



SECRETARY OF STATE'S ANNUAL REPORT ON DEVOLUTION 2016-17

Presented to Parliament pursuant to Section 1 of the Cities and Local
Government Devolution Act 2016

January 2018

Ministry of Housing, Communities and Local Government



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1. Introduction

- 1.1 This Annual Report on Devolution has been laid before both Houses of Parliament by the Secretary of State for Housing, Communities and Local Government pursuant to section 1 of the Cities and Local Government Devolution Act 2016 ('the 2016 Act').
- 1.2 This Annual Report brings together information about devolution agreements reached between Government and areas between 1 April 2016 and 31 March 2017.
- 1.3 These devolution agreements, in response to proposals from areas, are agreements in which the Government undertakes to devolve powers and budgets to an area in return for step changes in local governance and local political accountability.
- 1.4 Devolution within England aims to provide local areas with the levers they need to boost productivity in local economies and improve and integrate public services.

2. Areas with agreements

Legislative requirement: Section 1 (2)(a) of the 2016 Act requires the Report to provide information on the areas of the country where agreements have been reached.

2.1 Between 1 April 2016 and 31 March 2017, the Government reached no devolution agreements with new areas.

2.2 In relation to areas where agreements were previously reached,¹ no further devolution agreements were concluded in that period. However, for all these areas statutory instruments have been approved by Parliament and made, establishing city region mayors for all the areas, and except for the Sheffield City Region devolving functions.² These instruments are detailed in sections 4 and 5 of this report.

1 As detailed in the Secretary of State's Annual Report on Devolution 2015-16: <https://www.gov.uk/government/publications/devolution-annual-report-2015-to-2016>

2 The Sheffield City Region has not yet undertaken all the necessary public consultations that must precede the making of statutory instruments devolving functions.

3. Areas that have submitted proposals

Legislative requirement: Section 1 (2)(b) of the 2016 Act requires the Report to provide information on the areas of the country where proposals have been received by the Secretary of State and negotiations have taken place but agreement has not yet been reached.

3.1 Between 1 April 2016 and 31 March 2017 the Secretary of State had received proposals from local partnerships in England as listed below. Agreements for these areas had not been reached by 31 March 2017.

- North of Tyne³

3.2 In addition, the Government worked with areas where devolution agreements have already been reached to understand any additional proposals for further devolution.

³ Subsequently, at Autumn Budget 2017 the Government announced that it had agreed a 'minded to' devolution deal with the North of Tyne authorities, which will be subject to the consent of local partners.

4. Functions exercisable by a Minister of the Crown that have been devolved

Legislative requirement: Section 1 (2)(c) of the 2016 Act requires the Report to provide information on functions exercisable by a Minister of the Crown that have been devolved as a result of agreements so as to become exercisable by a mayor for the area of a combined authority (including information as to any such functions that remain exercisable by a Minister of the Crown as a result of an agreement providing for functions to be exercisable jointly or concurrently).

4.1 Between 1 April 2016 and 31 March 2017 19 statutory instruments ('SIs') were made to implement devolution agreements between Government and areas. These SIs provided for the establishment of new combined authorities; the election of combined authority mayors; the conferral of functions to new and existing combined authorities, including functions to be exercised by mayors; changes to the constitution of existing combined authorities; and generic provisions relating to the conduct of combined authority mayoral elections and to overview and scrutiny, and audit, committees.

4.2 The following SIs were made between 1 April 2016 and 31 March 2017, listed in chronological order:

- a. The West Midlands Combined Authority Order 2016 No. 653;
- b. The Halton, Knowsley, Liverpool, St Helens, Sefton and Wirral Combined Authority (Election of Mayor) Order 2016 No. 782;
- c. The Tees Valley Combined Authority (Election of Mayor) Order 2016 No. 783;
- d. The Barnsley, Doncaster, Rotherham and Sheffield Combined Authority (Election of Mayor) Order 2016 No. 800;
- e. The West Midlands Combined Authority (Election of Mayor) Order 2016 No. 933;
- f. The Value Added Tax (Refund of Tax to the Tees Valley and West Midlands Combined Authorities) Order 2016 No. 993;
- g. The Greater Manchester Combined Authority (Functions and Amendment) Order 2016 No. 1267;
- h. The Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017 No. 68;
- i. The Combined Authorities (Mayors) (Filling of Vacancies) Order 2017 No. 69;
- j. The Combined Authorities (Mayoral Elections) Order 2017 No. 67
- k. The West of England Combined Authority Order 2017 No. 126;
- l. The Tees Valley Combined Authority (Functions) Order 2017 No. 250;
- m. The Cambridgeshire and Peterborough Combined Authority Order 2017 No. 251;
- n. The Liverpool City Region Combined Authority (Functions and Amendment) Order 2017 No. 430;
- o. The Greater Manchester Combined Authority (Fire and Rescue Functions) Order 2017 No. 469;
- p. The Greater Manchester Combined Authority (Transfer of Police and Crime Commissioner Functions to the Mayor) Order 2017 No. 470;
- q. The Tees Valley Combined Authority (Functions and Amendment) Order 2017 No. 431;

- r. The Barnsley, Doncaster, Rotherham and Sheffield Combined Authority (Election of Mayor) (Amendment) Order 2017 No. 432;⁴ and
- s. The West Midlands Combined Authority (Functions and Amendment) Order 2017 No. 510.

4.3 Although not required to be reported on in this year, the following SIs were made after 31 March 2017, and ahead of the publishing of this report, to implement devolution agreements in advance of the mayoral elections on 8 May 2017 and establish the South Tees Development Corporation:

- a. The Transport Levying Bodies (Amendment) Regulations 2017 No. 603;
- b. The Combined Authorities (Finance) Order 2017 No. 611;
- c. The Greater Manchester Combined Authority (Functions and Amendment) Order 2017 No. 612;
- d. The South Tees Development Corporation (Establishment) Order 2017 No. 718.

4.4 As a result of devolution agreements, the following functions exercisable by a Minister of the Crown become exercisable by mayors for the areas of combined authorities. The functions were conferred through legislation made, between 1 April 2016 and 31 March 2017, under Part 6 of the Local Democracy, Economic Development and Construction Act 2009, as amended by the Cities and Local Government Devolution Act 2016 ('the 2016 Act').

Power to pay grant

4.5 The function under section 31 of the Local Government Act 2003 was devolved to the combined authority for the areas of Cambridgeshire and Peterborough,⁵ Liverpool City Region,⁶ Tees Valley,⁷ the West Midlands,⁸ and the West of England.⁹ The function is exercised by the mayor for the area of the combined authority concurrently with a Minister of the Crown, and gives the mayor power to pay grants to a constituent authority of the combined authority without prior consent of the Treasury for each payment. Specific matters are set out in the legislation conferring the functions to which the mayor must have regard when determining whether to pay grant to a constituent council in relation to the exercise of the constituent council's highways functions.

Grants to bus service operators

4.6 A function corresponding to the Secretary of State's function under section 154(1) of the Transport Act 2000 was devolved to the Greater Manchester Combined Authority.¹⁰ The function is exercised by the Mayor concurrently with the Secretary of State's exercise of his section 154(1) function, and gives the mayor the power to pay grants to bus service operator.

⁴ The effect of SI 2016/800 and SI 2017/432, to which the four authorities in the City Region consented, is to provide for the first election of a mayor on 3 May 2018.

⁵ SI 2017/251

⁶ SI 2017/430

⁷ SI 2017/431

⁸ SI 2017/510

⁹ SI 2017/126

¹⁰ SI 2016/1267

5. Additional financial resources and public functions that have been devolved

Legislative requirement: Section 1 (2)(d) of the Act requires the Report to provide information on additional financial resources and public functions (so far as not falling within paragraph (c)) which have been devolved as a result of agreements.

5.1 Financial resources devolved to devolution deal areas between 1 April 2016 and 31 March 2017

This section provides information on financial resources that have been devolved to combined authorities as a result of devolution agreements.

Funding stream	Description	Accountable Government Department	Place(s) affected	Total amount	Payment schedule	Commentary
Greater Manchester Housing Investment Fund	Loan from HM Government to be used for loan and equity funding for housing development.	Ministry of Housing, Communities and Local Government	Greater Manchester	£300m total	First payment drawn down in July 2015 with subsequent payments in accordance with the agreement.	Loan expected to be fully repaid to Government.
Cambridgeshire and Peterborough housing funds	Capital grant funding to help deliver infrastructure for housing and growth.	Ministry of Housing, Communities and Local Government	Cambridgeshire and Peterborough/ City of Cambridge	£170m total (£70m ring fenced for Cambridge)	First payment drawn down in 2016/17 and subsequent schedule of payments per year	Payments made by Section 31 grant.

Funding stream	Description	Accountable Government Department	Place(s) affected	Total amount	Payment schedule	Commentary
Multi-year transport budgets	Multi-year consolidated transport grants, integrating relevant existing transport grants from government into one payment to the Combined Authority or Unitary Authority.	Department for Transport	Cornwall, Cambridgeshire and Peterborough, Greater Manchester, Liverpool City Region, Sheffield City Region, Tees Valley, West Midlands, West of England.	Based on formula and grant allocations determined by the Department for Transport.	Annual Drawn down (as of 31 March 2017): Cornwall (paid to Unitary Authority as previously); Greater Manchester, Liverpool City Region, Sheffield City Region, Tees Valley, West Midlands and West of England.	Payments made to the Combined Authority or Unitary Authority by Section 31 grant. Multi-year transport budgets will be treated by Combined Authorities as part of a flexible 'Single Pot' for local investment, alongside additional Investment Fund money from Government (see below) and, optionally, Local Growth Fund monies secured by the Local Enterprise Partnership(s) through a separate competitive bidding process.

Funding stream	Description	Accountable Government Department	Place(s) affected	Total amount	Payment schedule	Commentary
Investment Funds	Additional investment funding allocated by Government, to be treated as part of a flexible Single Pot alongside multi-year transport budgets (see above) and, optionally, Local Growth Fund monies secured by the Local Enterprise Partnership(s) through a separate competitive bidding process.	Ministry of Housing, Communities and Local Government	Cambridgeshire and Peterborough, Greater Manchester, Liverpool City Region, Sheffield City Region, Tees Valley, West Midlands, West of England	£5.75bn (over 30 years)	Annual Drawn down (as of 31 March 2017): Greater Manchester; West Midlands; Tees Valley; Cambridgeshire and Peterborough; West of England (Sheffield City Region still in process of meeting readiness conditions to receive first payment)	Payments will be made by Section 31 grant. Payments commence when a place has met the following readiness conditions: ratification of the deal in all constituent local authorities; establishment of the Combined Authority; completion and sign-off by MHCLG of a local assurance framework; and consent to the legislative steps required to establish the elected mayor. The funding is subject to 5-yearly 'Gateway Review' assessments whereby an independent evaluation panel of experts will assess how investments have contributed to economic growth. Once Government receives the panel's reports, they will make a decision on the funding allocated for the subsequent 5-year period. Local Single Pot Assurance Frameworks for each of these places assure Government that projects will be appraised in line with departmental standards and ensure that Single Pot funding is spent with regularity, propriety and value for money. These local assurance frameworks are based on published guidance.*

*Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/516215/Single_Pot_Assurance_Framework.pdf

Funding stream	Description	Accountable Government Department	Place(s) affected	Total amount	Payment schedule	Commentary
Apprenticeship Grant for Employers	Financial incentive for local employers to hire apprentices.	Department for Education	Cambridgeshire and Peterborough, Greater Manchester, Liverpool City Region, Sheffield City Region, West of England	£14m	Payments made in August 2016 to Cambridgeshire and Peterborough, Greater Manchester, Liverpool City Region, Sheffield City Region, West of England	Payments made by Section 31 grant. The funding must be used alongside mainstream apprenticeship participation funding to incentivise employers to offer apprenticeships, but areas are free to vary the criteria associated with the grant in line with key economic needs.

5.2 Financial resources to be devolved after 31 March 2017

Funding stream	Description	Accountable Government Department	Place(s) affected	Total amount	Payment schedule	Commentary
Adult Education Budget	Brings together funding for adult education outside of apprenticeships and loan funding for higher-level skills provision; Community Learning; and Discretionary Learner Support (help with extra costs to overcome barriers to learning).	Department for Education	Cambridgeshire and Peterborough, Greater Manchester, Liverpool City Region, Sheffield City Region, Tees Valley, West Midlands, West of England	TBD – formula-based allocation of national budget	Full budgetary devolution for deals agreed to date is due to take place in 2019/20, subject to places meeting agreed readiness conditions. Transitional arrangement will be in place for 2018/19 and it is not anticipated that funding will be devolved in this period.	Secondary legislation under the Cities and Local Government Devolution Act 2016 will be required to confer the relevant statutory duties relating to this budget on Combined Authorities. Devolution of the Adult Education Budget is also subject to places meeting specific readiness conditions set out in deal agreements.

Work and Health Programme	Funding for locally commissioned programmes aimed at long term jobseekers and claimants with disabilities.	Department for Work and Pensions	Greater Manchester and London	The maximum indicative amount (over 5 years) subject to future Spending Review decisions is as follows: Greater Manchester: £30m London: £77m	Funding for 2017/18 determined by DWP on receipt of the contractual performance profiles and unit prices agreed between the London sub regions and Greater Manchester with their respective suppliers.	As part of the joint commissioning arrangements for the Work and Health Programme (WHP), DWP has agreed to transfer the funding over to the London sub regions and Greater Manchester so they can procure, administer and deliver a local WHP. Payments will be made by section 31 payment.
Labour market pilots	Six innovative labour market pilots to support those that are hardest to help.	Department for Work and Pensions	Cambridgeshire Peterborough, Liverpool City Region, Sheffield City Region, Tees Valley, West Midlands, West of England.	£28m over three years	Payments to be made based on referrals and outcomes as agreed between the Combined Authority and DWP.	Payments will be made by section 31 payment.

Public functions devolved to devolution deal areas

5.3 This section provides information on public authority functions that have been devolved to combined authorities as a result of devolution agreements, through legislation made between 1 April 2016 and 31 March 2017 under Part 6 of the Local Democracy, Economic Development and Construction Act 2009, as amended by the Cities and Local Government Devolution Act 2016.

Homes and Communities Agency

5.4 The following functions of the Homes and Communities Agency ('HCA') have been devolved to mayoral combined authorities, to be exercised concurrently with the HCA. These functions include the powers to acquire and dispose of property and land, compulsory purchase powers, and the development and regeneration of land. These functions are to be exercised for the purposes of or for purposes incidental to the following objects:

- a. to improve the supply and quality of housing in the combined area;
- b. to secure the regeneration or development of land or infrastructure in the combined area;
- c. to support in other ways the creation, regeneration or development of communities in the combined area or their continued well-being; and
- d. to contribute to the achievement of sustainable development and good design in the combined area;

with a view to meeting the needs of people living in the combined area.¹¹

5.5 Sections 5 to 12 excluding section 9(2) of the Housing and Regeneration Act 2008 have been devolved to the West Midlands Combined Authority,¹² to be exercised concurrently by the combined authority and the Homes and Communities Agency.

5.6 Section 9(2) of the Housing and Regeneration Act 2008 has been devolved to the West Midlands Combined Authority¹³ to be exercised concurrently by the Mayor and the HCA, with the consent of at least one member from the local authority(s) where the compulsory purchase will occur.

5.7 Sections 5 to 12, paragraphs 19 and 20 of Schedule 3, and paragraphs 1, 2, 3, 4, 6, 10 and 20 of Schedule 4 of the Housing and Regeneration Act 2008 have been devolved to the combined authorities for the areas of Greater Manchester¹⁴ and Liverpool City Region.¹⁵ The functions are exercised concurrently by the HCA and the combined authority mayors.

5.8 Sections 5 to 12, paragraphs 19 and 20 of Schedule 3, and paragraphs 1, 2, 3, 4, 6, 10 and 20 of Schedule 4 of the Housing and Regeneration Act 2008 have been devolved to the West of England Combined Authority.¹⁶ The functions are exercised concurrently by the combined authority and the HCA.

¹¹ SI 2016/1267, SI 2017/216, SI 2017/430, SI 2017/510

¹² SI 2017/510

¹³ SI 2017/510

¹⁴ SI 2016/1267

¹⁵ SI 2017/430

¹⁶ SI 2017/126

Spatial development strategy

5.9 Functions under sections 334 to 342, and 346 of the Greater London Authority Act 1999 have been conferred on the combined authorities for the areas of Greater Manchester,¹⁷ Liverpool City Region,¹⁸ and the West of England.¹⁹ The functions are exercised by the mayor of the combined authority and place a duty on the mayor, equivalent to the duty on the Mayor of London, to develop a spatial development strategy for the combined authority area. Accordingly, the function under section 348 of the Greater London Authority 1999 has also been conferred on the combined authorities for Greater Manchester, Liverpool City Region, and the West of England. This function places a duty on the combined authority, equivalent to the duty on the Mayor of London, to share views on matters of common interest relating to planning or development within the combined authority area with the constituent authorities.

5.10 The functions of the Mayor of London in sections 2A, 2B, 2C, 2E and 2F and 74 of the Town and Country Planning Act 1990, and the functions of the Mayor of London in the Town and Country Planning Order 2008 have been conferred on the combined authorities for the areas of the Liverpool City Region²⁰ and the West of England.²¹ The functions are exercised by the mayor of the combined authority and give them powers, equivalent to those of the Mayor of London, of referral and call-in to determine planning applications of Potential Strategic Importance, in relation to the Spatial Development Strategy for the combined authority area, in place of the local planning authority.

Mayoral development corporation

5.11 Functions under sections 197, 199, 200, 202, 204, 214, 215, 216, 217, 219, 220, 221 and paragraphs 1-4, 6 and 8 of Schedule 21 of the Localism Act 2011 have been conferred on the combined authorities for the areas of the Liverpool City Region,²² Tees Valley,²³ the West Midlands,²⁴ and the West of England.²⁵ With the exception of the West Midlands, the functions are exercised by the mayor for the combined authority and give the mayor the equivalent powers of the Mayor of London, including the ability to designate any land within the combined authority as a Mayoral development area and so create a Mayoral Development Corporation.

Greater Manchester Police and Crime Commissioner

5.12 The functions of the police and crime commissioner in relation to the Greater Manchester area have been conferred on the Greater Manchester Combined Authority²⁶ to be exercised by the mayor. The mayor is to be treated as a police and crime commissioner for the purposes of all police and crime commissioner enactments passed or made. The role of police and crime commissioner for Greater Manchester was abolished on 8 May 2017.²⁷

17 SI 2016/1267

18 SI 2017/430

19 SI 2017/126

20 SI 2017/430

21 SI 2017/126. To come into force on 8 May 2018.

22 SI 2017/430. With the exception of section 220.

23 SI 2017/250. This Order included transitional arrangements prior to election of the Tees Valley Mayor.

24 SI 2017/510

25 SI 2017/126

26 SI 2017/470

27 SI 2017/469 SI 2016/448

Greater Manchester Fire and Rescue Authority

5.13 All functions of a fire and rescue authority for the purposes of the Fire and Rescue Services Act 2004 in relation to the Greater Manchester area have been conferred on the Greater Manchester Combined Authority²⁸ to be exercised by the mayor. The Greater Manchester Fire and Rescue Authority was abolished on 8 May 2017.

Functions conferred on Greater Manchester after 31 March 2017

5.14 The Greater Manchester Combined Authority (Functions and Amendment) Order 2017 No. 612 was made on 26 April 2017 and thus falls outside the requirements for this report. However, information is provided below regarding the provisions in the Order to confer public authority functions on the Greater Manchester Combined Authority, including such functions which were devolved as a result of agreements to become exercisable by the mayor.

5.15 The function under section 31 of the Local Government Act 2003 was devolved to the Greater Manchester Combined Authority²⁹ to be exercisable by the mayor concurrently with a Minister of the Crown. The function gives the mayor power to pay grants to a constituent authority of the combined authority without prior consent of the Treasury for each payment. Specific matters are set out in the legislation conferring the functions to which the mayor must have regard when determining whether to pay grant to a constituent council in relation to the exercise of the constituent council's highways functions.

5.16 Functions under sections 197, 199, 200, 202, 204, 214, 215, 216, 217, 219, 221 and paragraphs 1-4, 6 and 8 of Schedule 21 of the Localism Act 2011 have been conferred on the Greater Manchester Combined authority to be exercisable by the mayor. The functions give the mayor the equivalent powers of the Mayor of London, including the ability to designate any land within the combined authority as a Mayoral development area and so create a Mayoral Development Corporation.³⁰

5.17 The functions of the Greater Manchester Waste Disposal Authority have been conferred on the Greater Manchester Combined Authority³¹ to be exercised by the combined authority across the local government areas of Bolton, Bury, Manchester City, Oldham, Rochdale, Salford, Stockport, Tameside, and Trafford, from 1 April 2018. The Greater Manchester Waste Disposal Authority will be abolished on 1 April 2018.

28 SI 2017/469

29 SI 2017/612

30 SI 2017/612

31 SI 2017/612

6. Consideration of devolving powers to local government

Legislative requirement: Section 1 (2)(e) of the Act requires the Report to provide information on the extent to which consideration has been given by a Minister of the Crown to the principle that powers should be devolved to combined authorities or the most appropriate local level except where those powers can more effectively be exercised by central government.

The Government will continue to support those authorities that wish to combine to serve their communities better. For combined authorities that are based around our great cities, the Government will continue to support the adoption of elected mayors.

The Government is clear that devolution should be an on-going process, not a one-off opportunity. In addition to commitments involving the immediate transfer of budgets and functions, deals negotiated to date include a wide range of commitments to further joint working between local partners and Government, including the development of business cases and Memoranda of Understanding on particular themes. Areas are fully expected to seek to build on these opportunities, as well as to come forward with additional ideas where they have the capacity and vision to drive further growth and reform in their areas.

Accordingly, the Government is working with areas where devolution agreements have already been reached to understand any additional proposals for further devolution. For example, at the Autumn Budget 2017, the Chancellor announced packages for further devolution with the West Midlands and Greater Manchester combined authorities. The Chancellor also announced the Government's intention to reach further devolution packages with the Tees Valley and Liverpool City Region combined authorities in the near future.

Annex A: Underpinning legislation

The Cities and Local Government Devolution Act 2016 (the 2016 Act) received Royal Assent on 28 January 2016. It amends the Local Democracy, Economic Development and Construction Act 2009 to facilitate the implementation of far more ambitious and wide-ranging devolution agreements with combined authority areas and with other areas. It is enabling legislation which provides a legislative framework which can be applied flexibly to different areas by secondary legislation. In particular, secondary legislation may:

- confer any local government function on a combined authority;
- confer any public authority function on a combined authority;
- provide for an elected mayor for a combined authority's area who would exercise specified functions individually and chair the authority;
- provide for the mayor to undertake the functions of Police and Crime Commissioner (PCC) for the combined authority area (in place of the Police and Crime Commissioner); and
- confer any public authority function on a county council or district council.

In addition, the 2016 Act's amendments to the 2009 Act streamline the process for establishing and changing the area of a combined authority, remove geographical limitations as to the establishment of combined authorities, and provide for streamlined governance reforms where these are agreed by one or more of the councils involved.

