Technical Working Group Paper – Devolution Deals

***This paper does not represent Government Policy – Its purpose is to stimulate debate within the Devolution of Responsibilities Technical Working Group on an issue relating to 100% retained business rates proposals*.**

Issue

The funding of devolution deals under a 100% retained rates system and the impact that has on devolving responsibilities to allow for 100% retained business rates.

Aim

Following the Steering Group discussion – to consider the interaction between devolution deals and retained business rates policies and propose an option(s) for consideration by the steering group for how these two policies could interact.

Background

The Government has agreed 10 devolution deals with areas across the country[1]. These deals include the devolution of power from central government to local areas in England and provide an opportunity to stimulate economic growth and reform public services.

These deals include the devolution of a range of functions and associated budgets, which are pooled at Combined Authority level within single investment funds. For 19/20 the aggregate level of the fund so far agreed is £750m.

Investment funds for devolution deals	All mayoral devolution deal areas have an agreed Investment Fund, which is a grant-based fund specific to each deal, which is paid in annual instalments for 30 years. However, only the first five years' funding is confirmed with the remainder subject to five-year reviews.
Adult Education Budgets	Nine devolution deal areas have agreed the devolution of the Adult Education Budget from 2018/19. The devolution of this budget is subject to the satisfaction of a number of readiness conditions set out in the deals.
Transport Capital Grants	All devolution deal areas receive consolidated funding for Transport which is made up of a number of grant streams, for example highways maintenance funding and, in some areas where bus franchising is implemented, the associated commercial bus service operators grant.
Local Growth Fund	All devolution deal areas incorporate the Local Growth Fund awarded to Local Enterprise Partnerships in their area into their Combined Authority single investment funds (with the exception of Cornwall). The Local Growth Fund is awarded competitively to Local Enterprise Partnerships to spend on investment designed to drive and unlock economic growth in their local areas in line with their local priorities.

[1] The Government has agreed devolution deals with Greater Manchester, Cornwall, North East, Tees Valley, Sheffield City Region, Liverpool City Region, West Midlands, East Anglia, Greater Lincolnshire and West of England.

Consideration

The aim of the following questions is to trigger an overarching debate on how devolution deals should be treated within a 100% retained business rates system. The text below should be read in conjunction with the attached slide annex.

Consideration of how deals could be funded would impact on the wider package of responsibilities that local government may wish to see devolved to be funded from retained business rates.

Is it appropriate to devolve the grants / responsibilities for deals into retained business rates?

- Do the grants / responsibilities currently identified for deals meet the agreed criteria for devolving functions / grants into retained business rates?

- Is the Combined Authority area the suitable geography for other grants and responsibilities to be devolved – as future deals or pilots may explore other optins for this tier of local government.?

Are deals the process for devolution to local government?

- If different local authorities, including tiers of local authorities wish to see a variable range of responsibilities or functions devolved – i.e. no single package that could be agreed - could different areas request bespoke packages?

- The consequence could be a move away from a uniform service delivery of local authorities to a system where tiers of LAs across England provide a variable range of services or functions.

- Could there be a mixed approach – some responsibilities devolved universally – with some on a bespoke basis?

- What are the benefits / risks of different approaches – i.e. a universal or bespoke approach to devolution of responsibilities?

Should devolution deals be funded from retained business rates?

- It is arguable that the question of what functions / responsibilities could be devolved and whether any devolution agreed should be funded from retained business rates are separate questions.

- However, as part of the 100% retained business rates proposals local government does need to consider the extent to which devolution deals could be funded from retained business rates.

- As such, if deals were to be funded from business rates should there be an element of universal devolution of some responsibilities to be funded from business rates, with a component for individual deals?

- Or should such deals, and therefore associated budges, be devolved as grant funding, leaving retained business rates to fund just those responsibilities and functions that are universally devolved?

Impact on rates retention system – for devolving responsibilities?

- A consequence of funding devolution deals from retained business rates would mean less resource available, by definition, for responsibilities to be devolved universally.

- A consideration for funding deals though retained business rates would when deals would need to be concluded. Deals could theoretically be agreed after 2020 from retained rates, but this would mean, holding back a level of funding.

- Or alternatively you could only fund only those devolution deals agreed by the commencement of the 100% retained business rates system, with those agreed after 2020 funded by grant.

- Funding deals instead through grant would then impact on the range of responsibilities to be devolved universally to allow for 100% retained business rates.

<u>Conclusions</u>

- There are a number of connections between devolution deals and the proposal for 100% retained business rates.

- There is therefore an opportunity to consider funding some or all of the commitments in existing and future deals through retained business rates i.e. transferring them from grant commitments to being paid for through retained rates.

- Any view on whether those responsibilities / functions in deals should be funded from retained business rates or grant will then impact either on the range of other responsibilities that could be devolved, or the system design of 100% retained business rates.