



Revenue support grant top-slice for improvement services to local authorities - *Consultation*

Summary of responses



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Introduction

1. The Local Government Finance Act 1988 enables Revenue Support Grant (RSG) to be paid to specified bodies providing services for local authorities. The Revenue Support Grant (Specified Bodies) Regulations 1992 list the specified bodies to whom RSG top-slice may be paid¹.
2. On 25 August, the Department for Communities and Local Government wrote to the Chief Finance Officers of all principal local authorities in England and the current specified bodies seeking views on a proposal put to the Secretary of State by the Local Government Association (LGA) for the future of top-slice. This letter was published on the Department's website as a public consultation, open to anyone to respond².
3. The principal elements of the proposal are as follows:
 - a. Reduction in annual top-slice funding (the LGA suggested that the current total annual funding of £45m – comprising £38m top-slice and £7m top-up from departments – could be reduced by 30 per cent under the proposal, but the consultation letter was clear that views were not sought on the level of funding to be paid as that matter would be determined through the 2010 Spending Review).
 - b. A sole specified body, which will be the recipient of all top-slice funding (it was proposed that this body should be either the LGA or Local Government Improvement & Development (LGID)³).
 - 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.
4. The aims of this proposal are to: 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 this resource. Ministers expect that this approach will be underpinned by the adoption by the LGA of the same standards of openness, transparency, and accountability as councils.
5. The consultation closed on 6 October; this document summarises the key points raised by those organisations and individuals who submitted their opinions on the proposals and the Government's response.

¹ S.I. 1992/89 (www.legislation.gov.uk/uksi/1992/89/contents/made)

² Available at: www.communities.gov.uk/publications/corporate/rsgtopslicemprovementsconsult

³ This is the current trading brand name of the Improvement & Development Agency for Local Government (IDeA), which remains the company name and hence is used in the relevant Statutory Instrument and Explanatory Memorandum.

Overview of the responses

6. **Eighty-four** responses were received, of which **60** were from principal councils or their representative bodies and **16** from parish councils and their representatives. **Seven** were from a variety of other organisations and **1** from a member of the public. The table below sets out the full breakdown of the origin of responses:

Type of Council	Number	Type of Organisation	Number
County	7	Representatives of parish councils	8
District	19	Representatives of principal councils	4
London	6	Specified bodies (including LG Group)	3
Metropolitan	13	Fire and rescue authorities group; Quango; RIEP; Trade Union	1 each
Parish	8		
Unitary	11	Member of the public	1

7. The consultation posed two specific questions. A more detailed consideration of the issues raised by respondents to each of these questions is set out in Annex A, but the overall headline results are:
- **Sixty-four** responses (76% of the total) approved fully or to a large extent the proposal for future top-slice funding; 15 (18%) opposed the proposal, with the remainder not stating a preference.
 - **Thirty-five** responses (42% of the total) favoured the LGA being the sole specified body and 16 (19%) favoured LGID. 33 (39%) stated no preference; in nearly half these cases the respondent had not supported the proposals generally⁴.

Government response

8. The Government has considered all the responses received in the consultation, and believes that the essential principles of the proposal – a sole specified body which decides how best to use top-slice funding to deliver objectives and key outcomes agreed between the LGA and the Secretary of State – offers greater value for local government and the public purse than either the current arrangements or ceasing to provide top-slice RSG funding altogether.

⁴ The 33 responses in question included all 5 of those not stating clearly a preference for or against the proposal and 11 of those who opposed the proposal. The other 17 had favoured the proposal.

9. It is also consistent with the Government's decentralisation and transparency agenda, especially given that all expenditure over £500 by the LGA, LGID and other bodies in the LG Group is now published online and they comply with Freedom of Information requirements on an informal basis.
10. Therefore, the Government has decided to proceed with implementation of the proposals, with the LGID (under its legal title of IDeA) nominated as the sole specified body in 2011-12. A statutory instrument that will put this decision into effect was made on 19 October, revoking the existing 1992 Regulations⁵.
11. The Government has noted the LGA's response setting out its intention to become a company limited by guarantee. It therefore intends to consult on nominating the LGA as the sole specified body in place of LGID/IDeA as and when their legal status enables them to receive top-slice funding.

⁵ S.I. 2010/2568 (<http://www.legislation.gov.uk/uksi/2010/2568/contents/made>)

ANNEX A

Issues raised by the consultation questions

1. This Annex sets out in more detail the issues raised by respondents to each of the two questions posed in the consultation letter and the Government's response to them.

Question 1:

Do you agree with the principles of the proposal for future RSG top-slice funding?

Principle of top-slice

2. Of all responses received, more than three-quarters approved of the proposals. They particularly welcomed the prospect of simplified access to support and reduced administration costs by reducing the number of specified bodies. Of those who were not in favour, just under half were principal councils that wanted top-slice to cease so they could choose whether or not to buy improvement services or use the funding to support local services.
3. In general, the Government expects local authorities to lead and fund their own improvement arrangements as they think fit, balancing the need to invest in local services. However, top-slicing some funding will help to achieve economies of scale for support in key areas of need, helping councils to do things they would not be able, or would be very expensive, to do alone. The Department expects that this will represent its investment in support in SR10.

Amount of top-slice

4. Though this topic was not part of the consultation, some authorities particularly identified that the amount of top-slice should fall by at least as much as the overall reduction in overall RSG, leaving more money for distribution to councils. Others were keen to ensure the reduction was not so great as to put the delivery of valued services at risk. The Government has noted these comments; the draft local government settlement sets out the proposed top-slice payments for 2011-12 and 2012-13.

Objectives and outcomes

5. The six high-level objectives suggested by the LGA were broadly favoured, though others were proposed and councils wanted to be involved in identifying the outcomes to be agreed. Many were also keen to be involved in determining how the funding was used, particularly to ensure that the needs of all types of council and all parts of the country were considered. A few respondents specifically mentioned the importance of any specified body following the same openness and transparency rules as councils.
6. The LGA has now published a prospectus setting out in full the objectives and outcomes it will deliver through top-slice⁶, based on its discussions across local government. The Government welcomes this prospectus and does not consider that it is necessary to add further objectives at this stage. It will keep them under review as part of the process for consulting on the Local Government Finance Report, but is clear that these are not new centrally-imposed targets.
7. The Government has been clear about the need for transparency and openness by bodies in receipt of top-slice and the importance of their accountability to local authorities. LGA and LGID, along with other members of the LG Group, are now publishing all their expenditure over £500 online and they currently comply with Freedom of Information requirements on an informal basis. The Government still intends that they should be formally subject to these requirements, and will consult with them further in due course.

Current specified bodies

8. No one specifically defended retention of the existing arrangements, but a small number identified concerns about the future of specific bodies they valued; mostly they looked for reassurance that their activities would continue, either as part of or commissioned by the sole specified body, though some wished to defend their status as specified bodies (particularly in respect of the three education and youth charities).
9. The Government considers that, having agreed the objectives and outcomes to be delivered through top-slice, the sole specified body, held to account by local authorities, should decide what activities will be valuable in delivering them and which bodies are best placed to deliver those activities, giving due consideration to the offer of current specified bodies and others. This approach is more likely to lead to optimal outcomes for local government.

⁶ Available at: www.lga.gov.uk/lga/aio/14340861

Town and parish councils

10. Sixteen responses (19%) came from the town and parish council sector; top-slice is not provided for direct support to such councils currently. Their main concern was that an element of future top-slice funding should be allocated to support improvement in their sector, particularly in expectation of them playing a stronger role in the light of greater decentralisation and the Big Society. Some supported the proposals but asked for an objective that would specifically recognise their needs; others went further and wanted the National Association of Local Councils to be a specified body.
11. The Government recognises the importance of town and parish councils in providing a local democratic voice for citizens; they are the tier of local government closest to their communities and they play a key role in the Government's vision for localism. However, to introduce a new specified body or ring-fence any of the top-slice funding for a specific purpose would run counter to the aim of reducing burdens and restrictions on local funding. The Government will encourage the sole specified body to consider the improvement needs of parish councils in meeting the outcomes agreed with the Secretary of State.
12. The LGA already supports parish councillors indirectly, by giving them access to all member leadership training and development materials and tools, and providing access to online networking and resources. Furthermore, their prospectus outlines an offer of support to councils which will also benefit parish and town councils. Specifically their offer includes:
 - a strong emphasis on supporting councils to devolve power through effective commissioning, implementing new models of governance and devolving budgets to neighbourhood level
 - support to create strong local economies, making the planning system more accessible to residents and developing neighbourhood plans; and,
 - an extensive member development programme, which given a significant number of councillors are also town and parish council members, will be of direct benefit.

Question 2

Should a sole specified body be the LGA or LGID?

13. Of all responses received, two-fifths favoured the LGA and one-fifth favoured LGID. Two-fifths said they had no particular views either way or had opposed the concept of a sole specified body. Of those that gave a clear preference, there were no overwhelming arguments either way; supporters of the LGA recognised their democratic accountability, those for LGID identified a positive track record in supporting local improvement.

14. The Government has noted the considerable support for the LGA to be the sole specified body, but has paid particular regard to the response from the LGA which indicated that it wished to become a company limited by guarantee before being so nominated. Therefore, the Government has decided that LGID should be the sole specified body in 2011-12, and intends to consult on changing the statutory instrument to nominate the LGA instead as and when they are satisfied that their legal status will enable them to receive top-slice funding.