

POLICY DEVELOPMENT: NOT A STATEMENT OF GOVERNMENT POLICY

Responsibilities Working Group: Meeting 7 Devolution of Responsibilities: Implementation Issues

1. At September's Responsibilities Working Group meeting it was agreed that the group would begin to consider in detail the practicalities involved with the implementation of devolving specific responsibilities to be funded through retained business rates. We recognised that this work would be commencing before decisions were taken about the composition of the package and agreed therefore that it would be sensible to take the candidates listed in the consultation paper in turn over the coming months.
2. This first paper therefore discusses the first 4 items listed in the consultation paper: Revenue Support Grant, Rural Services Delivery Grant, Greater London Authority Transport Grant and the Public Health Grant, and which the Government has either already announced will be funded from Business rates or signalled a strong interest in devolving. This paper provides some background information on each of these responsibilities, the expected funding in 2020 and any information on costs and demand pressures where known to aid consideration.
3. In advance of any decisions about the operation of the scheme or timing of introduction and confirmation of the devolution package, this paper makes some assumptions at the outset, to ensure that the practical implementation issues are considered consistently across all potential candidates for devolution. For the purposes of this paper only, it is assumed that the scheme will be introduced in April 2020 and that the full devolution package will be transferred at introduction (i.e. it will not be phased in).
4. For the purposes of considering the practical implementation issues associated with each devolution candidate, this paper does not discuss the overall quantum or whether a particular candidate should be included in any package for devolution at implementation, although a draft assessment against our criteria is attached at annex A for consideration and discussion.

Issues to consider

5. For each of the devolution candidates, the group is asked to consider the practical steps that would need to be taken to devolve, or 'roll-in' the funding or responsibility at introduction of the scheme. These may include (but are not limited to):
 - What, if any, legislative provision may be needed (or desirable);
 - How the funding should be distributed, for example:
 - Does a formula need to be created?
 - Would new data need to be collected?
 - Is there a suitable existing distribution formula or basis that would remain appropriate?
 - Any administrative or process changes that may be needed (or desirable);
 - Steps that might need to be taken locally, and therefore,
 - Timing of key information provision ahead of implementation (i.e. to enable those local steps to happen).

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Revenue Support Grant

6. Revenue Support Grant (RSG) is a non-ringfenced central government grant given to local authorities, which can be used to finance revenue expenditure on any service and is established through the local government finance settlement. The expected value of RSG in 2020 is £2.4bn, with the assumption being that RSG will cease to exist once the 100% BRR scheme is implemented and will instead be fully funded through business rates income.
7. The legislative framework for the setting and distribution of RSG is set out in the arrangements for the annual local government finance settlement, which are part of the Local Government Finance Act 1988. The current power to pay revenue support grant is set out in the Local Government Finance Act 1988 and is permissive – it does not require the Secretary of State to make such payments to local government. This suggests that no specific legislative provision is required.
8. Revenue Support Grant is distributed via formula, the components of which are being considered as part of the Fair Funding Review.

Rural Services Delivery Grant

9. Rural Services Delivery Grant (RSDG) is a non-ringfenced Section 31 grant for general services. It is administered in recognition that there may be additional costs with local service delivery in rural areas.
10. Section 31 of the Local Government Act 2003 is a power for a Minister to pay grant to local authorities. The power is broadly drafted, enabling flexibility about the amount of and manner in which the grant is paid, the authorities it is paid to and conditions about its use. As such, we do not expect primary legislation will be required to devolve RSDG to local government.
11. RSDG is distributed through the local government finance settlement to the top-quartile of authorities ranked by super-sparsity based on the distributional methodology for the RSDG in 2015-16. The expected value of the RSDG in 2020 is £65million and as with Revenue Support Grant it is expected that RSDG will cease to exist once the 100% BRR scheme is implemented and will instead be fully funded through business rates income.

Greater London Authority (GLA) Transport Grant

12. The GLA Transport Grant is also a Section 31 grant paid directly to the GLA. It is capital funding provided for improvements such as congestion relief and improving the reliability of key transport routes.
13. The Government confirmed at Spending Review 2015 that the GLA Transport Grant will cease to exist from 2017 and will be funded through retained business rates in future. The grant is expected to be £1bn in 2020 and given that it is currently distributed via Section 31 grant we do not expect that primary legislation will be required to devolve it.

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Public Health Grant

14. 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.
15. The current public health 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. Primary legislation will not be required to devolve this grant to Local Government.
16. The group should be mindful of the views of the public health community, including local authority directors of public health in how new arrangements might work if this financial transfer takes place.

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Annex A

Draft assessment against criteria

	Build on strengths of local government	Supports economic growth	Support improved outcomes for local people	Consideration of future financial impact
RSG	✓		✓	✓
RSDG	✓		✓	✓
GLA Transport Grant	✓	✓	✓	✓
Public Health Grant	✓		✓	✓