

RSG Memorandum of Understanding

Purpose

For discussion and direction.

Summary

At the January Board meeting, members were provided with an update on the then Coalition Government's announcement about RSG top-slice for 2015/16 and beyond, including the possible implications for the LGA and IDeA, and proposed actions in the light of this.

In summary, the Government announced that the IDeA will be provided with revenue support grant totalling £23.4m in 2015/16 but in addition that CLG intended to explore how the budget for improvement services can be opened up to competition from 2016/17. Officers and members are seeking an update on this issue from the new team at DCLG

Since then officials have been working on a Memorandum of Understanding between DCLG and the LGA/IDeA on the RSG allocation for 15/16. The latest version of the MOU is attached as **Appendix A**.

Recommendations

That the IDeA Board notes the latest draft of the MOU and delegates to the Chief Executive in consultation with the Chair of the IDeA Board authority to approve the final version.

Notes that the main change in the business case that was submitted in 2014 is for additional activity to be carried out on digital issues.

Action

As directed by the Board.

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Background

1. On 3 February 2015, the Local Government Finance Report was published and this confirmed that the amount of the grant to be paid to the Improvement and Development Agency for Local Government is £23,382,000 for 2015/16.
2. Discussions have continued to take place with civil servants about the proposed memorandum of understanding setting out the agreement between the Secretary of State for Communities and Local Government and the Local Government Association/IDeA in relation to the payment of and accounting for RSG in 2015/16.
3. In addition, members will recall that at the last meeting they were notified of DCLG's intention to explore how the budget for improvement services can be opened up to competition from 2016/17.

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4. A copy of the latest draft of the MOU is attached at Appendix A. This is a much more detailed MOU than the one that has been in place over the last few years. The following key issues are highlighted for members attention:
 - 4.1 In paragraph 14 of the draft MOU there are a number of areas where DCLG are making clear what RSG cannot be used for, this includes: additional pension contributions; lobbying; property development; supporting commercial services
 - 4.2 The MOU sets out an overall output of helping councils deliver £184m of savings. This is in line with our business case that for every £1 of RSG invested we helped councils deliver a saving of £8.
 - 4.3 The MOU places stricter requirements on reporting to the Secretary of State. The suggestion is that quarterly reports are submitted. This is in line with the performance management framework we already have in place.
 - 4.4 It is proposed that officials from the LGA and DCLG meet monthly and LGA will meet with Ministers quarterly. This is in line with the informal mechanisms that have been in place for some time. Although attempts to meet the relevant Minister towards the end of 2014/15 proved difficult to arrange. The MOU also indicates that DCLG should be invited to the Board responsible for overseeing RSG expenditure as an observer.
 - 4.5 As with the previous MOU, there is a requirement for the LGA and IDeA to abide by the principles of the Transparency Code 2015 and a detailed annex setting out the information that needs to be published.
 - 4.6 There is an expectation, as with the previous MOU, that we will seek to identify at an early stage where serious risks are developing in local authorities and act to mitigate them.

4.7 The content of the outcomes and outputs are largely in line with the business case we had previously submitted. However, at the end of May, DCLG have asked for a number of new requirements around the digital agenda to be included. These are listed under the section Efficiency and productivity in annex A (paras 12 and 14). We are in the process of clarifying these suggestions. In addition, DCLG have requested more detailed financial information against each of the budget lines.

5. Whilst the MOU is much more detailed than previous versions, in reality much of what is now being asked for is already in place and largely being complied with. The revised Transparency Code which has just come into force will require some additional work to ensure we are in full compliance and this work is in hand.

Opening up the budget to competition

6. Following the General Election, the Chairman has raised with the new Secretary of State the need for an early discussion about the budget for improvement work going forward. We will keep the Board fully informed. As stated previously sector-led improvement, as led by the LGA and funded by RSG topslice, is recognised as being very successful - as demonstrated by the independent evaluation of its impact over the last three years. Some of the work is already outsourced. For example, the delivery of our political leadership programmes.

Financial Issues

7. As reported to the January meeting, work was carried out to ensure that improvement services were carrying the right level of overheads from the rest of the LGA. Together with the decision taken to end the back office arrangement with Liberata has resulted in reductions being made to the LGA membership side of the organisation and in addition freeing up some additional resources for the improvement side. The draft MOU sets out a revised budget for the use of RSG in 2015/16. Notable changes include the following additions:

7.1	Support for Councils at risk of or in intervention	£650,000
7.2	Digital and data	£500,000
7.3	Innovation and demand management	£325,000
7.4	Sector led body – audit	£300,000
7.5	Devolution and combined authorities	£250,000
7.6	Communication improvement and peer support	£125,000
7.7	Workforce and Transformation	£200,000