



Secretary of State's Annual Report on Devolution 2018-19

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



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Any enquiries regarding this publication should be sent to us at

Ministry of Housing, Communities and Local Government
Fry Building, 2 Marsham Street
London SW1P 4DF
Tel: 030 3444 0000

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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 2018 and 31 March 2019. There are a significant number of devolution discussions underway at the time of writing which will be included in the report for 2019-2020.
- 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 drive growth, 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. This will be set out in an English Devolution White Paper in 2020 providing further detail on the Government's plans for full devolution across England, increasing the number of mayors and devolving more powers, including doing more devolution deals.
- 1.6 These devolution arrangements are fundamental to how this Government will level up across the country, and we stand ready to agree new devolution deals with new areas 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 2018 and 31 March 2019, the Government confirmed agreement with one new area:

In November 2017, the Government and the three North of Tyne councils agreed a devolution deal on a “minded to” basis. The order that established the combined authority was made on 1 November 2018, thus making the minded-to deal a binding devolution agreement. This established a combined authority for North of Tyne, creating a city region mayor for the area and devolving functions to the area.

2.2 The Government is also working with areas where devolution agreements have already been reached to consider any additional proposals for further devolution and to work in partnership to deliver better local outcomes. For example, a skills agreement was agreed between the West Midlands Combined Authority and Department for Education in July 2018.¹

¹https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/726951/West_Midlands_skills_agreement_2018.pdf

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 2018 and 31 March 2019, 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 progressing towards One Yorkshire, with a submission received in March 2018². The Secretary of State wrote to 18 leaders in Yorkshire (including Mayor Dan Jarvis) on 12 February 2019 saying that whilst the Government recognises the ambition that underpins the One Yorkshire proposal, it does not regard it as meeting the criteria for devolution. The criteria, which have been consistently applied, are that devolution should be to a functional economic area and that there should be strong and accountable governance, proportionate to the powers and budgets being devolved. Nonetheless the Government has remained committed to progressing devolution in Yorkshire, including implementing the Sheffield City Region devolution deal and making progress on a devolution deal for Leeds City Region/ West Yorkshire³.

² www.barnsley.gov.uk/media/9107/yorkshire-devolution-agreement-submission-5th-march-2018.pdf

³ The West Yorkshire deal has now been agreed with government and West Yorkshire leaders, further information will be available in the 2019-20 Annual report of devolution.

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 2018 and 31 March 2019, 16 statutory instruments ('SIs') were made to implement devolution agreements between the Government and areas. These SIs provided for the establishment of a new mayoral combined authority (MCA) in North of Tyne, changes to the boundaries and constitution of existing combined authorities, the devolution of adult education functions and budgets, and conferring of functions to be exercised by mayors and combined authorities, including the power to supplement business rates.

4.2 The following SIs were made between 1 April 2018 and 31 March 2019, listed in chronological order:

- a. The Franchising Schemes (Service Permits) (England) Regulations 2018 No.423⁴
- b. The Combined Authorities (Borrowing) Regulations 2018 No.565⁵
- c. The Transport Levying Bodies (Amendment) Regulations 2018 No. 641⁶
- d. The Combined Authorities (Spatial Development Strategy) Regulations 2018 No.827⁷
- e. The Cambridgeshire and Peterborough Combined Authority (Business Rate Supplements Functions) Order 2018 No.877⁸
- f. The Liverpool City Region Combined Authority (Business Rate Supplements Functions) Order 2018 No.878⁹
- g. The West of England Combined Authority (Business Rate Supplements Functions) Order 2018 No.879¹⁰
- h. The West Midlands Combined Authority (Business Rate Supplements Functions and Amendment) Order 2018 No.880¹¹

⁴ www.legislation.gov.uk/ukxi/2018/423/introduction/made

⁵ www.legislation.gov.uk/ukxi/2018/565/contents/made

⁶ www.legislation.gov.uk/ukdsi/2018/9780111167533/contents

⁷ www.legislation.gov.uk/ukxi/2018/827/contents/made

⁸ www.legislation.gov.uk/ukxi/2018/877/contents/made

⁹ www.legislation.gov.uk/ukxi/2018/878/contents/made

¹⁰ www.legislation.gov.uk/ukxi/2018/879/contents/made

¹¹ www.legislation.gov.uk/ukxi/2018/880/made

- i. The Combined Authorities (Spatial Development Strategy) (Amendment) Regulations 2018 No.924¹²
- j. The Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018 No.1133¹³
- k. The Greater Manchester Combined Authority (Adult Education Functions) Order 2018 No.1141¹⁴
- l. The Liverpool City Region Combined Authority (Adult Education Functions) Order 2018 No.1142¹⁵
- m. The West of England Combined Authority (Adult Education Functions) Order 2018 No.1143¹⁶
- n. The West Midlands Combined Authority (Adult Education Functions) Order 2018 No.1144¹⁷
- o. The Tees Valley Combined Authority (Adult Education Functions) Order 2018 No.1145¹⁸
- p. The Cambridgeshire and Peterborough Combined Authority (Adult Education Functions) Order 2018 No.1146¹⁹

¹² www.legislation.gov.uk/uksi/2018/827/contents

¹³ www.legislation.gov.uk/uksi/2018/1133/contents/made

¹⁴ www.legislation.gov.uk/uksi/2018/1141/contents/made

¹⁵ www.legislation.gov.uk/ukdsi/2018/9780111171615/contents

¹⁶ www.legislation.gov.uk/uksi/2018/1143/made

¹⁷ www.legislation.gov.uk/uksi/2018/1144/made

¹⁸ www.legislation.gov.uk/uksi/2018/1145/contents/made

¹⁹ www.legislation.gov.uk/uksi/2018/1146/contents/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 2018 and 31 March 2019

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 2018-19	Payment schedule	Commentary
Investment Funds	Capital and Revenue funding agreed through areas devolution deals for local investment. Forms part of the single pot arrangement.	Ministry of Housing, Communities and Local Government	North of Tyne, Cambridgeshire and Peterborough, Greater Manchester, Liverpool City Region, Tees Valley, West Midlands, West of England	£181,500,000	Over 30 years ²⁰ , £5,445,000,000 ²¹	Payments made by Section 31 grant. The National Local Growth Assurance Framework (2019) ²² has replaced the Local Single Pot Assurance Framework (April 2016) as HM Government's guidance for how

²⁰ Subject to 5-yearly 'Gateway Review' assessments whereby an independent evaluation panel of experts will assess investments' impact on economic growth.

²¹ Were the Sheffield City Region deal to be ratified, they would also take control of a new additional £30 million a year funding allocation over 30 years.

²² www.gov.uk/government/publications/national-local-growth-assurance-framework

							MCA's and LEPs should appraise, monitor and evaluate schemes to achieve value for money. All LEPs and MCA's have been required to update their Local Assurance Framework(s) to reflect the requirements set out in the Framework.
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	£32,000,000 (£17,000,000 ringfenced for Cambridge City)	First payment drawn down in 2016/17 and subsequent schedule of payments per year. Total amount agreed £170,000,000.		Payments made by Section 31 grant.
Multi-year Transport Grants	Made up of Integrated Transport Block and Highways Maintenance Block funding to be treated as part of a	Department for Transport	Greater Manchester, Liverpool City Region, West Midlands, West of England, Tees Valley, Cambridgeshire and Peterborough,	£245,415,000	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, Liverpool City Region and Cornwall, as their transport grants are rolled into their 100% Business Rates Retention pilots as agreed

	flexible Single Pot.		Sheffield City Region, West Yorkshire and Cornwall.			through their devolution deals.
Transforming Cities Fund	Capital grant funding to support and promote sustainable and public transport; and is part of the Single Pot.	Department for Transport	Greater Manchester, Liverpool City Region, West Midlands, West of England, Tees Valley, Cambridgeshire and Peterborough	£60,000,000	£1,080,000,000 over five years from 2018-19 to 2022-23 ²³ .	Payments made by Section 31 grant. Sheffield City Region and North of Tyne receive part of the overall fund through a competitive bid process.
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	£3,200,000	Funding for 2018/19 determined by DWP on receipt of the contractual performance profiles and unit prices agreed between Greater Manchester and their suppliers. Maximum indicative amount over 5 years £30,000,000 ²⁴ .	Payments are made by section 31 grant.

²³ 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.

²⁴ Subject to future Spending Review.

Fire and Rescue Service	Fire National Resilience	Home Office	Greater Manchester	£348,952.62	Annual payment	Payments are made by section 31 grant. Breakdown of total – New Dimension grant: £86,604.81 / New Risks (MTFA): £32,423.81 / Firelink: £229,924.00.
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5.2 Capacity funding paid to devolution deal areas between 1 April 2018 and 31 March 2019

Funding stream	Description	Accountable Government Department	Place(s) affected	Total amount paid in 2018-19	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	Ministry of Housing, Communities and Local Government	West Midlands, Liverpool City Region, Greater Manchester, Tees Valley, West of England, Cambridgeshire and	£7,216,000	£16,000,000 over two years between 2018/19 and 2019/20.	Payments made by Section 31 grant. Each MCA will receive £2,000,000 each.²⁵

²⁵ This is except North of Tyne who have chosen to receive the funding over 3 years (£250,000; 2018-19) and Sheffield City Region who received £966,000 in 2018-19 and will receive £1,034,000 in 2019-20.

	deliver for their local area.		Peterborough, North of Tyne, Sheffield City Region			
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 Manchester, Liverpool City Region, Sheffield City Region, Tees Valley, West Midlands, West of England	£525,000 (£75,000 per CA)	Payment was made in one instalment in February or March 2019.	Payment made by Section 31 grant.
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	Ministry of Housing, Communities	West of England	£1,050,000	£3,000,000 over three years, from	Payments made by Section 31 grant.

	their ambition of 7,500 homes per year between 2018/19-2020/21.	and Local Government			2017/18 to 2019/20.	
Adult Education 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, North of Tyne, Sheffield City Region, Greater London Authority.	£3,048,000	£5,800,000 over 5 years, from 2017/18 to 2020/21. For North of Tyne, payments commenced in 2019/20 and will finish in 2021/22. Sheffield City Region and West Yorkshire are due to start receiving payments in 2020/21 and payments will finish in 2022/2	Payments made by Section 31 grant.
Office for Data Analytics	Funding to support the	Ministry of Housing, Communities	West Midlands	£300,000	£800,000 over three years,	Payments made by Section 31 grant.

	establishment of the Office.	and Local Government			from 2018/19 to 2020/21.	
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5.3 Financial resources paid to devolution deal areas for pilot agreements between 1 April 2018 and 31 March 2019

Funding stream	Description	Accountable Government Department	Place(s) affected	Total amount paid in 2018-19	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 and West Midlands	£3,800,000	Payment made annually based on performance indicators. Maximum of £25,300,000 over 3 years ²⁶ .	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, Tees Valley, West of England, West Midlands, Liverpool City Region	£9,000,000	Annual payments commenced in 2017/18. Up to £28,350,000 over three years ²⁷ .	Payments made by Section 31 grant.

²⁶ Subject to a performance review.

²⁷ Up to £6,321,008 per MCA based on performance indicators agreed between the Combined Authority and DWP.

5.4 Financial resources to be devolved after 31 March 2019

Funding stream	Description	Accountable Government Department	Place(s) affected	Total amount to be paid in 2019-20	Payment schedule	Commentary
Adult Education Budget	Devolved budget which funds qualifications and programmes for learners aged 19+.	Department for Education	Greater Manchester, Liverpool City Region, Tees Valley, West Midlands, West of England, Cambridgeshire and Peterborough, Greater London Authority	£395,800,000	Annual payment.	Payments made by Section 31 grant. The North of Tyne will have the Adult Education Budget devolved in 2020/21. Sheffield City Region will have the Adult Education Budget devolved in 2021/22.

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.

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