

25 August 2010

Dear Chief Finance Officer,

**CONSULTATION ON REVENUE SUPPORT GRANT TOP-SLICE FOR
IMPROVEMENT SERVICES TO LOCAL AUTHORITIES**

The Secretary of State believes that the local government sector should have responsibility for its own improvement needs. He has been impressed by local government leadership of improvement, as evidenced by councils developing and sharing expertise and learning from each other.

The Local Government Association has put a proposal to the Secretary of State for the future of Revenue Support Grant top-slice, used to fund “specified bodies” that provide services to local authorities, which would meet that ambition. Subject to the Government’s decisions in the forthcoming Spending Review, the Secretary of State is minded to implement this proposal but, before doing so, wants to seek your organisation’s views. This consultation will conclude on **Wednesday 6 October**.

Proposal

The principal elements of the proposal put to the Secretary of State by the LGA are as follows:

- A. Reduction in annual top-slice funding (the LGA has suggested that the current total annual funding of £45m top-slice and top-up from departments could be reduced by 30% under this proposal).
- B. A sole specified body, which is the recipient of all top-slice funding (it is proposed that this body should either be the LGA or Local Government Improvement & Development, formerly the IDeA).
- C. The sole specified body will decide how best to use the funding to deliver objectives and key outcomes agreed with the Secretary of State for Communities and Local Government.

Further details of the LGA's proposal and the Government's response are set out in the annexes to this letter. The Government is minded to implement this proposal and that the sole specified body should follow the same transparency rules that councils follow to ensure proper accountability in the way that this funding is spent.

Consultation

The Government would welcome your organisation's views on:

- 1. The principles of the proposal for future RSG top-slice funding (as set out in annex A to this letter); and**
- 2. Whether a sole specified body should be the LGA or LGID.**

Please note that this consultation is about the principles of the proposal, and does not seek views on the amount of top-slice funding that should be paid; decisions on funding will be determined through the 2010 Spending Review.

How to respond

Given the technical nature of this proposal, the Secretary of State has decided that the consultation period on this proposal should last for six weeks from the date of this letter. Therefore, if you wish to submit a consultation response, please do so by **Wednesday 6 October**, making clear if it is being made formally on behalf of an organisation or group of organisations.

We particularly welcome responses submitted electronically, which can be sent to: **LTIE@communities.gsi.gov.uk**

Alternatively, hard copies may be faxed to 0303 44 43284 or sent by post to: Richard Daniels, Zone 3/J2, Eland House, Bressenden Place, London SW1E 5DU

All information in responses, including personal information, may be subject to publication or disclosure under freedom of information legislation. If a correspondent requests confidentiality, this cannot be guaranteed and will only be possible if considered appropriate under the legislation. Any such request should explain why confidentiality is necessary. Any automatic confidentiality disclaimer generated by your IT system will not be considered as such a request unless you specifically include a request, with an explanation, in the main text of your response.

Yours faithfully,

Lucy Makinson

ANNEX A: Proposal for future RSG top-slice funding arrangements

Proposal

The three principal elements of the LGA's proposal for future RSG top-slice funding arrangements are set out below. In support of their proposal, the LGA has produced a statement setting out their intentions for the funding, attached at Annex B.

A. Reduction in annual top-slice funding

The current nine specified bodies receive total annual funding of £45m, which comprises £38m core RSG top-slice, topped up by £7m from departmental budgets. LGA has suggested that through the adoption of this proposal, the total level of funding could be reduced by 30%. However, please note that this consultation does not seek views on the level of funding to be paid as this will be determined through the 2010 Spending Review.

B. A sole specified body, which is the recipient of all top-slice funding

The LGA has suggested that either it or Local Government Improvement & Development (formerly IDeA) should be the sole specified body in future as a way of streamlining the funding arrangements and delivering savings. To make this change, the *Revenue Support Grant (Specified Bodies) Regulations 1992*¹ would need to be amended accordingly, deleting all other organisations currently listed as specified bodies. A decision to de-specify these bodies would not necessarily result in their closure, but simply mean that they would no longer receive direct RSG top-slice funding.

The Regulations currently list the following organisations as specified bodies:

- Improvement and Development Agency for Local Government (IDeA)
- Employers' Organisation for Local Government
- Local Authorities Coordinators of Regulatory Services (LACORS)
- Public Private Partnerships Programme (4Ps)
- Fire Services Examinations Board
- Local Government International Bureau
- National Foundation for Educational Research in England and Wales
- National Institute of Adult Continuing Education
- National Youth Agency

C. The sole specified body will decide how best to use the funding to deliver objectives and key outcomes agreed with the Secretary of State for Communities and Local Government

The LGA has suggested the following six high-level objectives for RSG top-slice funding under this proposal, which would be underpinned by outcomes to be agreed with the Secretary of State:

¹ S.I. 1992/89

- Strong local economies
- A smaller, less costly, more local state
- Local leaders galvanising social renewal
- Increased productivity
- Transformed workforce
- A single system of self-regulation, not expensive silo improvement

Government Response

Overall, the Government welcomes this proposal, and considers that it should reduce the costs of support, remove centrally-imposed restrictions on how RSG top-slice funding is used, and promote the ability of local government to decide how best to use the resource.

This approach should be underpinned by the clear expectation that the Secretary of State has announced for the LGA to adopt the same standards of openness, transparency, and accountability as councils. This means applying the same freedom of information rules, and publishing relevant data online, including all expenditure over £500, and job titles and salaries above Senior Civil Service Pay Band 1.

The Government therefore intends to adopt this proposal subject to the responses received through this consultation, and with decisions on the actual level of funding to be taken in the 2010 Spending Review. The Government welcomes views on:

- 1. The principles of the proposal for future RSG top-slice funding; and**
- 2. Whether a sole specified body should be the LGA or LGID.**

ANNEX B: Statement from the LGA

The Local Government Group works to support, promote and improve local government. With funding from local authorities, top-sliced and distributed by Government to the LG Group it provides a variety of services, for example:

- Delivering added value by doing work once that would otherwise need to be done many times across local government, e.g.
 - by providing a national sector owned benchmarking solution to improve council performance and productivity, by collecting data and making data and analysis available to councils free of charge
 - national pay bargaining which continues to deliver low cost pay outcomes and the most flexible pay system in the public sector
- Helping councils and neighbourhoods get maximum benefits from the government's fundamental shift of power from Westminster, e.g.
 - supporting a wide range of innovative pilots that explore new and different ways of providing services, using community-based approaches to strengthen civil society, through providing councils with guidance, tools and access to experts
 - developing and supporting a significant cadre of highly networked, senior local government champions – members and officers and professional groupings
- Harnessing specialist expertise in short supply for the benefit of all, e.g.
 - creating better local information systems and an interactive knowledge hub to allow councils to share data, exchange ideas and get access to a vast range of information online to encourage innovation
 - providing a single channel of communication between government and councils when regulatory emergencies require an immediate response
- Providing support where market mechanisms aren't available, e.g.
 - testing and developing the concept of place-based budgets with a small number of leading councils and a wider network of councils
 - supporting councils in developing ambitious prototype models for shared services through guidance and networking opportunities
- Providing support to the democratic process, through councillor and officer peers, e.g.
 - a core peer challenge offer, which can be applied to partnerships as well as councils, delivered by identifying and training peers (both members and officers from councils and the voluntary and community sector), matching peers to places and developing a set of sector-owned standards
 - enabling information exchange by networks and online communities of practice and learning from the very best practice and innovations identified through the peer challenge process, supported through online networks