

Sajid Javid MP  
 Secretary of State for Communities and Local Government  
 Department for Communities and Local Government  
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MultiYearSettlements@communities.gsi.gov.uk

14 October 2016

Dear Mr Javid

### **Multi-Year Settlements and Efficiency Plans**

Worcestershire County Council would like to accept the offer of the four-year funding settlement to 2019/20.

A requirement of this was for the Council to have published an Efficiency Plan online and in compliance with this requirement our plan can be found at [www.worcestershire.gov.uk/efficiencyplan](http://www.worcestershire.gov.uk/efficiencyplan)

The figures for Worcestershire were detailed in the Local Government Finance Settlement 2016/17 on 9<sup>th</sup> February 2016 as follows:

£m	2016-17	2017-18	2018-19	2019-20
Settlement Funding Assessment	94.450	79.144	70.430	62.944
of which:				
Revenue Support Grant	36.347	19.897	9.436	-
Baseline Funding Level	58.104	59.246	60.994	62.944
Tariff/Top-Up	41.082	41.890	43.126	44.505
Tariff/Top-Up adjustment	-	-	-	-0.757
Improved Better Care Fund	-	0.074	6.618	12.717
New Homes Bonus	3.538	3.557	2.235	2.144
Transition Grant	2.517	2.519	-	-

The County Council would like to accept the four-year funding settlement for Revenue Support Grant and Transition Grant.

However, whilst it is not part of the Revenue Support Grant, we have and continue to express substantial concern with regard to the £0.757 million negative proposed Business Rates Top-Up adjustment. The previous Secretary of State removed this adjustment for all authorities impacted by this in 2017/18 and 2019/20 and offered a commitment to resolve the issue in 2019/20 through the work on Business Rates. However, at the time of writing, no detail on how this will be resolved has been provided by DCLG officials.

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

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contradiction of the Top Up adjustment above potentially undermines the value in Government statements on how funding systems will work. This means for Worcestershire that £0.76 million of business rate income collected within Worcestershire is redistributed to other areas of the Country.

The negative Business Rates Top-Up adjustment should be removed by adding it back to the local authorities who were notionally allocated it, and this should not adversely impact the business rates retention system.

Also, in accepting this 4 year deal we are recommending the following key principles to bear in mind in the work of Central Government with regard to the 100% Business Rates Retention consultation and needs distribution:-

- **Fairness.** All local authorities should be given the same powers and their funding should take account of need as a first call against growth in business rates income
- **The Right Responsibilities.** Local Government should have the ability to manage services that contribute to economic growth. This should include new responsibilities around adult education, skills and infrastructure investment
- **Ability to shape eligibility criteria to support local need.** All new responsibilities devolved to local government should come with the ability to shape the criteria which will form part of existing robust local accountability through annual approval of budgets

It would be helpful if clarification could be provided from DCLG with regard to the interaction between the Business Rate 100% system implementation, the needs distribution review and the commitment to honour minimum allocations under the 4 year deal for Revenue Support Grant.

It would also be worthwhile for DCLG to consider the following points to aid future work:-

The 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 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, are now being penalised by losing more central support.

The Council's New Homes Bonus has been spent in recent years on strengthening local infrastructure to support business and residential growth. Whilst recognising that reductions as proposed in a further consultation to reduce these payments, the Council supports the intention to use the savings generated by these changes to support Social Care.

However, the Settlement redistributed this funding in a different way to how it is currently received by all Councils in Worcestershire. As an example, in 2017/18, Worcestershire Councils' New Homes Bonus funding is reduced by £3.8 million. However the proposed Improved Better Care Fund allocation in 2017/18 is just £0.1 million, half of which is funded by New Homes Bonus reallocations. The result is an outflow of funding from Worcestershire of £3.7 million with an equivalent amount of £2.2 million in 2018/19.

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I hope these points are helpful and we look forward to continuing the work with Central Government on these matters.

Kind Regards

A handwritten signature in black ink, appearing to read 'Simon Geraghty', with a horizontal line underneath.

**Simon Geraghty**  
**Leader of the Council**

A handwritten signature in blue ink, appearing to read 'Sean Pearce', with a long horizontal line extending to the right.

**Sean Pearce**  
**Chief Financial Officer**