

Cabinet

14 September 2023

Devolution for Warwickshire & West Midlands Combined Authority

Recommendations

That Cabinet:

- 1) Formalises its decision not to progress the opportunity for Warwickshire County Council to become a constituent member of the West Midlands Combined Authority (WMCA) at this time; and
- 2) Reconfirms its commitment to the WMCA as an active non constituent member of the WMCA and agrees to pursue the opportunities for Warwickshire that the exploration work has highlighted, as set out in this report.

1. Executive Summary

- 1.1 On 13 July 2023, Cabinet considered a report about the West Midlands Combined Authority (WMCA) and devolution for Warwickshire. At that meeting, Cabinet resolved to explore the opportunity for Warwickshire County Council, as a two-tier authority area, to become a full constituent member of the West Midlands Combined Authority (WMCA) and other options that may be available and to report back to Cabinet.
- 1.2 A window of opportunity ahead of the WMCA Mayoral elections in May 2024 existed to extend constituent membership to Warwickshire County Council, resulting, if progressed, in all six Warwickshire Councils becoming full constituent members of the WMCA.
- 1.3 Government indicated that it would be imperative that the Council was in a position to submit an application, including the summary of responses to an eight week public consultation exercise, by mid-October. This tight timeframe was required to enable relevant legislative drafting and orders to be made before the statutory deadlines ahead of the Mayoral elections.
- 1.4 Work therefore commenced in earnest to explore the opportunity for Warwickshire County Council to become a full constituent member of the West Midlands Combined Authority. This work included:

- gaining more insight into the current operational arrangements and the benefits that could be realised from the extension of the WMCA Deeper Devolution Deal to Warwickshire;
- considering the extent of the strategic alignment between the priorities of the WMCA and the Warwickshire Councils, the financial implications and the potential risks;
- gaining a more in-depth understanding of the existing WMCA functions and the split between Mayoral and Non-Mayoral (WMCA) functions;
- starting to explore in more detail what full constituent membership could mean for the operation of existing functions of the Warwickshire Councils (primarily transport, roads, economic regeneration, housing, employment, skills and adult education);
- starting to consider in more detail what full constituent membership could mean in terms of governance arrangements (membership, voting etc); and
- undertaking work on the development of a Governance Review and a draft Scheme, both legal requirements for progressing to public consultation.

1.5 Whilst the work undertaken was of significant value in terms of deepening our understanding of the WMCA and the potential extensive benefits and also risks that full constituent membership could bring for Warwickshire, it became increasingly apparent that it was not possible to complete the complex work required and undertake a robust, credible public consultation within the timeframe set by Government.

1.6 Given the importance of ensuring that a major change such as this is given the time and consideration it merits, it was considered that the process should not be progressed at this time.

1.7 This report therefore sets out a summary of the work completed to date. It details how the Council's continued commitment to the WMCA as an active and fully engaged non constituent member could achieve ongoing benefits for Warwickshire, with alternative options for the County Council and Warwickshire in relation to the devolution agenda.

2. Work Completed to Date

2.1 The proposal required the completion of two specific products, a Governance Review and a Scheme, together with completion of consultation documentation to support a public consultation exercise across Warwickshire and the wider WMCA geographical area.

2.2 **The Governance Review** is intended to consider the statutory test for expansion of the combined authority area under S.111 of the Local Democracy, Economic Development and Construction Act 2009 (the 2009

Act) – in the case of Warwickshire and its 6 Councils, *whether the expansion of the WMCA to include the geographical area of Warwickshire would be likely to improve the exercise of statutory functions in relation to the expanded WMCA area.*

2.3 In order to assess the statutory test, the work completed to date has included the following;

2.3.1 A headline assessment of Warwickshire's contribution to the West Midlands region (**Appendix 1**);

2.3.2 A mapping exercise of the strategic aims and functions of the WMCA against the associated aims and functions, as relevant to a combined authority, of the six Warwickshire Councils, recognising that a large number of local government services would remain out of scope (e.g. adult social care and health, public health, children's services, libraries, Fire and Rescue Service, leisure and recreation, trading standards and environmental health, parking, community protection, waste collection and disposal) (**Appendix 2**);

2.3.3 A detailed overview of the current governance arrangements across Warwickshire and the wider West Midlands;

2.3.4 Detailed service profiles across five key WMCA themes (transport, net zero, economic development, land, housing & digital infrastructure, employment & skills), exploring current arrangements and functional alignment, potential connections and opportunities alongside risks for the service areas;

2.3.5 An indication of the financial implications and considerations for Warwickshire and the WMCA, recognising that further work on this would have been required to progress.

2.4 **The Scheme** is intended to set out the operating arrangements and how things would work in practice were the area of the WMCA to be expanded to include Warwickshire. Developing a draft Scheme is a legal requirement in that it forms the basis of the public consultation exercise, and the constitutional arrangements which would need to be put into place.

2.5 In the case of Warwickshire, the Scheme would be based on the WMCA being a continuing authority which would be expanded to include the county of Warwickshire and its six Councils. Whilst in large part the WMCA would continue to operate as currently, albeit over a wider geographical footprint, the application of the existing WMCA functions and governance arrangements to a two-tier area such as Warwickshire presents a level of complexity and of detail that would be required across a number of specific areas including:

- Membership – the number of councillors appointed to the WMCA;

- Voting – whether the existing voting arrangements would subsist or be varied;
- Business Rates – how/if the arrangements agreed under the Deeper Devolution Deal would extend to Warwickshire;
- Transport Levy – how the arrangements would work for Warwickshire and/or if a differentiated approach would be required to reflect the fact that rural Warwickshire would unlikely benefit from the West Midlands transport infrastructure to the same extent;
- Roads – how the arrangements for maintenance of the designated ‘Combined Authority Roads’ could / should be extended to Warwickshire;
- Housing – the impact on any housing targets across Warwickshire and the West Midlands;
- Finances – how the membership fee and any existing financial commitments would work for Warwickshire.

2.6 Due to the complexity of the arrangements, and the operational detail that remained to be resolved in further dialogue with the WMCA and its current constituent members, the Warwickshire District and Borough Councils and key stakeholders, it was not possible in the time available to conclude the Governance Review nor reach a firm conclusion on whether the statutory test would be met. Nor was it possible to finalise a draft Scheme to the level of detail required for a public consultation to a timeframe which required submission to Government by mid-October.

2.7 However, the work undertaken to date has demonstrated the potential for additional opportunities and benefits to Warwickshire that could be achieved through deeper engagement with the WMCA and these are set out in more detail in Section 3 below.

3. Opportunities through closer alignment with the WMCA

3.1 The work undertaken to date has reinforced the strength of Warwickshire as a contributor to the West Midlands (Appendix 1). It has also highlighted the strong strategic alignment both in terms of functional economic geography and strategic aims across the WMCA, the County Council and the Warwickshire District & Borough Councils (Appendix 2).

3.2 This, coupled with the extent of the funding and devolved powers agreed between Government and the WMCA in relation to the Deeper Devolution Deal, indicated not only the scope of the potential benefits for Warwickshire but also the potential added value to the WMCA of its constituent membership being extended to include Warwickshire.

3.3 The potential headline benefits for Warwickshire of full constituent membership, as well as a number of areas of uncertainty and potential risk identified through the work undertaken are summarised in the table below,

Potential benefits	Areas that required future clarification
<ul style="list-style-type: none"> • Improved exercise of statutory functions- services and strategies across a broader economic footprint • Access to funding & investment and creating economies of scale • Increased powers and influence • Future proofing Warwickshire interests 	<ul style="list-style-type: none"> • Approaches to distributing resources across all WMCA members • Reflecting Warwickshire’s character and composition • Clarity of how powers and strategies would be accessed and applied in practice

- 3.4 The exploration work undertaken has also confirmed a number of areas where an enhanced relationship with the WMCA (on the current standing) could bring additional benefits to Warwickshire:
- maximising the benefits to non-constituents of the Deeper Devolution Deal;
 - collective working and sharing of practice on Net Zero;
 - closer working on transport, with the potential for extension of ticketing arrangements for example and bilateral agreements with the WMCA; and
 - continuing support for specific initiatives which are mutually beneficial to Warwickshire and to the wider West Midlands economy e.g. Transforming Nuneaton, and the inclusion of the Coventry & Warwickshire Gigafactory site as a potential Levelling Up Zone that could benefit from enhanced and targeted fiscal measures. The gigafactory is the preferred site for the WMCA proposal of a combined LUZ/LIZ
- 3.5 It is proposed that these areas in particular are taken forward in dialogue with the WMCA, involving the District and Borough Councils in Warwickshire should they wish, as potential areas of opportunity for Warwickshire and the wider region.
- 3.6 Within Warwickshire we have an additional opportunity to strengthen the strategic alignment between the Councils within Warwickshire, the sub-region and region as the County Council progresses the following county-wide strategies over the next 6-12 months:
- Local Transport Plan;
 - Sustainable Futures Strategy;
 - Economic Growth Strategies for Warwickshire and Coventry & Warwickshire;
 - Education Strategy (including Adult Education);
 - Skills strategy;
 - Physical places framework.
- 3.7 Together these approaches will allow for ongoing and closer working across the region.

4. Future options and opportunities for devolution

4.1 One of the major attractions of pursuing full membership of the WMCA was to benefit from significant devolution of powers and funding offered by the Deeper Devolution Deal, something which to date, has not been accessible to its fullest extent for non-constituent members.

4.2 In the paper to Cabinet in July a number of alternative options to pursuing full membership of the WMCA were set out, not all mutually exclusive:

Option 1	Pause pursuit of a Warwickshire Level 2 devolution deal
Option 2	Continue to pursue with Government a standalone Level 2 (non mayoral) Devolution Deal for Warwickshire
Option 3	Continue to pursue the benefits of the WMCA Deeper Devolution Deal as a non-constituent member
Option 4	Explore Warwickshire's addition to the WMCA Devolution Deal(s) as a result of Constituent Membership of the WMCA

4.3 With Option 4 now not being progressed at the current time, it remains prudent to revisit the other three options and consider if there are any viable alternatives. The next opportunity for entry as a full constituent member would be at the 2028 Mayoral elections.

4.4 As it stands the Council does not envisage that a stand-alone Level 2 Devolution Deal for Warwickshire would be progressed by Government as a priority (Option 2). Level 2 deals offer fewer powers than Level 3 deals and can be concluded with county councils or combined authorities that are not led by a directly-elected mayor. Informally, Government has been clear that it does not have the capacity to devote to the development of Level 2 Devolution Deals. Only Level 3 deals are being progressed. Option 2 therefore remains a possibility for the future however is not one that would see the benefits of devolved funding and powers accruing to Warwickshire in the short to medium term. By implication, this suggests that currently, we should not invest further time or resources in pursuing a Level 2 devolution deal for Warwickshire (Option 1).

4.5 A further option that could be considered would be a Level 3 deal for Warwickshire. This option would require a directly elected mayor or directly elected leader for Warwickshire. Although an option, there are a number of other areas pursuing this devolution model which in turn impacts on the capacity within Government to progress such a deal. In addition, to date the preference of the Warwickshire Councils has been not to pursue a directly elected Leader or elected Mayor. This lack of appetite may have changed following the outcomes of the May 2023 local elections, but that remains to be clarified.

4.6 Therefore, whilst all options remain available and could be explored further depending on the local and national context, it is considered that the most appropriate option for the time being is to progress Option 3, maximising the benefits of the WMCA Deeper Devolution Deal as a non-constituent member.

This option makes the best use of the critical work undertaken to date to understand the benefits of full membership of the WMCA and the Deeper Devolution Deal. The areas for specific focus in this context are set out in Section 3 above.

- 4.7 The established approach to Levelling Up across Warwickshire and the local definition which emphasises inequality, social mobility, climate and community power will provide an ongoing focus for collective work within the County and align the WMCA's agenda on inclusive growth and the overall national agenda in this area.
- 4.8 Officers will also continue to monitor the national position on devolution as it evolves and present any further opportunities for devolution for Warwickshire to members as they arise, building on the invaluable work undertaken to date.
- 4.9 In respect of the Council's public sector equality duty under the Equality Act 2010, it is considered unlikely that the decision proposed, and the matters contained in the report, will have any material impact and as such there are not considered to be any specific equalities implications arising from this report.

5. Financial Implications

- 5.1 There are no direct financial implications of this report other than that the County Council's non constituent membership fee (currently £35,000 pa) will continue to apply.
- 5.2 However, it is of note that as a non-constituent member, Warwickshire County Council will not be able to secure the full fiscal benefits of the WMCA Deeper Devolution Deal which are available to constituent members. Equally the County Council will not incur potential costs associated with constituent membership such as the full constituent membership fee, the transport levy, or financial contributions to existing and/or future WMCA commitments.

6. Environmental Implications

- 6.1 One of the most significant points of alignment between the WMCA and the County and District & Borough Councils is climate change and net zero.
- 6.2 The work undertaken to date has confirmed this and has highlighted the key potential benefits for Warwickshire and also the connections to both the mainstream work of the WMCA and the Deeper Devolution Deal.
- 6.3 These will subsequently continue to be pursued through non-constituent membership status and where possible, reflected in the updated Sustainable Futures Strategy when presented back to Cabinet for approval later this year.

7. Timescales associated with the decision and next steps.

- 7.1 There was an immediate and pressing window of opportunity for Warwickshire County Council to explore the opportunity of becoming a full constituent member of the WMCA. It would not have been in the interests of Warwickshire residents or business to forgo the opportunity to at least explore the option.
- 7.2 Whilst the timeframes set by Government have not enabled us to take forward this option at this time, the work undertaken to reach this point has been invaluable and provides a solid platform on which to consider, on a more informed basis, any future devolution opportunities which might arise.
- 7.3 Whilst the County Council will not be pursuing full constituent membership of the WMCA at this time, the Council will remain committed to the WMCA as an active and fully engaged non-constituent member and will seek to maximise the benefits for Warwickshire from the Deeper Devolution Deal which is expected to be ratified by the WMCA constituent members in the Autumn. Further reports will be brought back to Cabinet as necessary.

Appendices

Appendix 1: Warwickshire's contribution to the West Midlands region

Appendix 2: Strategic alignment - WMCA, Warwickshire County, District & Borough Councils

Background Papers

Developing a Devolution Deal for Warwickshire – Cabinet, March 2022

Levelling Up and Devolution for Warwickshire, - Cabinet, May 2022

A Countywide Approach to Levelling Up in Warwickshire, - Cabinet, July 2022

Developing Devolution Deal for Warwickshire – May 2023

West Midlands Combined Authority and Devolution for Warwickshire – Cabinet, July 2023

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The report was circulated to the following members prior to publication:

Local Member(s): N/a – county wide matter
Other members:

APPENDIX 1 – Warwickshire’s contribution to the West Midlands

Warwickshire typically performs well across many of the headline economic, social and health and wellbeing indicators. Although, like all counties, there are pockets of significant inequalities within Warwickshire, in overall terms the County often exceeds the regional average on most of the recognised metrics.

- ❖ Warwickshire and Coventry share a recognised functional economic geography which has traditionally performed well. Between 2010 and 2020, the sub-region experienced growth in Gross Value Added (GVA) per hour worked of 33.1%, compared to an average across the WMCA area of 29.3%.
- ❖ Coventry & Warwickshire have several cross-cutting sectors that are of high priority to the functional economic geography of the sub-region, including automotive and advanced manufacturing, creative industries & ICT, professional services and culture & tourism.
- ❖ In 2021, the Gross Value Added (GVA) of the West Midlands region was £146bn, of which Warwickshire contributed £20bn or 13.4% while only having 10% of the region’s population. Warwickshire’s GVA per hour worked is around 16% above the regional average.
- ❖ The survival rate for new businesses is typically stronger in Warwickshire than the wider region. In 2021, 44% of businesses created in 2016 were still operating, compared to 35% across the West Midlands region as a whole.
- ❖ In terms of employment and skills, Warwickshire offers a strong start to life with 88% of pupils attending schools judged 'good' or 'outstanding' by Ofsted, compared to 85% across the West Midlands region. In 2021, 62% of 19-year-olds in Warwickshire were qualified to Level 3 (two or more A-levels or equivalent), compared with 57% for the West Midlands region as a whole.
- ❖ On average, Warwickshire contributes opportunities for more highly skilled and highly paid jobs. In 2022, the median gross weekly wage in Warwickshire was £578, compared with £516 across the West Midlands region. Nearly half (49%) of employed people in Warwickshire are in managerial or professional occupations, while the figure for the West Midlands region is 42%.
- ❖ The County of Warwickshire has a rich culture and heritage with an international profile. Home to Shakespeare, George Eliot, castles, canals and the birthplace of rugby; tourism is worth over £1.1billion to the local economy, and Warwickshire acts as a springboard, bringing visitors into the wider West Midlands region.
- ❖ Across the County there are clusters of creative producers, artists, venues and attractions, and a particular business strength in the digital creative industry centred on the gaming sector predominantly in Leamington.

APPENDIX 2 – Strategic alignment - WMCA, Warwickshire County, District & Borough Councils

The table below maps the relevant strategic objectives as taken from the most recent, publicly available plans for the WMCA, County and District & Borough Councils:

WCC Strategic aims	District & Borough Councils Strategic aims	WMCA strategic aims
Promote inclusive, sustainable economic growth, successful businesses, good quality jobs and future skills	Sustainable growth, protected rurality Economy Work Working on regional, national, and international stages Nurturing a thriving, innovative and inclusive economy Infrastructure, enterprise, employment	To promote inclusive economic growth in every corner of the region and stimulate the creation of good jobs
Deliver major infrastructure, digital connectivity and improved transport options. Create vibrant places with safe and inclusive communities	Visit and Work Safe, liveable, locally focussed communities Health, homes, communities Infrastructure, enterprise, employment Enhancing the quality of place Health & Communities	To connect our communities by delivering transport, unlocking housing and regeneration
Tackle climate change, promote biodiversity and deliver on our commitment to Net Zero	Climate Green, clean and safe Responding to the climate emergency Live – Sponsor a sustainable green approach Sustainable growth, protected rurality	To reduce carbon emissions to net zero, enhance the environment and boost climate resilience
Support people to live healthy, happy, and independent lives and work with partners to reduce health inequalities	Prosperous and healthy Health & Communities Live Health, homes, communities Putting residents and communities centre stage	To ensure everyone has the opportunity to benefit as the region recovers from Covid 19, improves resilience and tackles long-standing changes