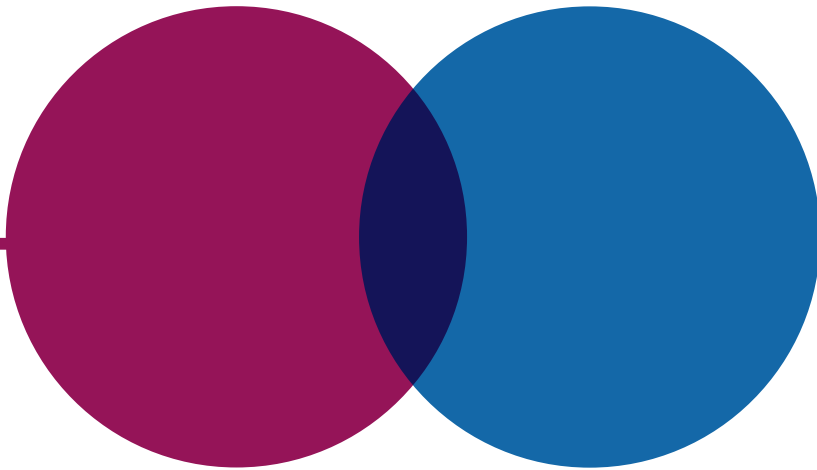




National Audit Office




REPORT

# Devolution in England: funding and accountability

Ministry of Housing, Communities &  
Local Government

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SESSION 2026-27  
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HC 263



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# Devolution in England: funding and accountability

**Ministry of Housing, Communities &  
Local Government**

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**Report by the Comptroller and Auditor General**

Ordered by the House of Commons  
to be printed on 29 June 2026

This report has been prepared under Section 6 of the  
National Audit Act 1983 for presentation to the House of  
Commons in accordance with Section 9 of the Act

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**Gareth Davies  
Comptroller and Auditor General  
National Audit Office**

**23 June 2026**

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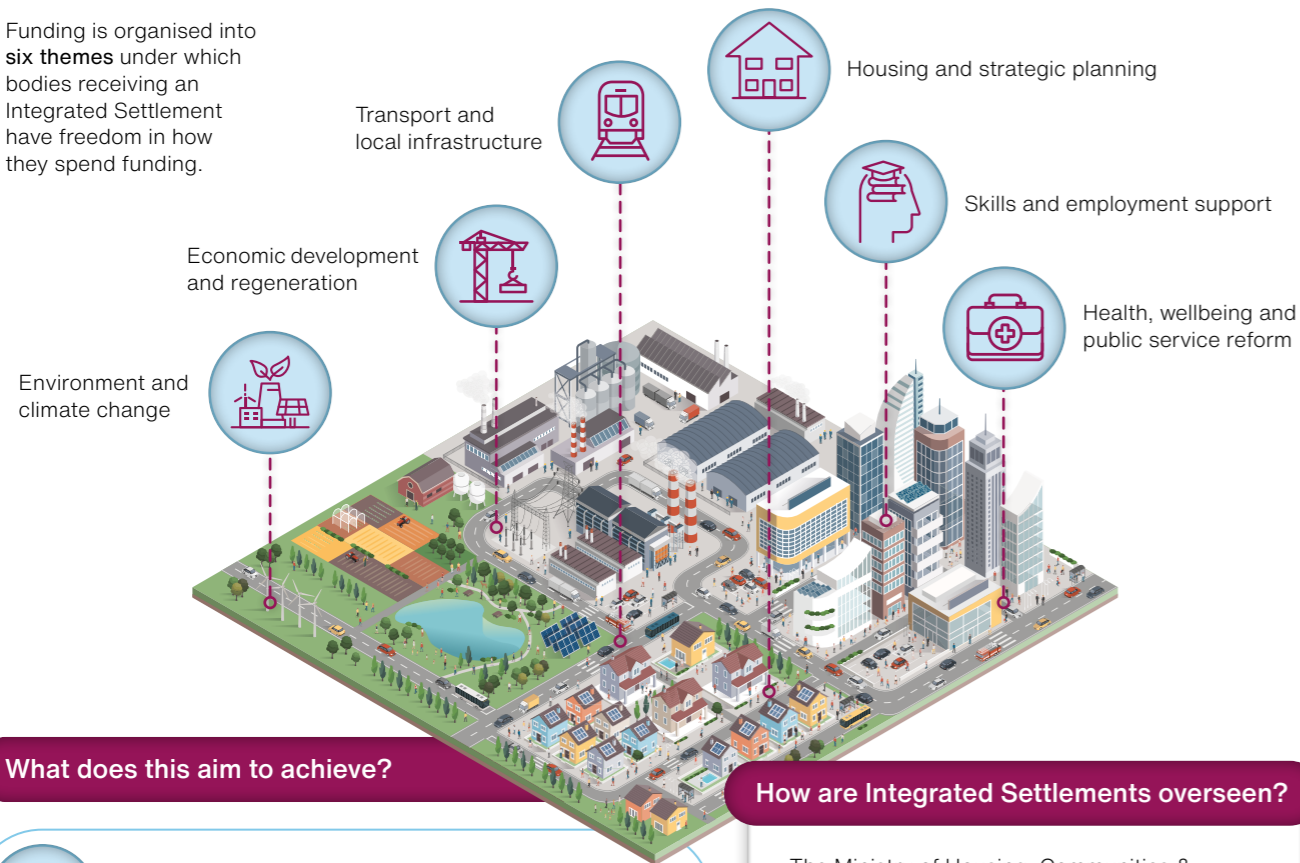
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# Key information

## 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.



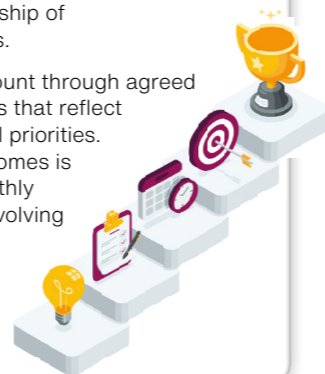
## What does this aim to achieve?

- 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.

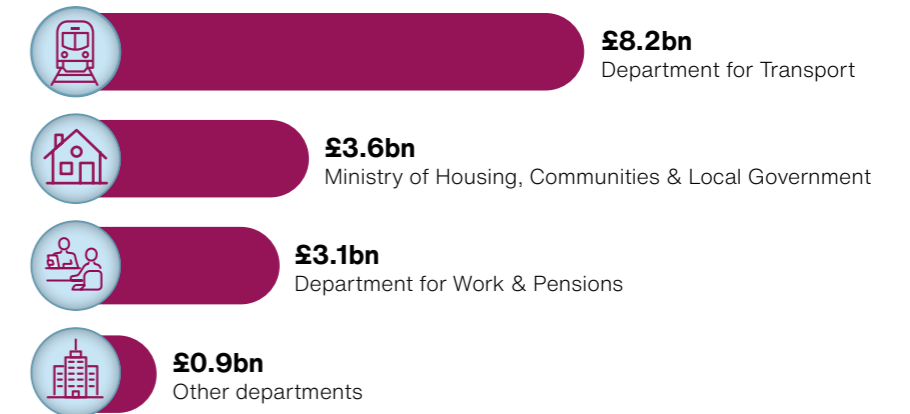


## How are Integrated Settlements funded?

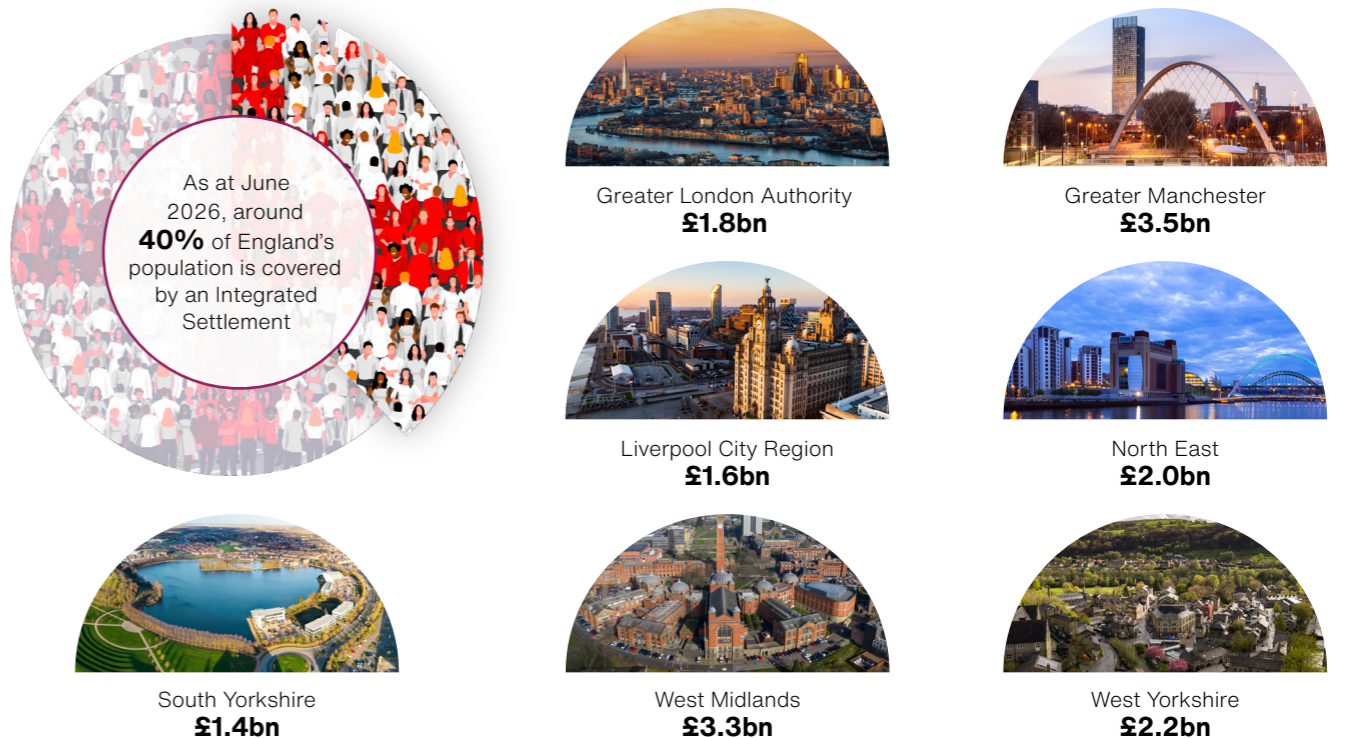
Each central government fund in scope is top-sliced via a formula, to determine the share to be given to each eligible MSA.

**£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.

# Part One

## English devolution in context

**1.1** This part of the report sets out the meaning of devolution in England, its main aims, and the bodies involved. It also introduces the ways central government funding for local bodies, and accountability for that funding, are changing.

### **The meaning of English devolution**

**1.2** 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. However, this report focuses on devolution within England, which is the transfer of responsibilities from central to local government. Devolution aims to give local areas greater powers and resources, allowing them to tailor policies to their specific economic, social and geographic circumstances. Compared with many industrialised nations, decision-making in England has been highly centralised.

### **Policy responsibility and funding**

**1.3** The Ministry of Housing, Communities & Local Government (MHCLG) has policy responsibility for devolution. Its strategic priorities include delivering “local growth and devolution”, and it is also responsible for local authorities’ financial framework. Local government bodies receive funding from MHCLG and other government departments. HM Treasury plays a crucial role in determining funding levels and setting the rules under which departments provide funding to local government bodies.

### **The recent history of English devolution**

**1.4** Greater London has a relatively long history of devolved powers, with the Mayor of London and the London Assembly established in 2000. From 2010 onwards, the government began to establish Local Enterprise Partnerships, City Deals and local growth funds, partly to rebalance the economy and stimulate growth outside of London.

## Combined authorities

**1.5** Combined authorities are statutory bodies, covering two or more constituent local government areas, which can exercise functions at a greater geographical scale than a single authority. The Greater Manchester Combined Authority was the first to be established, in 2011.

**1.6** In 2014, the then government began negotiating bespoke deals with groups of local authorities, to form new combined authorities chaired by elected mayors. In 2016, the Cities and Local Government Devolution Act was passed. This simplified the process for establishing combined authorities and provided for the establishment of mayors. It also extended the functions of combined authorities beyond economic development and transport and into areas such as housing and health.

**1.7** In mid-2017, we published a report on the establishment of combined authorities.<sup>2</sup> At that point, there were nine combined authorities, of which six had held a mayoral election and one had plans to do so. The then Department for Communities & Local Government was also considering proposals from other areas.<sup>3</sup>

**1.8** 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. We also suggested mayors could provide city regions with a greater voice on the national stage. However, we considered combined authorities were inherently complex structures introduced into England's already complicated local government arrangements. We concluded that, to deliver real progress, they 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.

## The 2022 white paper and deeper devolution

**1.9** A February 2022 white paper set out a new devolution framework for England.<sup>4</sup> It explained the preferred approach was for bodies to cover a well-defined economic area, with a directly elected leader, a clear and direct mandate, strong accountability and the power to create change. But, because this might not suit all areas, the framework set out a tiered approach, allowing areas to deepen devolution at their own pace. It defined three levels of devolution, with each level offering enhanced powers and freedoms. The then government's aim was that, by 2030, every part of England that wanted one would have a devolution deal, with powers at or approaching the highest level of devolution, alongside a simplified and long-term funding settlement.

<sup>2</sup> Comptroller and Auditor General, *Progress in setting up combined authorities*, Session 2017–2019, HC 240, National Audit Office, July 2017.

<sup>3</sup> At this time, the mayoral combined authorities were Cambridgeshire and Peterborough; Greater Manchester; Liverpool City Region; Sheffield City Region; Tees Valley; West Midlands; and West of England. The non-mayoral combined authorities were North East and West Yorkshire.

<sup>4</sup> HM Government, *Levelling Up the United Kingdom*, CP 604, February 2022.

**1.10** The white paper also explained that the government would negotiate deeper devolution deals with the Greater Manchester and West Midlands combined authorities. In March 2023, the then government announced ‘trailblazer’ deals with these authorities, giving them new powers and a ‘single financial settlement’, replacing individual grants.

### **The current and future landscape of English devolution**

**1.11** In December 2024, the government published a further white paper on English devolution.<sup>5</sup> It committed to resetting the relationship between central government and local or regional government. It also acknowledged the need for central government to “end the top-down micromanaging of individual decisions and approaches by local leaders and replace it with a principle of constitutional autonomy and partnership”.

**1.12** The white paper stated that just over 34 million people (61% of the population of England) lived in an area covered by some kind of devolution deal. But it also argued that ‘devolution by deal’ had led to inconsistencies. For example, over 90% of the North of England was covered by devolution arrangements, compared with only 46% in the South, and the powers held by mayors varied between areas. It therefore committed to replace individual deals with a more systematic approach.

### Strategic Authorities

**1.13** The English Devolution and Community Empowerment Act 2026 establishes in law the concept of the ‘Strategic Authority,’ comprising:

- **Foundation Strategic Authorities**, including non-mayoral combined authorities and combined county authorities automatically, 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 under the government’s wider devolution framework, most notably central government funding through an Integrated Settlement.

<sup>5</sup> Ministry of Housing, Communities & Local Government, *English Devolution White Paper*, December 2024.

**1.14** The government plans to achieve full coverage of Strategic Authorities across England, at least to Foundation level, with an ambition to move to a mayoral model. It also has a programme of local government reorganisation, which will replace the two-tier system of county and district councils with single-tier unitary councils by 2028 and change the shape of constituent local government areas. By June 2026, there were:

- two Foundation Strategic Authorities (Devon and Torbay Combined County Authority, and Lancashire Combined County Authority); and
- 18 MSAs, of which seven had been designated as Established MSAs (**Figure 1**).

### Integrated Settlements

**1.15** An Integrated Settlement is a new way of funding Established MSAs. It consolidates funding from multiple policy areas and departments into a single allocation, enabling greater funding flexibility. An Integrated Settlement also removes the requirement for competitive bidding, which we previously reported involved significant costs to authorities and reduced funding certainty, limiting their ability to plan over the long term.<sup>6</sup> While it forms a single allocation, the funding is organised under six themes, covering: 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.

**1.16** Bodies receiving an Integrated Settlement have full flexibility in how they spend the funding within each theme, and some flexibility across themes, between financial years, and in the split between revenue and capital expenditure. Integrated Settlements are supported by a single funding assurance framework, coordinated by MHCLG. Its Accounting Officer is responsible for overall stewardship, governance, the approach to value for money, and reporting to Parliament on the delivery of Integrated Settlements. The Accounting Officers of contributing departments remain accountable for their respective policy areas.

**1.17** 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 of funding in total.

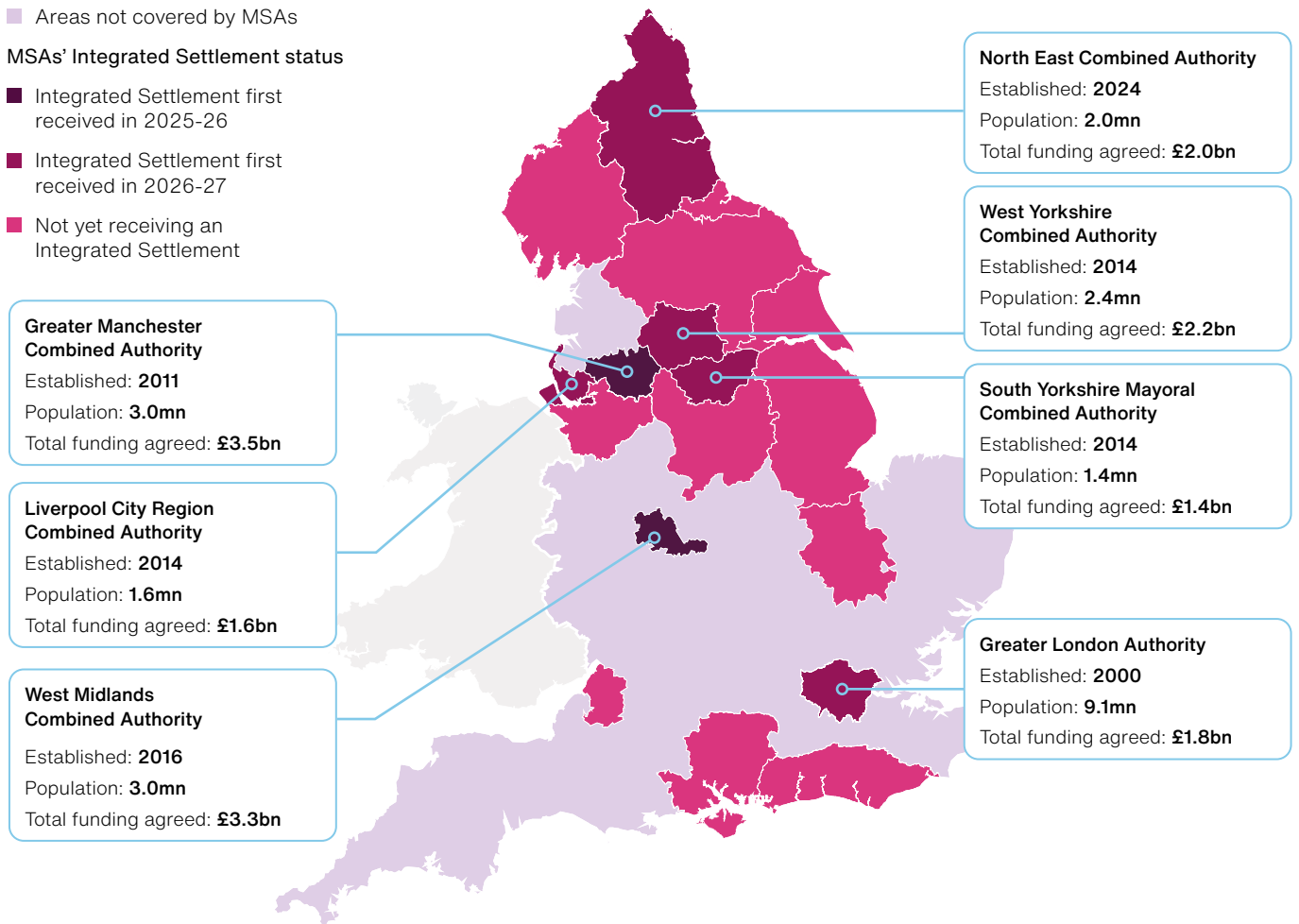
**1.18** In April 2026, another five authorities began to receive an Integrated Settlement – Greater London, Liverpool City Region, North East, South Yorkshire and West Yorkshire. MHCLG calculated that around 40% of people in England then lived in an area covered by an Integrated Settlement. Unlike the first iteration, this was a multi-year settlement, covering 2026-27 to 2029-30. As at June 2026, funding for the 2026-27 to 2029-30 Integrated Settlement totalled £14.8 billion. This brought total Integrated Settlement funding to £15.9 billion between 2025-26 and 2029-30. Figure 1 provides more detail on Integrated Settlement funding.

<sup>6</sup> Comptroller and Auditor General, *Government's general grant schemes*, Session 2024–25, HC 126, National Audit Office, July 2024.

**Figure 1**

Established Mayoral Strategic Authorities (MSAs) with Integrated Settlement funding in England, June 2026

In 2026-27, seven out of 18 MSAs received funding via an Integrated Settlement, with £15.9 billion of funding committed over the period 2025-26 to 2029-30



**Notes**

- 1 The 11 MSAs that did not receive funding via an Integrated Settlement in 2026-27 were Cambridgeshire and Peterborough Combined Authority, Cheshire and Warrington Combined Authority, Cumbria Combined Authority, East Midlands Combined County Authority, Greater Lincolnshire Combined County Authority, Hampshire and the Solent Combined County Authority, Hull and East Yorkshire Combined Authority, Sussex and Brighton Combined County Authority, Tees Valley Combined Authority, West of England Combined Authority, and York and North Yorkshire Combined Authority.
- 2 An Established MSA is an MSA that meets specified eligibility criteria. MSAs designated as such unlock further devolution, most notably central government funding through an Integrated Settlement.
- 3 MSAs receive Department for Transport funding for local transport as part of their Integrated Settlement, except the Greater London Authority. In this case, the funds are managed separately by Transport for London.
- 4 Total Integrated Settlement funding agreed refers to amounts received or expected for the period 2025-26 to 2029-30 for Greater Manchester and West Midlands, and the period 2026-27 to 2029-30 for Greater London, Liverpool City Region, North East, South Yorkshire and West Yorkshire. Agreements are subject to change in the 2027 Spending Review.
- 5 Population estimates are the most recent figures published by the Office for National Statistics (2024).
- 6 Figures may not sum due to rounding.

Source: National Audit Office analysis of Ministry of Housing, Communities & Local Government data; Office for National Statistics data; UK Government legislation; and Institute for Government information. Office for National Statistics licensed under the Open Government Licence v.3.0. Contains OS data © Crown copyright and database right 2026

## Part Two

### Devolved funding and powers

**2.1** This part of the report assesses how Established Mayoral Strategic Authorities (MSAs) are funded through Integrated Settlements. It also explores how these arrangements might be expanded in the future.

#### **The Integrated Settlement approach**

##### Eligibility criteria

**2.2** In June 2025, the Ministry of Housing, Communities & Local Government (MHCLG) published formal criteria for an MSA to be designated as an Established MSA and become eligible for Integrated Settlement funding. It must:

- have been in existence, with a directly elected mayor, for at least 18 months;
- have a published Local Assurance Framework;
- not have been the subject of a Best Value Notice, an MHCLG-commissioned independent review, or a statutory inspection or intervention, in the previous 18 months;<sup>7</sup>
- not be subject to (or implementing) any ongoing recommendations from an externally mandated independent review; and
- have attracted no material accounting concerns covering the current or previous financial year regarding its ability to manage public money.

<sup>7</sup> A Best Value Notice is a letter from the Secretary of State for Housing, Communities & Local Government to a local authority, setting out concerns about its performance.

## Readiness checks

**2.3** Towards the end of 2024, MHCLG commissioned ‘readiness checks’ for Greater Manchester and West Midlands. The purpose was to help them prepare for the Integrated Settlement and provide assurance to central government about their ability to use the funding effectively. The checks looked at four areas:

- Strategy, planning, and governance.
- People and capability.
- Financial and performance management.
- Reporting and evaluation.

The resulting reports concluded that Greater Manchester was meeting or, in some cases, exceeding expectations and that West Midlands was either meeting core expectations or on a trajectory to do so.

**2.4** In March 2026, readiness checks were published for the five MSAs due to receive an Integrated Settlement for the first time in 2026-27. The reports concluded that the expected systems and processes of Liverpool City Region, North East, South Yorkshire and West Yorkshire broadly sit between being built and becoming embedded. Greater London was assessed as having embedded systems and being a leading practitioner in some areas. In four cases (not including Greater London), funding depended on priority actions being implemented before the end of March 2026.

**2.5** MSA staff generally regarded the process as useful, but said it told them little they did not already know. One viewed it as helpful for consolidating into one place other organisational self-assessment and assurance work. But it suggested that readiness checks could be made more efficient by drawing on existing local audit, internal scrutiny and assurance arrangements to reduce potential duplication.

## Devolved funding arrangements

**2.6** In 2023, the government began identifying themes for funding streams to be included within a single funding settlement, as part of ‘trailblazer’ deals with Greater Manchester and West Midlands (paragraph 1.10). It later set out functional responsibilities for each theme, outlining the specific roles MSAs are expected to carry out within these devolved policy areas. The government expanded them at the 2025 Spending Review with the inclusion of a new health, wellbeing and public service reform theme, and amended others ahead of the expanded arrangements for 2026-27 onwards. **Figure 2** overleaf sets out the changes to the themes and functional responsibilities.

**Figure 2**

Themes and functional responsibilities covered by Integrated Settlement funding in England, 2025-26 to 2029-30

Established Mayoral Strategic Authorities' (MSAs') responsibilities were expanded for 2026-27 to 2029-30

Funding themes (2026-27 to 2029-30)	Responsibilities first introduced in 2025-26	Expanded responsibilities (2026-27 to 2029-30)
Economic development and regeneration	<ul style="list-style-type: none"> <li>Place-based economic development and productivity</li> <li>Local business support integration</li> <li>Regeneration and placemaking</li> <li>Pride in place/public realm improvements</li> </ul>	<ul style="list-style-type: none"> <li>Visitor economy development</li> </ul>
Environment and climate change	<ul style="list-style-type: none"> <li>Retrofitting social and fuel-poverty at-risk homes</li> <li>Decarbonising public buildings</li> </ul>	<ul style="list-style-type: none"> <li>Leadership of Local Nature Recovery Strategy</li> </ul>
Health, wellbeing and public service reform	<ul style="list-style-type: none"> <li>(No equivalent theme in 2025-26)</li> </ul>	<ul style="list-style-type: none"> <li>Homelessness strategy</li> <li>Preventative homelessness and rough sleeping measures</li> <li>Multi-partner coordination</li> </ul>
Housing and strategic planning	<ul style="list-style-type: none"> <li>Enabling housing supply</li> <li>Capital investment for regeneration</li> <li>Brownfield remediation</li> </ul>	
Skills and employment support	<ul style="list-style-type: none"> <li>Adult skills funding</li> <li>Statutory entitlements for free courses</li> <li>Support for disadvantaged groups to sustain work</li> <li>Integrated Jobs and Careers Service alignment</li> </ul>	<ul style="list-style-type: none"> <li>Not in Education, Employment or Training (NEET) support</li> <li>Construction workforce training</li> <li>Priorities identified for Get Britain Working local plans</li> </ul>
Transport and local infrastructure	<ul style="list-style-type: none"> <li>Local transport strategy delivery</li> <li>Local transport capital projects (not strategic national projects)</li> <li>Public transport services management</li> <li>Active travel strategy and schemes</li> <li>Electric vehicle infrastructure programmes</li> <li>Road network and road safety oversight</li> </ul>	

**Notes**

- Central government selects key themes. These themes then help identify funding streams associated with the devolved areas of responsibility that MSAs are expected to address through Integrated Settlements. It determined the themes for 2026-27 to 2029-30 in the 2025 Spending Review, but they are subject to change in the 2027 Spending Review.
- Funding themes and functional responsibilities in 2025-26 only applied to Greater Manchester and West Midlands as the first MSAs to receive an Integrated Settlement.
- Funding theme names were changed for 2026-27 to 2029-30, although most had an equivalent (including relevant responsibilities) in 2025-26: 'Local transport' is now 'Transport and local infrastructure'; 'Housing and regeneration' is now 'Housing and strategic planning'; 'Adult skills' and 'Employment support' are now combined as 'Skills and employment support'; 'Buildings' retrofit (warm homes) is now included in 'Environment and climate change'; 'Health, wellbeing and public service reform' is new for 2026-27 to 2029-30.
- The total number of functional responsibilities has been expanded from 2026-27. Compared with 2025-26, each theme includes more responsibilities except 'Housing and strategic planning' and 'Transport and local infrastructure', which are unchanged.

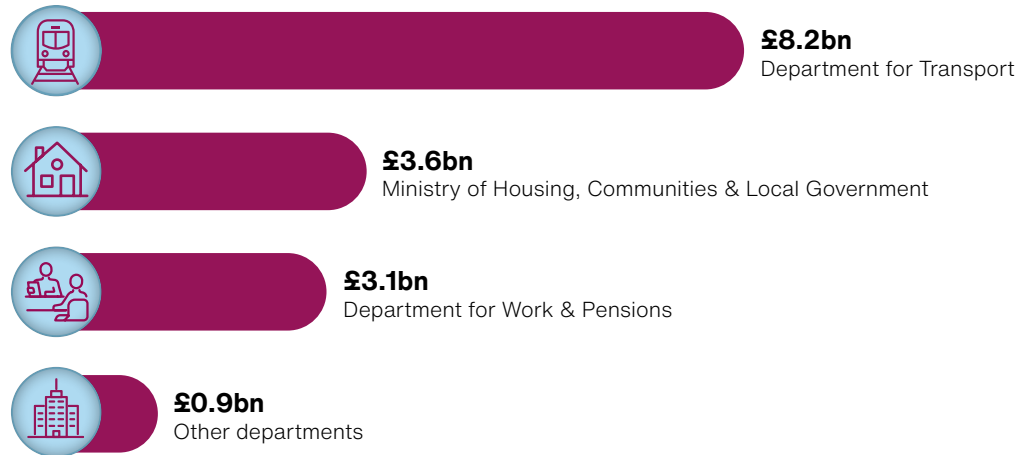
Source: National Audit Office analysis of Ministry of Housing, Communities & Local Government documents

**2.7** As at June 2026, departments had committed £15.9 billion of Integrated Settlement funding to MSAs across 2025-26 to 2029-30.<sup>8</sup> To put this funding in place, MHCLG and other departments identify funding streams that fall within the functional responsibilities. They then top-slice these funding streams using an allocative formula to determine how much funding each MSA receives, applying national funding formulas where these exist. MHCLG intends that MSAs receive no less funding overall than they would have done without an Integrated Settlement. **Figure 3** summarises central government contributions to the Integrated Settlements, broken down by department.

### Figure 3

Integrated Settlement funding in England broken down by government department, 2025-26 to 2029-30

The Department for Transport is expected to contribute more than half of all Integrated Settlement funding, as at June 2026



#### Notes

- 1 The 'Other departments' category includes the Department for Business & Trade (DBT), Department for Culture, Media & Sport, Department for Education, Department for Environment, Food & Rural Affairs, and Department for Energy Security & Net Zero.
- 2 As at June 2026, total Integrated Settlement contributions agreed by departments over the stated period amount to £15.9 billion. Figures may not sum due to rounding.
- 3 For the Ministry of Housing, Communities & Local Government (MHCLG) we have included the High Street and Growth Incubators fund. However, this is jointly overseen by DBT and MHCLG.
- 4 For some funds, final budgets have not yet been confirmed. Additionally, MHCLG will re-examine the funds included within the Integrated Settlements ahead of the 2027 Spending Review. Funding allocations may therefore change.
- 5 Amounts for 2029-30 only include capital funding, with revenue funding to be confirmed at the 2027 Spending Review.

Source: National Audit Office analysis of Ministry of Housing, Communities & Local Government data

<sup>8</sup> Funding lines may be added, and total Integrated Settlement amounts may be subject to change during a Spending Review period. Figure correct as at June 2026.

## Using Integrated Settlement funding in practice

**2.8** MSAs receiving an Integrated Settlement are starting to make longer-term and more joined-up spending decisions. Contributing factors include the introduction of multi-year settlements from 2026-27, and the resources they can release now that they are not bidding for individual funds. MSAs have greater spending flexibility compared with the previous deals-based funding approach. They are allowed:

- 100% flexibility within the agreed funding amount for each theme;
- 10% flexibility to move funding between themes;
- 10% flexibility to move funding from capital to revenue; and
- flexibility to move funding between years, subject to central government approval based on performance.

**2.9** 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 housing quality, 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.

**2.10** Local authorities that constitute MSAs were broadly optimistic about the introduction of Integrated Settlements and the positive changes and improved outcomes they expect residents to see. They expect that a strategic partnership approach to targeting local priorities by MSAs will be more suitable for meeting entrenched and cross-cutting challenges, such as:

- better managed transport infrastructure;
- building more joined-up services;
- economic development and better employment;
- improving housing and reducing homelessness; and
- reducing health and wellbeing inequalities.

**2.11** However, these authorities had concerns about how Integrated Settlements will be perceived by the public. One noted that funding flexibility could be detrimental to some areas if resources are redirected to more expensive regional priorities. Another said this makes it even more important for MSAs to have appropriate local governance arrangements, act with transparency and manage residents' expectations. London Councils told us that, unlike constituent authorities within MSAs elsewhere in England, London boroughs do not have a formal role in decision-making within the Greater London Authority (GLA). It noted that current arrangements rely on informal collaboration between the GLA and boroughs, rather than on statutory governance structures, which it said provides less assurance that boroughs will be consistently involved in decisions over devolved powers and funding in the future.

**2.12** Officials at Cambridgeshire and Peterborough Combined Authority (CPCA) and East Midlands Combined County Authority (EMCCA), which may be among the next group of authorities to receive an Integrated Settlement, were relatively positive about the prospect. They expect Integrated Settlements to offer greater funding flexibility, enabling more strategic decision-making than fragmented ring-fenced grants. However, EMCCA expects reporting requirements to remain demanding.

**2.13** CPCA told us an Integrated Settlement would better enable the delivery of its four-year investment plan, allow greater focus on outcomes rather than compliance with funding rules, and maximise impact in a fast-growing region. However, it expressed some concerns about the scale and overlap of preparatory requirements, including the application for Established MSA status. This is a new requirement for areas seeking additional devolved powers, which it said can place a disproportionate burden on authorities with limited capacity compared with larger MSAs, although it acknowledged these checks may be necessary. CPCA also noted the time lag in accessing funding flexibilities available to other MSAs, as it will need to wait until the next Spending Review to receive an Integrated Settlement. EMCCA told us some authorities have benefited from using external consultancies to help them prepare for readiness checks.

## **Expanding devolved arrangements**

### Multi-year settlements

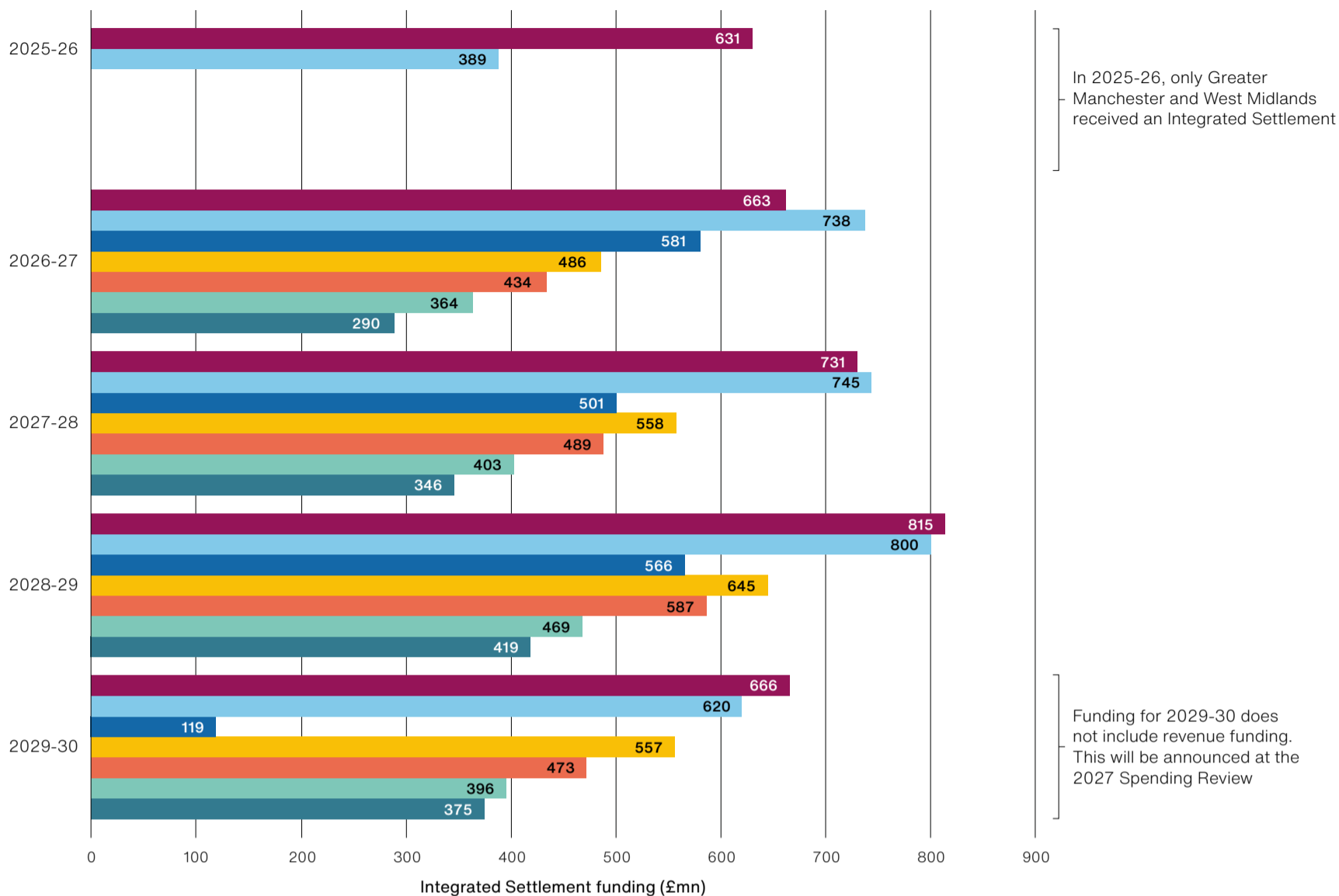
**2.14** MSA staff told us that multi-year funding is a welcome change to previous arrangements, but they noted ongoing uncertainty around the final amounts they will receive. Although multi-year funding has been committed from 2026-27 (**Figure 4** on pages 26 and 27), the timing of the current Spending Review cycle means revenue funding has not yet been confirmed for 2029-30. Budgets for 2028-29 and 2029-30 may be re-examined during the 2027 Spending Review. MSA staff suggested this uncertainty constrains some spending decisions. However, this level of certainty is similar to that provided to government departments through the current Spending Review process.

**Figure 4**

Integrated Settlement funding for each Established Mayoral Strategic Authority (MSA) for 2025-26 to 2029-30, June 2026

As at June 2026, government departments had committed £15.9 billion of Integrated Settlement funding

Financial year



- Greater Manchester Combined Authority
- West Midlands Combined Authority
- Greater London Authority
- West Yorkshire Combined Authority
- North East Combined Authority
- Liverpool City Region Combined Authority
- South Yorkshire Mayoral Combined Authority

**Notes**

- 1 Amounts for 2029-30 only include capital funding, with revenue funding to be confirmed at the 2027 Spending Review.
- 2 The Ministry of Housing, Communities & Local Government will re-examine the funds included within the Integrated Settlements ahead of the 2027 Spending Review. As a result, budgets for 2028-29 and 2029-30 may change.
- 3 For some funds, final budgets have not yet been confirmed. Funding allocations may therefore increase. Figures are correct as at June 2026.
- 4 Revenue spending covers day-to-day costs such as staff salaries to deliver services. Capital expenditure relates to investments in assets such as buildings and transport infrastructure.
- 5 As at June 2026, Integrated Settlement funding agreed in each year is £1.0 billion (2025-26), £3.6 billion (2026-27), £3.8 billion (2027-28), £4.3 billion (2028-29), and £3.2 billion (2029-30), totalling £15.9 billion for the period shown. Figures may not sum due to rounding.
- 6 In April 2025, Greater Manchester and West Midlands each began receiving an Integrated Settlement, for 2025-26. In April 2026, another five authorities began to receive an Integrated Settlement: Greater London Authority, Liverpool City Region, North East, South Yorkshire and West Yorkshire.
- 7 MSAs receive Department for Transport funding for local transport as part of their Integrated Settlement, except the Greater London Authority. In this case, the funds are managed separately by Transport for London.

Source: National Audit Office analysis of Ministry of Housing, Communities & Local Government Integrated Settlement funding data

## Capacity and capability

**2.15** 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. They have had time to develop relevant governance processes, professional services, and relationships with departments. MSAs receiving Integrated Settlements in the future may not have the same level of maturity or institutional capability – for example, in governance, financial management and delivery track record. In our 2017 report, we noted that the ‘real test’ for devolution would be whether combined authorities without such a favourable backdrop could deliver sustainable results.<sup>9</sup> This remains the test, as this new model of Integrated Settlements is rolled out more widely.

**2.16** Managing Integrated Settlements places different demands on MSAs and constituent authorities from those associated with earlier deals-based funding. Some authorities described a pressing need to build institutional capacity, particularly to manage human resources, finance and legal functions as new responsibilities are layered on to existing ones. They raised concerns about how MSAs would pay for necessary upgrades to their capacity and skills as their remit and responsibilities increase.

**2.17** Constituent authorities also described a tension between the scale of devolved responsibilities and the capacity of institutions to support them. Despite holding significant strategic responsibilities, MSAs are still developing their organisational capacity. They will not always hold all relevant expertise themselves and may need to draw on the capacity of constituent authorities and other local partners. Nevertheless, several constituent authorities highlighted a risk that expectations of MSAs may grow faster than their capacity to deliver, particularly in newer MSAs still putting core systems, staff and processes in place. Stakeholders also noted strong competition for appropriately skilled staff in many areas, which could undermine the success of the Integrated Settlement model.

<sup>9</sup> Comptroller and Auditor General, *Progress in setting up combined authorities*, Session 2017–2019, HC 240, National Audit Office, July 2017.

**2.18** MHCLG is improving its understanding of capacity and capability across MSAs and providing increased support. Through its readiness checks, it 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. In parallel, it uses 'health checks' to assess whether an MSA can manage an Integrated Settlement. To further support its understanding, MHCLG has introduced a range of measures. These include annual conversations with MSAs, a new sector-wide survey, reforms to mayoral capacity funding to make it multi-year and better aligned to an MSA's current capacity and level of maturity, and additional funding for staffing and administrative costs announced in February 2026. Between 2026-27 and 2028-29, eligible Strategic Authorities will receive £99.6 million of mayoral capacity funding. However, stakeholders recognised that capacity needs and funding will need to be reviewed as devolution is deepened and MSAs take on new responsibilities.

#### Further devolution of powers and funding

**2.19** The English Devolution and Community Empowerment Bill, which received Royal Assent to become an Act in April 2026, 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 Established MSAs between November 2025 and May 2026 to test the approach and allow MSAs to take on new responsibilities identified through the process. The process is likely to form part of an annual cycle linked to government spending decisions.

**2.20** Established MSAs showed strong interest in the shadow process. West Midlands told us the process required ongoing discussions with government departments, which generally helped improve engagement between organisations. However, the process also involved a significant administrative and resourcing effort, and with a six-month interval between formally submitting requests and receiving the outcome, there was no assurance of success.

**2.21** MHCLG has learned lessons from the 44 requests it received. It recognises the merits of bids that are well developed at a policy level and reflect consensus among Established MSAs, enabling shared learning. It aims to encourage a smaller number of higher-quality requests that are well developed and aligned across MSAs. To manage the process as the number of Established MSAs grows, MHCLG is likely to place greater emphasis on research evidence.

**2.22** In March 2026, the Chancellor announced a government commitment to develop a roadmap for ‘fiscal devolution’. This would build upon the devolution of policy and Integrated Settlement funding set out in the English Devolution and Community Empowerment Act, by potentially allowing mayors to retain a portion of existing taxes, including income tax. The aim is to transfer power and resources by letting places retain and benefit from some existing revenues. It would not allow mayors to set their own level of tax or create new taxes. To realise these benefits, MHCLG will need to support MSAs early in building the capacity and capability needed to manage the financial responsibilities that fiscal devolution brings.

**2.23** In addition, the government plans to allow MSAs to introduce overnight visitor levies – an example of MSAs using the Right to Request process – but will not require them to do so. MSAs that introduce a levy will not see a reduction in funding. The government closed a consultation on the design of the levy in February 2026.

# Part Three

## Accountability and scrutiny

**3.1** This part of the report assesses the arrangements through which local bodies are held accountable in a devolved system. It focuses mainly on the arrangements for Established Mayoral Strategic Authorities (MSAs) receiving funding through an Integrated Settlement.

### English Devolution Accountability Framework

**3.2** The English Devolution Accountability Framework sets out the government's approach to accountability for MSAs.<sup>10</sup> It describes three main elements: accountability to the public; local accountability through audit and scrutiny; and accountability to central government. **Figure 5** overleaf summarises the main ways MSAs are held to account and how these arrangements operate alongside one another.

### Local accountability

#### Local electorates

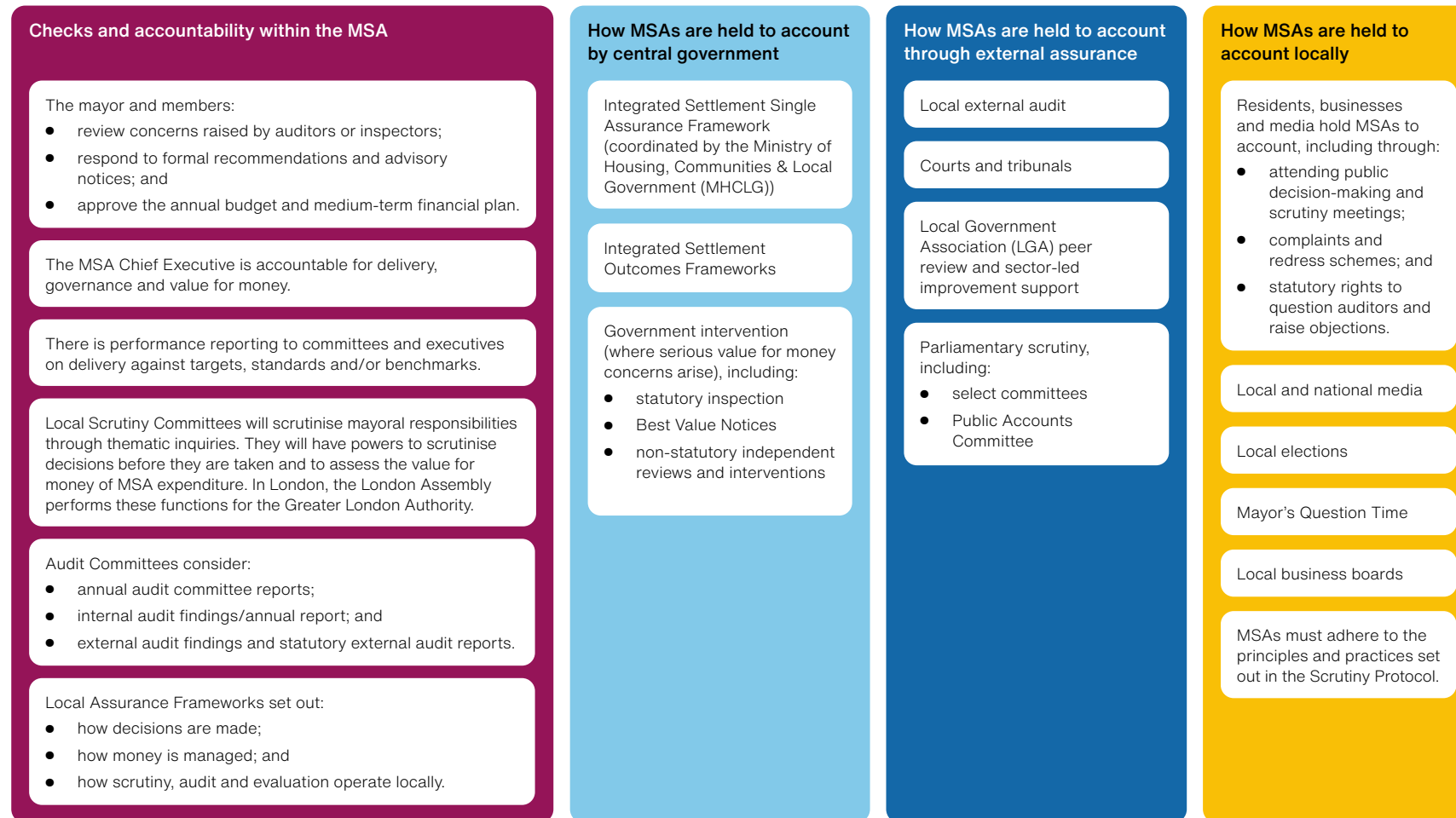
**3.3** As MSAs take on greater funding and responsibility, clear accountability to local people becomes increasingly important. MSAs are directly accountable to the public through the election of mayors and local councillors, at constituent authorities, for how they use public money and deliver services. To support transparency, MHCLG publishes guidance on each MSA's functions and responsibilities and expects MSAs to communicate clearly to residents about their role. To support residents' scrutiny of local issues, MSAs are expected to hold a 'Mayor's Question Time' at least every three months. Despite these arrangements, some constituent authorities told us it is not always clear which tier of government is accountable, or responsible, for specific decisions or services.

<sup>10</sup> Ministry of Housing, Communities & Local Government and Department for Levelling Up, Housing & Communities, *English Devolution Accountability Framework*, March 2023.

## Figure 5

Summary of the ways in which Mayoral Strategic Authorities (MSAs) in England are held to account, June 2026

MSAs are held to account through elections, local scrutiny and audit, and central government oversight



### Notes

- 1 The accountability arrangements shown operate alongside one another and are not mutually exclusive.
- 2 The LGA's 'Where and how are councils accountable publicly' figure provides a visual overview of where and how councils are held to account. We have adapted this figure, alongside the English Devolution Accountability Framework, to reflect the situation for MSAs.

Source: National Audit Office analysis of the Local Government Association's *Where and how are councils accountable publicly* figure, available at: <https://www.local.gov.uk/publications/improvement-and-assurance-framework-local-government>

## Changing accountability arrangements

**3.4** Many of the local accountability arrangements for MSAs are set in legislation, providing a clear framework for local assurance. MSAs must appoint statutory officers, including an officer responsible for financial administration, a monitoring officer and a chief executive. Each MSA is also required to maintain a Local Assurance Framework which describes how MSAs manage public money, take investment decisions, and ensure effective local scrutiny, audit and evaluation. MHCLG uses Local Assurance Frameworks to gain assurance over governance and value for money, including as part of readiness checks for Integrated Settlements (paragraphs 2.3 to 2.5).

**3.5** In March 2026, the government amended the English Devolution and Community Empowerment Bill (now Act) to strengthen the statutory framework for scrutiny of MSAs. It made these changes in response to concerns from MPs, Peers and think tanks that existing scrutiny arrangements had not kept pace with the expansion of mayoral powers and the rollout of Integrated Settlements.

**3.6** The Bill introduced Local Scrutiny Committees, which will replace existing overview and scrutiny committees in MSAs and take on much of their remit. They will be able to examine decisions and actions taken by the mayor, undertake thematic inquiries, and produce reports and recommendations on the value for money of any MSA spending. They will have powers to require attendance and information from senior office-holders, including the mayor and deputy mayors.

**3.7** The government intends to introduce the new scrutiny arrangements in phases. Local Scrutiny Committees are expected to begin operating in April 2027 for Established MSAs and in April 2028 for other MSAs. They will be chaired by an independent person or a councillor from a constituent authority who is not a member of the mayor's political party. MHCLG is developing regulations and guidance on key aspects, including membership of, and the powers available to, these committees.

**3.8** The amendments also sought to strengthen public engagement and transparency. The Bill envisaged that Local Scrutiny Committees would be obliged to consider matters of local concern when presented with a petition supported by at least 0.1% of the local electorate. They may also share reports and recommendations with government departments and other public bodies.

**3.9** MHCLG is exploring further changes to strengthen accountability and scrutiny arrangements. In the English Devolution White Paper, it committed to considering a system of Local Accounting Officers to provide a clearer single point of accountability for value for money to Parliament and the public. MHCLG is working with the local government sector and HM Treasury to consider how such a role could operate, whether it should apply only to Established MSAs, and how it would interact with existing Accounting Officer arrangements.

**3.10** It is not yet clear who would take on the role of Local Accounting Officer – for example, whether this would be the mayor or an existing officer of the MSA. It is also unclear how Parliament would hold Local Accounting Officers to account in a way that reflects local needs and priorities. Under existing arrangements, Parliamentary select committees may call MSA chief executives, and in some cases ministers and mayors, to give evidence on the delivery of Integrated Settlements.

### Local audit

**3.11** MSAs publish annual financial accounts that are subject to independent external audit. Each MSA and constituent local authority is required to have an audit committee, which must include at least one independent member. These arrangements provide assurance over the financial management and value for money of local spending decisions.

**3.12** Backlogs in the audit of accounts demonstrate significant problems with the local audit system. It has often failed to provide timely assurance, due to long-standing issues around the supply of qualified auditors and the need to audit increasingly complex accounts to higher regulatory standards. In 2026, for a third consecutive year, the Comptroller and Auditor General disclaimed the Whole of Government Accounts, for reasons including a lack of audited accounts for English local authorities. In March 2026, the Committee of Public Accounts reported there was no clear indication that the position would improve in the near future.<sup>11</sup>

**3.13** The government is taking steps to address weaknesses in the local audit system and build back assurance. This includes its plan to establish, via the English Devolution and Community Empowerment Act, the Local Audit Office whose role will include setting the Code of Audit Practice and monitoring audit quality. As powers are devolved further, it will become increasingly important that Parliament, government departments and the public can rely on local audit as a source of timely and comprehensive assurance. 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 individual MSAs.

<sup>11</sup> Committee of Public Accounts, *Whole of Government Accounts 2023–24*, Sixty-ninth Report of Session 2024–26, HC 1243, March 2026.

## Accountability to central government

### Outcomes Frameworks

#### Outcomes Frameworks in principle

**3.14** For MSAs receiving an Integrated Settlement, accountability to government is exercised primarily through an agreed Outcomes Framework. Each MSA has its own framework, reflecting local priorities and circumstances. MHCLG intends the Outcomes Framework approach to align national and local priorities, support more joined-up decision-making, and provide transparency over what MSAs aim to achieve in each Spending Review period.<sup>12</sup> This differs from the accountability arrangements that apply to most individual grants, under which government departments set separate outcomes, reporting requirements and assurance arrangements.

**3.15** MSAs agree a set of outcomes against which performance will be assessed across the functions devolved through the Integrated Settlement. Where outcomes are difficult to measure, for example due to time-lags or limited data availability, output measures or other targets may be agreed as proxies. Outcomes Frameworks will be updated if new funds are brought into the Integrated Settlement during each Spending Review period. **Figure 6** overleaf illustrates the main elements of the Outcomes Framework.

#### Agreeing outcome measures

**3.16** Outcome measures are negotiated between MSAs and the government departments contributing funding to the Integrated Settlement, with MHCLG coordinating the process. Departments provide MSAs with an initial longlist, informed by the functional responsibilities, data environment and assurance requirements. MSAs then propose draft measures, which are refined and agreed through a process of feedback and negotiation. MSAs generally spoke positively about MHCLG's role in brokering agreements and championing devolution. However, these negotiations can be lengthy and resource-intensive. Outcomes Frameworks for 2026-27 to 2028-29 were not finalised until March 2026, which several MSAs told us constrained their ability to finalise contracts ahead of the 2026-27 financial year.

<sup>12</sup> The 2025 Spending Review set budgets for revenue spending until 2028-29 and budgets for capital investment until 2029-30.

**Figure 6**

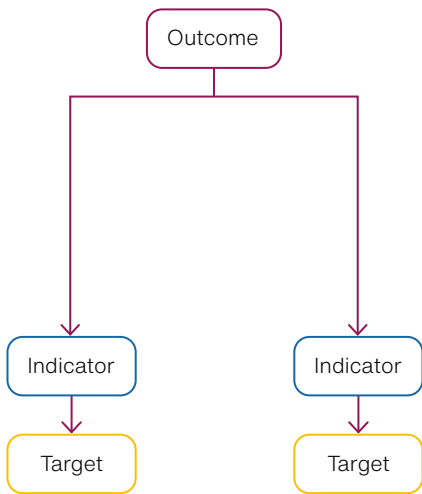
Outcomes Framework structure for Established Mayoral Strategic Authorities (MSAs) receiving Integrated Settlements in England, June 2026

**Outcomes Frameworks comprise outcomes, indicators and targets and may also include outputs**

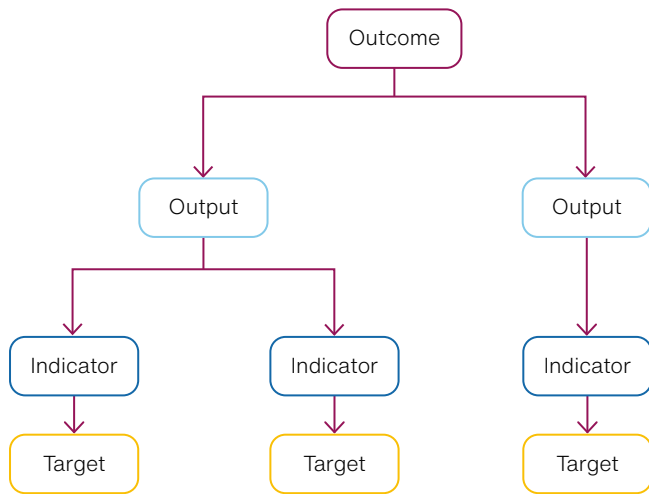
Outcomes Frameworks are agreed between MSAs and central government departments and may take different forms.

In some cases, outcomes are measured directly using indicators and targets (**Case A**). In other cases, outputs are included where outcomes are more difficult to measure directly, for example where results take longer to materialise (**Case B**).

Case A: where progress is measured directly against outcomes



Case B: where progress is measured against outcomes via outputs (for example where outcomes take a long time to measure)



- **Outcome:** Describes what results MSAs aim to achieve in the medium to long term because of Integrated Settlement expenditure and other activity.
- **Output:** Describes what is directly or tangibly produced because of Integrated Settlement expenditure on local activities. For example, outputs could include the completion of new cycle lanes and footpaths.
- **Indicator:** A quantitative or qualitative data measure of progress against proposed outcomes (or outputs, when necessary).
- **Target:** An agreed quantity or quality of an outcome (or output) indicator that should be achieved within a defined timeframe.

Source: National Audit Office analysis of the Ministry of Housing, Communities & Local Government’s Integrated Settlement Policy Document

**3.17** The 2025 Integrated Settlement Policy Document sets out principles for agreeing Outcomes Frameworks.<sup>13</sup> These include keeping outcomes proportionate in number, aligning them to functional responsibilities devolved to MSAs, and supporting MSAs' autonomy to plan and deliver across those functions. At the same time, measures are intended to be specific enough to enable robust accountability and assurance. In practice, this means they should reflect local growth plans and priorities, and be supported by one or more quantitative or qualitative indicators that allow progress to be monitored. **Figure 7** overleaf sets out some examples of outcomes agreed with MSAs.

**3.18** Outcomes are being negotiated at a more granular and department-led level than intended in the Integrated Settlement Policy Document, limiting the scope to agree genuinely cross-cutting or stretch outcomes that reflect local priorities. This reflects the way accountability operates in practice under *Managing Public Money*, where departments retain responsibility for funding and assurance.<sup>14</sup> Given that the Outcomes Framework approach is new and largely untested, departments have placed emphasis on clear, measurable targets to support accountability to ministers and Parliament, particularly in a data and policy environment that has not previously focused on local outcomes. Embedding a more outcomes-focused approach will therefore take time and shared learning. Over time, this should further shift the focus of agreed outcomes towards longer-term changes, in line with expectations set out in *The Green Book*.<sup>15</sup>

**3.19** MSAs told us this approach has made Outcomes Frameworks more output-focused, reducing flexibility and limiting their ability to reflect local needs. They cautioned that focusing on programme level output targets runs the risk of incentivising delivery against individual metrics rather than supporting the improvements in local outcomes that the Integrated Settlement is intended to achieve.

### **Focus on national priorities**

**3.20** MSAs reported that Outcomes Frameworks are too strongly shaped by national priorities, with a limited focus on local needs and circumstances. They described feeling treated primarily as delivery arms of central government, with one MSA characterising the arrangements as 'delegated budgets' rather than devolution. To focus on local outcomes, some MSAs have developed their own outcomes frameworks, combining nationally agreed outcomes with locally defined priorities.

<sup>13</sup> Ministry of Housing, Communities & Local Government, *Integrated Settlement: policy document*, June 2025.

<sup>14</sup> HM Treasury, *Managing public money*, April 2026. This is a guidance document that sets out the main principles, specific requirements and good practice for central government departments and other public bodies when dealing with public resources.

<sup>15</sup> HM Treasury, *The Green Book*, UK government guidance on appraisal, February 2026. The Green Book is the government's guidance on appraisal, the process of assessing the costs, benefits and risks of different options for achieving government objectives.

**Figure 7**

Examples of outcomes agreed with the North East Combined Authority and Greater Manchester Combined Authority

**Outcomes Frameworks comprise outcomes, indicators and targets and may also include outputs**

**Example outcome from North East Combined Authority's Outcomes Framework**

**Outcome 5: More affordable, energy-efficient, and social housing delivered by unlocking brownfield sites and land remediation, supporting regeneration and economic growth**

Output indicators	Target March 2029	Trajectory	
		March 2027	March 2028
5.1 Unlocked housing capacity	2,900	700	1,350
5.2 Number of starts on site	450	-	150
5.3 Number of additional housing completions	150	-	-

**Example outcome from Greater Manchester Combined Authority's Outcomes Framework**

**Outcome 11: A skilled construction workforce, sufficient to build the housing and support the wider economic growth needed in the region**

Outcome indicators	Baseline	Target March 2029	Trajectory	
11.1 Number of construction course achievements	1,294	5,070 (three years)	1,690 (Academic year 2026/27)	3,380 (Academic year 2027/28)
Output indicators	Baseline	Target March 2029	Trajectory	
11.a Number of additional construction places taken up (enrolments)	1,785	6,810 (three years)	2,270 (Academic year 2026/27)	4,540 (Academic year 2027/28)
11.b Number of teaching days delivered by industry professionals within FE settings	N/A	668	397 (March 2027)	668 (March 2028)
11.c Number of industry placements completed	N/A	7,665 (three years)	2,433 (March 2027)	2,553 (March 2028)

**Notes**

- 1 The government and Mayoral Strategic Authorities (MSAs) will renegotiate all outcomes and targets at the next Spending Review.
- 2 These are examples of some of the outcomes included in the Outcomes Frameworks for 2026-27 to 2028-29. The full Outcomes Frameworks can be found at: <https://www.gov.uk/government/publications/integrated-settlements-outcomes-frameworks-for-202627-to-202829>. We have presented these in National Audit Office house style, but all data are taken from Outcomes Frameworks published by the government.
- 3 Outcomes Frameworks are agreed between MSAs and central government departments and may take different forms. In some cases, outcomes are measured directly using indicators and targets. In other cases, outputs are included where outcomes are more difficult to measure directly, for example, where results take longer to materialise.
- 4 Baselines (starting positions) and trajectories (expected paths over time) will be used by relevant government departments to assess progress towards outcomes or outputs within a defined timeframe.
- 5 An academic year runs from 1 September to 31 August.

Source: National Audit Office analysis of the North East Combined Authority's and Greater Manchester Combined Authority's Outcomes Framework, 2026-27 to 2028-29

**3.21** We heard a similar perspective from constituent authorities. They generally welcomed the shift towards a stronger focus on outcomes, and noted that the Outcomes Framework provides a useful way to measure MSAs' progress. However, some told us that outcomes, indicators and targets were not sufficiently tailored to local circumstances. London Councils believed this was a particular issue for London boroughs, which, it felt, were largely excluded from discussions between the Greater London Authority (GLA) and the government on the Outcomes Framework, due to the GLA's unique governance arrangements.

### **Proportionality of outputs and targets**

**3.22** MSAs told us some departments were initially reluctant to flex the indicators proposed during negotiations, resulting in protracted negotiations and long lists of targets. For example, the Department for Transport (DfT) initially proposed 44 indicators. Of these, 27 were intended as core indicators and 17 were included to provide supplementary information. Following further engagement, DfT and MSAs agreed 21 indicators for inclusion in the final Outcomes Frameworks. Another MSA told us that the Department for Work & Pensions (DWP) mandated outcomes in some cases. One department told us that this approach was deliberate, as it sought a high level of specificity to manage delivery risk because MSAs sometimes proposed targets that lacked a clear logic or baseline. Where MSAs' proposals were less clearly evidenced or developed, departments were more likely to seek additional measures to manage delivery and assurance risks.

**3.23** Determining monitoring requirements that are proportionate and provide sufficient assurance involves some subjectivity. For example, DfT said it worked closely with MSAs to agree a set of indicators that it regarded as proportionate. It took into account the scale of funding it has devolved through the Integrated Settlement, which is approximately £8.2 billion between 2025-26 and 2029-30 (Figure 3). MHCLG and HM Treasury would like a reduction in the number of measures included in future Outcomes Frameworks. MHCLG noted that, in some cases, 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.

**3.24** MHCLG told us the approach to Spending Reviews and business planning shapes the measures included in Outcomes Frameworks. During business planning, departments agree objectives with HM Treasury and the Cabinet Office, and they are accountable for delivering against these objectives. As some funding agreed through this process is subsequently top-sliced into Integrated Settlements (paragraph 2.7), departments are incentivised during Outcomes Frameworks negotiations to prioritise metrics that demonstrate progress against these centrally agreed objectives, rather than reflecting local priorities. MHCLG also told us the process for agreeing funding and objectives centrally can be protracted. For example, some funding included in the latest Integrated Settlements was not finalised until March 2026, which delayed the finalising of Outcomes Frameworks.

### **International insight**

**3.25** MHCLG has drawn on international insight to develop its approach to devolution. It reviewed how other governments allocate powers, funding and accountability across different tiers of government, and how those arrangements support long-term strategic decision-making. MHCLG used this work to identify design principles and risks to be managed when devolving funding and responsibilities, rather than to replicate specific international models.

**3.26** Other countries also use outcomes-based approaches to hold local or regional governments to account for funding provided by central government. **Figure 8** provides an illustrative example from Australia, highlighting principles intended to keep outcomes focused, proportionate and aligned to shared national and local priorities. Compared with these principles, there are indications that the approach to Outcomes Frameworks in England is falling short, in terms of both focus and proportionality.

### The Programme Board

#### **Structure and purpose**

**3.27** MSAs with an Integrated Settlement attend an MHCLG-chaired Programme Board every six months, which involves officials from HM Treasury and funding departments. It is intended to be the main mechanism through which the government oversees delivery against the agreed Outcomes Framework, resolves cross-departmental issues, and holds MSAs to account. By bringing departments together in a single forum, MHCLG expects to produce a more holistic view of progress, including how delivery in one policy area may contribute to outcomes in others, and to help identify and share good practice.

**3.28** To support discussions, MSAs submit six-monthly monitoring reports. They set out progress against agreed outcome and output indicators, including a RAG rating, spending to date, forecast spend, key risks, and a short narrative explaining recent developments and significant changes. In principle, for most areas of the Integrated Settlement, reporting to the Programme Board is limited to this cycle of six-monthly monitoring. Departments can request additional information from MSAs where this serves a clear purpose and is agreed with MSAs – for example, to support policy evaluation.

**Figure 8**

Australia’s approach to outcomes-based intergovernmental agreements, June 2026

Principles underpinning the design of Australia’s outcomes-based intergovernmental agreements

<p><b>Australia’s system of government and funding</b></p> <p>Australia is a federation in which state and territory governments have primary responsibility for many areas of service delivery, including major parts of health, skills and education. The Commonwealth (national government) provides funding to states and territories, alongside its own direct role in some sectors.</p> <p>Where the Commonwealth funds services that states and territories deliver, particularly where this requires coordinated action between different levels of government, it uses outcomes-based intergovernmental agreements. These agreements set out shared objectives and outcomes, clarify responsibilities between the Commonwealth and states and territories, and establish how performance will be monitored and reported.</p> <p>These arrangements are designed to provide a consistent national approach. The Commonwealth agrees common outcomes and performance measures for each policy area, rather than each jurisdiction developing its own separate framework.</p>	<p>A central body – the Council on Federal Financial Relations (CFFR) – oversees the system and has set out eight principles to guide how these agreements are designed and managed. These are summarised below.</p> <table border="1"> <tr> <td data-bbox="526 667 1005 891"> <p><b>Principle 1</b></p> <p><b>Focus on strong economic, social and fiscal outcomes:</b> Agreements should contribute to long-term economic and social outcomes and remain fiscally sustainable, rather than focus on short-term outputs or activities.</p> </td> <td data-bbox="1005 667 1466 891"> <p><b>Principle 2</b></p> <p><b>Limit the number of low-value agreements to ensure value for money:</b> Avoid small or duplicative agreements to minimise administrative costs and avoid complexity that does not deliver clear benefits.</p> </td> </tr> <tr> <td data-bbox="526 891 1005 1115"> <p><b>Principle 3</b></p> <p><b>Balance government priorities:</b> Agreements should recognise and balance the priorities of all levels of government.</p> </td> <td data-bbox="1005 891 1466 1115"> <p><b>Principle 4</b></p> <p><b>Preserve financial autonomy and flexibility:</b> Government departments should avoid creating multiple, small or overlapping agreements that increase complexity and administrative burden without delivering clear benefits.</p> </td> </tr> <tr> <td data-bbox="526 1115 1005 1339"> <p><b>Principle 5</b></p> <p><b>Provide funding certainty:</b> Agreements should, where possible, give states predictable funding to support long-term planning and service continuity.</p> </td> <td data-bbox="1005 1115 1466 1339"> <p><b>Principle 6</b></p> <p><b>Use system-level oversight of agreements:</b> A central body (the CFFR) retains oversight of all funding agreements to steward the system, manage risk, and discourage unnecessary proliferation of agreements.</p> </td> </tr> <tr> <td data-bbox="526 1339 1005 1563"> <p><b>Principle 7</b></p> <p><b>Ensure appropriate ministerial involvement:</b> The CFFR determines whether new agreements are pursued and the allocation of responsibilities, and ensures the right ministers are involved.</p> </td> <td data-bbox="1005 1339 1466 1563"> <p><b>Principle 8</b></p> <p><b>Promote accountability and transparency:</b> Agreements must be published to support transparency. 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Source: National Audit Office analysis of Australia’s Federation Funding Agreements Framework

**3.29** For the buildings retrofit scheme and large-scale transport schemes, the government has stipulated additional reporting requirements beyond the six-monthly monitoring reports. These areas carry higher levels of risk: buildings retrofit relates to statutory net zero and fuel poverty targets, while large-scale transport schemes involve high-value capital investment and may extend beyond the boundaries of an individual MSA. In these circumstances, it is reasonable that the government has retained additional assurance arrangements. The Integrated Settlement Policy Document states that monitoring and reporting arrangements should be kept under review to ensure proportionality. However, it is currently unclear whether the government intends the arrangements to be time-limited, or whether departments plan to remove them if MSAs demonstrate effective delivery.

**3.30** In addition, some departments request information outside the six-monthly monitoring reports, even though additional reporting requirements have not been agreed. Greater Manchester recognised the value of sharing information where this supports learning, good practice or departments' understanding of delivery. However, it raised concerns where departments use such additional requests for accountability or performance monitoring, which the policy states should be addressed primarily through the Programme Board. MHCLG told us that, as part of its role as stewards of Integrated Settlement policy and in chairing the Programme Boards, it will monitor and moderate additional reporting requests from departments.

### **Experiences of the Programme Board**

**3.31** Both Greater Manchester and West Midlands commented positively on the Programme Board. They described it as clear and structured, and noted its potential to reduce reporting burdens. Greater Manchester told us the Programme Board helped clarify funding flexibilities, and it welcomed the attendance of HM Treasury officials, whom it described as supportive during discussions. However, West Midlands also said the discussion had focused more on monitoring delivery and benchmarking MSAs, rather than being a wider strategic discussion about outcomes.

**3.32** Departments had mixed views on the Programme Board. Some told us that early meetings had been positive but noted that the model is new and untested. Others were unclear about accountability arrangements and questioned whether the Board can sufficiently manage underperformance.

### **Mitigating actions where an MSA's performance falls short**

**3.33** The Programme Board may apply additional scrutiny where it identifies concerns through the six-monthly monitoring reports. This includes where outcome delivery is rated Amber or Red, where it assesses progress towards agreed outcomes to be insufficient, or where the Board has wider concerns about value for money. In the first instance, MSAs and government departments should seek to resolve any disputes at a working level.

**3.34** Where outcomes are rated Amber or Red, MSAs must provide further evidence explaining their performance and set out a 'path to Green'. MSAs' chief finance officers must sign off these plans, and the Programme Board may challenge whether the proposed actions are sufficient.

**3.35** Where the Programme Board considers a path to Green is inadequate, or where value for money concerns persist, it may agree mitigating actions. A 'matrix of mitigations' provides a graduated range of responses, from enhanced oversight to formal intervention. The Integrated Settlement Policy Document makes clear that decisions on mitigations are determined and signed off by the Accounting Officers of MHCLG and the relevant funding departments. **Figure 9** overleaf summarises the types of mitigations available.

**3.36** As Integrated Settlements are relatively new, the matrix of mitigations has not yet been tested in practice. One department told us it expects to take a pragmatic approach, focusing initially on discussion and challenge before considering formal interventions. It explained that the approach gives 'teeth' to the oversight arrangements, even if the powers involved are expected to be used only rarely. However, some departments were unclear about who would initiate interventions, and they questioned how effective the approach would be in addressing sustained underperformance if it arose.

### **Scalability of the system**

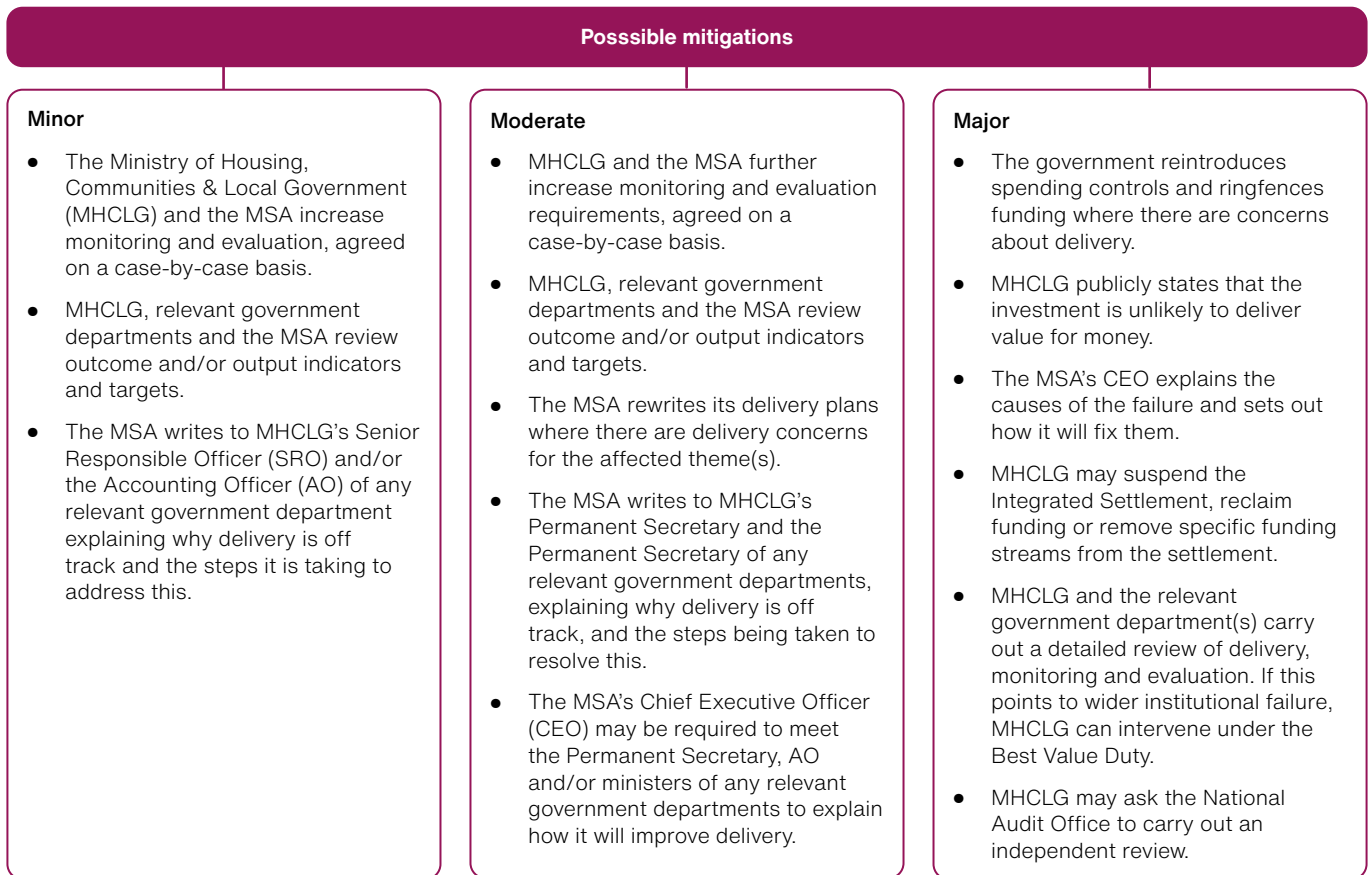
**3.37** Departments raised concerns about the resource burden associated with Programme Boards, particularly as Integrated Settlements are rolled out to more Strategic Authorities. As devolution expands, departments will need to send officials to an increasing number of Programme Boards and commit additional resources to negotiating Outcomes Frameworks. One MSA cautioned that departments may rely more on junior staff to reduce the resource burden, which could weaken the focus on strategic matters. MHCLG's view is that, as the Integrated Settlement is rolled out to more areas, it should lessen the resource burden on central government departments by reducing the need for individual programme management.

**3.38** HM Treasury noted that, as the system scales up, there is a risk that Outcomes Frameworks become more template-like, with similar outcomes applied across different MSAs. This is because MHCLG and other government departments may lack the capacity to negotiate bespoke outcomes with each MSA. While this approach could reduce administrative burdens for departments, it risks weakening the focus on local needs and circumstances. MHCLG officials told us the shift to a predictable two-year cycle for Spending Reviews should give departments more time to plan, resource and complete negotiations on Outcomes Frameworks. This is because negotiations will take place less frequently and at more predictable intervals.

**Figure 9**

Mitigations central government may implement where an Established Mayoral Strategic Authority’s (MSA’s) delivery is off track under the Integrated Settlement, June 2026

Central government has a range of mitigations available if an MSA’s delivery is off track



**Notes**

- 1 The figure shows the ‘matrix of mitigations’ set out in MHCLG’s Integrated Settlement Policy Document. The matrix sets out the mitigations available to central government if there are concerns around an MSA’s delivery of outcomes, or if there are wider concerns around an MSA’s failure to deliver value for money.
- 2 The groupings (‘Minor’, ‘Moderate’, ‘Major’) reflect increasing levels of concern from central government about delivery performance. These groupings are defined in the Integrated Settlement Policy Document.
- 3 Mitigations are not necessarily sequential and may be applied depending on circumstances.
- 4 These are examples of actions available to MHCLG and other government departments, rather than a prescribed set of steps.
- 5 Where there is evidence that a local authority or MSA is not meeting the Best Value Duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in how it carries out its work, the government has powers to intervene. Failing to meet the Best Value Duty could relate to governance, the delivery of services or financial management.

Source: National Audit Office analysis of the Ministry of Housing, Communities & Local Government’s Integrated Settlement Policy Document

## **MHCLG's work to evaluate and improve the system**

**3.39** MHCLG is working with MSAs and departments to evaluate the impact of Integrated Settlements and wider devolution, with the aim of building evidence on what delivers better outcomes in local areas. MHCLG told us this is difficult due to limited sub-national data, time-lags in outcomes, and variation in Strategic Authorities' analytical and evaluation capability. To address these difficulties, MHCLG plans to combine qualitative insights from Greater Manchester and West Midlands with comparative analysis between areas with and without Integrated Settlements, and strengthen the underlying data on devolution over time.

**3.40** In mid-2025, MHCLG set up the Mayoral Data Council (MDC), a forum of senior data leaders from mayoral areas, to champion better data, improve knowledge and data sharing, and build capability. While the MDC faces challenges, particularly due to the complexity of MSA-level data and limited capacity, it has already achieved some successes. These include creating a knowledge-sharing platform for MSAs to address specific data challenges, supporting collaboration with central government through teach-ins and workshops, and securing MSA representation on cross-government forums to improve input into government policy and data requests.

**3.41** MHCLG is seeking to support the sector, understand operational issues and share good practice through a range of other measures. These measures include restarting 'annual conversations' to assess the health, capacity and capability of Strategic Authorities; facilitating mayoral forums and support such as the Mayoral Council; and working with sector partners such as the Local Government Association to support learning, peer review and capability-building. It is also working across government to build capacity and improve understanding of devolution, including through a Devolution Education Programme and secondments between government departments and MSAs. However, these measures are at an early stage, and MHCLG may need to do more to effectively manage the risks associated with scaling up and improving the system.

# Appendix One

## Our audit approach

### **Our scope**

**1** The report contains our independent conclusions on whether the Ministry of Housing, Communities & Local Government (MHCLG) is implementing devolved arrangements in England effectively, with a particular focus on funding and accountability structures. We reached these conclusions following our analysis of evidence collected mainly between December 2025 and April 2026.

**2** The evaluative criteria we used include whether: authorities receiving an Integrated Settlement are empowered to deliver services and programmes more efficiently and responsively; funding, governance and accountability arrangements are robust and transparent; and there are suitable arrangements in place to measure outcomes.

### **Our evidence base**

**3** In forming our conclusions, we drew on a variety of evidence sources, as described in the paragraphs below. We collated and analysed the evidence using our evaluative criteria as a framework. We looked across different sources of evidence to support each of our findings.

#### Literature review

**4** Between December 2025 and February 2026, we reviewed published research, reports and other material relating to devolution in England and in other nations. We used the intelligence that we gathered to refine our approach to several of our other methods – most notably the document review, interviews with staff from MHCLG and other government departments, and Mayoral Strategic Authority (MSA) case studies.

## Document review

**5** Between December 2025 and March 2026, we reviewed around 70 published and unpublished documents from MHCLG. We used this information to understand:

- MHCLG's functional responsibilities with regard to devolution;
- the framework for devolving powers and funding to MSAs;
- the details of devolution agreements;
- the approach to, and detail of, Integrated Settlements;
- governance and accountability arrangements; and
- how MSAs' performance will be measured.

## Interviews

### **Interviews with officials from MHCLG**

**6** Between January and March 2026, we conducted 10 interviews with officials from MHCLG. We used these interviews to understand a range of issues, including their:

- policy aims with regard to devolution;
- approaches to implementing that policy;
- engagement with Strategic Authorities, government departments and other stakeholders; and
- plans for achieving further devolution.

### **Interviews with officials from other government departments**

**7** Between February and March 2026, we conducted interviews with officials from the Department for Education, the Department for Energy Security & Net Zero, the Department for Transport, the Department for Work & Pensions and HM Treasury. We used these interviews to explore how they interact with MHCLG, Strategic Authorities and other stakeholders for the purpose of facilitating devolution. These departments were chosen as they are the biggest contributors to Integrated Settlements.

### **Interviews with officials from local government bodies**

**8** Between January and April 2026, we conducted case study work with the MSAs for Greater Manchester and West Midlands – the two authorities that began to receive an Integrated Settlement in 2025-26. This work involved online interviews with senior staff responsible for strategy, finance, programme assurance, public affairs and outcomes, and a review of selected documentation. We used these case studies to establish, from the perspective of the authorities at the forefront of devolution, how the new arrangements for devolved powers, funding, governance, accountability and outcomes measurement were working in practice.

**9** We also conducted interviews with officials from the following MSAs: Cambridgeshire and Peterborough; East Midlands; Greater London Authority; Liverpool City Region; North East; South Yorkshire; and West Yorkshire. We used the interviews to establish how plans for further devolving powers, funding, governance, accountability and outcomes measurement were being developed.

### **Other stakeholder engagement**

**10** Between December 2025 and April 2026, we spoke to – and in some cases received written material from – selected stakeholder bodies. We invited them to provide their views on devolved powers, funding, governance, accountability and outcomes measurement. We engaged with the following stakeholders:

- Centre for Cities.
- Evaluation Task Force.
- Institute for Government.
- Local Government Association.
- London Councils.
- The Public Administration and Constitutional Affairs Committee.
- Senior local authority officials convened by the Municipal Journal.
- Solace (a membership group for local government and public sector leaders).
- The What Works Centre for Local Economic Growth.

## Call for evidence

**11** In February 2026, we issued a written call for evidence to constituent local authorities within the Strategic Authorities that had received, or were due to receive, an Integrated Settlement. We used this exercise to establish their views on:

- the suitability of governance and accountability arrangements established for their Strategic Authority;
- expected changes in service delivery as a result of the Integrated Settlement;
- expected changes in outcomes for residents as a result of the Integrated Settlement;
- alignment between the local authority, Strategic Authority and other local or regional partners on key priorities for the area;
- the value of the Outcomes Framework agreed between the government and their Strategic Authority; and
- how well lessons from earlier phases of devolution had been shared and applied.

**12** The bodies that responded were:

- Calderdale Metropolitan Borough Council;
- City of Bradford Council;
- Gateshead Council;
- Halton Borough Council;
- Leeds City Council;
- London Borough of Barking and Dagenham;
- London Borough of Newham;
- London Councils;
- Manchester City Council;
- Rotherham Metropolitan Borough Council;
- Solihull Metropolitan Borough Council;
- South Tyneside Council;
- Sunderland City Council; and
- Wakefield Metropolitan District Council.

### Data review

**13** Between January and February 2026, we reviewed in detail the Integrated Settlements relating to Greater Manchester and West Midlands. We did this in order to understand the size and distribution of funding, and to better inform our case study interviews.

### Quantitative analysis

**14** From March 2026, we analysed publicly available data provided by MHCLG on the funding delivered via Integrated Settlements for the 2026-27 to 2029-30 financial years. The data included the quantum of funding provided to each MSA by each department on an annual basis, and also distinguished between resource and capital funding. Our analysis reflects all funding announcements made up to 1 June 2026. Figures are presented in cash terms.





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