



Secretary of State's Annual Report on Devolution 2020-21

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 Levelling Up, Housing and Communities pursuant to section 1 of the Cities and Local Government Devolution Act 2016 ('the 2016 Act').
- 1.2 This Annual Report brings together updated information about devolution agreements reached or implemented between Government and areas between 1 April 2020 and 31 March 2021.
- 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 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.
- 1.6 As set out in the Levelling Up White Paper, this Government will extend, deepen and simplify devolution across England so that by 2030, every part of England that wants one will have a devolution deal with powers at or approaching the highest level of devolution with a simplified, long-term funding settlement. We will open negotiations on deeper devolution deals with the West Midlands and Greater Manchester combined authorities, to act as the blueprint for other MCAs to follow. We will recast the geography of MCAs, where necessary, to ensure greater economic coherence. We have invited nine areas to agree new 'County' devolution deals, extending devolution to much more of England.
- 1.7 This Annual Report on Devolution covers a period during which areas have been responding to the outbreak of COVID-19. Throughout this financial year some COVID-19 funding has been delivered through Local Authorities and – in some instances – Combined Authorities. Such funds have not been captured in this year's report as it focuses on financial resources that have been devolved as a result of agreements with local areas.

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 2020 and 31 March 2021, the Government confirmed no agreements with new areas, but progress has been made on the following areas where agreements had previously been reached:
- 2.2 Following the announcement by the Chancellor on 11 March 2020 that a West Yorkshire devolution deal was agreed, the West Yorkshire Combined Authority (Election of Mayor and Functions) Order 2021 to implement the West Yorkshire deal was made on 29 January 2021. This established the office of Mayor of West Yorkshire with the first election held on 6 May 2021. This legislation confers significant powers on the Mayor and Combined Authority including transport; education, skills and training; housing and regeneration. It also conferred, from 10 May 2021, the office of the Police and Crime Commissioner (PCC) on the Combined Authority, to be exercised by the Mayor.
- 2.3 The West Yorkshire Combined Authority (Election of Mayor and Functions) Order 2021 opens the way to the funding in the deal being made available to West Yorkshire. The Government have paid in 2020-21, the first £38m gainshare, subject to the West Yorkshire Combined Authority having satisfactorily put in place the required assurance framework.
- 2.4 In January 2020, the Sheffield City Region Combined Authority took the decision to progress their stalled devolution deal, previously agreed in 2015. After the local consultation ended in March 2020, the Barnsley, Doncaster, Rotherham and Sheffield Combined Authority (Functions and Amendment) Order 2020 was made on 27 July 2020 to implement the deal. In September 2020 Government made the first £30m annual investment fund payment to the MCA.
- 2.5 The publication of the draft Greater Manchester Spatial Framework (GMSF) was due to be consulted upon from December 2020 but did not progress following Stockport Council's decision on 3 December not to support. The remaining 9 constituent councils of the GMCA who supported the GMSF consultation have agreed in principle to continue with a joint local plan – called Places for Everyone - without Stockport. Therefore, there will not be a single plan which covers the whole of the Greater Manchester Combined Authority area. The constituent councils agreed to work towards a consultation on the joint local plan in the summer of 2021, with a view to the plan being adopted in the following financial year (2022-23).

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 2020 and 31 March 2021, Hull and East Yorkshire (Hull, East Riding of Yorkshire) and York and North Yorkshire (York, North Yorkshire County Council, Harrogate, Selby, Craven, Scarborough, Ryedale, Richmondshire and Hambleton) were the areas that submitted formal proposals.

3.2 It is the Government's intention to enter into negotiations on a mayoral devolution deal with York and North Yorkshire during 2022 and take forward discussions on an expanded Mayoral Combined Authority for the North East. Government will enter negotiations with a number of areas for County Deals, details of which are set out in the Levelling Up White Paper.

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 2020 and 31 March 2021, two statutory instruments ('SIs') were made to implement devolution agreements between the Government and areas. These SIs provided for the conferral of powers to establish the West Yorkshire Combined Authority and Sheffield City Region Combined Authority.

The following SIs were made between 1 April 2020 and 31 March 2021, listed in chronological order:

Place(s) affected	Statutory Instrument	Date order made
Sheffield City Region	The Barnsley, Doncaster, Rotherham and Sheffield Combined Authority (Functions and Amendment) Order 2020 ¹	27 July 2020
West Yorkshire	The West Yorkshire Combined Authority (Election of Mayor and Functions) Order 2021 ²	29 January 2021

¹ <https://www.legislation.gov.uk/uksi/2020/806/introduction/made>

² <https://www.legislation.gov.uk/uksi/2021/112/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 2020 and 31 March 2021

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 2020-21	Payment schedule	Commentary
Investment Funds	Capital and Revenue funding agreed through devolution deals for local investment. Forms part of the single pot arrangement.	Department for Levelling Up, Housing and Communities	Cambridgeshire and Peterborough, Greater Manchester, Liverpool City Region, North of Tyne, Sheffield City Region, Tees Valley, West Midlands, West of England, West Yorkshire	£249, 500,000	Over 30 years ³ Total Amount: £7,485,000,000 ⁴	Payments made by Section 31 grant. The National Local Growth Assurance Framework (2019) ⁵ has replaced the Local Single Pot Assurance Framework (April 2016) as HM Government's guidance for how MCAs should appraise, monitor and evaluate schemes to achieve value for money. All MCAs have been required to update their Local Assurance Framework(s) to reflect the requirements set out in the Framework.

³ Subject to 5-yearly 'Gateway Review' assessments whereby an independent evaluation panel of experts will assess investments' impact on economic growth

⁴ Following the Sheffield City Region deal being ratified and implemented in law in July 2020, the MCA has taken control of £30 million a year funding allocation over 30 years (the first payment for which, covering 2020/21 was made in September 2020).

⁵ www.gov.uk/government/publications/national-local-growth-assurance-framework

Funding stream	Description	Accountable Government Department	Place(s) affected	Total amount paid in 2020-21	Payment schedule	Commentary
Multi-year Transport Grants	For 2020/21, made up of Integrated Transport Block (ITB) and, Pothole Fund, and Highways Maintenance Block (HMB) funding - for the purposes of this report only these to be treated as part of a flexible Single Pot. (Funding provided from the Highways Maintenance Block is given to the constituent LAs of the North East as agreed in the devolution deal).	Department for Transport	Cambridgeshire and Peterborough, Cornwall, UA, Greater Manchester, Liverpool City Region, North East ⁶ , Sheffield City Region, Tees Valley, West of England, West Midlands, West Yorkshire.	£391,035,000 with notional Business Rates Retention allocations in 2020/21 £303,925,000 without Business Rates Retention allocations in 2020/21 – Business Rates Retention only applicable to HMB and ITB (not pothole fund).	Schedule of payments each year until 2020/21, first payment commenced in 2015/16. Highways Maintenance Block set at £976m/year. Integrated Transport Block set at £258m/year, and Pothole fund set at £500m for 2020/21 only.	Payments made by Section 31 grants, apart from Greater Manchester, West of England and Cornwall, as their HMB and ITB transport grants are rolled into their 100% Business Rates Retention arrangements as agreed through their devolution deals. ⁷

⁶ In the North East, transport delivery is led on behalf of the North East Joint Transport Committee (NEJTC) by Transport North East. The Committee brings together North of Tyne and North East Combined Authority (NECA). As part of this arrangement, grant payments are made to NECA, not North of Tyne.

⁷ <https://www.gov.uk/government/publications/authorities-with-increased-business-rates-retention-arrangements-final-local-government-finance-settlement-2021-to-2022/explanatory-note-for-authorities-with-increased-business-rates-retention-arrangements>

Funding stream	Description	Accountable Government Department	Place(s) affected	Total amount paid in 2020-21	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, North East ⁸ , Sheffield City Region, Tees Valley, West of England, West Midlands, West Yorkshire	£311,006,827	£1,569,377,353 over five years from 2018/19 to 2022/23 ⁹ .	Payments made by Section 31 grant. ¹⁰ North East CA and North of Tyne CA also receive £25,077,384 via a Section 31 grant paid to NECA as part of their Tranche 2 settlement. The North East CA and North of Tyne CA do not receive this funding on a devolved basis.
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	£5,008,721	Funding for 2020/21 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 ¹¹ .	Payments are made by section 31 grant.

8 In the North East, transport delivery is led on behalf of the North East Joint Transport Committee (NEJTC) by Transport North East. The Committee brings together North of Tyne and NECA. As part of this arrangement, grant payments are made to NECA, not North of Tyne.

9 At Autumn Budget 2018 it was announced that there would be an extension of the Transforming Cities Fund by a year until 2022/23 to provide an additional £240m to the six metro mayors (Tees Valley CA, West Midlands CA, Liverpool CRCA, Greater Manchester CA, Cambridge & Peterborough CA, West of England CA) for "significant" transport investment in their areas

10 Sheffield City Region and West Yorkshire CA received part of the overall fund through a competitive bid process. Their allocations are included in the total figure for 2020/21.

11 Subject to future Spending Review

Funding stream	Description	Accountable Government Department	Place(s) affected	Total amount paid in 2020-21	Payment schedule	Commentary
Work and Health Programme Job Entry Targeted Support (JETS)	JETS was introduced as part of the DWP "Plan for Jobs" in response to the impact of the Covid19 Pandemic, it aims to provide relatively light touch support to those unemployed for 13 weeks or more, many of this client group have become unemployed as a direct result of the pandemic.	Department for Work and Pensions	Greater Manchester	£5,056,364	<p>Funding for 2020/21 determined by DWP on receipt of the contractual performance profiles and unit prices agreed between Greater Manchester and their suppliers.</p> <p>Maximum indicative amount over 2 financial years £12,997,223.</p>	Payments are made by Section 31 grant.

Funding stream	Description	Accountable Government Department	Place(s) affected	Total amount paid in 2020-21	Payment schedule	Commentary
Fire and Rescue Service	Fire National Resilience	Home Office	Greater Manchester	£32,563,652	Annual payment	Payments are made by section 31 grant. Breakdown of total - Fire Revenue New Dimensions grant: £17,731,008 Fire Revenue Firelink grant: £14,832,643

This section provides information on financial resources that are delivered by combined authorities but have not been devolved as a result of their devolution deals.

Brownfield Fund	The £400m capital Brownfield Housing Fund aims to create more homes by bringing more brownfield land into development. The Fund is allocated to 7 MCAs in the Midlands and North. £8m of revenue funding was also provided to the 7 MCAs.	Department for Levelling Up, Housing and Communities	Greater Manchester, Liverpool City Region, North of Tyne, Sheffield City Region, Tees Valley, West Midlands, West Yorkshire	£81,185,224 Capital £8,000,000 Revenue	£400,000,000 Capital over 5 years from 2020/21 to 2024/25. £8,000,000 Revenue in 2020/21 only.	Payments made by Section 31 grant.
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5.2 Capacity funding paid to devolution deal areas between 1 April 2020 and 31 March 2021

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 mayors by boosting their capacity and resources to deliver for their local area.	Department for Levelling Up, Housing and Communities	Cambridgeshire and Peterborough, Greater Manchester, Liverpool City Region, North of Tyne, Sheffield City Region, Tees Valley, West of England, West Midlands, West Yorkshire	£8,250,000	£8,250,000 over 2020/21.	Payments made by Section 31 grant. Each MCA received £1,000,000 in 2020/21 except for West Yorkshire CA who received £250,000 due to the timing of the devolution deal implementation.
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, West Yorkshire	£750,000	Annual payment	Payments made by Section 31 grant. Each MCA received funding (£75,000 per MCA).

Housing Capacity	To support the development of a pipeline of housing sites across West Yorkshire and the delivery of the Brownfield Housing Fund.	Department for Levelling Up, Housing and Communities	West Yorkshire	£2,500,000	£2,950,000 in 2021/22.	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	North of Tyne, Sheffield City Region, West Yorkshire	£759,762	£1,500,000 over 3 years, from 2019/20 to 2021/22.	Payments made by Section 31 grant. The final payment to Sheffield City Region and West Yorkshire will be in August 2021.
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.	£660,781,358	Annual payment	Payments made by Section 31 grant. Sheffield City Region and West Yorkshire will have the AEB devolved for the academic year 2021/22.
Office for Data Analytics	Funding to support the establishment of the Office.	Department for Levelling Up, Housing and Communities	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 2020 and 31 March 2021

Funding stream	Description	Accountable government department	Place(s) affected	Total amount paid in 2020-21	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.	Department for Levelling Up, Housing and Communities	Greater Manchester, Liverpool City Region, West Midlands	£7,655,775	Payment made on a 6-monthly basis (April and October) ¹² 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 ¹³ .	Payments made by Section 31 grant.

¹² Subject to a performance review.

¹³ Up to £6,321,008 per MCA based on performance indicators agreed between the Combined Authority and the Department for Work and Pensions.

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.