



Charles Coleman
 Department for Communities and Local Government
 2nd Floor, Fry Building
 2 Marsham Street
 London
 SW1P 4DF

13 January 2017

Dear Mr Coleman

Worcestershire County Council response – Provisional 2017/18 local government finance settlement: confirming the offer to councils

Worcestershire County Council welcomes the opportunity to respond to the provisional Local Government Finance Settlement (the settlement) announced on 15 December 2016.

The County Council fully accepts the need for Central Government to make difficult decisions to reduce the size of the national deficit and that Local Government needs to contribute to that aim. This County Council continues to deliver reforms in excess of £30 million for the next two financial years as well as at the same time transforming to become more commercial, agile and focused on place shaping supporting a Worcestershire economy that is now the third fastest growing economy in the country.

Adult Social Care

The County Council welcomes Central Government's acknowledgement of the growing pressure on Adult Social Care (ASC) through the transfer of funding from the New Homes Bonus to create the Adult Social Care Support Grant. However the future of this funding stream is uncertain beyond 2017/18. Investment by Central Government is needed to safeguard some of the most vulnerable people in the community on an ongoing and permanent basis.

Worcestershire has an ageing population, and the rate of increase, consistent with many Shire Counties is one of the fastest in the Country. The latest Mid-Year Estimates for 2014 population figures from the Office for National Statistics show that 22.4% of residents in Worcestershire are aged 65 and over compared to a national average of 17.6%, and 3.0% of residents are aged 85 and over.

The County Council is disappointed that ASC funding continues to be distributed using the 2013/14 ASC Relative Needs Formula (RNF). The current and future cost pressures are more heavily weighted towards age rather than deprivation and the RNF should be updated accordingly and in particular take due account of real cost drivers.

The County Council is concerned that the amount raised by the ASC Precept is included as part of the calculation of how much funding is provided by the Improved Better Care Fund to the County Council. Council Tax levels are subject to debate and decisions on an annual basis made by local councillors. Those areas, which

Simon Geraghty
Leader of the Council

County Hall
 Spetchley Road
 Worcester
 WR5 2NP

Office: 01905 766678
 Mobile: 07789 547589

Home
 35 Fern Road
 Worcester
 WR2 6HJ

Home: 01905 420740

Email: sgeraghty@worcestershire.gov.uk

Electoral Division
 Riverside

have been prepared to pay more to support services, are now being penalised by losing more central support.

Negative Top-Up Adjustment

The County Council continues to express substantial concern with regard to the £0.8 million negative Business Rates Top-Up adjustment in 2019/20. The starting point for the County Council's funding in 2019/20 should exclude this negative Business Rates Top-Up adjustment as previously Central Government had committed that the Business Rates Top-Up would be fixed, indexing upwards only for changes in the Retail Prices Index in order to offer protection to Councils like Worcestershire who have social care responsibilities.

When the Business Rate Retention System was established it was announced that tariffs and top-ups would only change in line with the Retail Price Index. The contradiction of the negative Top-Up adjustment potentially undermines the value in statements on how funding systems will work and the certainty that this can provide for service planning. This then may create the potential need for further reforms in local services with little notice and the potential for the creation of provisions and reserves to cater for unforeseen sudden changes in funding commitments.

Central Government has solved this issue for local authorities affected by negative RSG in 2017/18 and 2018/19. The negative Business Rates Top-Up adjustment should be removed in 2019/20 by adding it back to the local authorities who were notionally allocated it to ensure consistency across all years of this Parliament.

Currently the County Council is funded £7 million less than Central Government's own assessment of the funding the County Council required meeting local need due to the locking in of damping. Central Government's assessment of 'relative need' should be provided to the County Council without dampning. Moving forward, this should be allocated across the Country based on a system of what drives the major areas of cost for local authorities rather than a system based on what authorities are currently spending on services.

The County Council remains committed to work with Government colleagues to support the work to ensure fair and sufficient funding for adult social care services and the ambition of 100% local business rates retention.

Yours sincerely



Simon Geraghty
Leader of the Council



Sean Pearce
Chief Financial Officer

2017/18 Provisional Local Government Finance Settlement - Consultation

Question 1: Do you agree with the methodology of Revenue Support Grant in 2017-18?

No.

The County Council does not agree that the amount raised by Council Tax should be part of the calculation of how much central support is provided to the County Council as reflected in Core Spending Power tables. Whilst taxbase differences should be taken into account, as it has been in previous distribution systems, it is not acceptable that levels of Council Tax should also be part of the calculation.

Council Tax levels are subject to annual debate and decisions made by local councillors. Those areas, which have been prepared to pay more to support services, are now being penalised by losing more central support.

Worcestershire's Revenue Support Grant (RSG) reduces to zero before the end of the Settlement period. The County Council is disappointed that a negative adjustment is still being applied to the Council's Business Rate top-up grant in 2019/20 which recognises reductions that are intended to be made over and above the level of Worcestershire's RSG. This is fundamentally unacceptable and is in stark contrast to the announcements made when the Business Rate Retention System was established saying that tariffs and top-ups would only change in line with the Retail Price Index. This means for Worcestershire that £0.757 million of business rate income collected within Worcestershire is redistributed to other areas of the country.

Question 2: Do you think the Government should consider transitional measures to limit the impact of reforms to the New Homes Bonus?

No.

Given the funding pressures on Adult Social Care the existing proposed transitional measures already provide support for other services.

Question 3: Do you agree with the Government's proposal to fund the New Homes Bonus in 2017-18 with £1.16 billion of funding held back from the settlement, on the basis of the methodology described in paragraph 2.5.8?

No.

The use of a top-slice to fund the New Homes Bonus (NHB) together with its subsequent distribution method results in Worcestershire County Council being adversely affected once more. The reinstatement of the former Department of Communities and Local Government (DCLG) share of NHB funding would help mitigate this situation whilst also protecting District Councils.

Question 4: Do you agree with the proposal to provide £240 million in 2017-18 from additional savings resulting from New Homes Bonus reforms to authorities with adult social care responsibilities allocated using the Relative Needs Formula?

No.

The County Council supports the proposal to use the saving generated through NHB reforms to support adult social care but does not agree that the allocation of the £240 million using the Relative Needs Formula (RNF) is the most appropriate method. The current and future cost pressures are more heavily weighted towards age rather than deprivation and the RNF should be updated accordingly to take account of this and have due regard to cost drivers.

The County Council notes that this grant is for 2017/18 only and is concerned that the NHB funding is reducing over the multi-year settlement period but the grant is only available for one year resulting in an ongoing funding problem. The County Council would like to see this grant made recurrent.

The County Council also recognises that this is not new money but a redistribution of funding already promised to local authorities and therefore it is not a long term solution. The NHB makes up a considerable amount of funding for some local authorities, mainly shire districts. District Councils across Worcestershire have suffered a net reduction of around £1 million in NHB following the reforms.

Question 5: Do you agree with the Government's proposal to hold back £25 million to fund the business rates safety net in 2017-18, on the basis of the methodology described in paragraph 2.8.2?

No.

The design of the Business Rates Retention System meant that levies were designed to cover the cost of safety net payments. In addition the design also meant top-up authorities such as Worcestershire County Council who provide social care were protected from the most severe risks of the business rates volatility and therefore were also excluded from the rewards. Holding back £25 million from the Revenue Support Grant total penalises counties in order to provide support to other types of authorities.

Question 6: Do you agree with the methodology for allocating Transition Grant payments in 2017-18?

The Council does not support the use of this transition grant from one method to another. The proposed methodology should be re-examined and properly consulted upon.

In 2016/17 funding was allocated to authorities depending on Core Spending Power (CSP) which took into account other funding streams such as Council Tax. County Councils tend to be able to raise more income through Council Tax.

When looking at CSP per head of population Worcestershire receives only 72% of the national average. When Council Tax is excluded Worcestershire receives just 45% of the national average.

It would be helpful if DCLG could investigate and provide commentary on these differences in order to support how this position is explained for residents and stakeholders in Worcestershire.

Question 7: Do you agree with the Government's proposed approach in paragraph 2.10.1 of paying £65 million in 2017-18 to the upper quartile of local authorities based on the super-sparsity indicator?

The County Council supports the recognition of higher costs of providing services in rural authorities. However although the Worcestershire area suffers from higher costs of providing services in rural areas there is no recompense for the County Council for these higher costs due to the calculation method. For example a local district council qualifies for this support but Worcestershire County Council receives nothing due to the averaging method used in the calculation. If a district area attracts additional funding due to the rural nature of the area so should the County Council in proportion to that area's budgetary responsibility.

Question 8: Do you have any comments on the impact of the 2017-18 local government finance settlement on those who share a protected characteristic, and on the draft equality statement published alongside this consultation document? Please provide supporting evidence.

The Council does not agree that by moving funding from NHB to the ASC Support Grant that funding is being shifted to areas with high numbers of elderly people. Worcestershire receives just £18.94 per head aged 65 and over from the ASC Support Grant and Improved Better Care Fund compared to the national average figure of £33.90 per head and London of £56.88 per head.
