

**TELFORD & WREKIN COUNCIL**

**CABINET - 8<sup>TH</sup> OCTOBER 2015**

**TELFORD & WREKIN'S DEVOLUTION DEAL AND NON-CONSTITUENT MEMBERSHIP OF THE WEST MIDLANDS COMBINED AUTHORITY (WMCA)**

**REPORT OF THE MANAGING DIRECTOR**

**LEAD CABINET MEMBER – CLLR KULDIP SAHOTA**

**PART A) – SUMMARY REPORT**

**1. PURPOSE**

- 1.1 To consider whether to seek Non-Constituent membership of the emerging West Midlands Combined Authority.

**2. SUMMARY**

- 2.1 On 4<sup>th</sup> September 2015, Telford & Wrekin Council submitted its proposals for a 'devolution deal' – a range of freedoms, flexibilities and the transfer of a number of responsibilities and functions currently held and delivered by the Government and its agencies – for negotiation. Within this, a key 'ask' was the retention of 100% of all additional business rates generated for reinvestment locally and exclusion of business rates uplift from the reset of the local government finance system. This devolution proposal sought to build on the land deal that we are already negotiating with the Homes & Communities Agency and Government that will see the Council take control of all public development land in the Borough so we can determine the pace and type of development and, for the first time, benefit directly from part of the capital receipts from the sale of this land to reinvest in infrastructure. The submission of this proposal was ratified by Cabinet on the 17<sup>th</sup> September 2015.
- 2.2 The 'devolution deal' that we are seeking builds on our 'business winning, business supporting' priority as well as major initiatives such as 'Strengthening Families' our Youth Unemployment programme, and our 'Work Ready, Life Ready' approach. It has been very much supported by the Chair of Telford Business Board.
- 2.3 It is important now to consider how best to progress our priorities and ambitions for the economy of Telford & Wrekin. One of these ways will clearly be through the Local Enterprise Partnership, of which we are a member. However, there is also an, effectively one-off, opportunity to be in a position to secure extra benefit to Telford and Wrekin by being a Non-Constituent member of the West Midlands Combined Authority, which is now in the process of forming and is currently in detailed negotiations with the Government about a major and wide-ranging devolution deal of its own; key aspects of which may be similar to 'asks' to those in our own 'devolution deal' proposals.
- 2.4 Non-Constituent or 'associate' membership is available for those bodies such as other councils that are outside the geographical area of the Metropolitan Borough Councils who themselves will form the formal Combined Authority. Non-Constituent membership would provide the opportunity for bodies to build on their relationship with the councils that comprise the Combined Authority and have the opportunity to take a shared strategic approach in the development of significant policy areas e.g. transport and skills, and utilise and contribute to joint working and collaborate on key priorities where there is mutual benefit.

2.5 We have been informed that the deadline for seeking Non-Constituent member status is 13<sup>th</sup> October 2015.

**3. RECOMMENDATIONS**

- 3.1 That the Council seek to take up Non-Constituent membership of the proposed West Midlands Combined Authority and this decision be communicated to the Chair of the Shadow Board as a formal application for Telford & Wrekin Council to be included in the submission to the Secretary of State for Communities & Local Government.
- 3.2 That the Leader and/or the Managing Director, or their nominated deputies, be authorised to represent the Council on the Shadow WMCA, as a Non-Constituent member, and other forums which will discuss/progress aspects of its work and the devolution deal.
- 3.3 That it be noted that these decisions of the Council will be subject to the agreement of the Shadow Board of the WMCA and the Secretary of State for Communities & Local Government.
- 3.4 That authority be delegated to the Managing Director, in consultation with the Leader to negotiate and agree the terms of the non-constituent membership, including, if he considers it appropriate voting rights on the WMCA.
- 3.5 That the membership fee of around £10k in the current year be funded from the approved 'Destination Telford' budget and the ongoing membership fee be built in to the service and financial planning strategy for future years.

**4. SUMMARY IMPACT ASSESSMENT**

<b>COMMUNITY IMPACT</b>	Do these proposals contribute to specific Co-operative Council priorities?	
	Yes	As a mechanism to support the progression of our priorities and ambitions for the economy of the Borough, this proposal will impact on all people.
	Will the proposals impact on specific groups of people?	
	Yes	As a mechanism to support the progression of our priorities and ambitions for the economy of the Borough, this proposal will impact on all people.
<b>TARGET COMPLETION/ DELIVERY DATE</b>	The deadline for applying for Non-Constituent membership is 13 <sup>th</sup> October 2015.	
<b>FINANCIAL/VALUE FOR MONEY IMPACT</b>	Yes/No	The recommendations in this report have limited direct financial implications. A membership fee of around £10k could be payable in the current year if the Council became a non-constituent member of the Combined Authority which could be funded from the Council's approved 'Destination Telford' budget. The membership subscription for future years is estimated to be around £25k and will be built in to the service and financial planning strategy. Any further significant implications

		would be the subject of future reports and appropriate financial support will be provided as and when required.
<b>LEGAL ISSUES</b>	Yes	<p>Powers to establish a combined authority are detailed in the Local Democracy, Economic Development and Construction Act 2009.</p> <p>The CA is made up of constituent members whose areas are covered by the CA; in this case they are all unitary authorities. It can also comprise of representative or non-constituent authorities.</p> <p>Subject to Parliamentary approval the Cities and Local Government Devolution Bill will remove the requirement for an area to be contiguous which would enable Telford &amp; Wrekin Council to become a non-constituent member of the CA.</p> <p>Subject to the previous paragraph Telford &amp; Wrekin Council could become a non-constituent authority. If the opportunity to become a non-constituent member is not taken at this stage, ie at the time that the initial order creating the CA is made it would require an amendment to that order, this is a Parliamentary process and it is unlikely that this would happen certainly in the short to medium term, if ever.</p> <p>The regeneration, economic development and transport functions of Telford &amp; Wrekin Council cannot be undertaken by the CA but remain with the Council. The Council would be entitled to have a member on the CA but, unless otherwise determined by the members of the CA, that member would not be entitled to vote on any matters.</p>
<b>OTHER IMPACTS, RISKS &amp; OPPORTUNITIES</b>	Yes/No	<p>Stimulus to growth agenda through investment from retained business rates and collaboration around inward investment. Recognises and supports supply chain links between many local companies and West Midlands.</p> <p>Other risks and opportunities will be identified and managed as the development of the CA continues and negotiations around respective devolution deals with Government progresses.</p>
<b>IMPACT ON SPECIFIC WARDS</b>	Yes/No	Borough-wide impact.

## **(PART B) – ADDITIONAL INFORMATION**

### **5. INFORMATION**

#### **5.1 WHAT IS A COMBINED AUTHORITY**

Combined authorities are legal bodies with powers of decision-making granted by Parliament providing a new way for local authorities to work together on key strategic functions that cross geographic council boundaries and that could be more effectively delivered together rather than separately. Examples include transport, regeneration and skills. It is an opportunity to:

- Secure greater resources from Government over the long term;
- Collectively engage with and influence Government on issues and functions that cross local authority boundaries;
- Be consulted on and ultimately change the delivery of national programmes to reform public services and better address local need;
- Benefit local communities through investment into skills, job creation and improving connectivity;
- Benefit our local business base through investment into infrastructure and strengthening supply chain/export links with major employers and markets.

#### **5.2 PROGRESS IN THE WEST MIDLANDS**

In the West Midlands, 7 metropolitan councils – Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton have an agreement in principle that they want to form a Combined Authority which may lead to the creation of an Elected Mayor to oversee certain functions in their areas.

- 5.3 Annex A sets out the outcomes of the Governance Review undertaken in accordance with section 108 of the Local Democracy, Economic Development and Construction Act 2009 (LDEDCA) and section 82 of the Local Transport Act 2008. This is a statutory process and a pre-requisite to enabling the creation of either a Combined Authority or Economic Prosperity Board. The review recommends the establishment of a West Midlands Combined Authority.
- 5.4 Annex B sets out in broad terms the scheme for the establishment of a Combined Authority for the West Midlands. In essence, the Terms of Reference for the entity. N.B.: At this time this document is a 'work in progress'.
- 5.5 These councils have been working to develop a Combined Authority model but more widely, working with the 3 LEPs of Greater Birmingham & Solihull, Coventry & Warwickshire, and The Black Country and the other local councils within these to develop integrated economic and transport strategies as well as a wider 'devolution deal' to negotiate with Government similar to the Greater Manchester model. These councils are currently operating as a Shadow Board with Councillor Bob Sleight, Leader of Solihull Council, the Chair.
- 5.6 A combined authority covers an area that makes sense economically e.g. an area within which many people commute to work or where there are strong links between local firms, universities and other institutions. A combined authority needs to be big enough to be able to compete internationally and to pull together the resources needed to support more economic success.

5.7 In the Chancellor of the Exchequer's Budget statement in July, he stated his commitment to "devolve powers to the 'West Midlands'".

5.8 On 4<sup>th</sup> September, the Shadow Board for the West Midlands Combined Authority – similar to Telford & Wrekin Council – put forward a series of proposals to Government for negotiation. These proposals are broadly about:

- Significant devolution of funding and financial flexibilities to support a locally-controlled ten year investment fund totalling £8 billion to take forward a transport investment plan and explore means of increasing the supply of new development land;
- Implementation of the HS2 Growth strategy;
- An integrated new employment and skills system for the West Midlands, supporting school leavers, helping more people into work and providing skills to match the needs of local businesses;
- The transformation of public services for "troubled individuals", including support for people with mental health and reforms to the Criminal Justice system.

Negotiations about the formal creation of the WMCA and its devolution deal remain ongoing and are confidential.

5.9 It is important to be very clear that there are two distinct, but inter-twined, strands to the Combined Authority agenda. The first is the formal creation of a Combined Authority (and it is clear that this will only involve, subject to respective councils' approval processes, the 7 metropolitan councils listed above), and the second is the Devolution Deal that can be negotiated with Government, with certain aspects of it on a potentially wider geographic footprint.

5.10 In a recent joint visit to Birmingham, the Chancellor, Secretary of State for Communities & Local Government and Lord Heseltine made it clear that there was an opportunity for the West Midlands to respond to the Government's Devolution approach, but that this would require a speedy and ambitious response from the local authorities. They also urged engagement with the neighbouring areas, in particular, those other authorities within the 3 LEAs, however not exclusively so. For these other authorities who are not formally part of the Combined Authority, there is the opportunity to consider being a Non-Constituent member.

#### **5.11 WHAT IS A NON-CONSTITUENT MEMBER OF THE COMBINED AUTHORITY**

Only those councils that the Combined Authority geographically covers can be full members. They are called Constituent Members and form the core decision-making body of the Combined Authority. By law the constituent members of the combined authority have to form the majority of members of the Combined Authority. Clarification is still being sought from central government to see if that can be achieved by providing for weighting of votes of constituent members rather than simply number of individual members which would then limit the number of non-constituent members who might join.

5.12 Associate membership is available for those bodies such as other councils outside of the geographical area of the Metropolitan Borough Councils. This type of associate membership is formally called Non-Constituent Membership, and effectively means that they are not in the geographic area of the Combined Authority but are closely associated with it and their role is as defined by local agreement with the Constituent Members. Non-Constituent Membership will provide the opportunity for the bodies to build on their relationship with the

bodies that comprise the Combined Authority; attend Combined Authorities Meetings; have the opportunity to take a shared strategic approach in the development of significant policy areas; utilise and contribute to joint working and discussion/lobbying of Government; share communication and channels for opportunities as part of any future devolution of powers and, if agreed by the Combined Authority, vote on certain matters.

5.13 In setting this out, it is very important to be explicit that an authority which becomes a Non-Constituent member:

- Continues to be responsible for and deliver its own economic development, regeneration, skills, transport and any other functions and its governance arrangements do not change at all;
- Does not come under the remit of an elected mayor for the WMCA.

In short, a Non-Constituent member is not a full or formal member of the Combined Authority.

#### **5.14 A DEVOLUTION DEAL FOR TELFORD & WREKIN**

At the Cabinet meeting on 17<sup>th</sup> September, members endorsed the Telford & Wrekin “devolution deal” that was submitted on 4<sup>th</sup> September, and which had the support of the Chair of Telford Business Board. The Cabinet also authorised the Managing Director to undertake discussions with Government departments, agencies and other organisations to seek to progress the Council’s proposals.

5.15 Telford & Wrekin has a proven track record for enabling economic growth for the benefit of all our communities:

- We have secured the MOD national logistics hub – safeguarding and creating jobs;
- By cutting red tape we have secured investment by international companies including BAE, GKN, Heinz and Muller and new companies like Filtermist at T54;
- We have also invested in our Job Box scheme reducing youth unemployment below the national average in a little over a year and ensuring our young people benefit from new jobs.

To build on this success we have now designated the whole Borough as an ‘enterprise area’ – Enterprise Telford – which is open for business.

5.16 Government has recognised our delivery and we have built a close partnership with the HCA. We are negotiating a land deal with HCA and Government that will see the Council take control of all public development land in the Borough so we can determine the pace and type of development and for the first time benefit directly from a share in the uplift in value from the sale of this land after upfront investment and management by the Council.

5.17 In our devolution proposals, we have put forward asks that build on our success and will deliver more jobs, increase skills and employment and improve the lives of residents in our most deprived communities.

5.18 We are asking Government to allow us:

- To retain growth in business rates which we will reinvest into infrastructure like roads, education and skills, and services;

- to have greater responsibility for commissioning skills provision so we can ensure our young people are equipped for local jobs and our businesses can find the skills they need to grow;
- to manage delivery of national business support programmes so they are easy to access by local businesses;
- To improve connectivity by public transport between our borough towns, and particularly our most deprived neighbourhoods, and employment sites.

5.19 Government is currently reviewing the future of the HMRC ICT contracts. These are currently delivered by major local employers – Cap Gemini and Fujitsu. With our high concentration of tech workers and growing number of companies in the digital sector – we are asking Government to work with us and our universities to develop a ‘digital hub’ – safeguarding jobs and supporting development in technology and IT - across all our businesses.

5.20 Telford is on the up – we are leading growth in the Midlands – but we want to do more to sustain this and we are asking Government to work with us to improve the lives of our residents. Annex C sets out the ‘Devolution Deal’ that the Council has submitted to Government.

## **5.21 SHOULD TELFORD & WREKIN SEEK TO BE A NON-CONSTITUENT MEMBER OF THE WMCA**

Telford & Wrekin Council is a member of the Marches LEP and has no plans to change this. However, the Council can, in addition, also seek to be a Non-Constituent member of the WMCA. There are a number of potential advantages to pursuing this:

- The West Midlands CA is negotiating a major package of funding and financial flexibilities.
- In its own proposed ‘Devolution Deal’, it is likely, though cannot be confirmed, that TWC has sought a number of the same or similar flexibilities as the CA. A formal relationship with the CA as a partner committed to collaborating to deliver economic and employment outputs, gives greater coherence and relevance to TWC’s proposals and should/could facilitate a faster, more productive and positive discussion with Government.
- The T&W area and economy in particular has very strong links to the West Midlands.
- TWC shares many of the CA’s key focuses around inward investment, economic growth (Telford & Wrekin has the most available ready-to-go employment land in the Midlands), increasing the supply of employment land, integrating employment and skills, helping more people into work, providing the skills locally to match the needs of business, integrating public transport provision, working better and in a more integrated way across public services to better support and prevent families with complex needs.
- The ‘Midlands Engine for Growth’ will be a key focus for Government policy development, economic growth and inward investment as directed and supported by UKTI. It will become a strong brand with high visibility nationally and internationally. It is likely to be beneficial to TWC’s ‘Destination Telford’/‘Enterprise Telford’ initiatives, significantly extending their reach, if we were able to brand these as part of the ‘Midlands Engine for Growth’.

- As a non-constituent area, this could potentially enable the CA to invest in things like infrastructure and skills development in Telford & Wrekin – providing they can attribute some of the benefits to the CA (i.e. the West Midlands and the economic and growth outputs that it is committing to). There can be no guarantees on this as the CA will need to prioritise its funding. However, if we have no formal relationship and collaborative conversations, we can be fairly clear there would be much less opportunity for this.

5.22 We have been informed that the deadline for seeking Non-Constituent member status is 13<sup>th</sup> October 2015.

5.23 Annex D illustrates the strength of economic and other links that exist between Telford & Wrekin and the wider West Midlands and the value that the Borough's non-constituent membership would bring to the CA, an important factor as any request for membership by TWC will need to be agreed by the CA and DCLG.

5.24 The Council is already in advanced discussions to formally become, along with all metropolitan councils, Shire and Unitary authorities in the region, a member of West Midlands Rail Ltd which will develop and oversee the new West Midlands Rail Franchise aiming to have greater influence and management over the local rail network.

## 6. **PREVIOUS MINUTES**

None.

## 7. **BACKGROUND PAPERS**

Statement of Intent by WMCA.

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