed high-level next steps for the single settlement negotiations and implementation.



2 Reasons for Recommendations

- 2.1 The 'single settlement' was one of the most significant commitments in the West Midlands Combined Authority (WMCA) trailblazer deeper devolution deal announced at the 2023 Spring Budget. The trailblazer deal was ratified by WMCA Board on 13 October 2023 on the basis that there would be further decisions about particular elements of the deal, including the single settlement.
- 2.2 A draft of the MoU was considered and agreed in-principle by Mayoral and Portfolio Leaders on 3 November 2023. Now the final MoU has been published, the WMCA Board will be asked to agree the MoU at their meeting on 15th March 2024.
- 2.3 This report seeks to update Cabinet on the single settlement negotiations and proposed next steps and grants authority to the Leader of the Council to confirm the Council's agreement to the MoU through the decision-making mechanisms of the WMCA.

3 How does this deliver objectives of the Corporate Plan?

	<p>The Best Start in Life for Children and Young People</p> <p>The single settlement will devolve funding for Adult Skills to the WMCA which will support young people.</p>
	<p>Quality Homes in Thriving Neighbourhoods</p> <p>The single settlement will devolve funding for housing delivery to the WMCA.</p>
	<p>A Connected and Accessible Sandwell</p> <p>At every Spending Review, WMCA will be allocated a single funding settlement for local transport.</p>

4 Context and Key Issues

- 4.1 The 'single settlement' was one of the most significant commitments in the West Midlands Combined Authority (WMCA) trailblazer deeper devolution deal announced at the 2023 Spring Budget. The trailblazer deal was ratified by WMCA Board on 13 October 2023 on the basis that there would be further decisions about particular elements of the deal, including the single settlement.



4.2 A draft of the MoU was considered and agreed in-principle by Mayoral and Portfolio Leaders on 3 November 2023. Now the final MoU has been published, the WMCA Board will be asked to agree the MoU at their meeting on 15th March 2024.

What is the single settlement?

4.3 At every Spending Review, WMCA will be allocated a single funding settlement for local transport, adult skills, housing and regeneration, local growth and place, and retrofitting buildings¹.

4.4 The funding WMCA receives will cover the length of Spending Review periods and be calculated using allocation formulae. The quantum of single settlement funding WMCA will receive will be confirmed as part of the Spending Review. WMCA will retain the right to refuse the single settlement.

4.5 WMCA expect to receive the first single settlement at the beginning of the first financial year after the next Spending Review – likely to be 1 April 2025, but this is subject to HMG confirmation.

4.6 This consolidated funding will replace the individual, short-term and restrictive grants the region currently receives from HMG relating to the functions of the single settlement², ending competitive, time- and capacity-intensive bidding where relevant. Where an individual fund is within scope of the single settlement, WMCA and its constituent local authorities will not need to – nor be able to – bid to government for an additional share beyond what we will be directly allocated as part of the Spending Review process. WMCA and LAs will continue to be able to bid into HMG for competitive funds where they are outside of the scope of the functions of the single settlement.

4.7 As set out in the MoU, the single settlement will not include any funding lines that fall within the scope of the local government finance settlement, or which directly underpin local authority statutory and/or core responsibilities. The above represents only a summary of some of the main features of the MoU. The full MoU is appended at Appendix A.

¹ Funding for retrofitting buildings is included on the basis of a pilot arrangement. The scope of retrofit is the subject of on-going negotiations with HMG.

² See paragraphs 4 – 11 inclusive of [the single settlement MoU](#) for a full description of the functions the single settlement will cover.



4.8 It should be noted that the Council has secured significant funding from Central Government since March 2021 when £67.5m Towns Fund funding was announced. Including;

- £20m Capital Regeneration Funding (Tipton)
- £20m Levelling Up Round 2 Funding (Haden Hill Leisure Centre)
- £20m Levelling Up Partnership Funding (Wednesbury)
- £18m Levelling Up Round 3 Funding (Smethwick)
- £20m Long Term Plan Funding (subject to further approvals) (Smethwick)

4.9 As highlighted in above the single settlement will restrict Sandwell from bidding for funds from central government where these have been devolved to the WMCA through the single settlement.

What does the single settlement mean for the West Midlands?

4.10 The single settlement represents a significant change to how the region will receive funding from HMG for the relevant functions. In particular, it will enable Local Authorities, including Sandwell, to develop place-based strategies, which will set out how the functions of the single settlement, and other sources of public and private investment, will come together in places to drive inclusive economic growth over the long-term. This will be additional to the funding that will continue to apply across the region as a whole.

4.11 The single settlement will provide the region with multi-year certainty over a consolidated funding allocation. This will enable a long-term, joined-up approach to funding delivery, which will, in turn, support the development and delivery of locally-led place-based strategies.

4.12 The WMCA will secure significant additional flexibilities over the funding received through the single settlement. WMCA consider that this will allow them alongside Local Authorities to deliver projects and programmes more closely aligned to local needs and opportunities.

4.13 The single settlement will empower local decision-making. WMCA Board will decide the region's place-based strategies and agree 'functional' strategies for adult skills, buildings' retrofit, housing and regeneration, local transport, local growth and place; and approve the individual projects, interventions and programmes that will receive funding. This represents a major power shift from Ministers in Westminster to local leaders in the West Midlands.



Did anything substantive change in the MoU between MPL and publication?

- 4.14 A draft version of the MoU was agreed 'in principle' by Mayor and Portfolio Leaders (MPL) on 3 November 2023 and a final version published by HMG on 22 November 2023 at the Autumn Statement. No substantive policy changes to the MoU were made between the MPL decision and publication of the MoU.
- 4.15 The following two items of note arose between MPL and the MoU being published:
- No agreement was reached with HMG over the breadth of the retrofit / net zero function of the single settlement. Therefore, a decision on the final scope of the retrofit / net zero pillar of the single settlement was deferred until March 2024 to allow further negotiation to occur.
 - The Department for Transport (DfT) confirmed its position, which was tentative in the MoU draft at MPL, that prior DfT approval will be required for business cases of transport schemes estimated to cost above £200 million funded through the single settlement. This is still a significant increase on the point at which DfT call in business cases as part of the current City Region Sustainable Transport Settlement.

Geographical Area of Report's Implications

- 4.16 The single settlement will cover the WMCA constituent authority area (Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton). However, the MCA Board may decide, at its discretion, to use the single settlement in non-constituent local authority areas if it considers, based on evidence, that doing so would be beneficial to the MCA area.

Next steps

- 4.17 The MoU establishes the basic principles of how the single settlement will operate. However, there will be several further decision points and a lot of work to undertake across the region to prepare for implementation.
- 4.18 The process of implementing the single settlement between now and 1 April 2025 – when WMCA expect to receive the first single settlement



allocation – will be a complex and significant undertaking for the WMCA and the local authorities.

4.19 Within the region, there will be detailed engagement between Local Authorities and the WMCA during the early part of 2024 to develop, agree and deliver the implementation strategy in the round.

5 Alternative Options

5.1 Not to enter into the MoU. This would be contrary to the spirit of the agreements already entered in to under the Deeper Devolution Deal. This option is therefore dismissed.

6 Implications

Resources:	<p>At this point in time, the final funding allocation for WMCA’s single settlement is unknown. However, as set out in the MoU: “The [funding] formulae [that will be agreed between WMCA and HMG by March 2024] will seek to deliver the principle that the [we will be] no worse off in terms of quantum of funding received than [we] would have been had the single [settlement] not been in place.”</p> <p>Whilst on the basis of the above, the WMCA does not expect the quantum of funding allocated to the region to significantly increase or decrease, longer term funding certainty, increased flexibility and the direct awards of traditionally competitive funding will enable better strategic financial planning and delivery.</p> <p>Uncertainty over the eventual quantum of the single settlement should be set against the backdrop of existing arrangements: the region enjoys no certainty over the funding we will receive via competitive funding processes. Importantly, the WMCA reserves the right to refuse the single settlement as part of its future involvement in the Spending Review process should the region decide the arrangements for the settlement would be detrimental. If we decided to do so, we would be funded through the arrangements in</p>
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	<p>place for other areas (outside of WMCA and GMCA) who are not in receipt of a single settlement.</p> <p>Beyond the implications relating to the overall funding quantum of the single settlement, should WMCA fail to achieve the outcomes agreed with Government, either through delivery slippage, under performance or by investing in initiatives which do not make a positive contribution towards the agreed outcomes, the WMCA will be subject to a range of ‘interventions’ by HMG³.</p>
Legal and Governance:	<p>The proposed memorandum of understanding whilst not legally binding is otherwise intended to provide the the broad outlines of agreement between the WMCA (and its constituent authorities) and that of HM Government.</p> <p>Whilst HM Government may determine an alternative policy position which may result in the revision or cancellation of the memorandum in whole or part as a result, the assessment of the WMCA assessment is that the probability of this occurring at this stage is low.</p> <p>The single settlement itself does not confer any new legal obligations or duties on WMCA or its constituent local authorities. Existing specific duties, for example, the legal duties accompanying the devolution of the Adult Education Budget, will not be altered as a consequence of it being included within the single settlement, nor will general legal duties be altered, such as obligations on the managing of public money.</p>
Risk:	None at this point.
Equality:	The implementation of the single settlement has the potential to yield several positive equalities and socio-economic implications. The Equity Impact Assessment and the Single Assurance Framework process require WMCA to give sufficient care and

³ See ‘Table A.1 Matrix of Mitigation’ on pages 27 – 28 of the [MoU](#).



	attention to potential equalities impacts as part of the formulation of individual project business cases.
Health and Wellbeing:	None at this point.
Social Value:	None at this point.
Climate Change:	No agreement has been reached with HM Government over the breadth of the retrofit / net zero function of the single settlement. Therefore, a decision on the final scope of the retrofit / net zero pillar of the single settlement has been deferred until March 2024 to allow further negotiation to occur. The potential climate change mitigation impacts will be assessed through future reports.
Corporate Parenting:	None.

7. Appendices

[Appendix 1 - Memorandum of Understanding for the Single Settlements for Greater Manchester and West Midlands Combined Authorities](#)

8. Background Papers

[West Midlands Combined Authority Trailblazer deeper devolution deal](#)

