

Devolution of Responsibilities

1. Introduction

- 1.1. This paper considers the issues related to devolution of new responsibilities to local government which will be funded from their additional business rates income.
- 1.2. The functions and responsibilities devolved to local government as part of the reforms will set the shape and form of local government for the future. This reform presents an opportunity to enhance authorities' role in promoting growth and service provision. The aim should be to produce a package of devolved responsibilities that fit well with the local government system in England.

Issues to consider

- 1.3. Key to the discussion about which services should be devolved is the question for the quantum of resources available once other pre-existing commitments have been taken into account. Early work can establish the starting position, though it is accepted that the amount will vary over time for a variety of reasons.
- 1.4. Several responsibilities and funding streams have already been put forward as candidates for transfer to local government, to be funded from retained business rates. These include the administration of housing benefit for pensioners and responsibility for funding public health.
- 1.5. The Government has also announced that it intends 100% retention of business rates to be cost neutral. Therefore analysis will need to be undertaken to identify the cost of any new functions and the future pressures they could create for local government, alongside existing pressures within the system.
- 1.6. Some local authorities have asked to go further, faster. In order to do this we may need to consider whether certain responsibilities should be devolved in some areas but not others, for example by using an opt-in approach or by targeting some devolution of certain responsibilities at particular classes of authority and how this would operate within a national system of 100% rates retention.
- 1.7. This would give the new system greater flexibility to accommodate individual circumstances and complement the deals processes already underway. However flexibility would come at the expense of simplicity and transparency, and is only likely to be technically feasible in some cases. Any proposal for bespoke devolution will therefore require a strong supporting case.

2. Criteria for the devolution of responsibilities to a local level

- 2.1. A number of criteria will guide decisions on whether to devolve particular new responsibilities to local government. A proposed set of criteria is listed below, grouped into four high-level themes.
- 2.2. Views on the criteria are welcomed, including what else should be taken into account and whether some of these criteria are more important than others. Decisions on the

POLICY DEVELOPMENT: NOT A STATEMENT OF GOVERNMENT POLICY

responsibilities and grants to devolve will be taken in the round, incorporating the views of councils, businesses and other stakeholders.

Proposed criteria

1) Devolution of a responsibility should build on the strengths of local government

- a) It will provide opportunities for greater integration across local services, taking advantage of council expertise to provide user-centric, outcomes focussed approaches.
- b) Devolution would remove barriers to other innovative service delivery models, for example the commissioning of new multi-agency services that offer better value for the tax payer.
- c) There should be appetite from the sector for the responsibility to be delivered at a local level.
- d) The responsibility is a sensible fit with a business rates-based funding stream, i.e. from a forward planning, governance and technical perspective.

2) Devolution of a responsibility should support the drive for economic growth

- a) The responsibility will support local authorities' role in driving local growth, for example through a clear link to local employment, skills or infrastructure policy, and build on the ambition councils have demonstrated through Local Enterprise Partnerships and City Deals.

3) Devolution of a responsibility should support improved outcomes for service users or local people

- a) Local authorities should have as much flexibility as possible to tailor local services, for example allowing user-centric, outcomes focused delivery.
- b) Service provision can reflect the distribution of need across the country. Consideration should be given to the effect of devolution on protected groups under the Equalities Act 2010.

4) Devolution of responsibilities should be made with consideration for the medium-term financial impact on local government.

- a) The national cost and demand for any new responsibility should be relatively predictable and stable over time, relative to the business-rates based funding stream.
- b) The relative demand for funding between local authorities should be relatively stable over time.
- c) There should be capacity at a local level to deliver services, taking into account other local pressures.
- d) The timeline for devolution will allow sufficient time for preparations at a local level.

3. Responsibilities under consideration by Government

3.1. At the Spending Review 2015, the Government indicated a number of responsibilities and funding streams that it would consider devolving to local government. This is purely an illustrative list to commence the conversation, and includes:

- **Administration of Housing Benefit for pensioners (c. £150m):** The Department for Work and Pensions is currently responsible for Housing Benefit Policy however local authorities have a statutory obligation to deliver Housing Benefit which the Department funds through the Housing Benefit Administration subsidy.
- **Funding for Public Health (c. £3,100m):** Local authorities have a duty to take the steps they believe are appropriate to improve the health of the people in their areas, and have considerable discretion in deciding what steps are appropriate. Funding for Public Health is currently provided by the Department of Health through a grant that is ring-fenced for the next two years.

3.2. In addition, a number of local authorities have expressed an interest in the devolution of **skills, employment and wider transport funding**, to give local government the flexibility to respond to local needs and drive local growth. This funding is currently provided through a number of channels, including by the Department for Business, Innovation and Skills, Department for Transport, Department for Work and Pensions and Department for Education.

3.3. The LGA and DCLG would like local authorities and other interested parties to share their views on these responsibilities as candidates for devolution to local government, in particular:

- the extent to which the devolution of responsibilities could support economic growth, cost efficiencies or improved outcomes at the local level;
- whether there is a case for 'bespoke devolution', where certain responsibilities are devolved in some areas but not others;
- the potential future costs of delivering new responsibilities; and
- how ongoing pressures on existing services can be taken into account.

4. Other responsibilities for consideration

4.1. The reform debate should not be limited to the handful of responsibilities discussed above. Wider evidence and views provided to the LGA and DCLG are welcome and will be used to consider all of the options.

Question: Does this paper address the correct issues? Are there additional points that need to be considered? Does this paper provide a comprehensive remit for the associated technical sub-group?