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Department for Communities and Local Government  
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16<sup>th</sup> January 2018

Dear Mr Palmer

**Worcestershire County Council response – Provisional 2018/19 local government finance settlement**

Worcestershire County Council welcomes the opportunity to respond to the provisional Local Government Finance Settlement (the settlement) announced on 19<sup>th</sup> December 2017.

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 over the next two financial years with reform plans in place for £38m and further recurrent plans of £12m to be developed. At the same time we are transforming to become more commercial, agile and focused on place shaping, supporting a Worcestershire economy that is now one of the fastest growing economies in the country.

Adult Social Care

The County Council is disappointed that the Adult Social Care Support Grant does not continue in 2018/19. Whilst it is acknowledged that there will be a Green Paper on the future of adult social funding in Summer 2018, investment by Central Government is needed now to safeguard some of the most vulnerable people in the community on an ongoing and permanent basis. The financial pressures facing Adult Social Care with regard to demographic increases and increases such as through the National Living Wage cannot be funded alone by raising the Adult Social Care Precept.

The County Council is disappointed that Adult Social Care funding continues to be distributed using the 2013/14 Adult Social Care 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 Adult Social Care 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 have been prepared to pay more to support services, should not risk losing more central support.

#### Negative Top-Up Adjustment (Negative RSG)

The County Council continues to express significant concern with regard to the £0.8 million negative Business Rates Top-Up adjustment in 2019/20 and welcomes the consultation paper to tackle "negative RSG" due in Spring. The starting point for the County Council's funding in 2019/20 should exclude this negative Business Rates Top-Up adjustment.

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.

#### Transition Grant

The County Council is very disappointed that the Transition Grant does not continue in 2018/19 and urge Government to reconsider particularly given the delay in fair funding reforms and business rates changes.

#### Business Rates Pilot

It was disappointing to note Worcestershire was unsuccessful regarding the Business Rates Pilot especially considering the work involved to develop a proposal that was agreed by all seven Worcestershire councils.

The County Council looks forward to working with Government on business rates reforms and strongly supports continued efforts to move towards greater local retention of business rates and fair funding improvements.

Yours sincerely



**Simon Geraghty**

**Sue Alexander**

**Leader of the Council**

**Interim Chief Financial Officer**

**Simon Geraghty**  
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## **2018/19 Provisional Local Government Finance Settlement - Consultation**

### **Question 1: Do you agree with the methodology for allocating Revenue Support Grant in 2018-19?**

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, should not be at risk of losing more central support.

The County Council continues to express considerable 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.

### **Question 2: Do you agree with the Government's proposal to fund the New Homes Bonus in 2018-19 with £900 million from Revenue Support Grant and any additional funding being secured from departmental budgets?**

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 3: Do you agree with the Government's proposed approach of paying £65 million in 2018-19 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

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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 4: Do you agree with the Government's proposal to hold back £35 million to fund the business rates safety net in 2018-19, on the basis of the methodology described in paragraph 2.6.2?**

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 £35 million from the Revenue Support Grant total penalises counties in order to provide support to other types of authorities. We urge Government to reconsider this to ensure counties like ours do not continue to miss out on this funding.

**Question 5: What are your views on the council tax referendum principles proposed by the Government for 2018-19?**

The County Council notes change to the 3% referendum limit.

Council Tax is a local matter and local councillors are best placed to judge local need and set Council Tax rates accordingly without being influenced by Central Government capping or referendum limits.

The County Council, like all upper tier authorities in a two tier system, is unable to raise the Adult Social Care Precept on the whole of the Council Tax bill in the same way that a Unitary Authority does. This is inequitable, and in any case the use of the ASC precept to provide a long term funding solution is not accepted.

The County Council does not consider the Adult Social Care Precept to be a long term solution to the Adult Social Care funding crisis and opposes simply passing on the cost of Adult Social Care to local council taxpayers.

**Question 6: Do you agree with the methodology for calculating the revaluation adjustment to business rates tariff and top-up payments as outlined in paragraphs 3.5.1 to 3.5.6?**

Yes, this method seems reasonable.

Clarification should be provided for the baseline position and the impact of funding for business rates reliefs so individual authorities can understand their financial positions as soon as possible.

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**Question 7: Do you have any comments on the impact of the 2018-19 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.**

No.

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