



HM Treasury



**WEST MIDLANDS**  
COMBINED AUTHORITY

# **WEST MIDLANDS COMBINED AUTHORITY DEVOLUTION AGREEMENT**



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## **DEVOLUTION AGREEMENT BETWEEN GOVERNMENT AND THE WEST MIDLANDS COMBINED AUTHORITY SHADOW BOARD**

This document sets out the terms of a proposed agreement between the West Midlands Combined Authority Shadow Board and the government to move forward with a radical devolution of funding, powers and responsibilities. Final agreement is conditional on the legislative process, the Spending Review, further public engagement, agreement by the constituent councils, and formal endorsement by the Shadow Board and Ministers early in the New Year.

The local authorities and the Greater Birmingham and Solihull, Coventry and Warwickshire and the Black Country Local Enterprise Partnerships (LEPs) have made significant progress in a very short time, coming together, not only to publish proposals for the creation of a West Midlands Combined Authority, but to secure an ambitious devolution agreement at the same time. This agreement is recognition of that unique shared commitment to the future of the West Midlands.

The West Midlands stands at a moment of great economic potential, as it performs increasingly strongly on growth, inward investment and exports and looks forward to the game changing investment in HS2 over the next decade. The above three LEPs have indicated their intention to work together to form an ambitious single Strategic Economic Plan. The government welcomes and supports this cooperation. The government will work with the proposed Combined Authority to ensure that devolution supports the public and private sector of the West Midlands to grasp these opportunities, including taking forward the HS2 Growth Strategy.

On an even larger scale, there is the opportunity to deliver significant additional economic growth and job creation through the Midlands Engine. The government has set out its support for the Midlands Engine and applauds the West Midlands Combined Authority Shadow Board's continuing positive engagement with this agenda, including the Midlands Connect programme of cross-regional transport connections.

Devolution must enable the West Midlands to tackle the economic and social challenges that the region faces. The agreement includes powers to support adult skills provision and employment support, and the ability to create an integrated approach to local public transport, including a single smart ticketing system.

This agreement is the first step in a process of further devolution. The government will continue to work with the West Midlands on important areas of public service reform to enable people to reach their full potential, including policing, mental health, troubled individuals and youth justice.

The agreement is based on the establishment of a mayor for the West Midlands metropolitan area working as part of the combined authority with a cabinet of council leaders and subject to local democratic scrutiny. However, given the importance of existing collaboration across the three LEP geography, which is an important economic geography for the West Midlands area, as well as with neighbouring areas, the agreement recognises that the wider partnership with business through the LEPs and with neighbouring councils will be critical to success.

The formal deal would enable the Combined Authority to create an investment fund of over £1 billion through a 30 year revenue stream and locally raised finance. An incoming Mayor would have the option, on the basis of support from business, to raise up a business rate supplement. Further details will be set out at and following the Spending Review through a place-based settlement.

We have a shared confidence in the economic potential of the West Midlands and a shared belief in the power of devolution to help fully realise that potential. Devolution will enable the proposed West Midlands Combined Authority to deliver outcomes that matter to local people: more jobs, better training and improved skills, faster, more convenient and more integrated transport links and more new homes. The government and local political and business leaders have worked together to reach this agreement, and will now work together to champion further meaningful and radical devolution and to secure strong public support for this devolution deal.



**Summary of the proposed devolution deal agreed by the government and the West Midlands Combined Authority Shadow Board supported by the Greater Birmingham and Solihull, Black Country and Coventry and Warwickshire Local Enterprise Partnerships.**

A new, directly elected Mayor for the West Midlands will act as Chair to the West Midlands Combined Authority (WMCA) and will exercise the following powers and functions devolved from central government:

- Responsibility for a consolidated, devolved transport budget, with a multi-year settlement to be agreed at the Spending Review.
- Responsibility for franchised bus services, which will support the WMCA's delivery of smart and integrated ticketing across the Combined Authority's constituent councils.
- Responsibility for a new Key Route Network of local authority roads that will be managed and maintained at the Metropolitan level by the WMCA on behalf of the Mayor.
- Planning powers will be conferred on the Mayor, to drive housing delivery and improvements in housing stock, and give the same competencies as the HCA. The government will also work with the WMCA Land Commission.

The WMCA will receive the following powers:

- Control of a new additional £36.5 million a year funding allocation over 30 years, to be invested to drive growth.
- Devolved 19+ adult skills funding from 2018/19, with the Shadow Board responsible for chairing Area Based reviews of 16+ skills provision.
- Joint responsibility with the government to co-design employment support for the hardest-to-help claimants.
- Responsibility to work with the government to develop and implement a devolved approach to the delivery of business support programmes from 2017 and deliver more integrated working together on investment and trade.

In addition the government:

- Supports the ambition of the HS2 Growth Strategy and the emerging West Midlands Strategic Transport Plan, and commits to funding the Curzon Street Enterprise Zone extension in order to help deliver this strategy.

## Governance

1. The proposal for a Mayoral Combined Authority is subject to the final formal consent of the West Midlands Combined Authority Shadow Board, the constituent councils, agreement of ministers, and to the Parliamentary process for the necessary primary legislation (The Cities and Local Government Devolution Bill and the proposed Buses Bill) and subsequent orders.
2. The Mayor will be the Chair and a member of the proposed Combined Authority and subject to the Authority's Constitution and associated procedures (to be amended in the light of the introduction of a Mayor). The powers contained in this deal document will be devolved from the government to the Mayoral Combined Authority. The Mayor will exercise certain powers, with personal accountability to the electorate, devolved from central government and set out in legislation:
  - Responsibility for a consolidated, devolved transport budget to be agreed at the Spending Review.
  - Powers over the franchising of bus services in the Combined Authority area, subject to necessary legislation and local consultation.
  - Responsibility for an identified Key Route Network of local authority roads that will be collaboratively managed and maintained at the Metropolitan level by the Combined Authority on behalf of the Mayor.
  - The ability to place a supplement on business rates to fund infrastructure, with the agreement of the relevant local enterprise partnership boards, up to a cap.
- Planning powers will be conferred on the Mayor, to drive housing delivery and improvements in housing stock, and give the same competencies as the HCA. The government will also work with the WMCA Land Commission.
3. Other members of the proposed West Midlands Combined Authority (to be renamed as a Cabinet) will become portfolio leads for aspects of the combined authority's responsibilities, on the basis to be set out in its constitution, and agreed with the Mayor.

4. The Mayor for the West Midlands Combined Authority area will be elected by the local government electors for the area of the proposed West Midlands Combined Authority – the areas of the constituent councils of Birmingham City Council, City of Wolverhampton Council, Coventry City Council, Dudley Metropolitan Borough Council, Sandwell Metropolitan Borough Council, Solihull Metropolitan Borough Council and Walsall Metropolitan Borough Council. Subject to parliamentary time allowing for the passage of legislation through parliament, the first election will be held in May 2017. Any powers devolved in the interim will, subject to its establishment, be exercised by the West Midlands Combined Authority.
5. Proposals for decision by the Combined Authority may be put forward by the Mayor or any Cabinet Member. Any questions that are to be decided by the Combined Authority are to be decided by way of two thirds majority of constituent members and overall majority of all members present and voting, subject to those majorities including the vote of the Mayor, unless otherwise specifically delegated through the Authority's Constitution or where it is agreed that specific issues will be reserved for unanimous or constituent member majority voting only.
6. The Cabinet will examine the Mayor's draft annual budget, plans and strategies and will be able to reject them if two-thirds of the constituent council members agree to do so, subject to the circumstances set out in the Mayoral Order.
7. The proposed Combined Authority would have Overview and Scrutiny arrangements and these will be retained, subject to any amendments required to reflect the introduction of the Mayor and any new statutory provisions.
8. Any transfer to the Combined Authority or Mayor of existing powers or resources currently held by the constituent authorities must be by agreement of all constituent members.
9. Further apportionments of funding streams that are already allocated to the Greater Birmingham and Solihull LEP on the basis of the existing overlap formula with Stoke and Staffordshire LEP and Worcestershire LEP will continue to be allocated in this way. This only applies to the Greater Birmingham and Solihull LEP as there are no overlaps with other LEPs for Black Country and Coventry and Warwickshire.

10. Additional funding or budgets that are devolved as a result of this agreement will go to the West Midlands Combined Authority, subject to its establishment. The West Midlands Combined Authority must exercise functions in relation to its area (i.e. it may invest outside the constituent members of the Combined Authority if that investment can be said to relate to its area – in other words not only in its area).
11. This deal relates to the devolution of funding and powers to a Combined Authority with constituent councils as currently proposed. However, following this deal, where appropriate and with local agreement, the government commits to exploring with the West Midlands how best to extend devolved budgets and powers across the three LEP geography and include neighbouring councils in devolution where possible.
12. It is essential that Birmingham continues to robustly pursue the implementation of the improvements recommended by the Kerslake Review. This will ensure that the benefits intended from the creation of the proposed West Midlands Combined Authority and through this devolution deal can be fully realised.

## **Finance and Funding**

13. If established, the Combined Authority will create a fully devolved funding programme covering all domestic budgets for devolved functions (“The West Midlands Investment Fund”), accountable to the Combined Authority subject to the details set out in this document. The Fund will operate as a single programme, bringing together resources for economic growth, skills and employability, regeneration, transport and housing; including future allocations from the Local Growth Fund if agreed locally. The Combined Authority will demonstrate an objective means with which to assess interventions and programme design so that these are aligned to their balanced economic outcomes for the area.
14. The agreement of this deal shall not in any way limit or prevent the proposed West Midlands Combined Authority from bidding for future allocations of national funding nor will it change any previous funding agreements made with the West Midlands.

15. As an initial allocation to the Investment Fund, the government will make an allocation of £36.5 million a year for 30 years in revenue funding, allowing the West Midlands Combined Authority to create an investment fund of over £1 billion, subject to a jointly agreed 5-yearly gateway assessment process to confirm the investment has contributed to economic growth. The emerging West Midlands Combined Authority Performance Framework is being developed as a local monitoring tool and government will discuss with the Combined Authority whether this can be incorporated into the assessment process. In addition, the Mayor will be given the power to place a supplement on business rates to fund infrastructure, with the agreement of the relevant Local Enterprise Partnership boards, up to a cap.
16. The Cities and Local Government Devolution Bill currently in Parliament makes provision which will govern further prudential borrowing for Combined Authorities. Following Royal Assent, the government will work with the West Midlands Combined Authority Shadow Board to determine how these powers could apply within a framework of fiscal responsibility and accountability to the Combined Authority and local authorities.
17. The Combined Authority and government will pilot a scheme which will enable the Combined Authority to retain all business rate growth that would otherwise have been paid as central share to government, above an agreed baseline, for an initial period of five years. The government and the Combined Authority will also discuss wider localisation of business rates.
18. The West Midlands Combined Authority Shadow Board has supported bids for additional Enterprise Zones at Brierley Hill, Dudley, and extensions to the Black Country Enterprise Zones – i54 and Darlaston – as part of the current bidding round for further Enterprise Zones. The government is actively considering the business cases and will bring forward decisions as part of the Spending Review.
19. However, in order to support the Combined Authority Shadow Board’s HS2 Growth Strategy, the government agrees to support the Curzon Street Enterprise Zone and approves the business case.
20. The government is committed to working with the Combined Authority to achieve Intermediate Body status for European Regional Development

Funding and European Social Funding for the Greater Birmingham and Solihull LEP, to complement other aspects of this devolution deal. The government will work with the Combined Authority Shadow Board to test whether it will be possible to implement and if so, government and Greater Birmingham & Solihull LEP will work together to agree a timetable to put this in place

## Skills

21. The government recognises the importance of the existing collaboration between the three Local Enterprise Partnerships on employment and skills. The government is committed to working with the Combined Authority Shadow Board to ensure that, subject to the readiness conditions being met, when skills devolution to the proposed Combined Authority occurs it supports the creation of an effective and coherent Employment and Skills Strategy, which addresses shared challenges over the geography of the three LEPs.
22. The government commits to working with the Combined Authority on Area Reviews of post-16 education and training across the West Midlands. The reviews will be chaired by the Combined Authority and will include all post-16 education and training provision in the initial analysis phase. Recommendations will be focused on general Further Education and Sixth Form Colleges, however the Regional Schools Commissioner and the relevant local authorities will consider any specific issues arising from the reviews for school sixth form provision.
23. The government commits to working with the Combined Authority to support the further development and implementation of the Employment and Skills strategy. This will draw on an evidence base informed by the Area Reviews and labour market intelligence to create the overarching strategic framework for delivering devolved responsibilities. The Employment and Skills Strategy will cover the Combined Authority area, but will also take into account the broader geography of the three LEPs.
24. The government will enable local commissioning of outcomes to be achieved from the 19+ adult skills budget starting in academic year 2016/17; and will fully devolve budgets to the Combined Authority from

academic year 2018/19 (subject to readiness conditions). These arrangements do not cover apprenticeships.

25. Devolution will proceed in three stages, across the next three academic years:

- Starting now, the Combined Authority Shadow Board will begin to prepare for local commissioning. It will develop a series of outcome agreements with providers, about what should be delivered in return for allocations in the 2016/17 academic year. This will replace the current system of funding by qualifications as providers will receive their total 19+ skills funding as a single block allocation. This new arrangement will allow the Combined Authority Shadow Board to agree with providers the mix and balance of provision that will be delivered in return for the block funding, and to define how success will be assessed.
- For the 2017/18 academic year, and following the area review, the government will work with the Combined Authority to vary the block grant allocations made to providers, within an agreed framework
- From 2018/19, there will be full devolution of funding. The Combined Authority will be responsible for allocations to providers and the outcomes to be achieved, consistently with statutory entitlements. The government will not seek to second guess these decisions, but it will set proportionate requirements about outcome information to be collected in order to allow students to make informed choices. A funding formula for calculating the size of the grant to local / combined authorities will need to take into account a range of demographic, educational and labour market factors.

26. The readiness conditions for full devolution are that:

- a. Parliament has legislated to enable transfer to local authorities of the current statutory duties on the Secretary of State to secure appropriate facilities for further education for adults from this budget and for provision to be free in certain circumstances
- b. Completion of the Area Reviews process leading to a sustainable provider base

- c. After the Area Reviews are complete, agreed arrangements are in place between central government and the Combined Authority to ensure that devolved funding decisions take account of the need to maintain a sustainable and financially viable 16+ provider base
  - d. Clear principles and arrangements have been jointly agreed between central government and the Combined Authority for sharing financial risk and managing failure of 16+ providers, reflecting the balance of devolved and national interest and protecting the taxpayer from unnecessary expenditure and liabilities.
  - e. Learner protection and minimum standards arrangements are agreed.
  - f. Funding and provider management arrangements, including securing financial assurance, are agreed in a way that minimises costs and maximises consistency and transparency.
27. To ensure continued local collaboration following the Area Reviews, the Combined Authority Shadow Board will work in partnership with local colleges and providers to develop the local Skills and Employment Strategy. This will aim to ensure that post-16 providers are delivering the skills that local employers require. It is expected that the Combined Authority Shadow Board will then collaborate with colleges and providers, with appropriate support from the Education Funding Agency, to work towards that plan.
28. The government will work with the Combined Authority Shadow Board to ensure that local priorities are fed into the provision of local careers advice in line with the Employment and Skills Strategy, such that it is employer-led, integrated and meets local needs. In particular, the Combined Authority Shadow Board will ensure that local priorities are fed into provision through direct involvement and collaboration with government in the design of local careers and enterprise provision for all ages, including collaboration on the work of the Careers and Enterprise Company and the National Careers Service.

## **Employment**

29. The proposed West Midlands Combined Authority will work with the Department for Work and Pensions (DWP) to co-design the future employment support, from April 2017, for the hardest-to-help claimants, many of whom are currently referred to the Work Programme and Work Choice. The Employment and Skills Strategy will influence the co-design.
30. The respective roles of DWP and the Combined Authority in the co-design will include:
- DWP sets the funding envelope, the Combined Authority can top up if they wish to, but are not required to.
  - The Combined Authority will set out how they will join up local public services in order to improve outcomes for this group, particularly how they will work with local Clinical Commissioning Groups/third sector organisations and NHS England/the Work and Health Unit nationally to enable timely health-based support.
  - DWP set the high-level performance framework. The primary outcomes will be to reduce unemployment and move people into sustained employment. West Midlands Combined Authority will have some flexibility to determine specific local outcomes that reflect the priorities outlined within the Employment and Skills Strategy and are complementary to the ultimate employment outcome (for example in-work wage progression). In determining the local outcome(s) the Combined Authority should work with DWP to develop the Employment and Skills Strategy which will take account of the labour market evidence base and articulate how the additional outcome(s) will fit within the wider strategic and economic context and deliver value for money.
  - Before delivery commences, DWP and the Combined Authority will set out an agreement covering the respective roles of each party in the delivery and monitoring of the support, including a mechanism by which each party can raise and resolve any concern that arise.
31. In addition, in the event employment support for this group is delivered through a contracted-out programme, the respective roles of DWP and the Combined Authority will include:

- DWP sets the contracting arrangements, including contract package areas, but will consider proposals from the Combined Authority on contract package area geography.
  - The Combined Authority will be involved in tender evaluation.
  - Providers will be solely accountable to DWP, but DWP and the Combined Authority's above-mentioned agreement will include a mechanism by which the Combined Authority can escalate to DWP any concerns about provider performance/breaching local agreements and require DWP to take formal contract action where appropriate.
32. In the event that alternative delivery mechanisms are put in place, comparable arrangements will be put in place.
33. The Combined Authority will develop a business case for an innovative pilot to support those who are hardest to help. The business case should set out the evidence to support the proposed pilot, cost and benefits and robust evaluation plans, to enable the proposal to be considered for funding at a later date, subject to Ministerial approval.

### **Supporting and Attracting Business and Innovation**

34. The government commits to working with the Combined Authority Shadow Board and the Greater Birmingham and Solihull, Black Country and Coventry and Warwickshire LEPs to support the further development and implementation of the three LEP Integrated Business Support Ecosystem. In particular, the government will:
- Review the Inward Investment resource location of regional (IST) staff across the three levels of: Partnership Managers; Business Development and Key Account Management teams, currently in 8 locations nationally. The aim will be to seek to agree options for co-location, under UKTI/IST management, without harming the overall efficiency of the working of the investment model.
  - Establish a joint governance structure with quarterly meetings attended by a Director level representative from both UKTI investment and the Combined Authority. These will provide a forum to discuss progress on co-location, and on account management activity by both

parties. Wherever possible, this structure will be used to review key decisions and initiatives planned and/or implemented by both parties.

- Provide significant closer working with sector specialists in the transport related sectors (Auto, Rail and Aerospace). This will be within a shared governance structure with resources, under UKTI control.
- Ensure a portion of the GREAT campaign budget for overseas based activity is aligned to appropriate West Midlands sector strengths. This activity should be supported by sector based resource in overseas posts who have been specially briefed to have a strong understanding of Midlands Engine and posts who are Matchmaker partners for West Midlands sector strengths.
- Work together on an appropriate portfolio of investable urban regeneration projects which government would help promote to appropriate international investors (through the Regeneration Investment Organisation), potentially as part of a new Midlands Engine proposition.
- Continue devolved inward investment funding for the Drive West Midlands initiative with the Automotive Investment Organisation to be considered as part of the Spending Review, Export Strategy and future sector prioritisation work. This will determine whether funding should be continued until 2020.

On trade, the government will:

- Ring-fence trade services resource within the Combined Authority area based on an agreed export plan with a dual key approach to activities and reporting on outputs and outcomes to the Combined Authority. Ring fenced resource remains subject to departmental budget changes.
- Develop an export plan between the Combined Authority and UKTI HQ which will allow the Combined Authority flexibility, such as a specific local sectoral focus for Passport to Export and mid-sized business schemes or a different mix of products.

35. On other business services, the government will:

- For the Business Growth Service, seek to devolve responsibility through the Growth Hubs within existing contracts as far as possible, subject to agreed protocols for the interface with national schemes.
- Work with the Combined Authority Shadow Board to develop a devolved approach to delivery of business support from 2017 onwards, although what is ultimately devolved will reflect the decisions taken in the Spending Review on the shape of – and level of spending on – business support schemes.
- Work with the Combined Authority to design a joint approach to enterprise start-up activity
- Enter into discussion regarding the Combined Authority’s access to finance needs and how these interact with national access to finance programmes, such as the British Business Bank.

36. On innovation:

- The government recognises the many innovation strengths of the West Midlands, across multiple sectors, and values the contribution they have made towards delivering growth, productivity and high value employment.
- The government will offer the Combined Authority Shadow Board expert advice and support to ensure they are able to put forward a strong proposal for science and innovation audit. An audit would allow the Combined Authority Shadow Board to work with universities, businesses and the Local Enterprise Partnerships to map its strengths, with support from government. Audits will provide a new and powerful way to build on regions’ strengths and maximise the economic impact from the UK’s research base nationally. They will, for example, provide the government with part of the evidence base on which to make decisions on any further catapults.

### **Public Service Reform**

37. The government will engage with the Combined Authority Shadow Board to discuss the outcomes of their Mental Health Commission.

38. The government will support the Combined Authority Shadow Board to co-design and implement approaches to improving the life chances of

troubled individuals (those with multiple problems of homelessness, substance misuse, offending and mental health) and in doing so reduce their cost to public services. The first phase of policy co design will take place within the next months, to be followed by a series of early adoption/ experimentation areas within the region in early 2016, which will be funded by the constituent councils of the proposed Combined Authority. Depending on the outcome of these, the Combined Authority Shadow Board will prepare a business case for further funding, in advance of moving to scale. Relevant early implementation projects and subsequent roll-outs will be agreed jointly with NHS England.

39. The government commits to support the programme of public service reform across the West Midlands. HMT and DCLG will continue to engage with the Ministry of Justice, Department of Health and Home Office to ensure that appropriate support is provided to facilitate the implementation of these reforms.

40. The government commits to a discussion with the Combined Authority Shadow Board about how the government can improve the Combined Authority's ability to use the following national administrative data sets in order to support the Combined Authority's ambition to develop an integrated data system to improve outcomes for individuals with multiple indicators of vulnerability (unemployment, offending, substance misuse, poor mental health and homelessness) while respecting legal and other privacy concerns. These discussions will be informed by the Cabinet Office led data sharing work and commence with the government in early 2016. Subject to further discussion this may include:

- The Prisons Database (held by the Ministry of Justice)
- The Work and Pensions Longitudinal Study (held by the Department for Work and Pensions)

41. Discussions will also take place as to how the government can support the shadow Combined Authority in analysing and interrogating health data sources to improve care whilst respecting legal and other privacy concerns. These will include:

- Hospital Episodes Statistics, Mental Health Minimum Dataset (held by the Health and Social Care Information Centre)

- National Drug Treatment Monitoring System (held by Public Health England)

42. The government recognises that the Birmingham City Council is a member of the One Public Estate Programme, and envisages that the proposed Combined Authority will become a member. The Government Property Unit (GPU) has discussed plans for a major public sector locational hub in Birmingham to allow local, regional and national government bodies to co-locate and take advantage of modern integrated working to reduce costs and increase productivity. This will be run as a joint programme between the Combined Authority and GPU and is envisaged to involve the development of a substantial shared office requirement. In addition, the government commits to support community hub proposals in the two other cities of Wolverhampton and Coventry and a series of neighbourhood service integration pilots across the area of the constituent authorities of the proposed Combined Authority.

### **More and Better Homes**

43. The Combined Authority and its constituent authorities will support an ambitious target for the increase in new homes, and will report annually on progress against this target. To ensure delivery of this commitment, the Shadow Board of the Combined Authority and the government agree that:

- Existing Local Authority functions, which include compulsory purchase powers, will be conferred concurrently on the Combined Authority to be exercised by the Mayor. These powers, which provide the same competencies as the Home and Community Agency, will enable the Combined Authority to deliver its housing and economic growth strategies. The government will bring forward further proposals for consultation in the New Year and will, as part of that consultation, discuss how they can be applied to support housing, regeneration and growth.
- The Homes and Communities Agency and the Combined Authority will work together to develop a joint approach to strategic plans for housing and growth proposals for the area.

- The government will work with the Combined Authority to support the West Midlands Land Commission. The West Midlands Land Commission will ensure there is a sufficient, balanced supply of readily available sites for commercial and residential development to meet the demands of a growing West Midlands economy. It will create a comprehensive database of available public and private sector land, identify barriers to its disposal/development, and develop solutions to address those barriers to help the West Midlands meet its goal to deliver a significant number of additional new homes over the next 10 years, and to unlock more land for employment use. The Combined Authority will also be able to use their proposed Land Remediation Fund to support bringing brownfield sites back into use for employment and housing provision.
44. The Combined Authority Shadow Board and the government will continue to discuss the devolution of housing loan funds. The Combined Authority Shadow Board intends to develop further a proposition on a Housing Investment Fund, for discussion with government.

## **Transport**

45. The government is committed to building the Midlands Engine for Growth and supports the emerging proposals for Midlands Connect. The balance of interests across the West and East Midlands is critical to success and the government supports the full engagement of West Midlands partners in the creation of a Midlands Connect Strategic Board and supporting officer structures to provide leadership and accountability. The government commits to ensuring the direct involvement of the Department for Transport, HS2 Ltd, Highways England and Network Rail in the arrangements and considers them critical to the successful delivery of the transport objectives of this deal.
46. The Mayor will:
- a. Receive a devolved and consolidated local transport budget for the area of the Combined Authority (i.e. the areas of the constituent councils), including all relevant local highways funding, with a multi-year settlement to be agreed at the Spending Review. Functions will

be devolved to the West Midlands Combined Authority accordingly, to be exercised by the Mayor.

- b. Receive powers for the franchising of bus services in the Combined Authority area, subject to necessary legislation and local consultation. This will be enabled through a specific Buses Bill, to be introduced during the first Parliamentary session, which will provide for the necessary functions to be devolved. This will help the proposed Combined Authority, on behalf of the Mayor, to deliver integrated smart ticketing across all local modes of transport in the Combined Authority area. This will align with the work of Midlands Connect on smart and integrated ticketing across the Midlands.
- c. Take responsibility for a new Key Route Network of local authority roads; the management and maintenance of which will be undertaken at the Metropolitan level by the West Midlands Combined Authority on behalf of the Mayor. To support this all relevant local roads maintenance funding will be placed under the control of the Combined Authority, subject to its establishment, until the Mayor takes office, as part of the single local transport settlement to be agreed at the Spending Review, which will support the delivery of a single asset management plan, working towards shared procurement of highways maintenance services across the Combined Authority's constituent councils as practical reflecting existing contractual and PFI arrangements.

47. In addition, and as part of the deal:

- a. The government and the West Midlands Combined Authority will work together through the development of the second Roads Investment Strategy to examine options for the most effective way to facilitate the movement of goods and people, and manage congestion within the region on the strategic road network. This will include consideration of options for reducing congestion, such as a joined up approach to dynamic demand management and implementing an integrated intelligent transport system which will help improve journey time reliability and allow people and businesses to make informed decisions about their travel choices.
- b. The West Midlands Combined Authority will have the opportunity to bring forward alternative proposals for the management of current

and new rail stations in the Combined Authority area (i.e. the areas of the constituent councils). If such proposals would lead to the transfer of any rail stations to the West Midlands Combined Authority, the Combined Authority, with West Midlands Rail, will be obliged to bring forward a business case for consideration by government.

- c. The government will work with the West Midlands Combined Authority to establish any appropriate local traffic and highway powers to be conferred on to the Mayor as part of the Key Route Network.
- d. To support better integration between local and national networks, the government and the West Midlands Combined Authority Shadow Board will enter into joint working with Highways England and Network Rail on operations, maintenance and local investment through a new Memorandum of Understanding, which will be established by 2016.
- e. On strategic transport issues and investment, the government, Network Rail and Highways England will continue to work with the West Midlands Combined Authority through the Midlands Connect Partnership.
- f. The West Midlands Combined Authority Shadow Board will bring forward proposals for potential inclusion in the West Midlands Mayoral Parliamentary Order that would enable the Mayor and Combined Authority to implement safer vehicle standards for freight vehicles entering the areas of the Combined Authority's constituent councils, such as safety measures to protect cyclists.
- g. The West Midlands Combined Authority Shadow Board will bring forward proposals for potential inclusion in the West Midlands Mayoral Parliamentary Order that would enable the West Midlands Mayor and West Midlands Combined Authority to implement Low Emission Zones and potentially Clean Air Zones in the West Midlands Combined Authority area. This will help achieve Air Quality Plan objectives at both the national and local level.

## **HS2 Growth Strategy**

48. The government welcomes the significant progress made to date by the West Midlands in developing its HS2 Growth Strategy. Demonstrating

government's support for the Strategy, this deal provides the proposed Combined Authority with a range of new mechanisms that will help local partners to deliver their ambitions.

49. As stated previously in this agreement, the government will provide the Mayor of the West Midlands with the power to raise supplementary business rates to fund infrastructure, as well as other funding to support local growth. The government also approves the business case for a significant extension of the Enterprise Zone at Curzon Street in order that the funding raised through these mechanisms will support the delivery of the HS2 Growth Strategy, which includes proposals for the Curzon Masterplan, the UK Central Interchange triangle interchange plans, the UK Central infrastructure package, connectivity to Coventry and enhanced accessibility from the Black Country to Birmingham city centre, alongside further government support.
50. The Combined Authority Shadow Board will develop an implementation plan setting out how it intends to deliver the objectives of the HS2 Growth Strategy. The government remains committed to working with the Combined Authority Shadow Board as they develop their implementation plan to help manage risks and support delivery. This should include a prioritised programme of projects and their milestones; the input, output, outcome and benefit indicators that local partners will use to track delivery; the Combined Authority resources being committed to ensuring delivery; and the remit and governance of a Combined Authority-led Development Corporation to deliver the local growth. As part of establishing their prioritised investment programme, the Combined Authority Shadow Board will bring forward business cases for individual transport projects for the government to consider, where required in line with existing agreements and processes, including the interlinked Metro extensions to Brierley Hill and HS2 Interchange. As the most immediate priority in the HS2 Growth Strategy, government also commits to providing funding for the Eastside Metro extension to Digbeth subject to government approval of the business case.
51. The implementation plan will describe how the HS2 Growth Strategy is being delivered in the short-medium (up to 5 years) and longer (5 years plus) term. The Combined Authority Shadow Board, government and HS2 Ltd will work closely on the development of the plan and identification of

the resources within it to ensure that local delivery and construction of the HS2 railway are integrated wherever appropriate with implementation plans for local schemes (such as those mentioned above) and any joint opportunities are maximised. The plan will be locally owned, but progress will be regularly reported to the HS2 Local Growth Programme Board. An outline of the implementation plan should be submitted by 31 Jan 2016, with the aim of completing it by spring 2016.

## **Other areas**

52. This deal represents a first step in a progressive process of devolution of funding, powers and responsibilities to the West Midlands Combined Authority (subject to its establishment). As well as the areas set out in this deal, the West Midlands Combined Authority Shadow Board and government will consider further opportunities for devolution and will continue to discuss these. These will include but not be limited to:

- Proposals for an appropriate relationship between the functions of a Mayor and future role of the Police and Crime Commissioners (PCCs), including in relation to fire services, to be developed, subject to local consent and a business case developed jointly by the PCC and council leaders, and in consultation with the Fire and Rescue Authorities.
- The government's review of the youth justice system will work with the Combined Authority Shadow Board to consider scope for further devolution of youth justice services to the region, and will look for opportunities to work with the region to test the review's proposals.
- The government will engage with the Combined Authority Shadow Board to discuss the outcomes of their Mental Health Commission.
- The government and the West Midlands Combined Authority will work with the East Midlands to take forward the Midlands Engine project to secure wider transport investment and growth.

## **Delivery, Monitoring and Evaluation**

53. The West Midlands Combined Authority, subject to its establishment, is accountable to local people for the successful implementation of the devolution deal; consequently, the government expects the Combined Authority to monitor and evaluate their deal in order to demonstrate and report on progress. The Cities and Local Growth Unit will work with the West Midlands Combined Authority to jointly agree a monitoring and evaluation framework that meets local needs and helps to support future learning.
54. The government will support the West Midlands Combined Authority by leveraging existing monitoring and evaluation frameworks and, where applicable, by providing assistance to ensure consistency and coordination of metrics and methodologies with other areas receiving a devolution deal. As part of this commitment, the government will work with the West Midlands Combined Authority to explore options for the coordinated application of high quality impact evaluation methods in relation to i) local commissioning of 19+ skills; and ii) employment support.
55. West Midlands Combined Authority Shadow Board will work with the government to develop a full implementation plan, covering each policy agreed in this deal, to be completed ahead of implementation. This plan will include the timing and proposed approach for monitoring and evaluation of each policy and should be approved by the DCLG Accounting Officer.
56. The West Midlands Combined Authority will continue to set out their proposals to the government for how local resources and funding will be pooled across the area.
57. The West Midlands Combined Authority will agree overall borrowing limits with the government and have formal agreement to engage on forecasting. The West Midlands Combined Authority will also provide information, explanation and assistance to the Office for Budget Responsibility where such information would assist in meeting their duty to produce economic and fiscal forecasts for the UK economy.
58. The West Midlands Combined Authority will agree a process to manage local financial risk relevant to these proposals and will develop written agreements jointly with the government on every devolved power or fund

to agree accountability between local and national bodies on the basis of the principles set out in this document.

59. The West Midlands Combined Authority will continue to progress programmes of transformation amongst authorities and with partner agencies.
60. The West Midlands Combined Authority will continue to adhere to their public sector equality duties, for both existing and newly devolved responsibilities.
61. The provisions of this deal will be monitored by a Steering Group of senior officials from the Combined Authority Shadow Board and government, and private sector LEP representatives, meeting at least quarterly, with any issues of concern escalated to Ministers and Leaders to resolve, in keeping with the letter and spirit of this deal.