



# **SECRETARY OF STATE'S ANNUAL REPORT ON DEVOLUTION 2017-18**

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

March 2019

Ministry of Housing, Communities and Local Government



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ISBN 978-1-5286-1142-8

CCS0319876580 03/19

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Office

## **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 or implemented between Government and areas between 1 April 2017 and 31 March 2018.
- 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 changes in local governance and local political accountability.
- 1.4 This Annual Report brings together information about devolution agreements reached between Government and areas up to 31 March 2018.
- 1.5 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 2017 and 31 March 2018, the Government reached agreement with one new area of the country:

- On 24 November 2017, the Government announced that it was minded to agree a devolution deal for the North of Tyne subject to the formal ratification of the constituent councils. It would also be subject to the statutory requirements including the consent of all councils affected and parliamentary approval of the secondary legislation implementing the provisions of this minded to deal.

2.2 In relation to areas where agreements were previously reached, further agreements were reached in November 2017 with:

- West Midlands<sup>1</sup>; and
- Greater Manchester<sup>2</sup>.

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<sup>1</sup> <https://www.gov.uk/government/publications/a-second-devolution-deal-for-the-west-midlands>

<sup>2</sup> <https://www.gov.uk/government/publications/devolution-to-the-greater-manchester-combined-authority-and-transition-to-a-directly-elected-mayor>

### **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 2017 and 31 March 2018 the Secretary of State received no formal proposals from local partnerships in England.

3.2 Whilst no formal proposals were received, a number of councils in Yorkshire expressed interest in One Yorkshire with a submission received in March 2018<sup>3</sup>.

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<sup>3</sup> <https://www.westyorks-ca.gov.uk/media/3120/yorkshire-devolution-agreement-submission-5th-march-2018.pdf>

## **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 2017 and 31 March 2018, 7 statutory instruments ('SIs') were made to implement devolution agreements between the Government and areas. These SIs provided for the conferral of functions to mayoral combined authorities, including functions to be exercised by mayors; changes to the constitution of certain mayoral combined authorities; and the establishment of Mayoral Development Corporations to certain mayoral combined authorities.
- 4.2 The following SIs were made between 1 April 2017 and 31 March 2018, listed in chronological order:
- 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;
  - e. The Greater Manchester Combined Authority (Public Health Functions) Order 2017 No. 1180;
  - f. The Value Added Tax (Refund of Tax to the Cambridgeshire and Peterborough Combined Authority) Order 2017 No. 1203
  - g. The Greater Manchester Combined Authority (Amendment) Order 2018 No. 444.
- 4.3 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 2017 and 31 March 2018 under Part 6 of the Local Democracy, Economic Development and Construction Act 2009 ('the 2009 Act'), as amended by the 2016 Act.



## **Power to pay grant**

- 4.4 The function under section 31 of the Local Government Act 2003 was devolved to the Greater Manchester Combined Authority<sup>4</sup>. The function is exercised by the Mayor 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.

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<sup>4</sup> SI 2017/612

## 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 2017 and 31 March 2018

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 agreed / total paid in 2017-18	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	£300,000,000 / £55,161,390	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	£170,000,000 (£70,000,000 ring fenced for Cambridge) / £30,000,000 (Cambridgeshire and Peterborough) £10,500,000 (City of	First payment drawn down in 2016/17 and subsequent schedule of payments per year	Payments made by Section 31 grant.

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, Tees Valley, West of England and West Yorkshire.	Cambridge) £14,000,000 / £3,891,000	Payments made in April 2017 to Cambridgeshire and Peterborough, Greater Manchester, Liverpool City Region, Sheffield City Region, Tees Valley, West of England and West Yorkshire.	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.
Adult Education Budget Implementation Funding	Funding to assist preparations for the Devolution of the Adult Education Budget.	Department for Education	Cambridgeshire and Peterborough, Greater Manchester, Liverpool City Region, West Midlands, West of England, Tees Valley <sup>5</sup>	£679,352/ £656,290	Payments made in March 2018 to Cambridgeshire and Peterborough, Greater Manchester, Liverpool City Region, West Midlands, West of England, Tees Valley	Payments made by Section 31 grant for the 2017/18 academic year following the approval of business cases supplied by each of the Combined Authorities listed.

<sup>5</sup> North of Tyne funding to be confirmed once it business case has been approved by the Department of Education.

Labour market pilots	Six innovative labour market pilots to support those that are hardest to help.	Department for Work and Pensions	Cambridgeshire and Peterborough; Liverpool City Region; Sheffield City Region; Tees Valley; West Midlands; and West of England.	Up to £28,350,000 over three years / £6,321,008	Payments are made based on performance indicators agreed between the Combined Authority and DWP.	Payments are made by Section 31 grant.
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	Ministry of Housing, Communities and Local Government	Cambridgeshire and Peterborough, Greater Manchester, Liverpool City Region, Tees Valley, West Midlands, West of England	£4,845,000,000 (over 30 years) / £161,500,000	Annual	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

	Partnership(s) through a separate competitive bidding process.					<p>'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 ensures that Single Pot funding is spent with regularity, propriety and value for money. These local assurance frameworks are based on published guidance.<sup>6</sup></p>
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<sup>6</sup> Available at: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/516215/Single\\_Pot\\_Assurance\\_Framework.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/516215/Single_Pot_Assurance_Framework.pdf)

**5.2 Financial resources to be devolved after 31 March 2018**

<b>Funding stream</b>	<b>Description</b>	<b>Accountable Government Department</b>	<b>Place(s) affected</b>	<b>Total amount</b>	<b>Payment schedule</b>	<b>Commentary</b>
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	The maximum indicative amount (over 5 years) subject to future Spending Review decisions is as follows: £30,000,000	Funding for 2017/18 determined by DWP on receipt of the contractual performance profiles and unit prices agreed between Greater Manchester and their suppliers.	As part of the joint commissioning arrangements for the Work and Health Programme (WHP), DWP transfers funding over to Greater Manchester so they can procure, administer and deliver a local WHP. Payments are 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 2017 and 31 March 2018 under Part 6 of the Local Democracy, Economic Development and Construction Act 2009, as amended by the Cities and Local Government Devolution Act 2016.

### **Mayoral Development Corporation**

- 5.4 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 to designate any land within the combined authority as a Mayoral development area and so create a Mayoral Development Corporation.<sup>7</sup>

### **Waste Disposal Authority**

- 5.5 The functions of the Greater Manchester Waste Disposal Authority have been conferred on the Greater Manchester Combined Authority<sup>8</sup> 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 was abolished on 1 April 2018.

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<sup>7</sup> SI 2017/612

<sup>8</sup> 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.

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.

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 Autumn Budget 2017, the Chancellor announced additional packages to drive economic and productivity growth with the West Midlands and Greater Manchester combined authorities. The Chancellor also announced the Government will enter into discussions with the Liverpool City Region and Tees Valley to explore scope for further devolution to these areas, to promote local growth.



## **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.





CCS0319876580

978-1-5286-1142-8