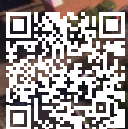


A trailblazing moment for the West Midlands?

With a historic Integrated Settlement now in place and emerging proposals for further devolution, how will the Mayor drive his aims and ambitions forward?



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Introduction

Mayor Richard Parker was elected in May 2024, taking on the political leadership of the West Midlands Combined Authority (WMCA). With a resident population of circa 2.9 million people, the WMCA has one of the youngest and most ethnically diverse populations in Europe.

The WMCA was one of only two Combined Authorities to be given the first Integrated Settlements in the Autumn 2024 Budget. In total, this amounts to confirmed resource and capital funding for 2025/26 of around £390 million, with additional Sustainable Transport Funding and further funding to be confirmed. The Integrated Settlement covers six functional responsibilities which align closely with the Mayor's own priorities set out in his successful electoral campaign.

In addition to the Integrated Settlement, the English Devolution White Paper published in December 2024 sets out a range of further powers and responsibilities that the Government intends to confer on 'Strategic Authorities' as part of a wider process of Local Government Reform in England. As one of a handful of identified 'Established Strategic Authorities', Mayor Parker and the WMCA will be at the forefront of delivering the opportunities presented by the biggest transfer of power from Westminster to England's regions this century.

This briefing note sets out the details of the Integrated Settlement, the key elements of the proposals in the White Paper relating to the built environment sector, and our insights on the potential risks and opportunities that they will create.

What is the Integrated Settlement?

The Integrated Settlement represents a fundamental shift in the way that funding is distributed and managed below central Government. Currently, Mayors have to negotiate a range of conditions and reporting requirements to utilise government funding, with little to no flexibility in how to apply this funding in support of their local areas. The Integrated Settlement will allow the WMCA to move funding between a range of policy areas.



The funding is made up of a range of existing funds from across various government departments, including the Ministry of Communities and Local Government, the Department for Business and Trade, the Department for Culture, Media & Sport, the Department for Transport, the Department for Education, the Department for Energy Security and Net Zero, and the Department for Work and Pensions.



The funding includes both resource and capital expenditure:

Table 1: Summary of Confirmed WMCA 2025/26 Integrated Settlement

	Resource Funding	Capital Funding	Total Confirmed Funding
Local Growth and Place	£41,277,865	£23,060,835	£64,338,700
Local Transport	£54,092,724	£12,341,244	£66,433,968
Adult Skills	£151,632,912		£151,632,912
Housing and Regeneration		£62,697,891	£62,697,891
Buildings' Retrofit		£37,800,000	£37,800,000
Employment Support	£5,720,000		£5,720,000
Total Confirmed Funding	£252,723,501	£135,899,970	£388,623,471

In addition, the West Midlands Combined Authority's City Region Sustainable Transport Settlement allocation for 2025/26 is a further £211,477,000. The further £211m funding from this allocation will be consolidated in the West Midlands' Integrated Settlement from 2026/27, one year earlier than originally agreed which reflects an agreement between the WMCA and DfT in recognition of a bespoke bus funding settlement.

There is also the potential for additional functional responsibilities to be added in due course.

The Integrated Settlement also provides the WMCA with significantly greater flexibility to reallocate funding as required. This includes:

- **Full** flexibility to move funding **within** the identified functional responsibilities.

- Flexibility to move **up to 10% between** functional responsibilities of the annual quantum, with no cap on moving Local Growth and Place funding into other areas.
- Flexibility to move **up to 10% of capital funding to resourcing and 100% of resource funding to capital within** each functional responsibility.
- **Full** flexibility to move funding received through annual grants to **future years** providing agreed outcomes are on track.

The Integrated Settlement funds are also not subject to central or departmental savings exercises over the course of the relevant Spending Review period, providing certainty to the WMCA to allow them to enter into contractual arrangements.

Collectively, these flexibilities will lead to better value for money and outcomes for citizens as it breaks down the traditional departmental silo approach to the use of government funding.

Table 2: Summary of Government Funds included in WMCA 2025/26 Integrated Settlement

Functional Responsibility	Fund
Local Growth and Place	UK Shared Prosperity Fund, Investment Zones, Made Smarter, Growth Hubs, Create Growth
Local Transport	Bus Service Improvement Plan, Bus Service Improvement Plan Capacity and Capability, Bus Service Operators Grant, Bus Service Operators Grant Plus, Active Travel Fund, Active Travel Capability Fund, Local Electric Vehicle Infrastructure Fund
Adult Skills	Adult Skills Fund, Skills Bootcamps
Housing and regeneration	Brownfield Infrastructure and Land Fund, Brownfield Housing Fund, Brownfield Land Release Fund
Buildings' Retrofit	Warm Homes: Social Housing Fund, Public Sector Decarbonisation Scheme, Warm Homes: Local Grant
Employment Support	Connect to Work

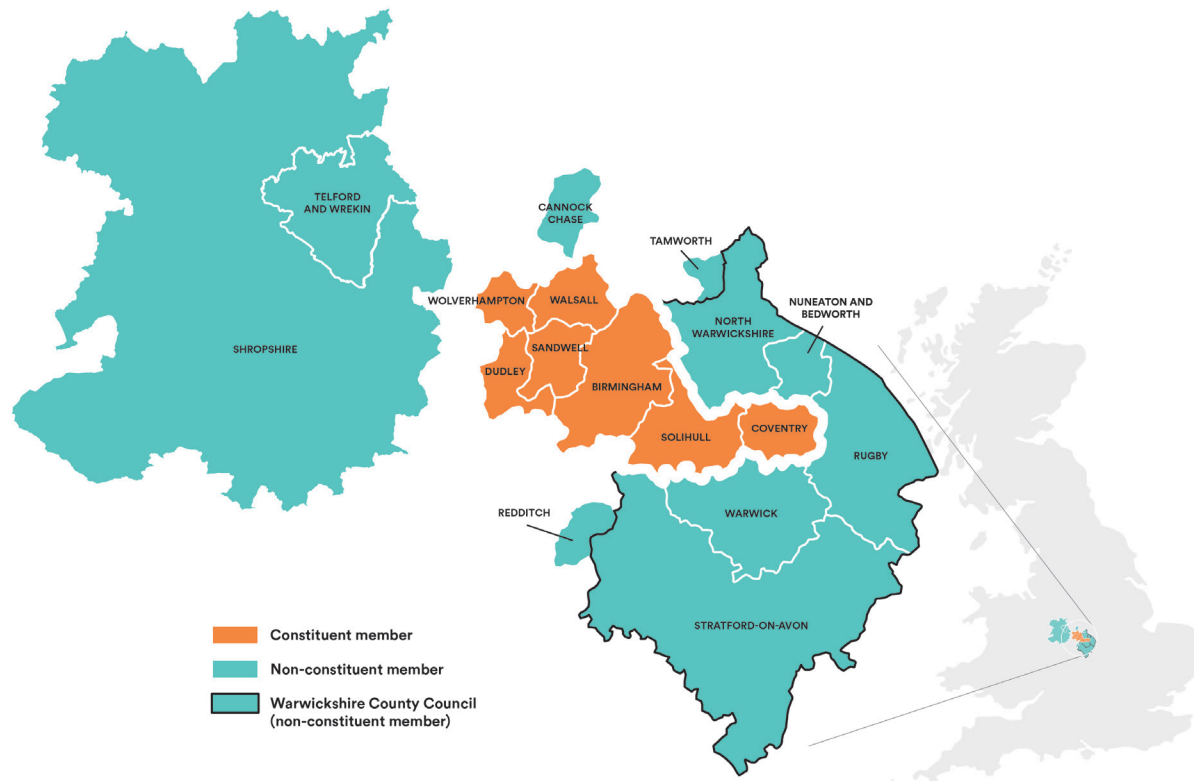
The Integrated Settlement also marks a step change in the way that the WMCA will account to the Government for the funding they receive. In contrast to the current complex and fragmented approach of a variety of monitoring and reporting requirements the Integrated Settlement will be subject to a single mutually agreed outcomes framework, monitored over each Spending Review period. This will reduce the time that the WMCA spends on reporting and increase the time that it spends on delivering its priorities.

Who are the WMCA?

The WMCA is made up of 18 local councils from the West Midlands region, of which 7 are constituent members with full voting rights. These include:

- Birmingham City Council
- City of Wolverhampton Council
- Coventry City Council
- Dudley Metropolitan Borough Council
- Sandwell Metropolitan Borough Council
- Solihull Metropolitan Borough Council
- Walsall Metropolitan Borough Council

WMCA Local Authorities Map (WMCA, 2024)



The other 11 councils are known as non-constituent members who have reduced voting rights. They include unitary authorities such as Shropshire and Telford and Wrekin, as well as a number of district/borough councils and Warwickshire County Council.

The West Midlands Fire and Rescue Authority and Police and Crime Commissioner are both observer organisations.



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– The Rt Hon Angela Raynor MP, Deputy Prime Minister and Secretary of State for Housing Communities and Local Government, December 2024



Deeper and wider devolution is coming...

This is the Government's declared number one mission, and further devolution is central to their approach in achieving this aim. This was set out in detail in the English Devolution White Paper published shortly before Christmas 2024.

The White Paper is wide ranging in its scope. It proposes 'wider devolution' which represents the ambition to ensure that all parts of England fall within a Strategic Authority of at least 1.5 million residents.

Alongside this, it also proposes a fundamental reform of local government, setting out an expectation that the two-tier structure found in many areas of the country currently represented by County and District Councils will, in the future, become unitary authorities with a suggested size of at least half a million residents. Given that only 4 of the 56 existing unitary authorities are bigger than this, it appears likely that many of the current unitary authorities will be reshaped and combined.

These two structural reforms to local government in England are in isolation already ambitious. However, in parallel, the Government also proposes 'deeper devolution' which is the transfer of further powers and responsibilities from Government to more local tiers, primarily Strategic Authorities. In particular, 'Established Strategic Authorities', which include the WMCA, are proposed to be given a range of new powers, allowing them first refusal on new policy initiatives where appropriate.

The policy areas currently identified for deeper devolution are broadly aligned with the general framework established through the first Integrated Settlements and the Trailblazer Devolution Deals for the West Midlands and Greater Manchester from March 2023 – although the proposals go further. They include:



Transport

Simplifying and speeding up taking buses back into public control, as well as new powers in relation to rail and roads.



Skills and Employment Support

Removing ringfences around particular funding streams, devolving supported employment funding, establishing joint ownership of Local Skills Improvement Plans, and co-designing future non-Jobcentre Plus support.



Housing and planning

Requirement for the production of a Spatial Development Strategy, call in powers for Mayors, Mayoral Community Infrastructure Levy, stronger partnership with Homes England, setting the strategic direction for future affordable housing programmes.



Environment and climate change

Establishing a strategic role in delivering the Great British Energy Local Power Plans, a zoning coordinator role for local heat networks, and an expanded role in leading Local Nature Recovery Strategies.



Supporting businesses and research

Developing and marketing strategic investment propositions alongside the Office for Investment, developing a future regional innovation funding programme, closer integration with bodies dealing with culture, heritage, and the visitor economy such as Historic England.



Reforming and joining up public services

Holding responsibility for Police, Fire and Rescue, bespoke duty in relation to health improvement and health inequalities, setting the expectation that Mayors are chair or co-chair of Integrated Care Partnerships, and aligning public service boundaries.

In addition, the Autumn 2024 Budget set out that Mayors will have a statutory duty to prepare Local Growth Plans, further details of which are expected in Spring 2025 as part of the Government's response to the consultation on its Invest 2035: Modern Industrial Strategy proposals. Our understanding is that Local Growth Plans will be focused on economic growth for their area similar to the previous Local Industrial Strategies rather than land use planning.



Spatial Development Strategies: The return of strategic planning

Arguably most significantly for the built environment sector, the White Paper sets out that everywhere in England is expected to have a Spatial Development Strategy (SDS) in place by the end of the current Parliament. This represents a major change in approach to land use planning across England and a return to mandatory 'greater than local' planning for the first time since the abolition of Regional Spatial Strategies under the 2010 Conservative and Liberal Democrat coalition Government. While there have been some examples of planning at this scale in the intervening period, such as Greater Manchester and more locally South Worcestershire which is currently being examined, there have been many examples where planning at this scale has stalled. This includes the West Midlands example of the Black Country Local Plan which was abandoned in 2022.

The White Paper sets out a number of measures to ensure that SDSs are developed in both areas with a Strategic Authority and those without.

This includes empowering the Mayors of Strategic Authorities to have the casting vote where there is a deadlock, as well as the ability to refer the proposal to the Secretary of State where majority support cannot be secured.

Once an SDS is in place, Mayors will, in addition to the call in and Mayoral Community Infrastructure Levy powers mentioned above, have the power to apply compulsory purchase orders, establish Mayoral Development Corporations, and make Mayoral Development Orders. Currently, Mayors have the ability to exercise these powers with the consent of the relevant Local Planning Authority, but the Government intend to review these arrangements to ensure that they are fit purpose in the strengthened role that Mayors will be expected to play in strategic planning and development. The Government will also provide support for Established Mayoral Strategic Authorities, such as the WMCA, to establish their own public sector land commissions.

A greater role in housing delivery

In order to boost the delivery of much needed homes, the Government will increase Homes England's accountability to Established Mayoral Combined Authorities. This will include the ability to steer and monitor Homes England's progress in delivering on objectives agreed through their Strategic Place Partnerships. Homes England will also move to a more regional and place-based operating model.

As part of this, the WMCA is to be given the ability to set the strategic direction of future affordable housing programmes in its area, including shaping the tenure mix and identifying sites for housing development to be supported by grant.

Challenges and opportunities

It is clear that the proposed reforms present a significant opportunity for the WMCA. However, with this opportunity there are also a number of challenges.

At a macro level, the overall scale of the Government's ambition will cause substantial upheaval in terms of the structure of government below the national level, while at the same time it will be important to ensure that meaningful collaboration takes place between the various actors. It is clear that the leadership of Mayors, such as Mayor Parker, will be critical to ensuring that this happens to deliver the best outcomes for residents.

In terms of resourcing, the lack of capacity in the built environment sector is well known. Given the increased demand that the proposed changes will place on the limited supply of suitably experienced/qualified individuals across all parts of the sector, it will be important to ensure that the overall employment base is increased through activities at both the local and national level. One potential, at least partial, solution will be to support innovation in the region's burgeoning PropTech and professional services sectors.

It is also notable that there are likely to be difficulties in aligning the introduction of SDSs, while at the same time Local Planning Authorities are under significant pressure to bring forward new Local Plans and respond to the outcomes of the introduction of the new standard method for calculating housing need introduced by the 2024 National Planning Policy Framework.

A particular challenge in the West Midlands, as well as other areas, is that existing organisational boundaries do not match up with housing market areas and functional economic market areas. In the context of the WMCA, even if non-constituent members were included in the scope of the WMCAs SDS, there would still be notable gaps in the most rational potential organisation for the purposes of land use planning. While in principle such issues could be resolved by effective cooperation under the Duty to Cooperate, past experience indicates that this could be difficult – particularly given the status of much of the land in the region outside of the main conurbations as Green Belt, albeit the 2024 National Planning Policy Framework does provide greater flexibility in this context with the introduction of Grey Belt.

However, overall it is clear that these proposed reforms offer the potential to deliver a fundamental step change in the delivery of new homes, jobs, and infrastructure both in the West Midlands and nationally for the wider benefit of the country.

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