

**EXPLANATORY MEMORANDUM TO
THE REVENUE SUPPORT GRANT (SPECIFIED BODY) (ENGLAND)
REGULATIONS 2010**

2010 No. 2568

1. This explanatory memorandum has been prepared by Department for Communities and Local Government (“the Department”) and is laid before Parliament by Command of Her Majesty.
2. **Purpose of the instrument**
 - 2.1 To amend the list of bodies specified for the purpose of receipt of Revenue Support Grant, to remove all previously specified bodies apart from the Improvement and Development Agency for Local Government (“IDeA”). Though this body currently trades under the brand name Local Government Improvement and Development (“LGID”), the company name remains IDeA.
3. **Matters of special interest to the Joint Committee on Statutory Instruments**
 - 3.1 None.
4. **Legislative Context**
 - 4.1 The Revenue Support Grant (Specified Bodies) Regulations 1992 (“the 1992 Regulations”) list the specified bodies to whom revenue support grant must be paid under section 78 of the Local Government Finance Act 1988 (“the 1988 Act”) by the Secretary of State. These Regulations replace the 1992 Regulations.
5. **Territorial Extent and Application**
 - 5.1 This instrument applies in relation to England.
6. **European Convention on Human Rights**
 - 6.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.
7. **Policy background**
 - 7.1 The 1988 Act enables Revenue Support Grant (“RSG”) to be paid to specified bodies providing services for local authorities. In recognition of their leadership role for the local government sector, the Department seeks advice from the Local Government Association (“LGA”) on the bodies to be specified before formally consulting on proposals.

7.2 For the financial year 2011-12, the Secretary of State has decided that a single grant should be paid to IDeA for the purpose of delivering an agreed set of outcomes under the following headings (the proposed outcomes are set out in full in the LGA's RSG Prospectus, available at:

<http://www.lga.gov.uk/lga/aio/14340861>):

- Local productivity
- Local budgets and accountability
- Strong local economies
- Strong political leadership
- Transformed local workforce
- Local performance and value for money

7.3 The IDeA has a proven track record of working with authorities on improving services and achieving greater productivity. The level of grant will be at a reduced level to previous years, and have a new focus on accountability as the IDeA will follow the same rules on transparency and openness as apply to councils.

7.4 The rationale for retaining RSG top-slice on this basis is that it would deliver added value by doing work once that would otherwise need to be done many times across local government; help councils and neighbourhoods get maximum benefit from the government's fundamental shift of power from Westminster; and accelerate local government ability to do better with less.

8. Consultation outcome

8.1 The 1988 Act imposes a statutory duty on the Secretary of State to consult on any changes to the list of specified bodies. The consultation on the proposals for a single-specified body (which sought views on whether that body should be the LGA itself or IDeA) ran from 25 August to 6 October 2010.

8.2 **84** responses were received, of which **60** were from principal councils or their representative bodies and **16** from parish councils and their representatives. **7** were from a variety of other organisations and **1** from a member of the public. A summary of the issues raised in response to each of the two consultation questions is provided below:

Question 1: Do you agree with the principles of the proposal for future RSG top-slice funding?

8.3 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. Some councils particularly identified that the amount of funding should fall by at least as much as the overall reduction in RSG, and many were keen to be more 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. The six objectives suggested by the LGA were

broadly favoured but, again, councils wanted to be involved in identifying the outcomes to be agreed.

8.4 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. 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, though some wished to defend their status as specified bodies (particularly in respect of the three education and youth charities).

8.5 As noted above, 16 responses (19%) came from the town and parish council sector. Their main concern was that some of the RSG top-slice funding should be allocated to support improvement in their sector, in particular as they expect to play a stronger role in the light of greater decentralisation and the Big Society. Some supported the LGA's 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.

Question 2: Should a sole specified body should be the LGA or LGID?

8.6 Of all responses received, **two-fifths favoured the LGA**, two-fifths said they had no particular views either way, and one-fifth favoured LGID. 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. A couple of respondents specifically mentioned the importance of whichever specified body is chosen following the same openness and transparency rules as councils.

Government Response

8.7 The Government decided to proceed with implementation of the proposals for the future of RSG top-slice funding given that the majority of respondents were in favour. Although most respondents had indicated a preference for the LGA to be the sole-specified body, during the consultation period, the LGA requested that the IDeA be the sole-specified body in 2011-12 and the Government has agreed to that request.

8.8 The main reason for this approach is that the LGA is an unincorporated association, and it was considered more appropriate for IDeA, which is constituted as a company, to receive the grant. However, the LGA plans to become a company limited by guarantee, and the Government intends to consult on specifying the LGA as the sole specified body in place of IDeA as and when their legal status enables them to receive top-slice funding.

8.9 The minority of respondents that were not in favour felt that either there should be no top-slice funding or that it should be directed to various

other organisations. The Government considered these responses, but considers that the local government sector should determine how top-slice funding is used.

9. Guidance

9.1 The Secretary of State does not expect to issue guidance or other forms of publicity.

10. Impact

10.1 The proposal amounts to a relatively minor administrative change; there is no evidence that it will lead to adverse impacts. Nevertheless, the Department will have regard to the way in which the proposals are implemented in practice, and reserve the right to reconsider the impact of the changes, in particular on the opportunities of all social and ethnic groups to achieve their full potential as either members or officers in local authorities.

11. Regulating small business

11.1 The legislation does not apply to small business.

12. Monitoring & review

12.1 The changes will: remove unnecessary prescription; put in place an underpinning architecture that strengthens accountability and transparency; and reduce the level of funding needed to support improvement services for local authorities.

12.2 To provide local government with the means to have more control over their own decisions, no detailed controls on use of grant are being imposed, though the outcomes proposed by the LGA and agreed with the Secretary of State will be subject to review every 12 months as part of the process for consulting on the Local Government Finance Report..

13. Contact

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