

POLICY DEVELOPMENT: NOT A STATEMENT OF GOVERNMENT POLICY

Devolution of Responsibilities and Funding:**Grants to Local Government**

1. We have agreed that we will seek to develop advice to the Steering Group on a menu of options that should be consulted upon in the Summer around the devolution of funding and responsibilities that will accompany 100% business rates retention reforms.
2. This paper outlines the grants that lie outside the local government finance settlement that have been put forward as candidates for funding via business rates under the 100% rates retention scheme. The grants considered in this paper are those appearing on the list of ideas circulated at the first working group meeting on 3 May 2016. No further grants have been added to the list since that meeting. This does not preclude further grants, if identified, from being considered at a future date.
3. For each grant, this paper provides some background information on the activity, the expected funding in 2020, and any information on costs and demand pressures where known. Where relevant it also raises general issues for consideration alongside the criteria.
4. This paper does not include consideration of those grants that Government has already determined will in future be funded from business rates. Revenue Support Grant is unringfenced funding that can be used to finance revenue expenditure on any service. Government announcements on 100% rates retention have stated that at the point of implementation, that existing grant will be phased out. The working assumption therefore is that Revenue Support Grant Rural Services Delivery Grant will cease to exist at implementation and will instead be funded from business rates income. The Government has also announced that Transport for London Investment Grant will cease from 2017 and will in future be funded from business rates income. It is assumed that these items will form part of any package for devolution of responsibilities.
5. This paper does not include any central government considerations. It is recognised that Government will want to consider the sector's proposal carefully.
6. The working group is invited to consider the issues raised and come ready to share views about the extent to which the items suggested should form part of the sector's proposal to Government for devolution. In particular the group is invited to consider the item against our fourth criteria around future financial impact.

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7. In considering each item we may also wish to consider about how items might be grouped together to form sensible packages within our 'menu' of options approach.

Highways Maintenance

8. Highways maintenance funding currently comes from a Department for Transport grant paid directly to local authorities. Local authorities have a duty to maintain their road networks. Funding is not currently ringfenced, is paid by capital grant and is for planned maintenance programmes. By 2020, the expected funding level is around £0.725bn in total.
9. It is also open to every English local highways authority to apply to the Local Highways Maintenance Challenge Fund to help maintain existing highways infrastructure. All bids need to demonstrate additionality (i.e. that the funding is not being used to replace other sources of funding with would otherwise have been provided) and promoters need to contribute at least 10% of total scheme costs. Expected funding in 2020 is £0.1bn.
10. Funding roads maintenance in future from retained business rates would mean that the current capital funding would cease to exist. It would be for highways authorities to determine the level funding needed from the business rates revenue stream.
11. The majority of funding goes to a defined set of authorities that does not change from year to year. We should consider any competitive funding elements - where different authorities may benefit from funding between rounds - against the criteria around future financial impact and the operation of the scheme more generally.

Integrated Transport Block

12. This is non ringfenced capital funding paid as grant to local transport authorities by formula. It is for local authorities to decide on the specific projects that it funds, and is used for many purposes such as road safety, road improvements, highways maintenance. Expected 2020 funding levels are £0.25bn.
13. The funding flows to a defined set of authorities that does not change from year to year. The considerations around moving from funding via capital grant to funding from a revenue stream raised above are also relevant here and we should consider the fit with future financial impact criteria.

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Housing Benefit Admin Subsidy and Local Council Tax Support Admin Subsidy

14. Unitary councils and district councils in two tier areas have responsibility for administration of Housing Benefit and Local Council Tax support, for which funding is provided through the above grants. Current levels of funding total around £0.3bn (£270m and £77m respectively). This is non-ringfenced funding to support administration costs. It goes to the same defined set of authorities each year and is allocated by formula. Funding has reduced in previous years and 2020 figures are expected to be in the region of £0.1bn.

Public Health Grant

15. This is a ringfenced grant providing funding for the discharge of public health functions defined in Section 73(B)(2) of the National Health Service Act 2006. Local authorities with public health functions funded by the grant are unitary councils, county councils in two tier areas, London Boroughs, the Isles of Scilly and the City of London). Current public health allocations to individual authorities are based on historic NHS spend. The Spending Review confirmed that the ringfence would be maintained in 2016-17 and 2017-18. Further to Spending Review 2015 decisions, expected funding in 2019/20 is £3.1bn.

16. The current grant goes to a defined set of local authorities that does not change year on year. Many activities funded from the current grant are not statutory duties of local authorities. Removal of the ringfence, and 'rolling in' the existing grant (i.e. removing the specific grant at implementation of the reforms) may offer greater flexibility to integrate health and social care at the local level. A small number of statutory duties exist amongst the wide range of activities that can be funded from the existing grant, which may mean sufficient flexibility to manage pressures on those statutory duties.

Improved Better Care Fund

17. Spending Review 2015 announced additional social care funding for councils. This will be included in an improved Better Care Fund for working in partnership with the health sector. The Better Care Fund is a local, single pooled budget that supports the NHS and local government to work together in the planning and implementation of joined up health and social care services in England. Expected funding levels in 2020 will be £1.5bn and will flow through councils with responsibility for adult social care. Funding flows through a defined set of authorities which will not change year on year, and there is no flexibility about the minimum amount that must be transferred to the Fund by local authorities.

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Independent Living Fund

18. From 1 July 2015, responsibilities for supporting Independent Living Fund users in England passed to local authorities. A grant is now paid based on the estimated number of former Independent Living Fund clients to councils. The current amount of grant is £0.2bn and is unringfenced.

Dedicated Schools Grant: Early Years Block

19. The Dedicated Schools Grant early years block comprises funding for the 15-hour entitlement for 3 and 4 year-olds; participation funding for 2 year-olds from the most disadvantaged backgrounds; and the early years pupil premium. It is a ringfenced grant paid to unitary councils and county councils in two tier areas. Current funding is £2.7bn and is expected to increase with the Spending Review announcement to double the free entitlement from 15 hours to 30 hours a week for working families with three and four year olds from September 2017.