



Secretary of State's Annual Report on Devolution 2019-20

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



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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 or implemented between Government and areas between 1 April 2019 and 31 March 2020.
- 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 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.
- 1.5 This Government is committed to giving communities more control over how investment is spent so that they can decide what is best for them. That is why we intend to bring forward the Devolution and Local Recovery White Paper in due course. This will cover how Government will partner with places across England to build a sustainable economic recovery and set out our plans for future devolution arrangements.
- 1.6 These devolution arrangements form part of the Government's plans to level up across the country, and we will continue to engage with local areas looking to agree new devolution deals in the year ahead.

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 2019 and 31 March 2020, the Government confirmed agreement with one new area:

On 11 March 2020, a West Yorkshire devolution deal was agreed and announced by the Chancellor at Budget, setting out a total package of increased powers and funding for the West Yorkshire area.

The devolution deal includes investment funding of £38m per year for 30 years, comprising over £1.1bn in total to be invested by West Yorkshire to drive growth and take forward their priorities. It also includes close to £3 billion public and private sector investment and is expected to create 20,600 jobs and add £2.1 billion a year to the economy by 2031.

The draft secondary legislation which creates the position of Mayor and implements the deal was laid before Parliament in December 2020. If approved by each House of Parliament, the order will be made early in 2021 and will lead the way for a directly elected Mayor to be elected in May 2021. The Mayor will also take the on the Police and Crime Commissioner (PCC) functions.

2.2 During 2019/20, the Sheffield City Region (SCR) Combined Authority took the decision to progress their stalled devolution deal, previously agreed in 2015. The required governance review and scheme to implement the SCR deal was published by the City Region in January 2020 and the required public consultation was held throughout February and ended in March 2020.

2.3 The Government is also working with the Greater Manchester Combined Authority and Mayor Burnham who have consulted on a second draft of the Greater Manchester Spatial Framework in early 2019. The Greater Manchester Spatial Framework is a key element within the Greater Manchester Devolution Deal and has been contentious across the ten Greater Manchester district councils. Mayor Burnham has asked the Government to consider changes to Planning Regulations to enable him to proceed with the Spatial Framework as a Spatial Development Strategy.

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 2019 and 31 March 2020, West Yorkshire was the only area to submit a formal proposal. Initial devolution deal discussions began in 2019, leading to a period of negotiations which subsequently resulted in their agreement on 11 March 2020 as set out above.

3.2 The Secretary of State received no other formal proposals from local areas over this period.

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 2019 and 31 March 2020, three statutory instruments ('SIs') were made to implement devolution agreements between the Government and areas. These SIs provided for the conferral of new functions and changes to governance arrangements in Greater Manchester Combined Authority, the establishment of a Mayoral Development Corporation in Stockport called the Stockport Town Centre West Mayoral Development Corporation in Greater Manchester, and devolution of adult education functions in the North of Tyne Combined Authority.

The following SIs were made between 1 April 2019 and 31 March 2020, listed in chronological order:

Place(s) affected	Statutory Instrument	Date order made
Greater Manchester	Greater Manchester (Functions and Amendment) Order 2019 No.793 ¹	3rd April 2019
Greater Manchester	Stockport Town Centre West Mayoral Development Corporation (Establishment) Order 2019 No.1040 ²	24th June 2019
North of Tyne	The Newcastle Upon Tyne, North Tyneside and Northumberland (Adult Education Functions) Order 2019 No.1457 ³	4th November 2019

1 <https://www.legislation.gov.uk/uksi/2019/793/contents/made>

2 <https://www.legislation.gov.uk/uksi/2019/1040/contents/made>

3 <https://www.legislation.gov.uk/uksi/2019/1457/introduction/made>

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 2019 and 31 March 2020

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 paid in 2019-20	Payment schedule	Commentary
Investment Funds	Capital and Revenue funding agreed through devolution deals for local investment. Forms part of the single pot arrangement.	Ministry of Housing, Communities and Local Government	Cambridgeshire and Peterborough, Greater Manchester, Liverpool City Region, North of Tyne, Tees Valley, West Midlands, West of England	£181, 500,000	Over 30 years ⁴ Total Amount: £5,445,000,000 ⁵	Payments made by Section 31 grant. The National Local Growth Assurance Framework (2019) ⁶ has replaced the Local Single Pot Assurance Framework (April 2016) as HM Government's guidance for how MCAs and LEPs should appraise, monitor and evaluate schemes to achieve value for money. All LEPs and MCAs have been required to update their Local Assurance Framework(s) to reflect the requirements set out in the Framework.

⁴ Subject to 5-yearly 'Gateway Review' assessments whereby an independent evaluation panel of experts will assess investments' impact on economic growth

⁵ Following the Sheffield City Region deal being ratified and implemented in law in July 2020, the MCA has taken control of additional £30 million a year funding allocation over 30 years (the first payment for which, covering 2020/21 was made in September 2020).

⁶ www.gov.uk/government/publications/national-local-growth-assurance-framework

Funding stream	Description	Accountable Government Department	Place(s) affected	Total amount paid in 2019-20	Payment schedule	Commentary
Multi-year Transport Grants	Made up of Integrated Transport Block and Highways Maintenance Block funding to be treated as part of a flexible Single Pot. (In 2019/20, funding was instead provided from the Highways Maintenance Block to the constituent LAs of the North East).	Department for Transport	Cambridgeshire and Peterborough, Cornwall, Greater Manchester, Liverpool City Region, North East, Sheffield City Region, Tees Valley, West of England, West Midlands, West Yorkshire.	£274,183,000 with notional BRR allocations £213,294,000 without BRR allocations	Schedule of payments each year until 2020/21, first payment commenced in 2015/16. Total amount agreed £1,478,802,000.	Payments made by Section 31 grants, apart from Greater Manchester, West of England and Cornwall, as their transport grants are rolled into their 100% Business Rates Retention pilots as agreed through their devolution deals.

Funding stream	Description	Accountable Government Department	Place(s) affected	Total amount paid in 2019-20	Payment schedule	Commentary
Transforming Cities Fund	Capital grant funding to support and promote sustainable and public transport; and is part of the Single Pot.	Department for Transport	Cambridgeshire and Peterborough, Liverpool City Region, Greater Manchester, North of Tyne, Sheffield City Region, Tees Valley, West of England West Midlands, West Yorkshire.	£190,000,000	£1,080,000,000 over five years from 2018/19 to 2022/23 ⁷ .	<p>Payments made by Section 31 grant.</p> <p>In addition, some combined authorities received part of the overall fund through a competitive bid process. Their funding is not part of the total £1,080,000,000.</p> <p>Sheffield City Region £8,296,005 North of Tyne £9,901,196. West Yorkshire £15,791,058.</p>
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	£4,585,637	Funding for 2019/20 determined by DWP on receipt of the contractual performance profiles and unit prices agreed between Greater Manchester and their suppliers. Maximum indicative amount over 8 years £30,000,000 ⁸ .	Payments are made by section 31 grant.

⁷ At Autumn Budget 2018 it was announced that there will be an extension of the Transforming Cities Fund by a year until 2022/23 to provide an additional £240m to the six metro mayors for "significant" transport investment in their areas.

⁸ Subject to future Spending Review

Funding stream	Description	Accountable Government Department	Place(s) affected	Total amount paid in 2019-20	Payment schedule	Commentary
Fire and Rescue Service	Fire National Resilience	Home Office	Greater Manchester	£323,441	Annual payment	<p>Payments are made by section 31 grant.</p> <p>Breakdown of total - Fire Revenue New Dimensions grant: £86,583 Fire Revenue Firelink grant: £236,859</p> <p>In 2019/20 GM received a one-off payment of £1,101,377 through S31 Grant towards additional costs of Moorland fire costs.</p>

5.2 Capacity funding paid to devolution deal areas between 1 April 2019 and 31 March 2020

Funding stream	Description	Accountable Government Department	Place(s) affected	Total amount paid in 2019-20	Payment schedule	Commentary
Mayoral Capacity Fund	Available to MCAs with elected mayors. This fund supports the new mayors by boosting their capacity and resources to deliver for their local area.	Ministry of Housing, Communities and Local Government	Cambridgeshire and Peterborough, Greater Manchester, Liverpool City Region, North of Tyne, Sheffield City Region, Tees Valley, West of England, West Midlands	£8,034,000	£15,250,000 over two years between 2018/19 and 2019/20. ⁹	Payments made by Section 31 grant. Each MCA received £1,000,000 in 2019/20, except Sheffield City Region which received £966,000 in 2018/19 and therefore received £1,034,000 in 2019/20.
Skills Advisory Panels	To analyse their local needs and priorities, which could include employing a labour market analyst.	Department for Education	Cambridgeshire and Peterborough, Greater London Authority, Greater Manchester, Liverpool City Region, Sheffield City Region, Tees Valley, West of England, West Midlands.			Each MCA received funding (£75,000 per MCA) at the end of 2018/19 which rolled over and was spent in 2019/20, therefore the MCAs did not receive an additional payment in 2019/20.

⁹ This fund was previously reported as £16,000,000 over two years, however due to the timing of the North of Tyne devolution deal implementation they received £250,000 in 2018/19.

Housing Capacity Fund	To help the West Midlands meet their ambition of 215,000 homes by 2031, to support a new Mayoral Housing Delivery Team.	Ministry of Housing, Communities and Local Government	West Midlands	£2,000,000	£6,000,000 over three years, from 2017/18 to 2019/20.	Payments made by Section 31 grant.
Housing Deal Capacity Fund	To help the West of England meet their ambition of 7,500 homes per year in the between 2018/19-2020/21.	Ministry of Housing, Communities and Local Government	West of England	£1,050,000	£3,000,000 over three years, from 2017/18 to 2019/20.	Payments made by Section 31 grant.
Adult Education Implementation Funding	Funding to assist preparations for the devolution of the Adult Education Budget.	Department for Education	Cambridgeshire and Peterborough, Greater London Authority, Greater Manchester, Liverpool City Region, North of Tyne, Tees Valley, West of England, West Midlands.	£1,560,838	£5,800,000 over 5 years, from 2017/18 to 2020/21. Payments commenced in 2017/18 and final payments will be made in 2019/20. For North of Tyne payments commenced in 2018/19 and will finish in 2020/21.	Payments made by Section 31 grant.

Adult Education Budget	Devolved budget which funds qualifications and programmes for learners aged 19+.	Department for Education	Cambridgeshire and Peterborough, Greater London Authority, Greater Manchester, Liverpool City Region, Tees Valley, West of England, West Midlands.	£395,799,636	Annual payment.	Payments made by Section 31 grant. North of Tyne had the AEB devolved from the start of academic year 2020/21. Sheffield City Region will have the AEB devolved for the academic year 2021/22. West Yorkshire given the successful passing of legislation, will have the AEB devolved from the academic year 2021/22.
Office for Data Analytics	Funding to support the establishment of the Office.	Ministry of Housing, Communities and Local Government	West Midlands	£300,000	£800,000 over three years, from 2018/19 to 2020/21.	Payments made by Section 31 grant.

5.3 Financial resources paid to devolution deal areas for pilot agreements between 1 April 2019 and 31 March 2020

Funding stream	Description	Accountable Government Department	Place(s) affected	Total amount paid in 2019-20	Payment schedule	Commentary
Housing First Pilots	Funding to three combined authorities to help them support rough sleepers with the most complex needs into safe and secure homes.	Ministry of Housing, Communities and Local Government	Greater Manchester, Liverpool City Region, West Midlands	£5,950,377	Payment made on a 6-monthly basis (April and October) ¹⁰ based on performance indicators. Maximum of £25,300,000 over 4 years (GMCA and WMCA funding ends in 2021/22) and over 5 years (LCRCA ending 2022/23).	Payments made by Section 31 grant.
Labour Market Pilots	Five innovative labour market pilots to support those that are hardest to help.	Department for Work and Pensions	Cambridgeshire and Peterborough, Liverpool City Region, Tees Valley, West of England, West Midlands	£8,028,348	Annual payments commenced in 2017/18. Up to £23,350,000 over three years ¹¹ .	Payments made by Section 31 grant.

¹⁰ Subject to a performance review

¹¹ Up to £6,321,008 per MCA based on performance indicators agreed between the Combined Authority and DWP.

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.

6.1 Over the reporting period, the Government continued to have discussions with areas about devolution, and to support the adoption of directly elected mayors.

6.2 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.

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.