



HM Treasury

Memorandum of Understanding for the Single Settlements with Greater Manchester and West Midlands Combined Authorities

November 2023

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Understanding for the Single
Settlements with Greater
Manchester and West
Midlands Combined
Authorities



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Introduction

1. At Spring Budget 2023, the Government (HMG) announced the 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, departmental style settlements ('single settlements') for GMCA and WMCA ('the MCAs') at the next Spending Review (SR).
2. This Memorandum of Understanding (MoU) sets out the principles under which the single settlements with the MCAs will be agreed and implemented at the next SR. It also outlines the process for agreeing and monitoring outcomes associated with the single settlements and the accountability arrangements. HMG and the MCAs will review this MoU before the end of every SR period to ensure it remains fit for purpose.
3. This MoU covers funding which flows from HMG to the MCAs via the single settlements.¹ It is not intended to apply to funding which flows from HMG to the MCAs via other mechanisms (e.g. Police and Crime Commissioner functions, waste functions or funds outside the scope of the single settlement) or locally-raised funds.

Scope

4. As set out in the trailblazer devolution deals, the single settlements will include HMG funding falling under five thematic policy areas ('themes'). These are: local growth and place; local transport; housing and regeneration; adult skills; and buildings' retrofit² in the MCA areas. As per paragraphs 10-11, buildings' retrofit's inclusion is on a pilot basis for the first single settlements.
5. The MCAs have specific functional responsibilities in each of these themes. Where national HMG funds³ are in scope of the MCAs' functional responsibilities, they will be included in the single

¹The single settlement is an agreement between government, the MCA and its constituent local authorities. However, the MCA Board may decide, at its discretion, to use the single settlement in non-constituent local authority areas if it considers, based on evidence, that doing so would be beneficial to the MCA area.

²This is specifically buildings' retrofit for decarbonisation matters covered by the pilot agreement to devolve retrofit funding set out at paragraphs 212-218 of the trailblazer deeper devolution deals with both MCAs.

³National funds address policy issues and/or opportunities that manifest, potentially to varying degrees, across the country. They do not cover issues and/or opportunities that are demonstrably confined to a limited number of places. As per paragraph 13, the list of funds included and excluded in the single settlement will be confirmed publicly as part of, and on the same day as, the Spending Review.

settlement.⁴ The single settlements will not include any funding lines which fall within the scope of the local government finance settlement, or which directly underpin local authority statutory and/or core responsibilities. The process for determining whether specific funds should be included in the single settlements is set out below.

- a. HMG will use the definitions for functional responsibilities to identify whether a new funding line (whether it be announced at an SR, or between SRs) should be included in the single settlements. If the MCAs have concerns, these should be resolved through the Single Settlements Programme Board ('Programme Board') following the SR. HMG should provide for circumstances in which new funding lines may need to be added to the single settlements following this review.
 - b. HMG will confirm as part of the SR announcements the recommended quantum of the settlements as calculated via formulae linked to the functional responsibilities below. For funding announcements made outside of an SR period, HMG will notify the MCAs in a timely manner as to the consequences for the single settlements.
 - c. Should the MCAs judge this amount and/or the approach taken to conflict with the principles set out in this MoU, they will use the escalation mechanisms detailed at paragraphs 59-64.
 - d. Ultimately, the MCAs reserve the right to reject the settlement in its entirety. In this eventuality, the MCAs would revert to the funding mechanisms and accountability arrangements in place for each individual funding programme.
6. The MCAs' functional responsibilities are outlined below.

Local Growth and Place

- a. Activity that promotes place-based economic development, improves productivity, and aims to reduce inter-and-intra-regional spatial economic disparities.
- b. Coordination and delivery of local programmes to drive business productivity whilst ensuring integration between local and national business support activity, enabling businesses to access support.⁵
- c. Regeneration, place-making, and improvements to local infrastructure.
- d. Activities that promote pride in place, including but not limited to measures to improve social cohesion, the

⁴ If an HMG department changes its name, all the single settlement provisions that applied to the previous department will be transferred to the new department/s.

⁵ As per the trailblazer deeper devolution deals, paragraph 180.

improvement of public facilities and the public realm, for instance on high streets.

Local Transport

- a. Oversight and delivery of the area's transport strategy. This includes developing local transport plans and considering how transport will support wider objectives such as employment, housing and net zero.
- b. Working with their Local Highway Authorities on delivery of local transport capital projects, including but not limited to highways maintenance and small-scale renewals as well as transformational local projects. This excludes strategic national transport infrastructure.
- c. Managing local public transport services, including but not limited to the local bus network, mass transit, local rail integration, integrated multimodal fares, network information and branding, promoting safety and tackling anti-social behaviour.
- d. Delivery of the local active travel strategy and schemes.
- e. Delivery of local transport decarbonisation schemes, such as the local electric vehicle infrastructure funding programmes.
- f. Strategic oversight of the local road network and promotion of road safety.
- g. Undertaking scalable, feasible, and tangible transport innovation, including trialling new transport-related products and processes, improving existing services via technological upgrades, and implementing regulatory changes or best practice.

Adult Skills

- a. All non-apprenticeship adult skills funding and functions⁶, including but not limited to:
 - i. Ensuring that residents aged 19 and over in their area, who are eligible for funding, have access to appropriate education and training
 - ii. Encouraging and providing adults with the skills and learning they need to equip them to progress into, or within, work; or equip them for an apprenticeship or other learning
 - iii. Provision of statutory entitlements to provide free courses for adults⁷

⁶ Subject to consideration of exceptional instances, as per paragraph 133 of the trailblazer deeper devolution deals, and paragraph 66 of this MoU.

⁷ As per The Greater Manchester Combined Authority (Adult Education Functions) Order 2018 ([legislation.gov.uk](https://www.legislation.gov.uk)); The West Midlands Combined Authority (Adult Education Functions) Order 2018 ([legislation.gov.uk](https://www.legislation.gov.uk)); and the Apprenticeships, Skills, Children and Learning Act 2009 and the Adult Skills (Specified Qualifications) Regulations 2010.

Housing and regeneration

- a. Regeneration via enabling and improving local housing supply.
- b. Delivery of capital investments to unlock additional housing and regeneration.
- c. Remediation and development of brownfield sites.

Pilot of buildings retrofit

- a. The MCAs' functional responsibilities will be finalised by spring 2024, and will likely include at a minimum:
 - i. Retrofitting social housing and other residential buildings containing households at risk of fuel poverty in the local area
 - ii. Decarbonising public sector buildings managed by the MCAs and their constituent authorities through the installation of low carbon heat and energy efficiency measures
7. 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 prevention⁸ early intervention and/or multiple – social, economic and health – disadvantages⁹
 - b. future affordable homes provision¹⁰
 - c. funding for business support programmes¹¹
8. HMG and the MCAs will discuss whether to include these additional funding lines, alongside others relating to specific commitments in the trailblazer deals, reflecting the need to reach an agreement on each of the areas above at different points in time.
9. In GMCA's trailblazer deeper devolution deal, HMG committed to engaging GMCA and its constituent authorities about whether GMCA's allocation of future funding streams relating to prevention, early intervention and/or multiple – social, economic and health – disadvantages could be included in the single settlement. To enable this, this MoU confirms that GMCA will be able to use the provisions at paragraph 16 to present the case for the inclusion of any funding stream it deems in scope of this commitment, to the Programme Board, where HMG will provide a response.

⁸ As per the West Midlands MCA trailblazer deeper devolution deals, paragraph 245.

⁹ As per the Greater Manchester MCA trailblazer deeper devolution deal, paragraphs 243-244.

¹⁰ As per the trailblazer deeper devolution deals, paragraphs 108-110.

¹¹ As per the trailblazer deeper devolution deals, paragraph 180.

Buildings' retrofit pilot

10. The inclusion of buildings' retrofit is a pilot for the first single settlement. Its inclusion does not represent a commitment to permanent inclusion of buildings' retrofit in the single settlements. Whether or not buildings' retrofit continues to be included will be contingent on an assessment of the impact of the pilot. 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. The expected duration of the buildings' retrofit pilot is 2025/26 to 2027/28. As a 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.
11. By Spring 2024, we will agree further details on monitoring and evaluation arrangements for the retrofit pilot, as part of the wider work on the outcomes framework. The data and reporting requirements for annual monitoring reports should support the principle of the pilot, gathering sufficient data to effectively compare the pilot's performance with HMG's equivalent schemes.

Determining the quantum at Spending Reviews

12. The trailblazer deals set out that the single settlements represent a change to the wiring and flexibility of funding from central government rather than necessarily to the quantum that the MCAs would have received in the absence of single settlements at a SR. The single settlements' quantum will be determined by a formulaic process and the formulae will take this principle into account. The formulae will provide the MCAs with a share of funds in the single settlement and seek to deliver the principle that they are not worse off than had single settlements not been in place. HMG and the MCAs will agree an annex to this MoU setting out the formulae by Spring 2024. The final single settlements' quantum can only be set at the SR, when the funds in scope are confirmed.
13. Alongside agreement of departments' funding lines through the SR process, there will be a joint process between relevant departments and HMT to identify the nation-wide departmental funds in scope for the single settlement, based on the agreed functional responsibilities of the MCAs. In agreement with the relevant government departments for each theme, HMT will then apply the relevant formula(e) to determine the quantum of funding in each relevant department's budget that is to be included in the single settlements, and this will be included in settlement letters to departments. This will include an assessment of the quantum that

will become part of the MCAs' single settlements from that department. HMG will set out publicly, as part of the announcement of the SR, details of how the settlement has been calculated, which funds the MCAs will and will not be able to access during the SR period, the total quantum in each theme, the funding profile over financial years, and the resource (RDEL) and capital (CDEL) split.

14. Following the process to determine the single settlements' quantum, at the start of each financial year the relevant departments (i.e. the departments that own the funding lines being transferred to the single settlements and devolved) will carry out a budget cover transfer (BCT) to the Department for Levelling Up, Housing, and Communities (DLUHC) for the single settlements quantum that has been captured in their budgets, as agreed through the SR. This BCT would be authorised via the Main Estimates process and would mean that the single settlement funding would flow through DLUHC's Main Estimate.
15. DLUHC will then 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 (see spending controls paragraphs 30-37).
16. Where there are new relevant funds that are made available during the SR period, HMT, DLUHC and the relevant government department will determine whether new funds are in scope of the single settlements based on the functional responsibilities set out in this MoU, at paragraph 6. This includes new national budgets or programmes announced during the SR period, as well as any increases to competitive pots that the MCAs have been excluded from. HMG will then apply the relevant formulae to these funds to determine the MCAs' allocative share, where appropriate. The MCAs can proactively identify programmes they believe to be within scope of the single settlements for discussion at the Programme Board, set out in paragraph 49.
17. The MCAs and their constituent local authorities will not be permitted to bid into competitive programmes for which the MCAs have already received an allocation through the single settlements. As set out in the trailblazer deals, the MCAs and their constituent local authorities will retain the right to bid into new competitive programmes which are not included in the defined list of funds the MCAs will not be able to access during the SR period.
18. The MCAs reserve the right to refuse the single settlements, in which case the MCAs would be funded through arrangements in place for other areas who are not in receipt of the single settlements.

Determining the formulae

19. 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.
20. Whilst the detail of the formulae will follow in an updated annex, there are some core principles that will underpin the approach, which are outlined 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 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.
21. 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. HMG and the MCAs will agree an annex to this MoU setting out the detailed approach to the formulae by Spring 2024.
22. The formulae will be reviewed as part of the holistic review of the MoU set out in paragraph 2. Where appropriate, HMG and the MCAs will look to ensure that the formulae reflect national policy priorities, and the specific needs of GMCA and WMCA.

Flexibility

Moving funding within each of the five themes

23. The MCAs will have full flexibility within the themes of the single settlements to design and implement policy to meet mutually agreed outcomes. HMG will transfer the annual amount agreed for the single settlements at the SR each year as part of a section 31 grant, as per paragraph 15. The MCAs will be able to allocate funding within each theme at their own discretion and will be empowered to use funding under these devolved functions to invest in any lawful way associated with achievement of the outcomes agreed with HMG. This includes the necessary and proportionate resourcing of regional and local capacity, as per the flexibilities set out in paragraph 27.
24. The MCAs will need to make a formal notification in writing to HMG to reallocate funding in line with their agreed limits for each flexibility set out below.

Moving funding between the five themes

25. 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 settlements outcomes at their discretion. As per paragraph 28, 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.

Moving funding between years

26. The MCAs will have some flexibility to move funding between years. HMG and the MCAs will look to define this position on flexibility 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. HMG and the MCAs will agree a final position by Spring 2024, for inclusion in the additional spending controls annex.

Moving funding between RDEL and CDEL and vice versa

27. 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. This will work as follows:
- a. The MCAs will receive funding for each theme on an annual basis as set out in paragraph 23
 - 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, 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. The 10% cap will be applied to the theme's quantum after accounting for funding flexed to or from other areas
 - e. 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
 - f. To manage the impact on the public accounts, HMG will profile the flexible amount of funding as RDEL
28. Whilst the MCAs will be able to use the flexibility between funding themes 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 48-53 and included in reporting on the outcomes framework and accountability mechanisms.
29. 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 referenced in paragraph 2.

Spending control

30. The single settlements include a single, systematised approach to spending controls. This will provide an appropriate amount of flexibility for the MCAs to plan and sequence programmes funded through the single settlements while ensuring that effective risk mitigation tools are available in case of delivery or financial failure. HMG and the MCAs will agree an annex to this MoU setting out the spending controls that will be applied to the single settlements by

Spring 2024. This will include but is not limited to our approach to savings exercises and contingent liabilities. Paragraph 32 below sets out where we have agreed an approach already on future financial commitments and business cases, which will be reflected in the section 31 grant agreements.

31. The single spending controls framework must be consistent with provisions from the following, pre-existing, spending and accountability frameworks:
 - a. The English Devolution Accountability Framework, which requires MCAs to ensure they are delivering value for money
 - b. Managing Public Money (MPM), which requires departments (in particular, DESNZ, DfE, DfT) to exercise their thematic Accounting Officer (AO) duty as per chapter 7 of MPM through ensuring they are confident that the accountability, monitoring, and evaluation system set up for the single settlements is sufficiently robust. Further detail on DLUHC's role as systems AO is set out in paragraph 73
32. To meet these requirements, the single settlements will be subject to some spending controls, including:
 - a. The MCAs will notify HMG before making financial commitments funded by the single settlements beyond the SR period and inform HMG of the nature of the commitment
 - b. 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
 - c. 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
33. HMG may introduce additional spending controls in the event of delivery issues. See paragraphs 48-58 for more detail on the processes and structures by which these controls would be enacted.
34. 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
 - b. For any scheme with a capital value of more than £50m over its lifetime and which is not captured by the criteria in (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 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

35. 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.¹² There may nonetheless be consideration on a case-by-case basis as to whether to deliver such schemes through the single settlement framework.
36. To prepare for and provide assurance of readiness for the settlement, DLUHC will request external confirmation of readiness via a 'readiness check'. The terms of the check will be agreed between DLUHC, the MCAs, and the independent, external appointee. HMG will judge whether the MCAs have acted sufficiently upon any requirements set out for improvement.
37. The MCAs will be responsible for updating their Single Pot Assurance Framework, and then enacting both this framework and other systems of internal control.

Agreeing outcomes and targets

38. The MCAs will be held to account for the outcomes associated with the functional responsibilities set out in paragraph 6. The outcome targets that GMCA and WMCA agree with HMG may be different to reflect local priorities.
39. To facilitate this, HMG and the MCAs will agree an outcomes framework at the SR. HMG will work with the MCAs to agree the provisional process for setting the outcomes framework by Spring 2024. In preparation for the first single settlement, HMG and the MCAs will now commence 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.
40. 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 HMG
 - b. align local priorities and national priorities

¹²As per the trailblazer deeper devolution deals, paragraph 48.

- 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
41. HMG and the MCAs will agree an outcomes framework that balances local and national priorities.¹³ To agree the corresponding outcomes and targets, HMG and the MCAs will work together to set out indicators based on the following suitability criteria:
- a. The outcomes and corresponding metrics will, wherever possible, be:
 - i. directly linked to the functional responsibilities of the MCAs (set out in the earlier section, 'Scope of the single settlement')
 - ii. reflective of national outcomes held by the relevant HMG department and of local priorities identified by the MCAs
 - iii. specific, measurable, achievable, realistic, and time-bound
 - iv. spatially relevant
 - v. based on existing data where possible¹⁴
 - b. The targets, wherever possible, will be:
 - i. set against an existing baseline
 - ii. achievable and measurable in the SR time period
 - iii. set against quantum in the quarter following the SR
 - iv. where reflecting national outcomes, proportional to the national outcome held by the relevant HMG department
42. As the outcomes framework will set outcomes-based targets for the MCAs to deliver under the single settlements and the realisation of outcomes goals can be difficult to assess over the shorter term, where necessary, the single settlement's outcome targets may be supplemented by target output indicators to provide HMG assurance of MCA delivery during the SR period. However, to enable the MCAs to design strategic policy interventions over multiple years, and realise the policy delivery benefits of the single settlement's increased flexibility, the target output indicators will be:
- a. developed and agreed with the above principles in mind
 - b. proportionate

¹³ It may be necessary in the first iteration of the single settlement to collect additional data for the retrofit pilot to meet legal requirements. This could include criteria to be applied, limited, specific outputs, quality standards to be met and provision of information.

¹⁴ The breadth of data that will be available to the MCA is contingent on HMG and the MCA agreeing the Data Partnership as set out in the trailblazer deeper devolution deals.

- c. indicative of progress toward (an) outcome(s)
 - d. the minimum needed to assure HMG of the MCAs' delivery against a specific target outcome or specific target outcomes
43. Further details of how target output indicators could be used to assess the MCAs' delivery against the target outcomes will be agreed in Spring 2024.
44. The outcomes will be confirmed at the SR alongside the quantum. HMG will work with the MCAs to agree the baseline and target following the SR. The MCAs will reconcile their delivery plans against the quantum confirmed at the SR and the outcome targets confirmed thereafter, outlining how they will deliver the targets over the SR period.
45. Some funds in scope of the single settlements have minimum statutory requirements attached to them, such as the Adult Education Budget. HMG will set out expectations for use of this funding as part of agreeing the final quantum and through the outcomes framework. This will not constitute a formal ringfence within each theme and will be set out as part of the section 31 grant agreement. The status of the funding for the retrofit pilot will be set out in a supplementary annex.
46. Where a new funding line is devolved to the MCAs through the single settlements during the SR period, or a quantum is changed, the MCAs and HMG will agree any necessary changes to the outcomes framework and outcomes targets in line with the principles above.
47. There may be exceptional circumstances when it might be appropriate to renegotiate the single settlements' outcome targets, for example where unavoidable and significant external shocks (such as pandemics or excessive inflation) will impact the MCA's ability to deliver. It is anticipated that these circumstances arising would be very unusual, and HMG is under no obligation to change the targets. If the MCAs wish to renegotiate targets, they should bring proposals to the Programme Board for consideration. HMG and the MCAs expect the outcomes framework will be subject to iteration, evolution, and simplification as the settlements progress.
48. HMG will work with the MCAs to explore how the outcomes framework will align with the Office for Local Government's (Oflog) processes, including which site the outcomes framework is hosted on and who is responsible for the publication of data.

Governance arrangements for monitoring and evaluation

49. The MCAs are responsible for ensuring that delivery via the single settlements is on track and that plans remain ambitious and provide value for money as set out in the English Devolution Accountability Framework.
50. MCAs' delivery of the agreed outcomes will be overseen by a Programme Board that will be chaired by DLUHC senior officers and attended by the MCAs, HMT senior officials, and senior officials from other government departments (OGDs) that have devolved funding in the single settlement. The Programme Board will act as the default point of contact for the MCAs on all delivery questions, concerns, and conversations, with other bilateral conversations with OGDs about delivery of the single settlements taking place only under exceptional circumstances, or as part of streamlined working level conversations with DLUHC. 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.
51. The MCAs will send six-monthly monitoring reports to the Programme Board, including:
 - a. RAG (Red, Amber, Green) rating that provides an assessment of progress towards achieving the targets by the end of the SR
 - b. spend profile, including spend to date against outputs/outcomes
 - c. forecast underspends at the end of the financial year (capital and revenues totals), for information purposes only
 - d. risk management, if necessary
 - e. a short narrative update highlighting any key changes (including any quantum moved between themes), progress and highlights
52. The MCAs and HMG will agree a structure for how these reports will work as part of the ToR. However, the MCAs and HMG agree that these reports will be designed based on the following principles:
 - a. monitoring reports should help the MCAs and HMG better understand how the outcomes could be delivered more effectively
 - b. delivery assessment should be balanced and holistic
 - c. the data and reporting requirements for annual monitoring reports will be proportionate, reflecting the minimum needed to provide HMG with assurance of the MCAs' performance against the outcomes

53. Where a target is rated amber or red, the MCAs will provide further quantitative and qualitative data to explain the rating and set out the 'path to green'. Reports must be signed off by the MCA Chief Finance Officer. To support with mitigating any delivery issues, HMG will employ a matrix of mitigations, set out in Annex A. This matrix will be reviewed following agreement of the outcomes framework to ensure it remains proportionate and fit for purpose. This matrix will be considered by the Programme Board and outlines the options for mitigating different levels of delivery issues. If the Programme Board considers that the 'path to green' set out in monitoring reports is inadequate, they may consider appropriate mitigations or interventions, drawing on the matrix in Annex A. Mitigations in relation to specific themes will be signed off by the thematic lead and DLUHC AO, and coordinated via the Programme Board. HMG will then give notice via a published letter to the MCA that they will intervene, setting out the measures being employed and why. The MCA will then be given a period to submit a formal response on proposed mitigations. If this response is deemed unsatisfactory by HMG, the Programme Board will be empowered to set up task and finish groups to oversee interventions and progress.
54. Conversely, if the MCAs are overperforming on their outcomes targets, HMG will not introduce additional targets for the remaining funding or seek to claw it back.
55. Government will work with the MCAs to develop a robust approach to evaluating the impact of the single settlements, in co-ordination with the development of evaluation processes for the wider trailblazer deals and to enable the comparison of WMCA's and GMCA's delivery under the single settlements against the delivery of national schemes in other areas of the country that have not been devolved.
56. The evaluation will measure whether the single settlements, as part of the trailblazer deal, have achieved their aims, and how their impact compares to areas without a single settlement.
57. The government will continue to work closely with the MCAs on the direction of the evaluation. This will include aligning with or building upon evaluation processes that the MCAs have in place or are developing.
58. Where possible, the government will seek to use publicly or centrally available data that is provided in a sufficiently timely manner to meaningfully report against during the SR period, to avoid placing additional or unnecessary burdens on the MCAs. Where such data is not available, the Data Partnership agreed through the trailblazer devolution deals will be used to explore options for improving access to datasets.

Risk management and dispute resolution

59. If an MCA is not making progress towards the realisation of an outcome, evidence will be discussed at the Programme Board, and following this, an agreed matrix of mitigation, assessment and escalation will be followed based on the targets set out at the SR (Annex A). Changes to the section 31 grant funding agreement may occur if HMG judges there is a significant decline in delivery of outcomes from the MCAs. Similarly, the grant funding agreement may change if there are changes to departmental funding lines, or other departmental changes in policy or legislation (e.g., on statutory entitlements) that impact the single settlement.
60. The Programme Board will also discuss disputes or concerns regarding propriety in relation to the single settlements. As systems AO, DLUHC will have clear responsibilities in such cases to follow the standards set out in the Local Government Accountability Framework (LGAF) and the English Devolution Accountability Framework (EDAF) and will follow the matrix of mitigations and interventions where needed.
61. In the first instance, the MCAs and HMG should seek to resolve any disputes between officers and officials, coordinated by DLUHC at a working level. If this is not possible, disputes will be formally discussed and agreed at the Programme Board. Where this appears likely to happen, the Programme Board secretariat should be consulted at an early stage to prepare papers for the meeting.
62. When the secretariat is formally notified of a disagreement, and the next scheduled meeting is longer than one month from referral, the Programme Board secretariat will organise a meeting within two weeks.
63. Through this process, the Programme Board will seek agreement on the facts, provide an opportunity for the parties to set out their positions and facilitate discussion of shared interests, options for resolving the disagreement and criteria for an agreed outcome.
64. Should the disagreement continue past consideration at the Programme Board, the Board Secretariat will organise political engagement between HMG and the MCAs.
65. If the dispute is not resolvable through this engagement, 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.

HMG direction under exceptional circumstances

66. 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.¹⁵
67. The circumstances in which such a direction may be used are:
- a. where the MCAs' approach to delivery of the single settlements, either in whole or in part, is demonstrably undermining national government's ability to deliver its priorities in areas outside of the MCAs' functional responsibilities
 - b. where all mechanisms for discussion and dispute resolution set out in this document have been exhausted
68. Any direction must be published as a letter to the Chair of the Combined Authority (the Mayor) and the Levelling Up Select Committee. The MCAs will be given a period to submit a formal response with proposed mitigations and interventions.
69. If HMG deem this response to be unsatisfactory, HMG will employ the matrix of mitigation, set out in Annex A.

Accountability arrangements

70. The single settlements will be supported by the establishment of a streamlined, overarching, single assurance framework coordinated by DLUHC rather than multiple frameworks administered by different departments. This will build on, and will be incorporated into future editions of, the EDAF.

¹⁵This provision is intended to mirror Section 143 of the Greater London Authority Act 1999 (legislation.gov.uk), regarding transport functional responsibilities, and the adult skills condition set out in the trailblazer deeper devolution deals as follows: 'There will be specific instances when the national government needs to direct the design of adult skills provision or allocation of adult skills funding - as such, the Secretary of State for Education will retain the ability to do so in the next Spending Review period and beyond. However, this will be the exception rather than the rule, where the scale or urgency are such that a national response is judged required to deliver the required outcomes or where there are national skills priorities that the government believes are not being met sufficiently by the skills system.'

71. The arrangements outlined in this MoU will supersede the existing arrangements for the devolved funding covered by the single settlement, except in the specific case of the first round of the City Region Sustainable Transport Settlements (CRSTS1) which 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.
72. As per paragraphs 38-48, the MCAs will be held to account for delivery under the single settlements through the outcomes framework agreed with all relevant departments, HMT, and the MCAs.
73. As the single settlements include devolved funding from departments across HMG, there will be three core roles to administer the single settlement: the systems Accounting Officer (the DLUHC AO), the MCA CEO, and the thematic leads (AOs from contributing departments).

The role of DLUHC Permanent Secretary, as “systems” AO

74. To provide a single point of contact, DLUHC’s AO will act as the ‘systems’ AO for the single settlement. DLUHC’s AO will be responsible for ensuring institutional propriety, upholding governance structures, approving a local assurance framework, and overseeing the approach to securing value for money. DLUHC’s AO will assume responsibility for the core accountability process to Parliament, including setting out the spending controls listed in paragraphs 32-33.
75. DLUHC will also sign off on the outcomes, any target / output indicators and mitigations for the local growth and place, and housing and regeneration functions.

The role of the MCA Chief Executive

76. Within the MCAs, core accountability processes will be carried out by the Chief Executive, who will be responsible for agreeing outcomes with HMG, local outcome delivery and value for money, as well as upkeep of their local assurance framework, internal processes, and capability resourcing.

The role of DfE, DESNZ and DfT Permanent Secretaries, as “thematic” leads

77. Other government departments (OGDs) who have functions covered by the single settlements will sign off on the outcomes and targets which are relevant to their functions and will receive monitoring and evaluation information on their function via the Programme Board. OGD leads will sign off mitigations in their function, as per the matrix of mitigation set out in Annex A. This will be managed via the Programme Board and will require coordination with DLUHC AO as the ‘systems’ AO. In some

exceptional circumstances, an OGD would lead a specific action working directly with the MCAs.

Parliamentary and select committee scrutiny

78. Although the MCAs should consider their primary accountability to be to their local residents, HMG has a responsibility to ensure that devolved funding supports the delivery of the outcomes framework and that the MCAs have the structures in place to deliver value for money as set out in paragraph 73. Therefore, the single settlements will be subject to Parliamentary scrutiny as follows:
- a. DLUHC AO will be responsible to Parliament for reporting on the delivery of the single settlements. Where necessary, the Public Accounts Committee will scrutinise DLUHC's AO for upholding the governance structures and securing value for money. HMG will recommend that the relevant select committee invites the MCAs' Chief Executives for evidence on local delivery.
 - b. DLUHC will recommend that Ministers and mayors as appropriate both be invited to select committees, when relevant, with an increased focus on the role of local leaders in delivering the single settlements.

Local scrutiny

79. As set out in the trailblazer deeper devolution deal, the MCAs have committed to greater scrutiny including by residents through Mayor's Question Time, by constituent councils when requested and by local MPs at regular broadcast sessions.
80. The MCAs have also committed to raising the profile and resources available to the Overview and Scrutiny committee and implementing the Scrutiny Protocol (as per the EDAF).
81. The Mayor and relevant other Members or Portfolio Holders of the Combined Authority should be prepared to speak to the single settlements at both the Mayor's Question Time and the Overview and Scrutiny committee.

Local risk management and governance assurance

82. The MCAs are expected to put in place the necessary governance and assurance arrangements and to ensure that all legal and other statutory obligations and consents will be adhered to, which may include, but is not limited to, state aid and subsidy control, equalities duties, procurement, health and safety and fraud.
83. To evidence readiness for the single settlement, the MCAs will be subject to a readiness check. HMG will work with the MCAs to agree the process and criteria for the check. Any concerns highlighted in this process will need to be addressed before the full settlement flexibility is granted, as per the matrix of mitigations in Annex A.
84. Ownership of risk will be transferred to the MCAs. The MCAs will be responsible for mitigation of any risks that arise throughout the delivery of the single settlements.

85. The MCAs will complete their own Fraud Risk Assessment to ensure the safe administration of grants and that appropriate measures are put in place to mitigate against the risk of both fraud and payment error.
86. The MCAs will also be responsible for setting and managing any Novel, Contentious or Repercussive (NCR) spend and business cases, via existing MCA mechanisms (such as WMCA/GMCA's Single Assurance Framework). As per paragraph 34, there may be specific situations where additional processes are required regarding business cases.
87. The MCAs will also be responsible for overseeing the development and maintenance of the MCAs' local assurance framework, governance, and financial monitoring report, as well as drafting and delivery of the local outcome delivery plan, and reporting on progress via submissions to the Programme Board.

Audit arrangements

88. The single settlements will be subject to formal external audit by the Comptroller and Auditor General to the extent required as part of their audit of DLUHC and other departments. Information access requirements to facilitate this will be set out as part of any grant agreement. MCA expenditure will remain subject to their own existing external audit requirements.
89. The Comptroller and Auditor General will also have the right, should they so choose, to conduct Value for Money examinations on the single settlements, and the MCAs will be expected to cooperate and provide information necessary to DLUHC or the National Audit Office (NAO) to facilitate this.
90. The MCAs will be responsible for ensuring that their own internal audit functions are sufficient to manage risks to public money.
91. Further details on audit arrangements will be provided alongside the outcomes framework.

Local context on implementation

92. WMCA will use the opportunity presented by the single settlement to develop and deliver transformational place-based strategies. The strategies will serve as strategic, long-term frameworks to guide the prioritisation of single settlement funding, and other policy levers and resources, below the regional level while delivering the outcomes framework agreed with HMG. Place-based strategies will be coordinated by WMCA, agreed collectively by the WMCA Board and developed by local authorities.
93. WMCA will engage and consult across the region to make sure its governance structures and processes reflect the opportunity presented by the single settlement to further empower local leaders and drive collective decision-making for the benefit of the region.

94. Since its inception GMCA has used devolved powers and flexibilities to drive growth and deliver key improvements to the economy, services, and infrastructure. The ten constituent local authorities of Greater Manchester have worked together voluntarily for many years on issues that affect everyone in the region, like transport, regeneration, and attracting investment. GMCA also works in partnership with other public services, businesses, local communities, and the voluntary sector to address issues that affect the whole city-region.
95. GMCA's strategic ambition is set out in the Greater Manchester Strategy (GMS), underpinned by a range of supporting strategies on areas such as the economy/innovation, work/skills, spatial development and growth locations, housing, transport, and the environment. GMS is a medium-term strategy which sets out clear outcomes/commitments and a route to deliver the vision of a greener, fairer, and more prosperous Greater Manchester by 2031. The single settlement and the wider trailblazer deal will enable GMCA to deliver in line with the GMS, try innovative new policy approaches, drive forward the local economy, and to be better held to account for delivery.

Next steps

96. There are several areas throughout this MoU where the government and the MCAs have committed to work together to confirm further details by spring 2024. These details will be agreed and published as annexes to this. This will include annexes outlining:
- a. the formulae to determine the MCAs' allocative share of funding
 - b. the provisional process for setting the outcomes framework, including further detail on the retrofit pilot as per paragraphs 10-11
 - c. further detail on the spending controls HMG will employ for the single settlement

A.1.1 Annex A: Matrix of mitigation, assessment, and escalation

Where delivery falls below the agreed baseline, or there are wider concerns around failure to deliver value for money, evidence will be discussed at the Programme Board, and where necessary, the below matrix of assessment and mitigation will be followed. Mitigations in relation to specific themes will be determined and signed off by the thematic lead and coordinated with DLUHC. This matrix will be reviewed once the outcomes framework is agreed and targets are confirmed, to ensure it remains proportionate and fit for purpose. This matrix should also be seen in the wider context of the MoU, the principles for governance of the settlement set out in this MoU, the intention of the single settlement to devolve greater local responsibility and accountability, and the MCAs' primary accountability to local residents.

To note: the inspection and intervention processes outlined in the [English Devolution Accountability Framework](#) set out the process where there are very serious concerns of bad governance, poor value for money or inadequate services for residents. This draft matrix solely looks at mitigations to be made in case of failure to deliver progress on the outcomes or value for money for the single settlement.

Table A.1 Matrix of Mitigation

		Minor	Moderate	Major
Evidence and indicators	Institutional propriety	Where the Secretary of State has concerns that an authority is failing to carry out its functions in compliance with its best value duty, the Local Government Act 1999 provides significant powers for the Secretary of State to inspect and, subject to there being sufficient evidence, to intervene in that authority.		
	Target output indicators	Slippage in a small number of metrics. Limited impacts in overall delivery of outcomes (to discuss in Spring 2024)	Slippage in numerous metrics. Significant predicted impact on meeting outcomes (to discuss in Spring 2024)	Slippage in most metrics. Major impact on delivery of outcomes (to discuss in Spring 2024)
	Outcome delivery	Limited progress shown against a small number of outcomes. Overall progress against outcomes is satisfactory.	Limited progress shown against some outcomes.	Progress not shown against most outcomes.
	Insufficient reporting requirements	Some gaps in reporting data. Low data quality.	Significant lack of relevant data provided to prove progress against targets.	Reporting requirements not met – no data provided as evidence of progress.
	Maintenance of local outcome delivery plan	Sections of the local outcome delivery plan out of date when reviewed.	Significant portion of the local outcome delivery plan out of date when reviewed.	Out of date local outcome delivery plan that does not show current state of play or projects.
	External reports	3 rd line of defence (independent audit) raises some issues with delivery with an Amber rating. No adverse publicity on delivery of the settlement.	3 rd line of defence (independent audit) raises significant issues with delivery with an Amber/Red rating. Concerns raised by some constituent councils. Public criticism over spend or delivery of the settlement.	3 rd line of defence (independent audit) raises major issues with delivery with a red rating. Majority of constituent councils have issues with how the fund is delivered. Serious allegations over spending. Parliamentary questions raised.

	Minor	Moderate	Major
Proposed mitigations	<ul style="list-style-type: none"> • Escalation of M&E (Monitoring & Evaluation) processes, to be negotiated on a case-by-case basis • Re-evaluation of outcome indicator and/or target output indicators • The MCA will be required to write to the DLUHC SRO or the thematic lead (for the theme where there is a delivery concern) setting out why delivery has fallen, and steps being taken to remedy it. 	<ul style="list-style-type: none"> • Escalation of M&E processes, to be on a case-by-case basis • Re-evaluation of outcome indicators and/or target output indicators • Re-drafting of delivery plans in the theme/s where there are delivery concerns and alignment with outcomes framework • The MCA will be required to write to the Permanent Secretary of DLUHC and the Permanent Secretary of the relevant thematic department setting out why there are delivery issues, and immediate steps being taken to remedy the situation. • The thematic lead may require the MCA CEO to meet the thematic lead department ministers or Permanent Secretary to explain how they will improve delivery in that area. 	<ul style="list-style-type: none"> • Reintroduction of delegated authority limits, and/or ringfences, in the theme/s where there are delivery concerns • DLUHC publicly announces that the AO does not think an investment decision will deliver VfM • MCA CEO explains reasons delivery failure and provides materials on plan to mitigate, including how they will factor in any mitigations • Suspending settlement • Clawback funding • Withdrawing funding lines from settlement • Deep dive on M&E to determine if VfM/institutional failure - if so, DLUHC can investigate using the Best Value Duty. • Request for independent review from the NAO

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This document can be downloaded from www.gov.uk

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