

Addendum to Report to Full Council on 7th October 2015 from the Chief Executive

- 1.1 Some additional items of information that have been published or have arisen of which Councillors ought to be aware. These are (in no order of importance):
 - 1.1.1 The recommendations being presented to two other Councils in Warwickshire this week, the LEP, and to Coventry City Council next week, on the same matter **(Section 2)**.
 - 1.1.2 A letter received from Warwickshire County Council on a proposal for a Warwickshire Devolution Deal **(Section 3)**.
 - 1.1.3 Recent discussions on a WMCA Business Rates pool **(Section 4)**.
 - 1.1.4 The Chancellor's announcement on Business Rates and funding for Councils **(Section 5)**.
 - 1.1.5 The announcement of a Devolution Deal for the Sheffield City Region **(Section 6)**.
 - 1.1.6 Information on the legal steps to exiting a Combined Authority **(Section 7)**.
- 1.2 At **Section 8** I also set out some advice for Councillors on this matter in the light of the additional information and the risks that arise.

2. Recommendations being presented to other Councils and the LEP on this matter.

- 2.1 North Warwickshire Borough Council is to consider the item at the same time as this Council. Its report and recommendations are now publically available. The recommendation of the report is as follows:
 - 1 That the Council is keen to retain its historic, economic and cultural links with the County of Warwickshire and Coventry, whilst maximising the benefits available through the wider West Midlands region;
 - 2 For that reason, it agrees to seek Non-Constituent Membership of the West Midlands Combined Authority, recognising that this will not preclude it from being part of another collaboration involving other authorities either within Warwickshire County or otherwise;
 - 3 That it will review its position when the West Midlands Combined Authority Scheme and Devolution Deal are finalised, to ensure that Non-Constituent Membership remains in its best interests; and
 - 4 That the Council formally endorses the Statutory Governance Review and draft Scheme relating to the proposed West Midlands Combined Authority, for consultation by the Government.

2.2 Rugby Borough Council is to consider the item on the 8th October. Its report and recommendations are similarly publically available. The recommendation of the report is as follows:

“7.1 The Council will continue to engage constructively in the discussions and negotiations that will lead to the final shaping of the West Midlands Combined Authority in terms of both its internal governance and external devolution of powers from Government, whilst also continuing to look at any other opportunities which may arise.

7.2 The Council will then review its decision when the final form of the Combined Authority is known and reserves the right to withdraw from discussions if it considers that continuation would not be in the best interests of the Council or the residents and businesses that it serves.”

2.3 Coventry City Council considers this matter on 13th October. Its report and recommendations are also publically available. Its recommendations are as follows:

“Cabinet is asked to agree and recommend to Council:

- 1) That Coventry City Council should join the proposed West Midlands Combined Authority after considering the information available including the West Midlands statutory governance review and Statement of Intent for the Combined Authority (appendices 1 and 2) and the results of the local engagement and consultation process (appendices 3 and 4)
- 2) That Coventry City Council should approve the Scheme for a West Midlands Combined Authority for submission to the Secretary of State for Communities and Local Government (subject to recommendation 3 below)
- 3) That in the event that a finalised version of the Scheme is not available for Council to approve at its meeting on 13 October 2015, Council should approve the draft Scheme at appendix 5 and delegate authority to the Chief Executive in consultation with the Leader of the Council, the Cabinet Member for Business, Enterprise and Employment and the Cabinet Member for Strategic Finance and Resources to agree the final version of the Scheme
- 4) That any devolution deal would be subject to a separate and detailed decision by Cabinet and Full Council which would include an analysis of the benefits and risks and the value of the deal to the city of Coventry along with any proposed changes in governance including whether or not to have an elected metro mayor
- 5) That any devolution deal for the seven West Midlands metropolitan councils must require a unanimous decision by all the councils concerned
- 6) To undertake continued engagement across the city on the development of a combined authority and devolution
- 7) To continue to take a full part in the Coventry and Warwickshire Local Enterprise Partnership

- 8) To take a full part in and develop the Coventry and Warwickshire sub-regional local authority arrangements jointly with the other councils**
- 9) That the Executive Director of Resources is given delegated authority in consultation with the Cabinet Member for Strategic Finance and Resources to make decisions on the Council's behalf to withdraw from the existing Coventry and Warwickshire Business Rates Pool and agree the terms for entering a new wider West Midlands business rates pool where appropriate

Council is recommended to:

- 1) Agree that Coventry City Council should join the proposed West Midlands Combined Authority after considering the information available including the West Midlands statutory governance review and Statement of Intent for the Combined Authority (appendices 1 and 2) and the results of the local engagement and consultation process (appendices 3 and 4)
- 2) Approve the Scheme for a West Midlands Combined Authority for submission to the Secretary of State for Communities and Local Government (subject to recommendation 3 below)
- 3) In the event that a finalised version of the Scheme is not available for Council to approve at its meeting on 13 October 2015, approve the draft Scheme at appendix 5 and delegate authority to the Chief Executive in consultation with the Leader of the Council, the Cabinet Member for Business, Enterprise and Employment and the Cabinet Member for Finance to agree the final version of the Scheme
- 4) Agree that any devolution deal would be subject to a separate and detailed decision by Cabinet and Full Council which would include an analysis of the benefits and risks and the value of the deal to the city of Coventry along with any proposed changes in governance including whether or not to have an elected metro mayor
- 5) Agree that any devolution deal for the seven West Midlands metropolitan councils must require a unanimous decision by all the councils concerned
- 6) Agree to undertake continued engagement across the city on the development of a combined authority and devolution
- 7) Agree to continue to take a full and active part in the Coventry and Warwickshire Local Enterprise Partnership
- 8) Agree to take a full part in and develop the Coventry and Warwickshire sub-regional local authority arrangements jointly with the other councils**
- 9) Agree that the Executive Director of Resources is given delegated authority in consultation with the Cabinet Member for Strategic Finance and Resources to make decisions on the Council's behalf to withdraw from the existing Coventry and Warwickshire Business Rates Pool and agree the terms for entering a new wider West Midlands business rates pool where appropriate

The ** on the recommendations above are explained in the text of the report as follows:

"2.44 The Council will also need to continue to work on issues with its neighbouring local authorities including planning and housing across the

Coventry and Warwickshire geography, including councils that are not part of the proposed combined authority. The City Council is currently a member of the Coventry and Warwickshire Joint Committee for Economic Growth and Prosperity along with Warwickshire County Council, the five Warwickshire District Councils and Hinckley and Bosworth Borough Council. It is recommended that the Council agreed take a full part in and develop these Coventry and Warwickshire sub-regional arrangements for joint local authority working with the other councils.”

This matches this Council’s recommendation 2.5 regarding enhancing the existing Joint Committee for Coventry and Warwickshire.

- 2.4 The Coventry and Warwickshire LEP agreed at its meeting on Monday 5th October to join the WMCA as a Non Constituent Member subject to a number of conditions:

“Note the update on developments in relation to the formation of the West Midlands Combined Authority (WMCA);

Note progress made in developing the economy plus case through the ‘Super SEP’ (Strategic Economic Plan);

Approve the proposal to become a non-constituent member of the WMCA subject to acceptance of the final proposal on voting, governance, the economic plus (SuperSEP) case when they are known;

Delegate responsibility to the Chairman, in consultation with the Deputy Chairman and the Chairman of the Finance & Governance Committee to agree acceptance of the final proposal on non-constituent membership;

Note the latest developments on the negotiation of a Devolution Deal with Government and note the verbal update that will be given at the meeting;

Convene a full meeting of the board, by conference call if necessary, to agree the final decision for the Chairman to sign, on behalf of CWLEP, to sign the Devolution Deal.”

- 2.5 Nuneaton and Bedworth Borough Council agreed in September to join the proposed WMCA. The recommendations of the three Councils referred to above and of the LEP can only be seen as positive indications, albeit with caveats. Stratford has still to consider its definitive position (12th October) but had agreed in early September to take Observer status at the Shadow WMCA. Hinckley and Bosworth which is part of the Joint Committee is to consider this matter with a recommendation that it should join the WMCA as a NCM. Members will be aware from the main report before them that Warwickshire County Council have more recently agreed a recommendation which can be said to hold the door open to joining the proposed WMCA. The risk that arises for this Council is that if it decides not join then it might be the only one in the sub region not to do so, or

one of a very small number, and could be isolated as a consequence with significant risk to its continued ability to attract government funding, inward investment and to joint work in the sub region. It would jeopardise its ability to influence which although hard to quantify is nevertheless significant.

- 2.6 The opposite argument may also hold sway if this Council were the only one or of a minority to join the proposed WMCA. However, that is not the case at the time of writing as only Warwickshire County Council has declined and it has also made a decision to potentially reconsider its position.

3. Letter from Warwickshire County Council

- 3.1 As indicated in the main report a letter has now been received from the Leader of Warwickshire County Council inviting this Council and all the others in Warwickshire plus other public agencies to work together to develop a Warwickshire Devolution Deal. That letter is attached. It has already drawn a response from another political group on the County Council indicating doubt over this as the agreed step by the County Council (presumably on the basis it appears to run counter to the decision made recently by the County Council to keep the door open to a deal from the proposed WMCA); the Leader of the Nuneaton and Bedworth Borough Council has already declined to participate. The CWLEP have not yet confirmed such support for this approach. A Warwickshire devolution deal would probably be at the end of a queue of the 38 other devolution deals that have been submitted already to the Government by the 4th September deadline.
- 3.2 The range of items suggested for inclusion includes many of an economic, infrastructure and housing development nature which in practical implementation terms will prove difficult to realise if they don't include Coventry as an active partner. Continued working within the Coventry and Warwickshire (LEP) umbrella has been the consistent message of this Council.
- 3.3 In respect of the other elements this Council has always been open to discussion about how to maintain or improve services especially in the context of reducing budgets. There is no reason at face value to not engage with such discussions but paragraphs 3.8.8 to 3.8.10 of the main report are relevant as background. They are repeated below for the sake of completeness.

“3.8.8 It is understood that Warwickshire County Council may be contacting the public bodies in Warwickshire to develop proposals around public sector reform. This approach could sit alongside also joining the proposed WMCA since each could have a different emphasis. This Council will need to consider if this is a route it also wishes to explore.

3.8.9 In considering such an approach Members may wish to be mindful that:

- the public sector geography in Warwickshire is less clear cut than in other counties, with some organisations also covering Coventry and/or Solihull;
- the Government has emphasised that devolution is contingent upon enhanced governance, even in shire areas. In Warwickshire, that could mean the creation of a unitary council(s) and/or an elected Mayor;
- Warwickshire County Council has a declared intention of wanting to establish a single County wide Unitary Council.

3.8.10 Previously this Council has said that since the Government is not interested in imposing Unitary Councils and that they would take too long to deliver the reforms and savings against what is needed; that anything involving local government reorganisation would be a distraction from the real efforts of making savings/raising income and maintaining/improving services and should not be pursued. If the Council is minded to participate in such an approach then it may wish to rule out local government re-organisation as a precondition."

3.4 Members will want to consider where such discussions might take the Council and decide accordingly, including whether there are caveats it wants to make to participation, for example, should local government reorganisation be on the agenda?

4. Business Rates Pool

4.1 The main report has an extensive section on the implications for the Council as a result of potential changes on the business rates pool. The matter was recently discussed (last Friday) at meetings of the Shadow WMCA. In particular where membership of a West Midlands wide rates pool was dependent on membership of the WMCA. No decision was made and the matter will return for further discussion and decision. This is of particular interest financially as joining or not may make the difference to the approximate net sum of £200,000 per annum to our current financial position (i.e. not joining could mean losing the Council circa £45,000 and joining could mean that we could gain circa £150,000 per annum). However, deciding not to join the proposed WMCA now would mean that the Council's representatives will no longer be invited to meetings and would therefore no longer be able to exert the same influence it has had to date, nor then be able to shape the debate going forward on distribution/use of business rates.

5. Chancellor's Announcement on Business Rates and Funding for Councils

5.1 On 5th October the Chancellor made an announcement regarding local government finance. In summary:

- That by the end of the Parliament, local government will be able to retain 100 per cent of local taxes – including all £26 billion of revenue from business rates.
- The government will abolish the Uniform Business Rate and give local authorities the power to cut business rates to boost economic activity in their areas.
- Directly elected mayors – once they have support of local business leaders through a majority vote of the business members of the Local Enterprise Partnership – will be able to add a premium to business rates to pay for new infrastructure.
- Local areas which successfully promote growth and attract businesses will keep all of the benefit from increased business rate revenues.
- The core grant from Whitehall will be phased out, and local government will take on new responsibilities.

The government will set out further details in the Spending Review including how local government will contribute to fiscal consolidation over this Parliament. Details of the announcement can be seen at <https://www.gov.uk/government/news/chancellor-unveils-devolution-revolution>

- 5.2 There is little more detail than this at present so it is impossible to forecast the precise implications for this Council or for membership of a Combined Authority, if any. However, the announcement points the way toward Councils being self-funded in 4 or 5 years' time as in effect business rates will take over from the Revenue Support Grant as the mainstay of Council funding. This will place greater emphasis on Councils supporting the local economy to grow which in turn will place greater emphasis on partnerships and local control of national funding that help the local economies to grow which is the original purpose of Combined Authorities and the evolving devolution deals. Areas with an elected mayor will get yet greater powers. It is a significant step that the Council will have to investigate and monitor further to understand the implications and work out how to adapt to a new environment.

6. The announcement of a Devolution Deal for the Sheffield City Region

- 6.1 On 2nd October it was announced that the Government and the Sheffield City Region had agreed a devolution deal in which that area would obtain greater control over various elements of government funding – such as skills, transport, strategic planning and an earn back deal worth £30 million a year for 30 years. This City Region is significant from this Council's perspective as it has 5 NCMs. It is a model of larger unitary

councils (4) and smaller shire district councils working together which the Council needs to consider.

- 6.2 It is understood that there are at least 3 other devolution deals under active discussion with the Government, one of which is for the proposed WMCA.

7. Information on the legal steps to exiting a Combined Authority

- 7.1 The main report states the opportunity for the Council to withdraw its agreement to become a NCM of the proposed WMCA prior to the Order being laid before Parliament which gives it an opportunity to reflect on further information and detail as is proposed by North Warwickshire Borough Council and as has been agreed by the CWLEP.

- 7.2 The main report states that further advice was being sought on the situation of wanting to exit after the WMCA has gone live. Information has now been received from the CLG to the effect that:

“Once the Combined Authority is established, any changes to membership – either adding or removing constituent or non-constituent members would require the area to follow the process set out in s111 – s113 of the 2009 Act. That is that the area would need to produce a revised governance review and a new Order approved by Parliament. The Cities Bill is seeking to speed up the process by removing the need for both a local consultation and a consultation by the Secretary of State.”

- 7.3 It will therefore be possible to leave subsequent to joining a Combined Authority but owing to the statutory process it will take a little while to complete.

8. Chief Executive’s Advice

- 8.1 Members are faced with an important decision about membership as a NCM of a proposed WMCA with quite a lot of imponderables still remaining and as evidenced by this addendum, with quite a lot of things still developing and to be decided. Such uncertainty and change represents quite a risk(s) whatever decision this Council makes.

- 8.2 To help mitigate this risk, my advice to you as Chief Executive would be to follow the route advocated by North Warwickshire, Rugby and the LEP and that at recommendation 2.1 to agree to join the proposed WMCA but subject to being satisfied on a number of issues prior to the laying of the Order before Parliament, which I’d suggest might include (in no particular order of importance):

1. Arrangements and implications regarding business rates pooling;
2. Governance arrangements and in particular voting rights for this Council;
3. The content and benefit to this Council’s communities of the proposed Devolution Deal;

4. The decisions of other sub regional local authorities to join or not.
- 8.3 This approach has the advantage of giving the Council more time (perhaps two/three months) before making an absolute final decision, in which to accumulate and consider more evidence, without also prejudicing its position of influence on many of the debates that might affect it and its communities. Should the evidence demonstrate that membership would not be beneficial then it has the opportunity to retract its position before it is too late. This is the approach being advocated by other neighbouring Councils. The only apparent risk of this approach is that should this or other Councils subsequently decide not join the WMCA the Government would be required to re consult and this would delay the commencement of the WMCA. This might then have consequences for relationships with those Councils still wishing to form part of the proposed WMCA.
- 8.4 However, to say no now to membership may harmfully affect the Council and its communities, and the Council would lose its position of influence and not be able to regain that opportunity for some time (2 to 3 years).
- 8.5 This approach has a consequence for recommendation 2.7 in that it is not yet possible to advise fully about this matter and so it ought to be left to the provisions of recommendation 2.1 as indicated in paragraph 8.2 above and if rate pool membership does need to be decided rapidly then it is delegated as per recommendation 2.8.
- 8.6 This then leaves recommendation 2.6 about participation in a public sector reform project for Warwickshire. My advice would be to participate but be very clear about the focus for any proposals: i.e. focus on public sector reform not economic development/housing issues and be clear about whether this should involve local government reorganisation or not.
- 8.7 Given that it is clear that there is some mood for reviewing and enhancing the existing Joint Committee (recommendation 2.5), members may want to enhance that recommendation to task the Leader of the Council to write to the other Councils and the CWLEP asking them for support for this step. This ought to be the local forum for dealing with economic development/housing and infrastructure issues as it is now.