

## **Preface**

In response to the various FOIs we have received, the Department for Communities and Local Government is publishing relevant correspondence with Surrey County Council and MPs regarding its 2017-18 financial settlement and the prospect of a possible referendum on council tax. The [Written Ministerial Statement](#), below, of 9 February explains the Government's position, which is supported by this correspondence published today.

### **Written Ministerial Statement**

Further to the points raised in the House yesterday on Surrey County Council and local government finance, I would like to take the opportunity to put some facts on the record.

Surrey County Council's budget and council tax is a matter for the council. Surrey's elected councillors voted through their 2017/18 budget on Tuesday 7 February, based on the draft Local Government Finance Settlement. Surrey County Council have been clear that their Budget decision (setting a level of council tax which is not above the referendum threshold) was theirs alone.

As part of the statutory draft Local Government Finance Settlement consultation, the Department for Communities and Local Government discusses local government funding with councils across the country, of all types and all political colours. This happens every year, and necessarily involves councils making direct representations to the Government.

DCLG will publish the final settlement later this month, and the House of Commons will then vote on it. This is entirely transparent, and detailed funding figures for every council are published as part of that process.

Whilst the final settlement has yet to be approved, the Government is not proposing extra funding to Surrey County Council that is not otherwise provided or offered to other councils generally. There is no 'Memorandum of Understanding' between Government and Surrey County Council. In the draft Settlement published in December, Surrey's core spending power is forecast to rise by 1.4 per cent from 2015/16 to 2019/20. We believe this provides a sustainable base on which the council can plan ahead and allocate their £1.7 billion a year budget.

We are, however, conscious of the medium and long-term pressures that all councils face from a growing and aging population. The Government is therefore delivering broader reforms to local government finance – through bespoke Devolution Deals, the integration of health and social

care, a Fairer Funding Review, medium and longer-term reforms to support adult social care, and the move, from 2019/20, to 100 per cent business rates retention across the country. All these reforms have been discussed in recent weeks with Surrey and other councils from across the country as part of the Local Government Finance Settlement process.

The Local Government Finance Bill, that Parliament is at present considering, will legislate to deliver the reforms to business rates. A number of pilots are already taking place from April 2017 in combined authorities and unitary councils across the country. These will take place in Liverpool, Greater Manchester, West Midlands, West of England, Cornwall and Greater London. The Government plans to undertake further pilots in 2018/19, in areas without a devolution deal, including two-tier council areas. The nationwide rollout will then take place across England in 2019/20.

Surrey County Council informed the Government that they wished to become a pilot area. The Secretary of State for Communities and Local Government told them that this was not possible for 2017/18, but said that, subject to due process and meeting the necessary criteria, they could participate in the 2018/19 pilot. All other councils will be free to apply to participate in these pilots, and the Government invites them to do so. The Department for Communities and Local Government has already held discussions about the 2018/19 pilots with several councils and it will be publishing more information shortly.

The Government's wider reforms to local government funding will make councils less dependent on money from Whitehall, ensuring all councils have strong incentives to support local jobs and local firms, and directly benefit from the proceeds of a growing economy.



CLLR DAVID HODGE  
LEADER

Rt Hon Sajid Javid MP  
Department for Communities and Local Government  
2 Marsham Street  
London  
SW1P 4DF

17<sup>th</sup> October 2016

Dear Sajid,

Thank you for your time on Wednesday and for listening to the pressures that councils such as Surrey County Council face.

As I informed you at our meeting, whilst Surrey County Council supports the principle of multi-year funding - to enable longer term planning and investment - it is unable to accept the 4 year financial settlement as it is currently structured.

This has not been an easy decision for the council, nor has it been for me personally. However, after consulting my Cabinet, and Full Council during a detailed discussion on Tuesday 11 October, it is one that we concluded we had to take.

The basic facts of the offer are this: in return for the certainty of a four year deal the Council would have a negative Revenue Support Grant (RSG) of £-17.3 million in 2019/20 and every year thereafter. This means Surrey County Council would be paying £17.3 million RSG to government.

Thus the reality is that by accepting this offer; the government is imposing on Surrey residents a 3% increase (by removing £17.3m annually from our base) in their Surrey County Council tax to fund services in other parts of the country. This is particularly disappointing given that as a result of previous government decisions Surrey residents already pay the highest council tax in the country.

As a point of principle, Members of Surrey County Council rejected this as unacceptable not least because the residents and businesses of Surrey already contribute the highest amount in income taxation to Her Majesty's Exchequer outside of London. Locally raised taxes should be spent on local priorities. This money could, for example, be spent on helping to bridge the adult social care funding gap in Surrey - which is growing by £24 million each year - and is a significant pressure on the council's budget this year.

I would ask you to reconsider this 3% council tax surcharge on Surrey residents which will benefit residents in other areas. This is manifestly unfair and feels at odds with the Prime Minister's aspiration to build a stronger, fairer and brighter future for all. This must include Surrey's residents too.

I have written in similar terms to each of Surrey's 11 Members of Parliament.

Yours sincerely,

**David Hodge**  
Leader of the Council



COUNTY HALL, PENRHYN ROAD, KINGSTON UPON THAMES, SURREY KT1 2DN  
TELEPHONE: [REDACTED] FACSIMILE: [REDACTED]  
EMAIL: [REDACTED]

MSU - Financial settlement - [redacted] MJ  
**THE RT HON ANNE MILTON MP**  
Member of Parliament  
for Guildford



Tel: [redacted]  
Constituency Tel: [redacted]  
Email: [redacted]  
Fax: [redacted]  
Website: [www.annemilton.com](http://www.annemilton.com)

**HOUSE OF COMMONS**

LONDON SW1A 0AA

The Rt Hon Sajid Javid MP  
Secretary of State for Communities and Local Government  
Department for Communities and Local Government  
2 Marsham Street  
London SW1P 4DF

AM/CW

20 October 2016

Dear Saj

I have been contacted somewhat urgently by the leader of Surrey County Council, Cllr David Hodge, about the 4 year financial settlement proposed to councils by the Government. I have enclosed a copy of his letter.

Mr Hodge is concerned by the Revenue Support Grant and the effect this would have on the finances of Surrey County Council and the Council Tax rate in the county.

I would appreciate it if you could respond to Mr Hodge's concerns and would be grateful for your comments on this matter.

The Rt Hon Anne Milton MP  
Member of Parliament  
for Guildford



CLLR DAVID HODGE  
LEADER

Rt Hon Anne Milton  
Member of Parliament for Guildford  
House of Commons  
London  
KT5 9AE

18 October 2016

Dear *Anne*,

As you will know, Surrey County Council, along with other authorities, had to decide, by 14 October, whether to accept the government's offer of a 4 year financial settlement.

The County Council supports the principle of multi-year funding – to enable longer term planning and investment. However, I am disappointed to have to tell you that, despite our strong support for the principle of long term funding settlements, I have informed Sajid that we are unable to accept the 4 year financial settlement as it is currently structured.

This has not been an easy decision for the council, nor has it been for me personally. However, after consulting my Cabinet, my Conservative Group in private on Friday 7 October and finally Full Council during a detailed discussion on Tuesday 11 October, it is one that we concluded we had to take.

The basic facts of the offer are this: in return for the certainty of a four year deal the Council would have a negative Revenue Support Grant (RSG) of £-17.3 million in 2019/20 and every year thereafter. This means Surrey County Council would be paying £17.3 million RSG to government.

Thus the reality is that by accepting this offer; the government is imposing on Surrey residents - your constituents - a 3% increase in their Surrey County Council tax (by removing £17.3m annually from our base) to fund services in other parts of the country. This is particularly disappointing given that as a result of previous government decisions Surrey residents already pay the highest council tax in the country.

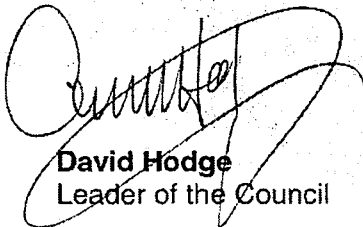
As a point of principle, Members of Surrey County Council rejected this as unacceptable, not least because the residents and businesses of Surrey already contribute the highest amount in income taxation to the National Exchequer outside parts of London. Locally raised taxes should be spent on local priorities. This money could, for example, be spent on helping to bridge the adult social care funding gap in Surrey – which is growing by £24 million each year – and is a significant pressure on the council's budget this year.

I would ask you to use your influence to lobby Sajid to urgently reconsider this 3% council tax surcharge on Surrey residents which will benefit residents in other areas. This is manifestly unfair and feels at odds with the Prime Minister's aspiration to build a stronger, fairer and brighter future for all. This must include Surrey's residents too.

I am deeply concerned that, for the first time, Surrey County Council is facing the genuine prospects of having an unsustainable deficit at the end of the current financial year. As you will appreciate, this is something we are not allowed to do. I am discussing with colleagues the regrettable steps we will have to take to come within budget this year and to develop a balanced, sustainable budget for the following year by February 2017. I will be sharing these with my Cabinet in December.

As the Leader of the largest Conservative Council, I would not want to be in the position of doing something which is not in line with the Government's policy.

Yours sincerely



**David Hodge**  
Leader of the Council



HOUSE OF COMMONS  
LONDON SW1A 0AA

Rt. Hon. Sajid Javid MP  
Secretary of State  
Department for Communities and Local Government  
Fry Building  
2 Marsham Street  
London, SW1P 4DF

27 October 2016

*Dear Secretary of State,*

I am writing to you on behalf of my Councillor David Hodge, the leader of Surrey County Council (SCC).

Councillor Hodge has raised a number of concerns with regards to the proposed four year financial settlement between Surrey County Council and central government. He is particularly concerned that, in return for a four year settlement, SCC would be paying the government £17.3 million every year from April 2019 in Revenue Support Grant payments. This equates to a 3% increase in SCC council tax, which would, in turn, be used to fund services elsewhere in the country.

Given that Surrey residents and businesses contribute the highest levels of income tax outside London, David argues that the proposed settlement is unfair and places SCC at risk of running a budget deficit. I share his concerns and feel the government is not giving Surrey a fair deal. I have written to Philip Hammond in similar terms.

I enclose a copy of the correspondence I have received and would appreciate your comments on the points that he has raised.

I look forward to hearing from you.

*Yours ever,*

*Dominic Raab*



CLLR DAVID HODGE  
LEADER

Mr Dominic Raab  
Member of Parliament for Esher and Walton  
House of Commons  
London  
SW1A 0AA

18 October 2016

Dear *Dominic,*

As you will know, Surrey County Council, along with other authorities, had to decide, by 14 October, whether to accept the government's offer of a 4 year financial settlement.

The County Council supports the principle of multi-year funding – to enable longer term planning and investment. However, I am disappointed to have to tell you that, despite our strong support for the principle of long term funding settlements, I have informed Sajid that we are unable to accept the 4 year financial settlement as it is currently structured.

This has not been an easy decision for the council, nor has it been for me personally. However, after consulting my Cabinet, my Conservative Group in private on Friday 7 October and finally Full Council during a detailed discussion on Tuesday 11 October, it is one that we concluded we had to take.

The basic facts of the offer are this: in return for the certainty of a four year deal the Council would have a negative Revenue Support Grant (RSG) of £-17.3 million in 2019/20 and every year thereafter. This means Surrey County Council would be paying £17.3 million RSG to government.

Thus the reality is that by accepting this offer; the government is imposing on Surrey residents - your constituents - a 3% increase in their Surrey County Council tax (by removing £17.3m annually from our base) to fund services in other parts of the country. This is particularly disappointing given that as a result of previous government decisions Surrey residents already pay the highest council tax in the country.

As a point of principle, Members of Surrey County Council rejected this as unacceptable, not least because the residents and businesses of Surrey already contribute the highest amount in income taxation to the National Exchequer outside parts of London. Locally raised taxes should be spent on local priorities. This money could, for example, be spent on helping to bridge the adult social care funding gap in Surrey – which is growing by £24 million each year – and is a significant pressure on the council's budget this year.



COUNTY HALL, PENRHYN ROAD, KINGSTON UPON THAMES, SURREY KT1 2DN  
TELEPHONE: [REDACTED] FACSIMILE: [REDACTED]  
EMAIL: [REDACTED]

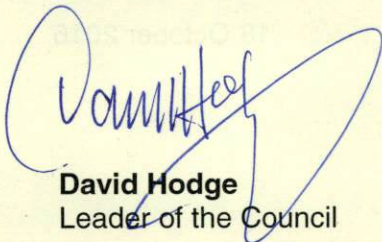


I would ask you to use your influence to lobby Sajid to urgently reconsider this 3% council tax surcharge on Surrey residents which will benefit residents in other areas. This is manifestly unfair and feels at odds with the Prime Minister's aspiration to build a stronger, fairer and brighter future for all. This must include Surrey's residents too.

I am deeply concerned that, for the first time, Surrey County Council is facing the genuine prospects of having an unsustainable deficit at the end of the current financial year. As you will appreciate, this is something we are not allowed to do. I am discussing with colleagues the regrettable steps we will have to take to come within budget this year and to develop a balanced, sustainable budget for the following year by February 2017. I will be sharing these with my Cabinet in December.

As the Leader of the largest Conservative Council, I would not want to be in the position of doing something which is not in line with the Government's policy.

Yours sincerely



**David Hodge**  
Leader of the Council



Department for  
Communities and  
Local Government

**The Rt Hon Sajid Javid MP**  
*Secretary of State for Communities and  
Local Government*

**Department for Communities and Local  
Government**

4th Floor, Fry Building  
2 Marsham Street  
London SW1P 4DF

Tel: [REDACTED]

Fax: [REDACTED]

E-Mail:  
[REDACTED]

Cllr David Hodge  
Leader of Surrey Council  
County Hall  
Penrhyn Road  
Kingston Upon Thames  
Surrey  
KT1 2DN

2 November 2016

D - Duda,

Thank you for your letter of 17 October and for our subsequent meeting on 19 October with Gary Porter about the four-year finance settlement offer. I appreciate the amount of thought and consideration that went into this decision and I know that Surrey is still undertaking an ambitious Public Value Transformation Programme to drive efficiencies across all services and functions.

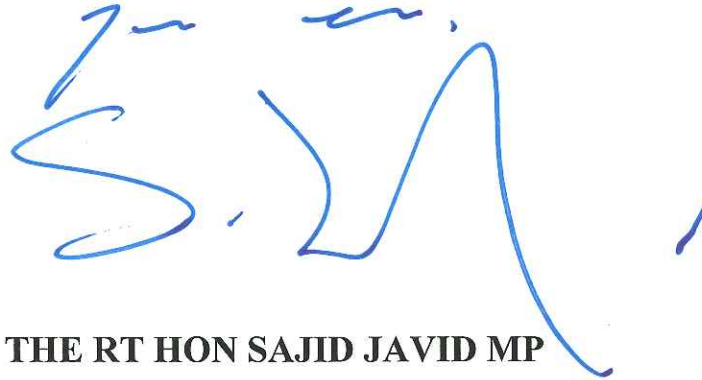
I am disappointed that you have decided not to accept. As we have discussed, the offer was a historic opportunity to provide as much certainty as possible at a time when we are undergoing major reforms to the local government finance system.

97% of councils have applied, and are using the greater security around their settlement to drive longer-term reform programmes to achieve sustainability. However as you have chosen not to accept the offer, you will continue to be subject to the existing annual process for determining the level of central funding that you will receive. Outside of this offer, I cannot guarantee the future levels of funding that will be allocated during each annual settlement.

I fully recognise the pressures on adult social care as does this Government, which is why we are providing up to £3.5 billion for adult social care this Parliament, including £1.5 billion extra for the Better Care Fund by 2019/20. I also appreciate Surrey's particular concerns about the 'negative Revenue Support Grant' element of 2019-20. This is a necessary adjustment to your tariff to reflect your contribution to deficit reduction in that year. Without this, the costs would have to be borne elsewhere. However I would hope that you look for way to bear those costs through other means, such as efficiency savings or increased revenue generation, rather than passing them directly on to local taxpayers.

The multi-year settlement offer is just one part of our overarching aim to ensure councils are self-sufficient by the end of this Parliament. We are only able to achieve this by working with the sector and your input is always helpful. I hope we continue to work closely together through the forthcoming 2017-18 local government finance settlement and the further reforms around 100% business rate retention and the Fair Funding Review.

I am copying this response to Surrey's 11 Members of Parliament to address their concerns too.

A handwritten signature in blue ink, appearing to read 'S. Javid', is written over the printed name. The signature is fluid and cursive, with a large 'S' and a long, sweeping tail.

**THE RT HON SAJID JAVID MP**

CRISPIN BLUNT MP  
Member of Parliament for Reigate

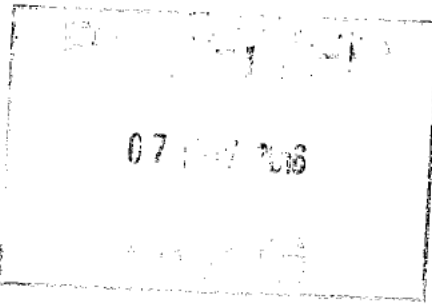
HOUSE OF COMMONS  
LONDON SW1A 0AA

Rt Hon Sajid Javid MP  
Secretary of State for Communities and Local Government  
2 Marsham Street  
London, SW1P 4DF

Our reference: CB/GO

3rd November 2016

*Dear Sajid,*



**Surrey County Council – 4 Year Financial Settlement**

As backbench MPs for Surrey, we are hereby writing to you to appeal against the unacceptable offer by the government of funding for Surrey County Council within the proposed 4 year local authority financial settlement.

We are aware that, whilst agreeing to the principle of multi-year funding to enable longer term planning and investment, David Hodge, Leader of the Council, and the Full Council have advised you that they have been forced to reject the proposed financial settlement, which was due to be agreed by 14<sup>th</sup> October, as it is currently structured.

Our understanding is that the offer would involve a negative Revenue Support Grant of £-17.3million in 2019/20 and each year thereafter, which Surrey would have to pay to government.

Accepting such an offer would mean that Surrey residents would be faced with a 3% increase in their Surrey County Council Tax which would effectively subsidise services in other parts of the country.

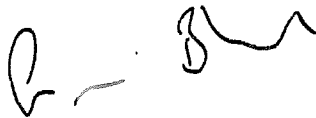
This is particularly unacceptable as Surrey residents already pay one of the highest Council Tax rates in the country. Furthermore, residents and businesses in Surrey contribute the highest amount in income taxation to the national exchequer in the whole of the country, except for some parts of London.

We are concerned that Surrey County Council, without this additional burden, is already facing the prospect of having an unsustainable deficit at the end of the current financial year and will have to make some very hard decisions both address this prospect and to run a sustainable budget in 2017.

We share the County Council's view that local taxations should be spent on local priorities. Money could, for example, be spent to help bridge the adult social care gap in Surrey which is growing by £24 million per year and has already put significant pressure on the Council and local tax payers this year.

We therefore strongly urge you to reconsider this effective 3% Council Tax surcharge on Surrey residents which will benefit residents of areas where they do not live. We believe it is manifestly unfair and at odds with the Prime Minister's aspiration to build a stronger, fairer and brighter future for all.

We would welcome the opportunity to meet with you, along with Cllr David Hodge, to discuss options for a solution. The current proposed position is unsustainable quite apart from unjust to our constituents who already make a vastly disproportionate contribution to the Exchequer.



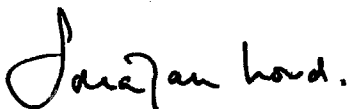
Crispin Blunt



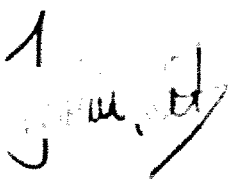
Sir Paul Beresford



Rt Hon Michael Gove



Jonathan Lord



Dominic Raab



Department for  
Communities and  
Local Government

The Rt Hon Anne Milton MP  
Member of Parliament for Guildford  
House of Commons  
London  
SW1A 0AA

**The Rt Hon Sajid Javid MP**  
*Secretary of State for Communities and  
Local Government*

*Department for Communities and Local  
Government*

Fry Building  
2 Marsham Street  
London  
SW1P 4DF

Tel: [REDACTED]

Fax: [REDACTED]

Email: [sajid.javid@communities.gsi.gov.uk](mailto:sajid.javid@communities.gsi.gov.uk)  
[www.gov.uk/dclg](http://www.gov.uk/dclg)

Our Ref: 2799333

4 November 2016

Thank you for your letter of 20 October about Surrey's decision not to accept the four-year finance settlement offer. I hope you will by now have seen the response I sent directly to David, which I have copied to all local MPs. I also wanted to assure you that I have discussed these issues with David directly on a number of occasions and I fully appreciate the consideration that went into this decision.

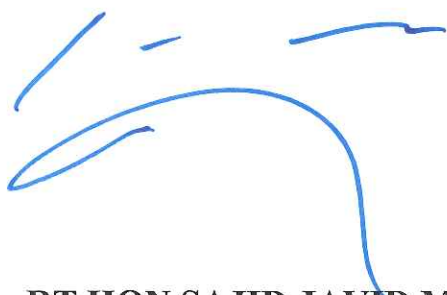
I am of course disappointed that Surrey chose not to accept the offer. The offer was a historic opportunity to provide as much certainty as possible at a time when we are undergoing major reforms to the local government finance system. Indeed, 97% of councils have applied, including Guildford, and are using the greater security around their settlement to drive longer-term reform programmes to achieve sustainability.

As Surrey have chosen not to accept the offer, they will continue to be subject to the existing annual process for determining the level of central funding that they will receive. Outside of this offer, I cannot guarantee the future levels of funding that will be allocated during each annual settlement but these will of course be fully debated in the house.

I appreciate Surrey's particular concerns about the 'negative Revenue Support Grant' element of 2019-20. At present this accounts for an adjustment to their tariff to reflect their contribution to deficit reduction in that year. However, as

noted in Greg Clark's letter of 10 March, 2019-20 may be subject to the implementation of 100% business rates retention. The multi-year settlement offer is just one part of our overarching aim to ensure councils are self-sufficient by the end of this Parliament. There are some significant decisions to be made on how we transition to this new system, therefore we are only able to achieve this by working with the sector and with yourselves.

However I would hope that Surrey look to bear any future costs through other means, such as efficiency savings or increased revenue generation, rather than passing them directly on to local taxpayers. For example I know that Surrey is still undertaking an ambitious Public Value Transformation Programme to drive efficiencies across all services and functions, and I look forward to seeing the results.



**RT HON SAJID JAVID MP**



Department for  
Communities and  
Local Government

Dominic Raab MP  
House of Commons  
London  
SW1A 0AA

The Rt Hon Sajid Javid MP  
*Secretary of State for Communities and  
Local Government*

*Department for Communities and Local  
Government*

Fry Building  
2 Marsham Street  
London  
SW1P 4DF

Tel: [REDACTED]

Fax: [REDACTED]

Email: [REDACTED]

[www.gov.uk/dclg](http://www.gov.uk/dclg)

Our Ref: 2799333

4 November 2016

*D. Dominic*

Thank you for your letter of 27 October to Rt Hon Philip Hammond MP about Surrey's decision not to accept the four-year finance settlement offer. I hope you will by now have seen the response I sent directly to David, which I have copied to all local MPs. I also wanted to assure you that I have discussed these issues with David directly on a number of occasions and I fully appreciate the consideration that went into this decision.

I am of course disappointed that Surrey chose not to accept the offer. The offer was a historic opportunity to provide as much certainty as possible at a time when we are undergoing major reforms to the local government finance system. Indeed, 97% of councils have applied, including Elmbridge, and are using the greater security around their settlement to drive longer-term reform programmes to achieve sustainability.

As Surrey have chosen not to accept the offer, they will continue to be subject to the existing annual process for determining the level of central funding that they will receive. Outside of this offer, I cannot guarantee the future levels of funding that will be allocated during each annual settlement but these will of course be fully debated in the house.

I appreciate Surrey's particular concerns about the 'negative Revenue Support Grant' element of 2019-20. At present this accounts for an adjustment to their tariff to reflect their contribution to deficit reduction in that year. However, as



noted in Greg Clark's letter of 10 March, 2019-20 may be subject to the implementation of 100% business rates retention. It is also not the case that this element would become a permanent part of Surrey's settlement for years to come.

The multi-year settlement offer is therefore just one part of our overarching aim to ensure councils are self-sufficient by the end of this Parliament. There are some significant decisions to be made on how we transition to this new system, therefore we are only able to achieve this by working with the sector and with yourselves.

However I would hope that Surrey look to bear any future costs through other means, such as efficiency savings or increased revenue generation, rather than passing them directly on to local taxpayers. For example I know that Surrey is still undertaking an ambitious Public Value Transformation Programme to drive efficiencies across all services and functions, and I look forward to seeing the results.



**RT HON SAJID JAVID MP**



CLLR DAVID HODGE  
LEADER

The Rt Hon Sajid Javid MP  
Secretary of State for Communities and Local Government  
2 Marsham Street  
London  
SW1P 4DF

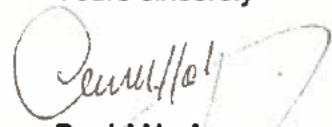
24<sup>th</sup> November 2016

Dear *Sajid*

Thank you for your letter and note received 22<sup>nd</sup> November 2016. I am reassured that you are taking Surrey's financial situation seriously.

I attach a letter I wrote a few days ago to Philip.

Yours sincerely

  
**David Hodge**  
Leader of the Council



CLLR DAVID HODGE  
LEADER

The Rt Hon Philip Hammond  
Member of Parliament for Runnymede and Weybridge  
House of Commons  
London  
SW1A 0AA

21 November 2016

Dear Philip

Thank you for your email of the 8<sup>th</sup> November 2016. I have shared your comments with my Cabinet and like me they were hugely disappointed by what you wrote. It seems clear to us that you simply haven't found time to read properly our detailed report on our financial situation.

#### **"Core Spending Power"**

The key issue is the flawed concept of "core spending power". I know you understand the problems with the four block model so I won't rehearse them or the way they skewed funding before 2010. I will comment on the way a Conservative government has handled local government finances since then and the damage this is doing and will do to SCC's ability to respond to the needs of residents in the County.

The decision to spend over £4 billion of public money on a series of freeze grants has led to significant negative consequences. The freeze took no account of the starting point of different councils nor of the demand pressures they faced on services.

Rather than ensure councils took prudent steps year on year to match increases in the number of people requiring services with the resource available through moderate Council Tax increases, councils were encouraged to freeze Council Tax at levels below what was required and create cliff edges in future funding. The gap was covered in the initial years by national funding (a significant proportion of which would have come from Surrey as one of the few net contributors into HMT). Surrey was one of a small number of councils who took a more responsible view that local services should be paid for locally as far as possible. We raised our Council Tax (and made huge savings on our costs) so that we would be able to maintain services.

So a Conservative government chose to increase the subsidies for services elsewhere in the country by over £4 billion. Then it translated this subsidy into a permanent impact by counting it as part of Core Spending Power.

The failure to raise tax locally to meet increase in service pressures locally is rewarded by the Core Spending Power methodology in so far as the amounts assumed to be raised by Council Tax are counted against the national funding assessed as being required in an area. The most graphic example of this is in the Better Care Fund where Government has

assessed our need as £25 million a year (8<sup>th</sup> highest need in the Country) but we are actually scheduled to receive £1.5 million.

This is unfair, anti Conservative and definitely anti Surrey.

So, Government has already given other councils tens of millions of additional subsidies and then it takes millions from Surrey's assessed need to hand out to others again. For example, Hampshire County Council accepted the Council Tax Freeze Grant and therefore raised £93m less funding locally than would have otherwise been the case, and then received that amount again through the Core Spending Power to ensure a relatively flat cash position. For Essex County Council, this amount was £102m.

Conversely, Surrey County Council opted to raise funds locally to support local services and increase income from Council Tax by £55m over that period, and have now lost more government grant to ensure that SCC has a relatively flat cash position.

Each year since 2010 Conservative Governments have subsidised other councils and taken funding off Surrey as part of doing that.

### **Learning Disability**

I wrote at length to you on 7 November 2016 explaining how £69m that was assessed as Surrey's requirement for Learning Disability and was in our budget when responsibilities were handed to us for very large numbers of NHS clients has effectively disappeared as a result of the methodology used.

The scale of this problem is unique to SCC. The next highest assessed need was less than half of ours and our level of need assessed by Government was 8.5 times higher than the average. It is simply wrong to expect any Council to absorb an impact of this magnitude. Even the Department for Communities and Local Government's figures show that just the impact of inflation would mean the grant being the equivalent of nearly £75m by 2019/20. On top of this demand continues to grow, putting more pressure on a reduced level of funding.

### **Negative RSG**

You have already acknowledged in conversation how difficult it is to explain why Surrey should be expected to raise further Council Tax to fund services in other council areas. The Surrey MPs we've discussed this with have all seen the impossibility of agreeing to this.

### **Adult Social Care Precept**

We've discussed the issues with how this pragmatic concept has been mishandled in its implementation. Rather than make it directly linked to levels of need, as I proposed, the 2% cap makes additional funding available irrespective of need. In Surrey's case as you know this means that less than half the growth in need can be funded by the mechanism that was intended to deal with this. Of course the other mechanism was the Better Care Fund and again as you know we're scheduled to receive nothing for this in the next 2 years and only £1.5m thereafter against a need assessed by government of £25 million a year.

I appreciate that the precept is not a national solution. And that some Leaders are hostile to it. But it is a localist solution and the tool ought to be available for local Leaders and groups to take a view on. However, for that to be effective the cap has to be removed or significantly increased.

### **Reset and business rates retention**

The points above are all part of the reset that's required simply to enable critical services to survive the next 2 years. The longer term solution must lie in a proper rebalancing of local government funding via a proper needs analysis that aligns the changes with volumes of demand with the actual cost to serve in different parts of the country so we get a fairer distribution of pressures.

### **Immediate actions**

I think there are very obvious options for you and/or the Secretary of State CLG to take.

- a) You could identify additional funding for Adult Social Care as part of preventing a crisis in both health and social care. Of course from a Surrey perspective it would be hopeless for you to distribute any such funding on a basis that yet again brings in core spending power. It would have to be distributed on the basis of assessed need alone.
- b) If a) is not an option you need to remove the cap altogether or at the very least set it much higher for the Adult Social Care precept. Currently volumes in Surrey are increasing by just under 7%.
- c) Surrey's challenges on Learning disability are unique in their scale. You could recognise the unique impact of the scale of Learning Disability volumes we are required to serve and reinstate the £69 million adjusted for inflation that the Government's chosen methodology has spirited away. Failing that you allow us to fund fully the Learning Disability pressures through a Council Tax levy which doesn't require a referendum to sanction it.

The power exists for the Secretary of State to give a direction under section 52ZR to disapply the requirement for a referendum for a specific year if it appears to him that otherwise the authority will not be able to discharge its functions in an effective manner or will be unable to meet its financial obligations.

I believe we could win a referendum in Surrey. However, in order to do so we would have to be explicit about where the blame lies for our difficulties. When residents become aware of the sheer scale of funding removed from Surrey since 2010 by Conservative governments and the compensatory increases in Council Tax that have been necessary to close the gap in funding for essential services I believe they will be shocked. I don't believe they think this is why they elected 11 Conservative MPs and 60 Conservative County Councillors, the largest group in the country.

That's why I have offered several pragmatic ways to avoid an all out "Blue on Blue" war over the next five months and beyond. However, if through neglect or lack of prompt actions that's where we end up please remember I've spent months trying to avoid it.

We have now written formally on five occasions to share the depth of the crisis we face. I am still awaiting even a glimmer of support to find a way forward.

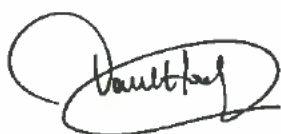
I find it remarkable that the most solid Conservative area in the country is treated in this way. I believe if a solution isn't found quickly it won't remain that solid for much longer.

I intend to write personally to the Prime Minister along similar lines and share with her the materials we've shared with you and other MPs.

I will also share my concerns with the Party Chairman.

As always I'm ready to meet you at any time that works for your diary to discuss how we can find a resolution.

Yours sincerely

A handwritten signature in black ink, appearing to read 'David Hodge', enclosed within a large, loopy circular flourish.

**David Hodge**

Leader of the Council



**Department for  
Communities and  
Local Government**

Crispin Blunt MP  
House of Commons  
London  
SW1A 0AA

*Dear Crispin,*

**Marcus Jones MP**  
*Minister for Local Government*

**Department for Communities and Local  
Government**  
Fry Building  
2 Marsham Street  
London  
SW1P 4DF

Tel: [REDACTED]  
Fax: [REDACTED]  
Email: [REDACTED]

[www.gov.uk/dclg](http://www.gov.uk/dclg)

29 NOV 2016

Our Ref:2869241  
Your ref:CB/GO

Thank you for your letter of 3 November to Rt Hon Sajid Javid MP, about Surrey's decision not to accept the four-year finance settlement offer. I am responding as the Minister responsible for local government finance

I hope you will have seen the response the Rt Hon Sajid Javid MP sent directly to David on 2 November, which I have copied to all local MPs. I also wanted to assure you that the Secretary of State has discussed these issues with David directly on a number of occasions and we fully appreciate the consideration that went into this decision.

We are of course disappointed that Surrey chose not to accept the offer. The offer was a historic opportunity to provide as much certainty as possible at a time when we are undergoing major reforms to the local government finance system. Indeed, 97% of councils have applied, including all the Surrey district council, and are using the greater security around their settlement to drive longer-term reform programmes to achieve sustainability.

I appreciate Surrey's particular concerns about the 'negative Revenue Support Grant' element of 2019-20. At present this accounts for an adjustment to their tariff to reflect their contribution to deficit reduction in that year. However, 2019-20 may be subject to the implementation of 100% business rates retention. It is also not the case that this element would become a permanent part of Surrey's settlement for years to come. The multi-year settlement offer is therefore just one part of our overarching aim to ensure councils are self-sufficient by the end of this Parliament. There are some significant decisions to be made on how we transition to this new system so we cannot say how the system will work post 2019-20 yet. We are only able to achieve this by working with the sector and with yourselves.

However I would hope that Surrey look to bear any future costs through other means, such as efficiency savings or increased revenue generation, rather than passing them directly on to local taxpayers. For example I know that Surrey is still undertaking an ambitious Public Value Transformation Programme to drive efficiencies across all services and functions, and I look forward to seeing the results.

*Yours,*

*Marcus*

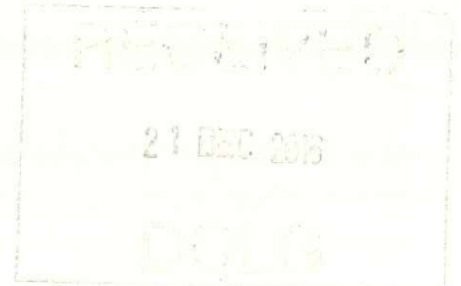
**MARCUS JONES MP**

CC: Sir Paul Beresford MP, Rt Hon Michael Gove MP, Jonathan Lord MP and Dominic Raab MP



CLLR DAVID HODGE  
LEADER

The Rt Hon Sajid Javid MP  
Secretary of State for Communities and Local Government  
Department for Communities and Local Government  
2 Marsham Street  
London  
SW1P 4DF



16 December 2016

Dear *Sajid,*

#### **Provisional Local Government Settlement**

Thank you for listening to the concerns raised by myself, the eleven Surrey MPs and many other local government colleagues about the unprecedented pressures facing those with adult social care responsibilities. The steps announced yesterday do provide some help to councils, in Surrey's case this will amount to £9 million in 2017/18.

You will be fully aware that no serious analysis of the scale of the problem believes that these steps will be sufficient to avert crisis in the health and care system over the winter and into 2017. That is certainly true for Surrey.

I can provide further evidence that demonstrates incontrovertibly that Surrey is still seriously disadvantaged in terms of how the support for adult social care is being distributed. However, at this point I want to focus on Learning Disability. I am aware that there has been a Cabinet level discussion of the concerns I've raised about the funding for patients transferred from the NHS to local authorities in 2011. I understand that there is now a consensus that I have provided a serious and credible argument in support of the special circumstances we face in Surrey.

I appreciate that we have a short meeting scheduled for 9 January 2017 and I want absolute clarity about the purpose of that meeting. I believe that we have provided more than enough evidence of the unique elements of the pressures we face. The Cabinet has had the opportunity to consider our case. It's clear there is no evidence to counter the case I've made. Therefore our discussion on 9 January 2017 needs to focus on the mechanics of how you will respond to this situation. On that basis I believe thirty minutes should be sufficient to agree a sensible way forward.

I believe the table overleaf demonstrates the precise scale of the solution required.



	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Government assessment of funding required for Learning Disabilities and Health Reform	69.0	69.5	70.0	71.4	73.0	74.7
Funding received*	69.0	64.4	50.4	39.6	33.7	28.6
Solution (funding required)	0.0	5.1	19.6	31.8	39.3	46.1

\* In 2014/15 the Learning Disabilities and Health Reform Grant (LDHRG) was rolled into Surrey's Settlement Funding Assessment (SFA). In 2014/15 Surrey's SFA was £236m, but it has been significantly reduced to £172.4m in 2016/17 and it is set to fall to £97.7m by 2019/20. The LDHRG funding received from 2015/16 in the table above has been calculated by applying the proportionate reduction in Surrey's SFA to Surrey's LDHRG from the point that it was transferred into the SFA.

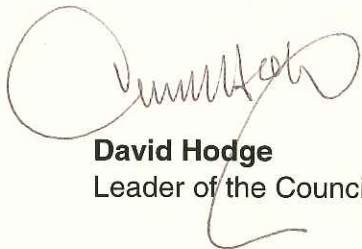
If, however, you still wish to debate the merits of our case then thirty minutes simply isn't enough and 9 January 2017 is far too late to have that conversation.

The timeline for me is straight forward.

On 13 January 2017 the Conservative group in Surrey meets to agree the Budget proposals for 2017/18. A few days later those proposals are published in the January Cabinet papers. Without support on Learning Disability to meet our unique challenges we will have to propose a budget that includes a Council Tax significantly above the referendum limit.

I look forward to agreeing a solution on 9 January 2017. If you need any further information from me or my officers before then, we are ready to respond at any point.

Yours sincerely



**David Hodge**  
Leader of the Council



Department for  
Communities and  
Local Government

Rt Hon Anne Milton MP  
House of Commons  
London  
SW1A0AA

The Rt Hon Sajid Javid MP  
*Secretary of State for Communities and Local  
Government*

*Department for Communities and Local  
Government*

Fry Building  
2 Marsham Street  
London  
SW1P 4DF

Tel: [REDACTED]  
Fax: [REDACTED]  
Email: [REDACTED]

[www.gov.uk/dclg](http://www.gov.uk/dclg)

Our Ref:2962239

20 December 2016

D- Anne,

Thank you for your letter of 22 November to the Rt Hon Philip Hammond MP on behalf of Cllr David Hodge of Surrey County Council.

The methodology for distributing Revenue Support Grant (RSG) was introduced in the 2016/17 local government finance settlement. This methodology takes account of the main resources available to councils and ensures that councils delivering the same set of services receive broadly the same percentage change in 'settlement core funding'. This methodology is an important element for helping local authorities to transition towards the introduction of 100% business rates retention. By the end of this Parliament councils will gain control of an additional £12.5 billion of business rates to spend on local services.

Last week I announced the Provisional Local Government Finance Settlement for 2017/18 which confirmed that Surrey's Core Spending Power per dwelling will remain consistently above the average for shire counties over the course of this Parliament and in 2019-20 will be 18.5% above the average for county councils in England.

As we have discussed in the past I do agree that the needs assessment for local government should be reconsidered. This is why I am so committed to the Fair Funding Review which will set new baseline funding allocations for council under 100% Business Rates Retention. As I said to the House I see this as a unique opportunity for

us to be bold and introduce bottom up change to the way local authorities' needs are measured.

A handwritten signature in blue ink, consisting of several loops and a long tail that ends in a small hook.

**RT HON SAJID JAVID MP**