



HM Treasury

Annex to the Memorandum
of Understanding for the
“Trailblazer” Single
Settlements with Greater
Manchester and West
Midlands Combined
Authorities

March 2024

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Introduction

1. At Spring Budget 2023, the Government (HMG) announced trailblazer devolution deals with Greater Manchester Combined Authority (GMCA) and West Midlands Combined Authority (WMCA). The deals set out HMG's commitment to implement single funding settlements ('single settlements') for GMCA and WMCA ('the MCAs') at the next Spending Review (SR). HMG published a [Memorandum of Understanding \(MoU\)](#) for the single settlements with the MCAs at Autumn Statement 2023. This document is an annex to the MoU.

Part 1: Approach to Formulae

Background

2. As set out in the MoU, *the quantum for the MCAs' single settlements will be set using formulae applied to relevant departmental budgets. The formulae will be used to determine the MCAs' allocative share of relevant funds.* This annex covers the detail of the approach to formulae, in particular how allocations will be decided and implemented, and use cases.
3. This annex makes repeated reference to the underpinning principles outlined in paragraph 20 of the MoU, which are set out below.
 - a. *The formulae will be based on objective criteria to ensure the MCAs receive their share of funding to enable them to deliver on their functional responsibilities and meet the outcomes set out in the outcomes framework.*
 - b. *The formulae will seek to deliver the principle that the MCAs are no worse off in terms of quantum of funding received than they would have been had the single settlements not been in place.*
 - c. *The formulae and any changes to the formulae will be public.*
 - d. *HMT will agree the formulae and any subsequent revisions with relevant departments (including, but not limited to, the Department for Energy Security and Net Zero (DESNZ); the Department for Transport (DfT); the Department for Education (DfE); and the Department for Levelling Up, Housing and*

Communities (DLUHC)) and the MCAs to ensure there is an agreed and consistent approach.

- e. For non-competitive funding programmes, where there is an existing formula or similar allocative process to determine the geographic distribution of funds associated with one or more functional responsibilities, this formula or process will be used.*
- f. The formulae will be linked to individual functional responsibilities, or groups thereof, or themes. The highest possible level of aggregation will be used, within the constraints of HMG and local policy objectives in different policy areas.*

How allocations will be decided and implemented

Where there are existing formulae

- 4. The functional responsibilities (outlined in paragraph 6 of the MoU) set the scope of the single settlement¹. As set out in paragraph 13 of the MoU, national funds will be tested against the functional responsibilities at each Spending Review.
- 5. As per paragraph 20(e) of the MoU, where a functional responsibility (or set of functional responsibilities) corresponds to a non-competitive funding programme *where there is an existing formula or similar allocative process to determine the geographic distribution of funds associated with one or more functional responsibilities, this formula or process will be used.*
- 6. In practice, this means that where non-competitive funds fall under the MCAs' functional responsibilities and are, therefore, in scope of the single settlement, the MCAs' share of these funds will be determined by the existing national funding formulae for these funds. The MCAs will therefore receive into the relevant single settlement theme what they would have received through the national allocation process had there been no single settlement in place. This meets the principles set out in paragraph 20 of the MoU.
- 7. This will continue to be the case where revisions and updates to these national formulae are made – see further detail on how this will work in paragraphs 13-14 of this annex.

¹ As per paragraph 7 of the MoU, in addition to the scope of the single settlement, which is defined by the functional responsibilities set out above, in the trailblazer devolution deals HMG made commitments to consider whether additional funding streams may be included in future iterations of the single settlement, with reference to the topics listed below: a. funding relating to prevention early intervention and/or multiple – social, economic and health – disadvantages b. future affordable homes provision c. funding for business support programmes

8. The processes set out in this annex look to operationalise and meet the principles set out in paragraph 20 of the MoU (which are copied in paragraph 3 of this annex).

Changes to existing formulae

9. The formulae may change over time for several reasons. This section sets out some broad processes and more specific use cases for when formulae may change and how HMG and the MCAs will respond to this. This is not an exhaustive list and other use cases will be considered as they arise. HMG will agree potential formulae changes with the MCAs, as detailed in relevant subsections below. Where new use cases arise for formulae changes, both parties will ensure these are discussed at the Single Settlement Programme Board (hereafter 'Programme Board') before final decisions are made.
10. The underlying principle guiding the approach to any formulae changes is timely and meaningful engagement.

Streamlining and simplifying formulae

11. As set out in paragraph 21 of the MoU, *HMG and the MCAs agree that the aim is to streamline and simplify the formulae over time and will look at this for the next SR.* This could take the form of streamlining formulae under the MCAs' functional responsibilities in future, to establish formulae that could be considered a starting point for new funding lines in scope of the MCAs' functional responsibilities. HMG and the MCAs will explore over the coming months, working towards summer recess, how this option might work in practice, and whether it could cohere with the principles set out in paragraph 20 of the MoU.
12. As per paragraph 2 of the MoU, *HMG and the MCAs will review this MoU before the end of every SR period to ensure it remains fit for purpose.* As part of this process, HMT and DLUHC will work with relevant departments and the MCAs to consider where formulae could be streamlined, simplified, and/or consolidated, for example by testing whether we could reduce the number of formulae per theme while maintaining the principles set out in paragraph 20 of the MoU. Opportunities to streamline formulae may lead to deviations from the practice of using existing formulae. HMG and the MCAs will work together to streamline the formulae where opportunities are identified.

Revising existing national formulae

13. Departments may periodically revise national funding allocation processes/formulae. Where the existing national formulae are

currently used to inform the single settlement quantum, the formulae used for the single settlements will also be revised to reflect the new national funding mechanism. The MCAs will therefore receive the same quantum as per the revised national formulae as they would have done if they did not have a single settlement. The new formulae will also be published on the GOV.UK page for the relevant fund, where appropriate.

14. When national formulae are revised, including in advance of the next SR, the MCAs will be notified and meaningfully engaged in a timely manner.

Developing new formulae

15. As per paragraphs 20a and 20b of the MoU, the formulae will be based on *objective criteria to ensure the MCAs receive their share of funding to enable them to deliver on their functional responsibilities and meet the outcomes set out in the outcomes framework; and the formulae will seek to deliver the principle that the MCAs are no worse off in terms of quantum of funding received than they would have been had the single settlements not been in place.*
16. In practice, this means that for funds that are competitive but fall in scope of the single settlements, GMCA and WMCA's respective share will be determined by new formulae. HMG will agree new formulae with the MCAs. New formulae, where they are likely to be required, will be confirmed ahead of the next SR. If the MCAs wish to dispute the new formulae, this should be on the basis that they do not meet the principles set out in paragraph 20 of the MoU, using the dispute resolution section ('Part 4' of this annex).
17. In some cases, a whole fund may become non-competitive, and formulae may be used to allocate the fund nationally. In this event, the new national allocative process for the fund will override the formula created to determine the MCAs' share. As such, GMCA and WMCA's respective share of that fund will be calculated using any new national formulae or process.

Use cases

18. The section below outlines specific use cases for sample funds ('fund X') in scope of the single settlement, to illustrate how the broader processes set out above will work in practice. The use cases set out below will be updated over time to reflect any changes or streamlining of formulae. Paragraph references in the table below are in relation to this annex.

	Use case	Approach to determining quantum
1	Existing non-competitive fund is extended into next SR, formula is unchanged	At the most recent SR, 'fund X' was allocated using an existing national formula. If the national formula is unchanged for 'fund X' in the next SR, the formula for determining the MCAs' quantum of that fund will remain unchanged, subject to any wider changes of formulae at future SRs (as set out in paragraphs 9-14).
2	Existing non-competitive fund is extended into next SR, formula is changed	At the most recent SR, 'fund X' was allocated via an existing national formula. If the national formula for 'fund X' is updated or changed for the next SR, the formula for determining the MCAs' quantum will be updated to reflect the new formula, as set out above in the section on 'revising existing national formulae' (paragraphs 13-14). The MCAs will be notified and meaningfully engaged in a timely manner.
3	Existing competitive fund is extended into next SR, remains competitive elsewhere	At the most recent SR, 'fund X' was allocated via competition. If the national 'fund X' remains competitive at the following SR and falls into scope of the single settlement, HMG and the MCAs will agree a new formula to determine the MCAs' share of this fund, based on the process set out above on 'developing new formulae' (paragraphs 15-17).
4	New competitive fund is created, and falls into scope of the single settlement	A new competitive 'fund X' is created during the SR period (i.e. not at an SR) and falls into scope of the single settlement. HMG and the MCAs will agree a new formula to determine the MCAs' share of this fund, based on the process set out above on 'developing new formulae' (paragraphs 15-17). The MCAs will be notified and meaningfully engaged in a timely manner.
5	New non-competitive fund is created and falls into scope	A new non-competitive 'fund X' is created during the SR period (i.e. not at an SR) and falls into scope of the single settlement. The national allocation formula for this fund will be used to determine the MCAs' share of the fund (as set out in paragraphs 4-6). The MCAs will be notified and meaningfully engaged in a timely manner.

6	Existing competitive fund is extended into next SR, becomes non-competitive	At the most recent SR, 'fund X' was allocated via competition, so HMG devised a new formula for the MCAs allocation. If the national 'fund X' becomes non-competitive at the next SR and falls in scope of the single settlement, the new national allocative process for the fund will override the formula created to determine the MCAs' share, as part of the processes set out above (paragraphs 15-17).
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Part 2: Approach to the Outcomes Framework

Purpose of the outcomes framework

17. As per paragraph 40 of the MoU *the primary objective of the outcomes framework is to set outcome-based targets for local and central government scrutiny to:*
 - a. *Provide a single, streamlined approach to accountability and reporting with HM Government (HMG).*
 - b. *Align local priorities and national priorities.*
 - c. *Monitor activity which can be genuinely influenced within the single settlements' themes whilst moving away from existing programme and project-specific monitoring of inputs and outputs that HMG track.*
 - d. *Facilitate local flexibility within themes and across themes in moving away from inputs and outputs.*
 - e. *Provide sufficient evidence to inform delivery performance within the SR period.*
18. The outcomes framework will provide a structured approach to defining, measuring, and reporting on the MCAs' performance on single settlement delivery during the SR period. The outcomes framework will identify the desired outcomes for assessing the MCAs' performance across the policy responsibilities devolved through the settlement, as well as the indicators, outputs, and targets that will be used to track progress towards those outcomes in the SR period.
19. The single settlement outcomes framework represents a new form of accountability that balances oversight, transparency, and the flexibility for MCAs to innovate and deliver locally. Publication of the outcomes framework will enhance transparency and enable HMG and the public to hold each devolved institution to account for achieving agreed outcomes. Monitoring of the outcomes framework is intended to enable joined-up oversight across HMG departments for assurance, to identify risks of delivery failure, and to inform possible actions set out in the 'matrix of mitigation' in the MoU.
20. The scope of the outcomes framework spans the single settlements' five thematic policy areas: Local Growth and Place; Housing and Regeneration; Adult Skills; Local Transport; and Buildings' Retrofit Pilot.

21. Alongside the outcomes framework, DLUHC is responsible for the core Local Government Accountability Framework including ensuring that it is working and contains the right checks and balances. This includes the English Devolution Accountability Framework as an element. DLUHC will also coordinate annual conversations with all MCAs and Mayoral Combined County Authorities to facilitate join-up with government departments.

Definitions

22. To help improve the way in which HMG evaluate and evidence the impact of government policy. As part of this, HMG will measure outcomes and the intended impact of public investment, rather than solely measuring process inputs (resources) and outputs (products and services) to better understand the social welfare value created when public money is spent.
23. The key terms used in the outcomes framework are defined as follows:
 - a. **Outcome:** Outcomes describe what results are *achieved* in the medium to long-term as a result of single settlement expenditure and other MCA activity. Outcomes measure the effectiveness of a local policy intervention. For example, outcomes could include increased use of active modes of travel.
 - b. **Output:** Outputs describe what is directly or tangibly *produced* as a result of single settlement expenditure on local activities. For example, outputs could include the completion of new cycle lanes and footpaths. Outputs, unlike outcomes, do not describe how effective or successful these new local products and services are.
 - c. **Indicator:** A quantitative or qualitative data measure of progress against proposed outcomes (or outputs, when necessary). For example, outcomes can be measured directly (e.g. after opening new active travel routes, the proportion of trips made cycling or walking) or indirectly (where causality is difficult to determine, e.g. an increase in local wellbeing); the outcomes framework will predominantly focus on directly measurable outcomes. Where an existing baseline indicator for the combined authority areas does not exist, the baseline will be mutually agreed with its value collected before delivery or its predicted value in a 'baseline counterfactual scenario' (as appropriate). Baselines will be used to

measure change against proposed outcomes or outputs within a defined timeframe.

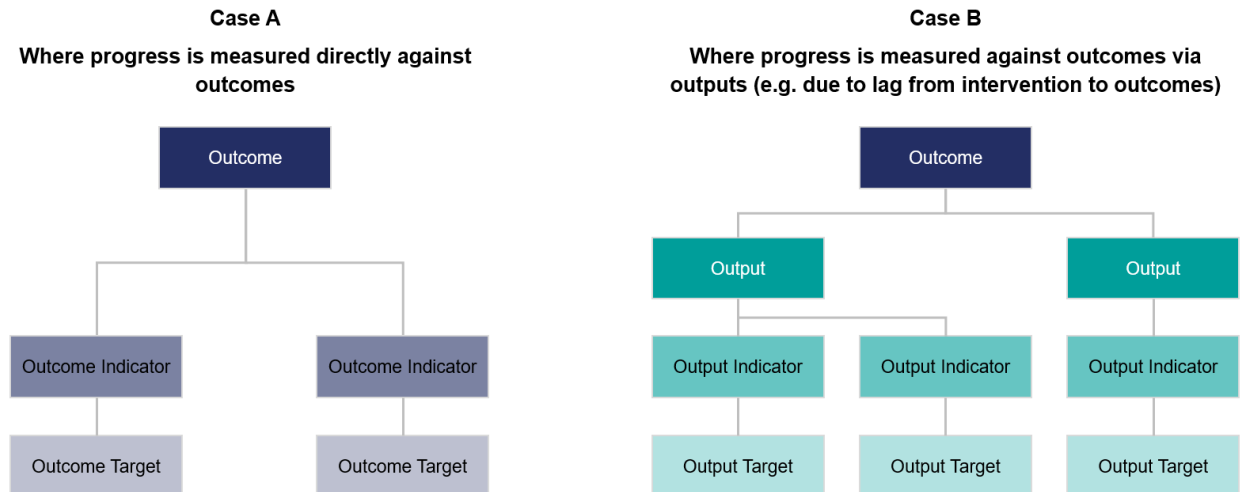
- d. **Target:** An agreed quantity or quality of an outcome (or output) indicator that should be achieved within a defined timeframe. For example, a target could include increasing the proportion of the local population that use active modes of transport to a specified level.

24. The outcomes framework will include:

- a. **Outcomes** directly relating to the policy themes and functional responsibilities set out in the MoU.
- b. Underlying outcome **indicators** to measure change (either quantitatively or qualitatively) against stated outcomes. These will include a baseline where appropriate to help measure progress.
- c. **Targets** set against outcome indicators, agreed between HMG and the MCAs and delivered during an SR period. Progress against these targets will be measured at regular intervals against forecast trajectories mutually agreed between HMG and the MCAs and reported as part of governance arrangements for monitoring and evaluation.
- d. Progress against outcomes can be difficult to assess over the shorter-term if there is a long time-lag from local investment to its measurable impact on an outcome, or if there is insufficient data to track delivery. In these cases, outcomes can be supplemented by other means. For instance, with shorter-term **outputs** (with corresponding output indicators and output targets) indicative of progress on outcomes, or 'baskets' of qualitative and/or quantitative indicators that show the overall delivery picture. In a similar fashion to outcome targets, progress against output targets will be measured at agreed intervals against forecast trajectories. Progress against quantitative output targets may be supplemented by qualitative data from, for example, local case studies or resident interviews. This will help to assure HMG of MCA delivery of longer-term outcomes during the SR period.

- e. The following diagram illustrates how outcomes, outputs, indicators, and targets fit together in the single settlement outcomes framework:

The relationships between outcomes, outputs, indicators, and targets in the [outcomes](#) framework are as follows:



* Where possible indicators, for either outcomes or outputs, should be collated into complementary 'baskets' to holistically measure progress with a range of data sources. Exceptions to this may apply where it is not technically possible to do so or places an unwarranted data burden.

Design principles for identifying outcomes, outputs, indicators, and targets

25. The outcomes should be:
- Clearly influenceable through the functional responsibilities and fund quantum devolved to trailblazer MCAs in the single settlements, as set out in the MoU.
 - Broad and strategic to support the MCAs' autonomy to holistically plan and deliver against agreed outcomes across the functional responsibilities of the single settlement, but also specific and measurable to enable robust accountability mechanisms to assure HMG of MCA performance.
 - Reflective of local priorities identified by the MCAs and of national priorities held by HMG.
 - Measurable by one or more quantitative or qualitative data indicators (see indicator principles below).
 - Where necessary, supplemented by clearly linked output/s and output indicator/s in order to measure progress on outcomes that have a long time lag between intervention and impact.
26. If used to supplement outcomes, the outputs should be:
- Only used where necessary, so that they do not undermine the enhanced local flexibility for MCAs intended by the single settlement's outcome-based approach. It may be necessary to

use outputs when there is a long delay from local investment to its measurable effect on an outcome, for example this may be relevant to the delivery of transport infrastructure.

- b. Explicitly linked to and indicative of progress towards a specific outcome, ideally citing a theoretical rationale and/or empirical evidence to substantiate this link.
- c. Mutually agreed between the individual MCA and HMG based on how best to achieve an outcome locally. Exceptions to this principle may be applied where outputs relate to national outputs and/or delivering statutory obligations. The process to agree outputs will be confirmed ahead of the next SR period.
- d. The minimum needed to assure HMG of the MCAs' delivery against a specific outcome during the time period covered by the single settlement.
- e. Adaptable during the time period covered by the single settlement if the output(s) initially agreed are not effectively measuring the delivery of the target outcome to which it is linked.
- f. Aligned to the principles set out for outcomes above, except that outputs will be shorter-term in effect.

27. The outcome indicators and output indicators (if used) should be:

- a. Focussed and specific to measure and understand the progress made in the thematic policy areas.
- b. Robust, stable, and transparent, including being evaluated by the MCAs at an agreed frequency based on robust and stable data sources where possible (for example, official HMG or local government statistics), and from data sources accessible by HMG and the MCA at the appropriate geographic and temporal level.
- c. Based on existing data measures where possible, or alternatively identified as aspirational data measures to be collected in the future if not currently available. Where such data is not available, the Data Partnership agreed through the trailblazer devolution deals may be used to explore options for improving access to datasets.
- d. Proportionate and mindful of minimising the data collection burden on local areas as much as reasonably possible.
- e. Accessible and interpretable by non-specialists to enhance transparency and public scrutiny mechanisms.
- f. Collated into complementary 'baskets' to holistically measure progress with a range of qualitative and/or quantitative data sources. Exceptions to this may apply if it is not technically feasible to do so or imposes an unwarranted data burden.

- g. Where feasible and proportionate, able to be disaggregated (but pseudo-anonymised) to enable precise measurement of outcomes for vulnerable social and economic groups, for example to support compliance with the Public Sector Equality Duty.
 - h. Analysed at an appropriate spatial scale, but no larger than the MCA geography-level, unless mutually agreed between HMG and the MCA for policy-specific reasons.
28. The targets (attached to indicators) should be:
- a. Set against a mutually agreed existing value or a counterfactual baseline.
 - b. Achievable and measurable in the SR time period, although further long-term targets for outcomes (or long-term outputs) may take longer than the SR period.
 - c. Based on quantum allocated to the MCAs at the SR.
 - d. Underpinned by a reasonable trajectory over the SR time period, not necessarily assuming a linear (or near-linear) delivery profile.
29. Where reflecting national outcomes, the targets should be by default proportional to the national outcome held by the relevant HMG department. Exceptions may be negotiated and mutually agreed between the MCA and HMG.
30. If an MCA is not making progress towards the realisation of an outcome, evidence will be discussed at the Programme Board. The 'path to green' report will be the mechanism to agree if the baselines or forecast trajectories are proving an inaccurate measure and require amending. Following this, an agreed matrix of mitigation, assessment and escalation will be followed based on the targets set out at the SR.

The process for setting the outcomes framework

31. Following the publication of this technical annex, the next steps in the process for setting the outcomes, outputs, indicators, and targets are as follows:
- a. Prior to the next SR:
 - i. **Mapping and development of potential outcomes, outputs, and indicators, including scenario planning:** In advance of Summer Recess 2024, HMG and the MCAs will conclude preparatory work to consider potential outcomes and indicators, with the objective of ensuring that the outcomes framework can be agreed quickly after the next SR. This work will consider what the outcomes and indicators would have

been had the single settlements been in place during the current SR period. This work will also include scenario planning and stress testing of the processes set out in this section.

- ii. **Begin development of MCA local delivery plans:** This is a locally led plan which sets out the delivery approach for the outcomes framework. This will not require HMG sign-off. In this period, the MCAs may begin to develop initial local delivery plans, drafting plans to achieve the potential outcome targets. These will be iterated following agreement on final outcomes, outputs, and indicators in the period following the SR and prior to the first financial year of the next SR period. Target trajectories for the first financial year will acknowledge the required time for MCAs to finalise their local delivery plans and prepare for implementation. For the buildings' retrofit pilot, this will require meaningful consultation on early drafts with DESNZ.
- b. At the next SR:
- i. **Confirmation of single settlement quantum:** Using the provisional approach to funding formulae for the single settlement published in spring 2024, HMT will define the quantum of funding available to each MCA per thematic function.
- c. Following the SR and prior to the first financial year of the single settlement:
- i. **Agreement on SR outcomes, outputs, and indicators:** The potential outcomes, outputs, and underlying indicators developed prior to the SR will be refined based on confirmed SR quanta and any relevant changes in HMG and MCAs' priorities. Agreed indicators will be subject to data feasibility checks conducted by HMG and MCA analysts to assess data reliability and collection burden and DfT may consult Active Travel England on outcomes and outputs related to active travel.
 - ii. **Agreement on SR targets:** Targets set against the SR outcome and output indicators will be agreed between DLUHC, HMG thematic leads, the MCAs, and HMT. Final targets will then be confirmed via letters from HMG to the MCAs.
 - iii. **Consideration of feasibility of the pilot data interface of outcomes and indicators:** The Office for Local Government (Oflog) is likely to begin to consider how this data can be

integrated into the Data Explorer, which will visualise data to track progress against agreed indicators, subject to indicators meeting Oflog data quality standards and Oflog's agreement.

- d. In the first quarter of the first financial year of the single settlement:
 - i. **Publication of the outcomes frameworks:** The single settlement outcomes framework – with outcomes, outputs, indicators, and targets – will be published by HMG and each of the MCAs.
 - ii. **Publication of MCA local delivery plans:** MCAs are encouraged to design public versions of MCA local delivery plans, outlining the MCA's strategy and interventions to achieve agreed outcomes, are published in order to facilitate transparency and scrutiny by local residents.
 - iii. **Subject to feasibility work, publication of pilot data interface on the Oflog Data Explorer:** Oflog will provide support to develop, test, and then publish the pilot data on the Data Explorer for monitoring agreed single settlement indicators, subject to indicators meeting Oflog data quality standards and Oflog's agreement.

Part 3: Spending Controls

Background

32. As per paragraph 15 of the MoU *DLUHC will formally allocate the aggregated single settlements to WMCA and GMCA through a Section 31 grant. Where necessary, this grant will come with conditions related to specific controls, which, as per paragraph 30 of the MoU, will provide an appropriate amount of flexibility for the MCAs to plan and sequence programmes funded through the single settlement, while ensuring effective risk mitigation tools are available in case of delivery or financial failure. As per paragraph 10 of the MoU, for the buildings' retrofit pilot it may be necessary to have additional conditions on delivery and reporting which will be set out in the section 31 grant, and which will be legally binding.*
33. As per paragraph 32c of the MoU, *the MCAs will ensure that robust and appropriate systems are in place to ensure the value for money of all single settlement expenditure. The outcomes framework and associated accountability and controls arrangements will be the mechanism through which HMG retains oversight of the single settlement. Where relevant (see paragraph 36 of this annex), business cases should be compliant with the Green Book. MCAs will ensure that these receive robust scrutiny, ahead of investment or commercial decisions being made.*
34. These spending controls will be in place at the forthcoming SR, and, as per paragraph 2 of the MoU, *HMG and the MCAs will review this MoU before the end of every SR period to ensure it remains fit for purpose, with, as per paragraph 29 of the MoU, a view to increasing flexibility in line with evidence of successful delivery.*

Business cases

35. As set out in paragraph 32b of the MoU, *the MCAs will not be required to submit formal business cases to HMG for projects that are funded as part of the single settlement, nor will delegated expenditure limits apply to funding through the single settlement, except those set out in paragraph 34 of the MoU and copied below in paragraph 36, in relation to certain transport projects. This business case process will apply to individual transport schemes and projects.*

36. As per paragraph 34 of the MoU, HMG and the MCAs may deliver very large transport investment programmes through the single settlement structure. These will require additional oversight, as follows:
- a. Any scheme with a capital value of under £50m over its lifetime, which does not otherwise meet the criteria in (b) or (c), will not be subject to any further spending controls by HMG. MCAs are expected to ensure their own processes are rigorous.
 - b. For any scheme with a capital value of more than £50m over its lifetime and which is not captured by criteria (c), the MCA will publish the business case which underpinned the decision to invest to support local transparency and accountability.
 - c. Where schemes cost over £200m (capital or revenue) over the life of the scheme or require integration into the national transport network because otherwise they risk causing significant disruption, the scheme can only proceed with the agreement of the Department for Transport through its representative on the Programme Board. This will normally be through agreement of a business case. Where this applies, the MCAs will submit a full business case.
37. As per paragraph 35 of the MoU, schemes which are nationally significant infrastructure projects because they cross multiple boundaries beyond those of the constituent and non-constituent authorities of the MCA, or cost over £1 billion, will by default be out of scope of the single settlement. There may nonetheless be consideration on a case-by-case basis as to whether to deliver such schemes through the single settlement framework.
38. The business case approval process will apply to transport schemes that meet the conditions set out in paragraphs 36b – 36c (above) which are partly or wholly funded through the single settlement, even if the portion funded from the single settlement is lower than the thresholds set out above. For example, if an MCA contributes £100m of single settlement funds to a transport scheme with a capital value of £250m, this transport scheme will fall in scope of the business case process set out in paragraph 36c (above).
39. As per paragraph 71 of the MoU, the City Region Sustainable Transport Settlements (CRSTS) will continue past the first settlement, until 2027; the existing CRSTS1 arrangements will be superseded by this MoU at the point where the associated funding lines come to an end. Until that time, MCA transport schemes will be subject to the following business cases:
- a. All transport schemes funded through CRSTS will continue to be subject to the CRSTS business case process until the 2027/28 financial year, at which point these will be

superseded by the process set out in paragraph 36 of this annex.

- b. Schemes developed before the 2027/28 financial year which are funded both through CRSTS and through the single settlement will be subject to the CRSTS business case process, and MCAs will not need to separately submit a single settlement business case.
 - c. Schemes funded through the single settlement but not through CRSTS will be subject to the business case process set out in paragraph 36 of this annex.
40. These provisions also apply to schemes developed before the start of the single settlement (25/26 financial year) which are subsequently funded through the single settlement.
41. For any scheme that falls within the functional responsibilities with a capital or resource value of more than £200m over its lifetime which is partly or wholly funded through the single settlement, and which is not captured by the transport business case approval process set out in paragraph 36, the MCA will publish the business case which underpinned the decision to invest to support local transparency and accountability.

Moving funding between the five themes

42. As per paragraph 25 of the MoU, *the MCAs will be able to move funding between themes. The quantum they will be able to move will be capped at 10% of the annual quantum for the theme they are moving the money out of, apart from Local Growth and Place where there is no cap on moving funding into other themes. This flexibility will allow the MCAs to spend these funds to support the delivery of the single settlement outcomes at their discretion. HMG reserves the right to reduce the level of flexibility if there is underperformance against the outcomes agreed in the outcomes framework and will provide guidance on this following further work with the MCAs. The MCAs will be responsible for ensuring that they do not exceed the 10% cap. This flexibility will allow the MCAs to use their local expertise to best meet their outcomes.*
43. The 10% cap applies to the annual quantum that MCAs receive in a given financial year, rather than a rolling calculation over the SR period. For example, if an MCA moves 10% of housing and regeneration funding received in year 1 into the transport theme, the MCA will then be able to move 10% of year 2 housing and regeneration funding into the transport theme.

Moving funding between RDEL and CDEL and vice versa

44. As per paragraphs 27-29 of the MoU, *the MCAs will be able to move up to 10% of CDEL funding within each theme to RDEL, and 100% of RDEL funding within each theme to CDEL. For the buildings' retrofit pilot theme, no RDEL funding will be devolved and controls on admin and ancillary spend will mirror those of the capital grant schemes from which funding is being devolved.*
- a. The MCAs will receive funding for each theme on an annual basis as set out in paragraph 23 of the MoU.*
 - b. The split of RDEL and CDEL per theme will be agreed at the SR (and updated if and when additional funds in scope of the single settlements are announced) and the MCAs will receive their annual allocations on this basis.*
 - c. As per paragraph 25 of the MoU, MCAs will be able to move money between themes in-year. Where money is moved in this manner, it will retain its original classification (either as CDEL or RDEL).*
 - d. The MCAs will then be able to move funds between CDEL and RDEL within themes. Specifically, the MCAs will be permitted to move funds from CDEL to RDEL, with the total moved capped at 10% of the theme's quantum of CDEL.*
 - e. The 10% cap will be applied to the theme's quantum after accounting for funding flexed to or from other areas.*
 - f. For example, having moved 5% of transport CDEL to skills CDEL, the MCAs could then move 10% of the (now higher) skills CDEL budget to skills RDEL, but not to another theme. The MCAs could move 100% of skills RDEL to skills CDEL.*
 - g. To manage the impact on the public accounts, HMG will profile the flexible amount of funding as RDEL.*
45. As set out in paragraph 25 of the MoU, *this flexibility will allow the MCAs to use their local expertise to best meet their outcomes. As set out in paragraph 28 of the MoU, whilst the MCAs will be able to use the flexibility between funding themes and years at their discretion, the MCAs should manage this through a systematic centralised process to ensure that the terms in this MoU are being adhered to. The use of flexibility should be reported on as part of wider reporting of outcomes as per paragraphs 49-54 of the MoU, and included in reporting on the outcomes framework and accountability mechanisms.*
46. As set out in paragraph 29 of the MoU, *the percentage of flexibility between themes will be reviewed again prior to the next-but-one SR, with a view to increasing flexibility in line with evidence of successful delivery, as part of the wider review of the MoU set out in*

paragraph 2 of the MoU. As set out in paragraph 10 of the MoU, the inclusion of buildings' retrofit is a pilot for the first single settlement. For the duration of the pilot, the buildings' retrofit functional responsibilities will form part of the single settlement and will be subject to the processes outlined in this MoU. Whether or not buildings' retrofit continues to be included will be contingent on an assessment of the impact of the pilot.

47. MCAs must also ensure that their local single settlement spending controls are consistent with provisions set out in relevant existing frameworks, which include the English Devolution Accountability Framework and the Local Government Accountability Framework.
48. At the end of each financial year, the MCAs will notify the Programme Board in writing of any movement of funding between i) the five themes, ii) financial years, iii) RDEL and CDEL, confirming the functional themes involved and that these movements have not exceeded the caps set out above. This will complement the monitoring reporting that MCAs will submit at 6-monthly Programme Boards, as set out in paragraph 51 of the MoU.

Moving funding between years

49. As per paragraph 26 of the MoU, *the MCAs will have some flexibility to move funding between years based on the principle that, at minimum, the MCAs have no less flexibility than they have at the time of publication of this MoU for specific functional responsibilities and, where possible, have further flexibility to move funding between years across the single settlements' themes. Years refer to financial years unless specified otherwise.*
50. A significant number of the funds set up at or during the 2021-2025 SR period, which are listed in the trailblazer deal texts as supporting outcomes associated with the single settlement, did not apply formal spending controls on the movement of funds between years. Therefore, in order to meet the principle set out in paragraph 26 of the MoU, the MCAs will have the following flexibilities to move funding between years:
 - a. The MCAs will have full flexibility to move funding received through an annual grant to future years, provided that the MCAs are on track to meet the outcomes set out in the outcomes framework.
 - b. As set out in the MoU, the single settlement grant will be paid out annually to a set profile (see paragraph 58 of this annex), and MCAs will not be able to request that funding be brought forward into earlier years of the SR period.
 - c. The MCA finance functions will be responsible for managing overspends and other movement of funds between years

through local reserves in line with the Local Government accounting framework.

- d. As set out in paragraph 32(a) of the MoU, *the MCAs will notify HMG before making financial commitments funded by the single settlements beyond the SR period and inform the Programme Board of the nature of the commitment.*

Savings exercises and spending pressures

51. In line with how HMG managed the majority of existing devolved funds over the 2021-25 SR period, and to ensure that MCAs are able to enter into contractual arrangements over the course of the SR period, funds that form part of the single settlement will not be subject to central or departmental savings exercises over the course of the SR period.
52. MCAs will be required to manage fluctuating spending pressures at their own risk through local reserves and financial management.
53. As set out in paragraph 66 of the MoU, *in exceptional circumstances, for example during national emergencies or where MCAs' activities significantly undermine national government's ability to deliver its priorities in areas outside of the MCAs' functional responsibilities, HMG may direct the MCAs to use, or not use, funding from within the single settlements in a specific way.*

Contingent liabilities

54. MCAs will be required to manage financial risk and contingent liabilities at their own risk, through appropriate local spending controls and local authority guidance.

Delivery concerns

55. In addition to these spending controls, and where delivery falls below the agreed baseline or there are wider concerns around failure to deliver value for money, the matrix of assessment and mitigation will be followed. Paragraphs 49-58 of the MoU set out the processes and structures by which these controls would be enacted. Mitigations may include the imposition of controls over the movement of funding between years.

Readiness check specification

56. As per paragraph 83 of the MoU, *to prepare for and provide assurance of readiness for the settlement, DLUHC will request external confirmation of readiness via a 'readiness check'.* The scope of the readiness check will include any new function listed within the MoU and not wider activity within the MCA. The

independent external assessor will be able to make recommendations to support the steps the MCAs are taking to prepare for the new functions.

57. The table below sets out the scope of the readiness check across three themes.

Theme	Summary
(1) Strategic financial planning	<p>Receiving and overseeing a single settlement grant into a central finance function within the combined authority, and ensuring it is guided by a local strategy and local assurance framework.</p> <p>Managing fungibility and the transfer of funds between themes including designing grant conditions in line with the outcomes framework whilst ensuring value for money.</p> <p>Responsible for leading financial and outcome reporting to the Programme Board.</p>
(2) Forecasts, monitoring and reporting	<p>Monitoring the performance and delivery of single settlement-funded activity against the outcomes framework and the local outcome delivery plan.</p>
(3) Corporate, commercial and governance	<p>Ensuring grants funded through the single settlement are compliant with all legal obligations.</p>

Spending processes

58. DLUHC will formally allocate the single settlements to WMCA and GMCA through a Section 31 grant at the start of the financial year. As set out in paragraph 5b of the MoU, *HMG will confirm as part of the SR announcements the recommended quantum of the settlements as calculated via formulae linked to the functional responsibilities.* The funding profile for the single settlement will be set in the quarter following the SR.

59. These spending controls will apply to all new funds that come online at and within the SR period that are deemed in scope of the single settlement.

Part 4: Governance and Dispute Resolution

60. This section covers governance and dispute resolution in the period after the SR and before the first financial year of the single settlement.
61. Following the SR, HMG will issue a timeline to settle the formulae methodology and the outcomes framework. On the formulae, if an MCA is not content that HMG has adhered to (1) the principles set out in paragraph 20 of the MoU, and/or (2) the processes set out in this annex, the MCA can raise this via the following process:
- a. Where there are disputes on agreeing the formulae methodology and the outcomes framework, they will be addressed via a 'shadow' Programme Board in the first instance. The process and protocols of the 'shadow' Programme Board will be agreed ahead of the next SR period.
 - b. In exceptional circumstances, DLUHC will establish a task and finish group between relevant HMG thematic leads, HMT, and the MCAs to agree on a resolution.
 - c. As the final step, the MCAs should officially communicate their disagreement through a published letter to the DLUHC Secretary of State. The Secretary of State must then respond through a published letter to the Chair of the Combined Authority (the Mayor) and the Levelling Up Select Committee, outlining the reasons for the decision.
62. There is further detail on the dispute resolution process for single settlements set out in paragraphs 59-65 of the MoU.

Part 5: Additional Details on the Buildings' Retrofit Pilot

Functional responsibilities

63. In March 2023, as part of the announcement of the launch of the trailblazer deeper devolution deals, the government announced that a pilot of retrofitting buildings would be one of the five key themes of the deal. HMG is working with Mayoral Combined Authorities (MCAs) to design the scope of the pilot and test the approach to trailblazers.
64. The MCAs' functional responsibilities for the buildings' retrofit pilots are:
- a. Retrofitting social housing; and all other residential buildings focusing on households at risk of fuel poverty in the local area; and
 - b. Decarbonising public sector buildings managed by the MCAs or their constituent authorities and, where deemed reasonably practicable by the DESNZ Secretary of State, by wider public sector actors.

Monitoring and evaluation

65. The MoU committed HMG to 'agree further details on monitoring and evaluation arrangements for the buildings' retrofit pilot, as part of the wider work on the outcomes framework' by spring 2024.
66. Effective monitoring and evaluation (M&E) enables HMG to understand how a policy is delivered in practice, and the extent to which it has met its intended objectives. It provides transparency and accountability for how taxpayers money is spent and captures lessons learned for future policy decisions. The monitoring and evaluation of the buildings' retrofit pilot will seek to understand how the funding and scheme design has facilitated retrofit in the MCAs and its co-benefits, and feed into future policy decisions on devolution and buildings retrofit.
67. M&E will be based on aims and objectives jointly agreed between DESNZ, DLUHC, and the MCAs, and agreed ways of working together to monitor and evaluate the delivery of the pilots.
68. DESNZ and the MCAs will ensure that M&E activities are undertaken to a sufficient level of rigour, by ensuring appropriate quality assurance processes are in place, in line with government social research and statistical standards.

69. DESNZ and the MCAs agree to maintain objective and transparent quality assurance of findings, so that stakeholders can have confidence in the findings generated from M&E of the buildings' retrofit pilot, and I commit to publishing the findings of the evaluation of the retrofit pilots.
70. The monitoring requirements of the pilot will complement the monitoring requirements of the wider single settlement and the national parent schemes and will feed into governance and accountability for the single settlement, via the Programme Board.
71. DLUHC, DESNZ and the MCAs will agree further details on the monitoring and evaluation of the pilots and will publish those details in due course. This will require six-monthly monitoring delivery reports, undertaken through the overarching single settlement Programme Board, supplemented by quarterly updates. This is in place for the duration of the pilot, following the completion of the pilot the frequency of updates and reporting will be reviewed to ensure it remains fit for purpose.

Part 6: Next Steps

72. HMG and the MCAs will continue to work together to map the allocation formulae that already apply to existing funds that would likely have been in scope of the single settlement if it were in place in the current SR period. HMG and MCAs will seek to agree new formulae for currently competitive funds ahead of summer recess 2024. As per paragraph 12 of the MoU, the precise funds in scope of the single settlement will be confirmed at the SR.
73. As per paragraph 21 of the MoU, *HMG and the MCAs agree the aim is to streamline and simplify the formulae over time and will look at this for the next SR.* This could take the form of streamlining formulae under the MCAs' functional responsibilities in future, to establish formulae that would be considered a starting point for new funding lines in scope of that functional responsibility. HMG and the MCAs will explore over the coming months until summer recess how this option might work in practice, and whether it could cohere with the principles set out in paragraphs 12 and 20 of the MoU.
74. In advance of summer recess 2024, HMG and the MCAs will conclude preparatory work to consider potential outcomes and indicators, with the objective of ensuring that the outcomes framework can be agreed quickly after the next SR. This work will include consideration of what the outcomes and indicators would have been had the single settlements been in place during the current SR period.
75. HMG will agree a Terms of Reference (ToR) for the Programme Board with the MCAs and publish this as an annex to this MoU before the start of the next SR period. The MCAs and HMG will agree a structure for how these reports will work as part of the ToR.
76. The government will continue to work closely with the MCAs on evaluation of the single settlement. This will include aligning with or building upon evaluation processes that the MCAs have in place or are developing. DLUHC plan to commission an independent feasibility study over the summer of 2024 to inform the final approach.
77. HMG officials will continue to work with MCA officers on how the spending processes and controls set out in this annex will operate in practice.

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This document can be downloaded from www.gov.uk

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