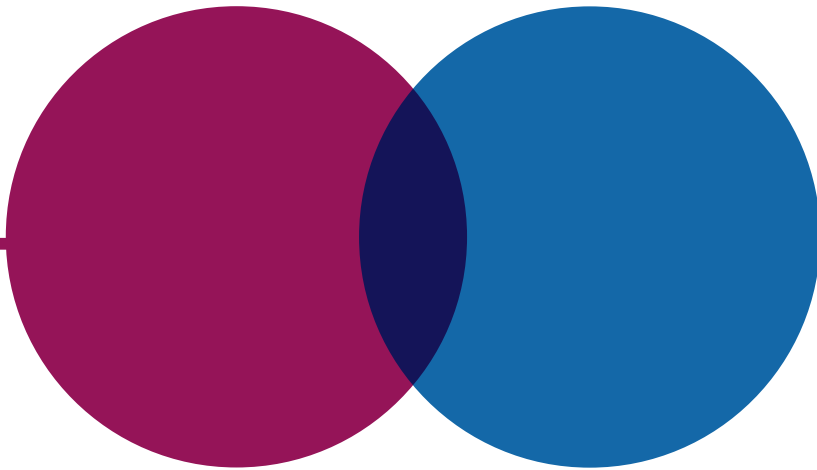




National Audit Office



REPORT

# Devolution in England: funding and accountability

Ministry of Housing, Communities &  
Local Government

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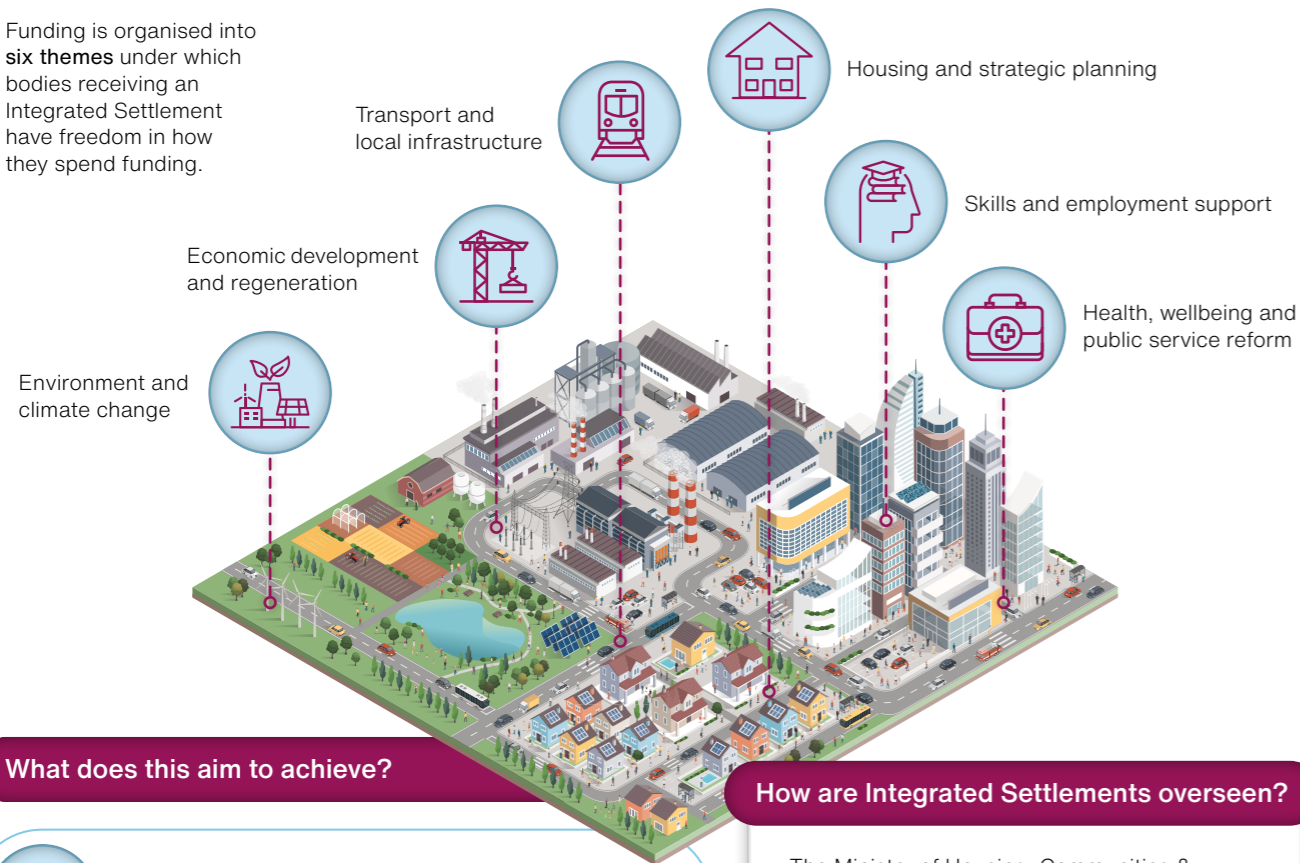
SESSION 2026-27  
1 JULY 2026  
HC 263

# Key information

## What is an Integrated Settlement?

For eligible Mayoral Strategic Authorities (MSAs), an Integrated Settlement brings together central government grant funding into a single settlement with an outcomes-focused accountability framework. This replaces the previous model of funding through individual government grants, each with their own reporting requirements.

Funding is organised into six themes under which bodies receiving an Integrated Settlement have freedom in how they spend funding.



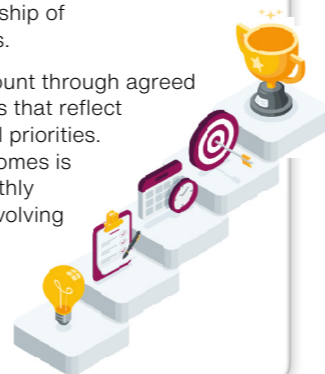
## What does this aim to achieve?

- Greater efficiency**  
Moves away from competitive bidding and lessens the need for separate reporting against individual grants
- More joined-up decision-making**  
Enables eligible MSAs to consider priorities and trade-offs across themes
- A stronger focus on local priorities**  
Allows eligible MSAs to determine what matters most for their local areas

## How are Integrated Settlements overseen?

The Ministry of Housing, Communities & Local Government (MHCLG) is responsible for the overall stewardship of Integrated Settlements.

MSAs are held to account through agreed Outcomes Frameworks that reflect both local and national priorities. Progress against outcomes is monitored via six-monthly Programme Boards involving the MSA, MHCLG, HM Treasury and relevant government departments.

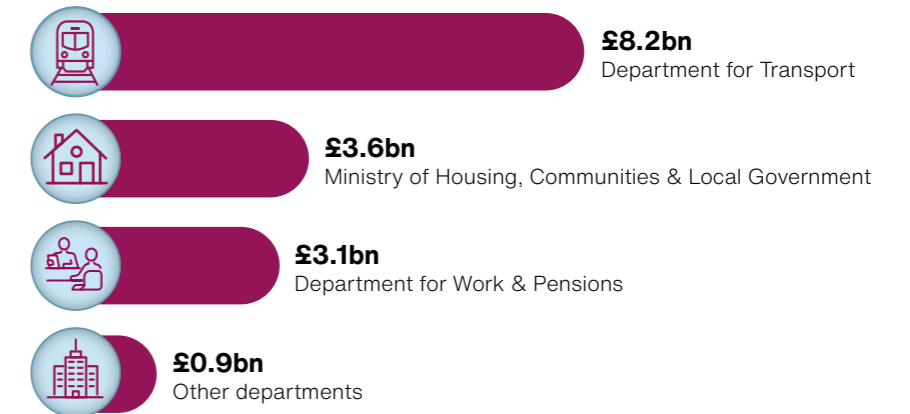


## How are Integrated Settlements funded?

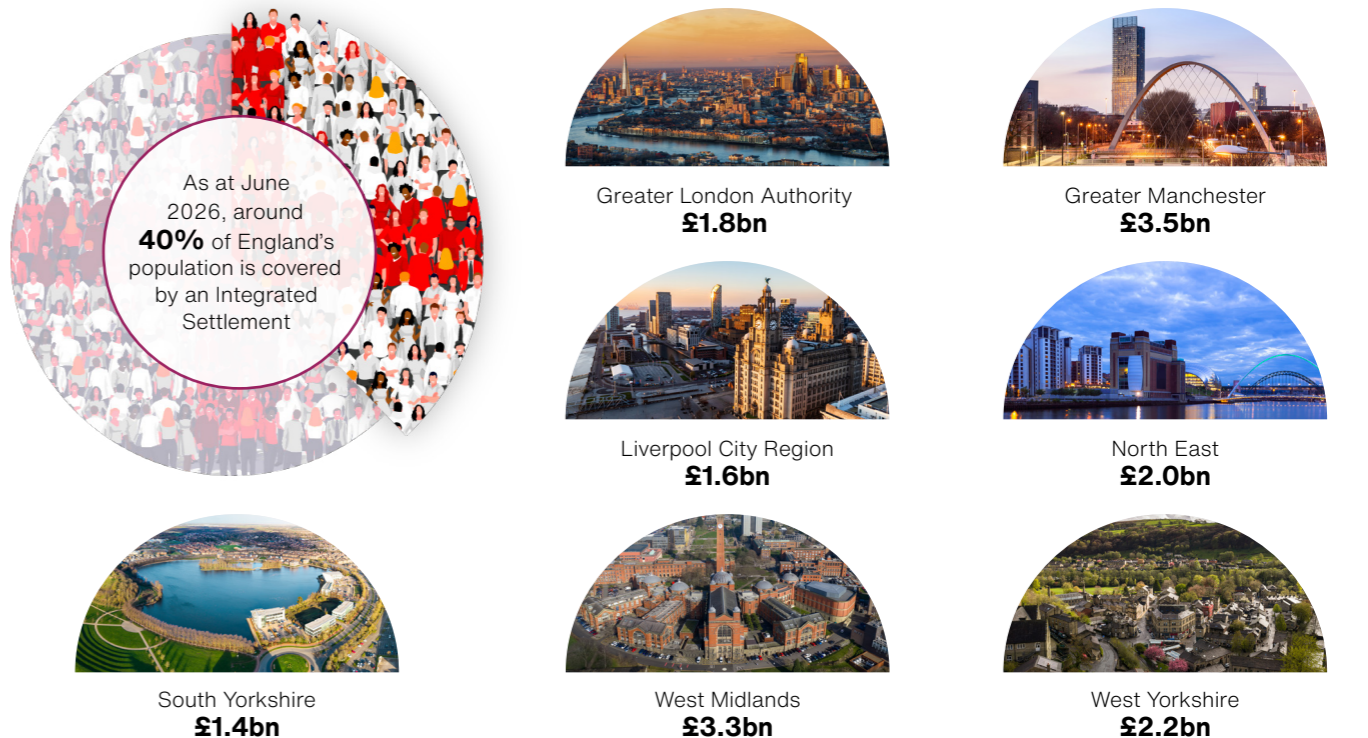
Each central government fund in scope is top-sliced via a formula, to determine the share to be given to each eligible MSA.

**£15.9 billion** of total funding has been announced for Integrated Settlements. This includes a 2025-26 single-year settlement and a multi-year settlement covering 2026-27 to 2029-30.

Departments that have committed the most funding are:



## Which areas receive an Integrated Settlement?



# Summary

## Introduction

**1** In the UK, 'devolution' has historically focused on the transfer of powers from Westminster to national institutions such as the Scottish Parliament, the Senedd in Wales and the Northern Ireland Assembly. But since the early 2010s, in response to highly centralised decision-making in comparison with many industrialised nations, there has been a greater focus on devolution as the transfer of responsibilities from central government to local government bodies in England. This aims to give local areas greater powers and resources, allowing them to tailor policies to their specific economic, social and geographic circumstances and support growth locally. Devolution does not generally affect the day-to-day statutory services delivered by local councils.

**2** Policy responsibility for English devolution rests with the Ministry of Housing, Communities & Local Government (MHCLG), which is also responsible for the local authorities' financial framework. Local government bodies receive funding from MHCLG and other government departments. HM Treasury determines overall funding levels and sets the rules for how departments provide funding to local government bodies.

**3** A key element of English devolution has been the creation of combined authorities – statutory bodies, formed of two or more constituent local government areas, that exercise functions on a greater geographical scale than a single authority. The Greater Manchester Combined Authority was the first, established in 2011. From 2014, the then government began negotiating bespoke deals with groups of local authorities, to form new combined authorities chaired by elected mayors.

**4** The February 2022 Levelling Up the United Kingdom white paper defined three levels of devolution, with each level offering enhanced powers and freedoms. In March 2023, the then government announced 'trailblazer' deals with Greater Manchester and West Midlands combined authorities, giving powers beyond the three previously defined levels, and introducing a 'single financial settlement' in place of individual grants.

**5** Another key element of the government’s approach is the concept of the ‘Strategic Authority’. The English Devolution and Community Empowerment Act 2026 establishes in law:

- **Foundation Strategic Authorities**, including all non-mayoral combined authorities and combined county authorities, along with any local authority designated as a Strategic Authority without a mayor; and
- **Mayoral Strategic Authorities (MSAs)**, including the Greater London Authority, and all mayoral combined authorities and mayoral combined county authorities; those that meet specified eligibility criteria may be designated as ‘Established’ MSAs, unlocking further devolution, most notably receiving central government funding through a single ‘Integrated Settlement’.

**6** In April 2025, Greater Manchester and West Midlands each began receiving an Integrated Settlement, for 2025-26. This brought together more than 20 central government funds and provided around £1 billion for the year. In April 2026, a further five MSAs began receiving an Integrated Settlement, this time as a multi-year settlement covering 2026-27 to 2029-30 and totalling £14.8 billion. This brought total Integrated Settlement funding to £15.9 billion between 2025-26 and 2029-30.

## **The scope of our work**

**7** In 2017, we reported on the establishment of combined authorities.<sup>1</sup> We found there was a clear purpose to the existence of more strategically focused bodies, particularly in metropolitan areas dealing with cross-cutting issues such as transport and economic regeneration. But we concluded that combined authorities needed to demonstrate, in an accountable and transparent way, their ability to drive economic growth, contribute to public sector reform and help deliver improved outcomes in their areas.

**8** This report assesses whether MHCLG is implementing devolved arrangements – with a particular focus on funding and accountability – in a way that supports improved outcomes for local people. It does not cover wider issues such as workforce skills, economic growth or local government reorganisation.

- Part One sets out the recent history of English devolution and explains the further changes planned.
- Part Two examines devolved funding and powers.
- Part Three assesses the arrangements for accountability and scrutiny.

<sup>1</sup> Comptroller and Auditor General, *Progress in setting up combined authorities*, Session 2017–2019, HC 240, National Audit Office, July 2017.

## Key findings

English devolution in context

**9 The government is making progress towards its plan for full coverage of Strategic Authorities across England.** The December 2024 English Devolution White Paper stated the need for central government to stop micromanaging local leaders' decisions and allow local bodies to operate with autonomy. It also set out a commitment to reset the relationship between central government and local or regional government, including replacing negotiated deals for selected areas with a more systematic approach. The government also has a programme of local government reorganisation, which aims to replace the two-tier system of county and district councils with single-tier unitary councils. By June 2026, there were two Foundation Strategic Authorities and 18 MSAs, of which seven – Greater London, Greater Manchester, Liverpool City Region, North East, South Yorkshire, West Midlands and West Yorkshire – were designated as Established MSAs (paragraphs 1.11 to 1.14 and Figure 1).

**10 The Integrated Settlement approach offers greater simplicity and flexibility of funding.** An Integrated Settlement consolidates funding from multiple policy areas and departments into a single allocation, enabling greater funding flexibility. The funding is organised under six themes: economic development and regeneration; environment and climate change; health, wellbeing and public service reform; housing and strategic planning; skills and employment support; and transport and local infrastructure. MSAs receiving an Integrated Settlement have full flexibility in how they spend the funding within each theme. They also have some flexibility across themes, between financial years, and in the split between revenue and capital expenditure (paragraphs 1.15, 1.16, 2.6 and 2.8, and Figure 2).

## Devolved funding and powers

**11 The Integrated Settlement approach is largely well regarded by MSAs and sector representative groups, and is enabling MSAs to make longer-term and more coordinated spending decisions.** Many stakeholders are optimistic about the introduction of Integrated Settlements and the positive changes they may bring about. MSAs see multi-year funding as a welcome change to previous arrangements. They also recognise the resources they can release now that they are not bidding for individual funds, and the greater spending flexibility compared with the previous deals-based funding approach. In response, West Midlands has created a Strategy Unit and Programme Management Office, improving collaboration between directorates on programme design. It has combined business and employment support funding, used pilot funding to improve the quality of homes, and switched capital to revenue funding to support local growth and employment activities. Greater Manchester has converted capital to revenue funding – to support local transport projects – converted revenue to capital funding for an investment zone project, and committed 2025-26 employment support funding for use in 2026-27 to prevent gaps in service provision (paragraphs 2.8 to 2.10 and 2.14, and Figure 4).

**12 In future, newer or less institutionally mature MSAs may face capacity and capability constraints that limit their ability to maximise the benefits of an Integrated Settlement.** Through its readiness and health checks, MHCLG assesses the capacity and capability of Established MSAs to receive and manage an Integrated Settlement, identifies related gaps, and recommends actions for MSAs to address them. MSAs currently receiving, or due to receive, Integrated Settlements generally have a long history of devolution and experience of delivering programmes on behalf of the government. Those receiving Integrated Settlements in the future may not have the same level of maturity or institutional capability – for example, with regard to governance, financial management, and delivery track record. Managing Integrated Settlements places different demands on MSAs and constituent authorities from those associated with deals-based funding. Some authorities described a pressing need to build institutional capacity, in particular to manage human resources, finance and legal functions as new responsibilities are layered on to existing ones. There is also a tension between the scale of devolved responsibilities and the capacity of MSAs to support them. Despite their significant strategic responsibilities, MSAs are still developing their organisational capacity. Several constituent authorities highlighted a risk that expectations on MSAs may grow faster than their capacity to deliver, particularly in newer MSAs. In response, MHCLG is holding annual conversations with MSAs, making mayoral capacity funding multi-year and more reflective of an MSA's current capacity and level of maturity, and providing additional funding for staffing and administrative costs. However, to realise the benefits of 'fiscal devolution' – which would potentially allow mayors to retain a share of existing taxes, such as income tax – MHCLG would need to support MSAs early in building the capacity and capability needed to manage the additional financial responsibilities (paragraphs 2.3 to 2.5, 2.15 to 2.18 and 2.22).

**13 MSAs receiving an Integrated Settlement are already requesting additional funding, powers and responsibilities, indicating an appetite for a more expansive set of arrangements.** The English Devolution and Community Empowerment Bill (now Act) proposed a Right to Request process, allowing Established MSAs to request additional powers, funding or partnerships beyond the existing devolution framework. MHCLG ran a ‘shadow’ process with these MSAs between November 2025 and May 2026 to test the approach and allow MSAs to take on new responsibilities identified through the process. Established MSAs showed strong interest in the shadow process, submitting 44 requests. This Right to Request process is likely to form part of an annual cycle linked to government spending decisions (paragraphs 2.19 to 2.21).

#### Accountability and scrutiny

**14 Strengthened local scrutiny arrangements will be vital in supporting effective local accountability, as MSAs take on greater funding and responsibility.** Elected mayors and other local leaders are accountable to local people for how they use public money. In March 2026, amendments to the English Devolution and Community Empowerment Bill (now Act) introduced Local Scrutiny Committees, which will replace existing overview and scrutiny committees within MSAs and take on much of their remit. They will examine mayoral decisions and actions, undertake thematic inquiries, and produce reports and recommendations on the value for money of MSA spending. MHCLG is also considering whether to create a system of Local Accounting Officers to provide a clearer single point of accountability for value for money to Parliament and the public. However, it is not yet clear who would take on this role, or how Parliament would hold Local Accounting Officers to account in a way that reflects an MSA’s local needs and priorities. Under existing arrangements, Parliamentary select committees may call MSA chief executives or mayors to give evidence on the delivery of Integrated Settlements (paragraphs 3.3 to 3.10 and Figure 5).

**15 Effective local scrutiny will require a significantly strengthened local audit system.** MSAs publish annual financial accounts that are subject to independent external audit. But the local audit system has often failed to provide timely assurance, due to longstanding issues in the market including capacity, and the need to audit increasingly complex accounts to higher regulatory standards. The government is taking steps to address these weaknesses and rebuild assurance, including establishing a Local Audit Office whose role will include setting the Code of Audit Practice and monitoring audit quality. MHCLG officials told us that strong local audit and assurance may allow central government to rely more on local accountability and reduce departmental monitoring of MSAs (paragraphs 3.11 to 3.13).

**16 Agreeing MSAs' Outcomes Frameworks at the right level and in a timely manner has proved challenging, due to the tension between MSAs' expectations of autonomy and departments' expectations regarding their own accountability.**

MSAs receiving an Integrated Settlement are accountable to central government primarily through an agreed Outcomes Framework. MSAs agree a set of measures against which performance will be assessed across the functions devolved through the Integrated Settlement. Departments emphasised the need for clear, measurable targets to support accountability to ministers and Parliament. MSAs spoke positively about MHCLG's role in brokering agreements and championing devolution. But they also reported that Outcomes Frameworks are too strongly shaped by national priorities and include too many programme-level output targets, reducing flexibility and limiting their ability to reflect local needs. The Spending Review and departmental business planning processes shape the measures included in Outcomes Frameworks. Departments agree objectives with HM Treasury and the Cabinet Office, and are accountable for delivering against these objectives. During Outcomes Framework negotiations, departments prioritise metrics aligned with these centrally agreed objectives rather than local priorities. The process for agreeing funding and objectives centrally can be protracted and resource-intensive. Outcomes Frameworks for 2026-27 to 2028-29 were not finalised until March 2026, constraining MSAs' ability to finalise contracts ahead of the 2026-27 financial year (paragraphs 3.14 to 3.20 and 3.24, and Figures 6 and 7).

**17 The next iteration of Outcomes Frameworks will require MSAs, departments and MHCLG to work together to ensure these are proportionate and reflect the minimum assurance needed.**

MSAs told us some departments were initially reluctant to flex the number of indicators proposed during negotiations. For example, the Department for Transport (DfT) initially proposed 44 indicators, which it later revised down to 21 following negotiations with MSAs. DfT said this reflected an effort to agree a proportionate set of indicators, taking into account the scale of funding it has devolved through the Integrated Settlement. We were also told that the Department for Work & Pensions mandated outcomes in some cases. One department told us this approach was deliberate, because it sought a high level of specificity to manage delivery risk as MSAs sometimes proposed targets that lacked a clear logic or baseline. Determining monitoring requirements that are proportionate and provide sufficient assurance involves some subjectivity. Where MSAs' proposals were less clearly evidenced or developed, departments were more likely to seek additional measures. Compared with international examples, Outcomes Frameworks in England are falling short in terms of focus and proportionality. Both MHCLG and HM Treasury would like to see a reduction in the number of measures included in future Outcomes Frameworks. Additionally, MHCLG told us that, in some cases, both departments and MSAs favoured the use of output measures, for example where MSAs felt outcomes were not fully within their control or might take longer to achieve (paragraphs 3.17 and 3.22 to 3.26, and Figure 8).

**18 The MHCLG-led Programme Board has the potential to provide a clear, cross-government mechanism for overseeing MSAs' delivery, but it is new and therefore largely untested, and additional reporting requirements persist for MSAs.** It meets every six months to oversee delivery of agreed outcomes for MSAs with Integrated Settlements, bringing together officials from the relevant MSA, HM Treasury and funding departments. To support discussions, MSAs submit six-monthly monitoring reports. Greater Manchester and West Midlands described the Programme Board as clear and structured, noting it could reduce reporting burdens by consolidating accountability discussions into a single forum. Greater Manchester also welcomed the attendance of HM Treasury officials. Departments can request additional information outside the Programme Board, but this should serve a clear purpose and be agreed with MSAs. However, some departments continue to request information even though additional reporting requirements have not been agreed. The Programme Board may apply additional scrutiny where it identifies concerns with performance. Where concerns persist, it may agree mitigations or interventions. The Integrated Settlement Policy Document makes clear that decisions on mitigations should be agreed by the Accounting Officers of MHCLG and the relevant funding departments. However, some departments were unclear about who would initiate interventions in practice and question the likely effectiveness of the approach in addressing sustained underperformance (paragraphs 3.27 to 3.36 and Figure 9).

**19 MHCLG is in the early stages of identifying and mitigating the risks associated with scaling up the Integrated Settlement approach, as more MSAs are established.** As devolution expands, officials will need to attend an increasing number of Programme Boards and commit additional resources to negotiating Outcomes Frameworks. One MSA cautioned that departments may increasingly rely on junior staff to reduce the resource burden, potentially weakening the focus on strategic matters. HM Treasury also noted the risk that Outcomes Frameworks become more template-like, with similar outcomes applied across different MSAs due to capacity constraints within MHCLG and other departments. While this could reduce administrative burdens for departments, it risks weakening the focus on local needs and circumstances. MHCLG is taking steps to manage these risks. It believes the shift to a predictable, two-year cycle for Spending Reviews should allow departments more time to plan, resource and complete negotiations on Outcomes Frameworks. It is also working across government to build capability and improve understanding, including through a Devolution Education Programme, and facilitating secondments between government departments and MSAs. However, these measures are at an early stage, and MHCLG may need to do more to manage the risks effectively (paragraphs 3.37 to 3.41).

## Conclusion on value for money

**20** MHCLG and HM Treasury are implementing Integrated Settlement funding in a way that stakeholders regard as a significant step forward. MSAs are starting to take the opportunity presented by this new approach to be more creative and to think in a longer-term way about the programmes they deliver. These arrangements have the potential to deliver better value for money as they are rolled out more widely.

**21** At the same time, the reporting burden on MSAs to demonstrate what they have delivered with much of the Integrated Settlement funding they receive is currently greater than initially envisaged. And the way the current framework will address underperformance has not yet been tested. As a result, there are questions about future capacity, both within local and central government bodies, as new MSAs are brought on board and engage with government departments over their Integrated Settlements and Outcomes Frameworks.

**22** The accountability mechanisms for central government funding are well established and important. But there is a clear tension between departments' responsibilities and the ambition of the English Devolution White Paper that central government should end the top-down micromanagement of decisions and approaches by local leaders and replace it with a principle of locally accountable autonomy. This tension will need to be resolved, and local accountability arrangements substantially strengthened and tested, before the devolution of funding and accountability can be considered to be working effectively to support improved outcomes for local people.

## Recommendations

**23** In the short term, MHCLG should:

- a set out further detail, in regulations and statutory guidance, on Local Scrutiny Committees** – this should build on its ongoing work by clarifying membership requirements, powers and ways of working, drawing appropriately on the work of the appointed external auditor to support effective local scrutiny;
- b work with other departments and MSAs to ensure Programme Boards primarily focus on outcomes when assessing MSA performance** – where reporting against outputs is necessary, departments and MSAs should ensure this is proportionate; and
- c work with other departments and MSAs to minimise the performance information that MSAs provide to departments outside the formal Programme Board process.**

- 24 Ahead of the next Spending Review period, MHCLG should:
- d **work with HM Treasury, other departments and MSAs to ensure that Outcomes Frameworks are consistently finalised and communicated in a more timely manner**, harnessing the benefits that a more regular and predictable Spending Review cycle brings;
  - e **work with other departments and MSAs to ensure that future Outcomes Frameworks place greater emphasis on outcomes rather than programme level outputs**;
  - f **work with HM Treasury to review and update Accounting Officer responsibilities to ensure they operate effectively in the context of Integrated Settlements, including how any changes align with potential fiscal devolution**;
  - g **work with HM Treasury to review how the total amount of Integrated Settlement funding is determined**, including the potential to move away from top-slicing funding streams and towards a more strategic approach to funding allocation; and
  - h **actively manage the risks and opportunities involved in scaling up the system, which will involve more established MSAs as well as newer MSAs receiving an Integrated Settlement**.
- 25 MSAs should:
- i **ensure they have robust arrangements in place to support effective local accountability and transparency**, including drawing appropriately on the work of the appointed external auditor;
  - j **develop well-evidenced material to support timely Outcomes Framework negotiations and requests for additional powers or funding**; and
  - k **work with, and learn from, MHCLG and other MSAs to further build their capacity and capability**, particularly in relation to fiscal devolution.