

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.



Department for
Communities and
Local Government

David Hodge CBE
Surrey County Council
County Hall
Penrhyn Road
Kingston upon Thames
Surrey

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

E-Mail:
[REDACTED]

3 January 2017

Dear David,

Thank you for your letter of 16 December about the Provisional Local Government Settlement and the funding pressures facing local areas with adult social care responsibilities.

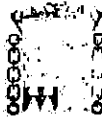
You have presented Surrey's case well and I am sympathetic to the situation you find yourselves in as a result of the changes in funding arrangements introduced in the last few years. I understand from the Department of Health, who are the policy lead on learning difficulties, that Surrey inherited a large cohort of people with learning difficulties and that this has put stress on your finances despite the funding that was transferred.

There is always a period of transition into new funding arrangements as they bed in and as you point out, others are facing similar challenges. But, the autonomy of local government to set their own budgets is entirely right and proper and allows local budget decisions to reflect local priorities and demographics and it is not for central government to intervene in that process.

We can discuss further when we meet on 9th January but 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. I'm sure that you and your officers will want to contribute to this process over the coming months.

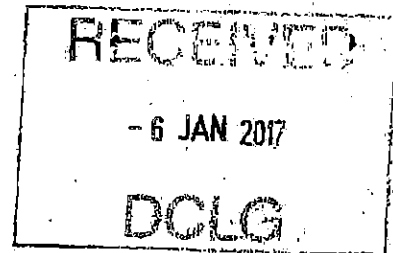
THE RT HON SAJID JAVID MP

DOMINIC RAAB MP
Member of Parliament for Esher & Walton



HOUSE OF COMMONS
LONDON SW1A 0AA

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



4 January 2017

Dear Secretary of State,

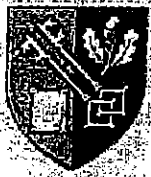
I am writing to you on behalf of Councillor David Hodge, the Leader of Surrey County Council (SCC).

As you will be aware from previous correspondence, Councillor Hodge has a number of concerns around the rising cost of social care incurred by SCC and the provisional funding settlement from central government.

Prior to your meeting with Councillor Hodge on 9 January, I wanted to reiterate to you the acute need for a solution to be found during your discussions, in order to help SCC manage the demand placed on its services by those with social care needs, given the wider financial position of the county and recent changes in the relationship with central government.

Yours

Dominic Raab



CLER DAVID HODGE
LEADER

[By email]

9 January 2016

Dear Sajid

Thank you for our meeting this morning and the courteous and frank approach that you brought to our conversation. As I explained in the meeting, Surrey MPs had asked for an update straight after the meeting and I attach the letter I have sent to them.

I appreciate the work you are leading with the support of the Prime Minister and the Chancellor on a Fair Funding Review and the prospect that we could have a better system in place for 2019-20. However, as we both agree, that is of little use in the here and now where we face a significant crisis.

I do believe there is some seriously muddled thinking in what you and your officers have said to us today and I would like to put on record some of my concerns about this.

Firstly, for the past four months intensively and indeed for several years previously, I have been pointing out serious flaws in the funding approach for Local Government. At no point have our figures been challenged, either by your department or anybody else in Government. In fact, CIPFA have endorsed them and you and others express your sympathy for our position. We cannot run services on sympathy alone. Indeed, you told us today that the flaws we pointed out were precisely the reasons why you are leading a Fair Funding Review to rectify this situation. In that case, why are you so insistent that you have to stick with the implications of an approach that you know is unfair when you see the impact on an outlier like Surrey?

Secondly, we have presented an array of data in various formats, most recently the Learning Disability Grant, that exemplifies how Surrey is the most extreme outlier in terms of impact of changes in a range of areas and I enclose the graphs I shared with you this morning with my letter. Despite the repeated scale of that extremity you refuse to recognise that makes a special case.

As I explained in the meeting, CIPFA have confirmed that the budget gap we faced for 2017-18 was £151 million. We have closed £120 million of that gap but the remaining £31 million is precisely the missing Learning Disability grant. No other council has been impacted to that extent.

Thirdly, Somerset was granted an exception from the referendum limit in response to flooding. It is clear that far more homes and families were affected by flooding in Surrey, as Philip Hammond is well aware. Moreover, our case around Learning Disability is far more of a special case than Somerset's was around flooding. Therefore I am surprised that you seem so reluctant to use the powers you have in such extreme circumstances.



COUNTY HALL, PENRHYN ROAD, KINGSTON UPON THAMES, SURREY KT1 2DN

TELEPHONE: [REDACTED]

EMAIL: [REDACTED]

RECYCLED PAPER

Finally, as you will see from my letter to the MPs, I was genuinely taken aback to hear that eleven Conservative MPs in Surrey are part of the problem, not part of the solution. Goodness knows what residents will make of that when they hear it.

As you know, we have until Friday when I meet with my Group to find a sensible way forward. Failing that, we will see the largest Conservative Group in the country pitted against a Conservative Government and we will be blunt about where we think the blame lies.

Finally, I believe there are real issues of trust here, not least what people believe they are voting for when they vote for Conservative MPs in Surrey but also the comment that the funding table set out when we took responsibility for Learning Disability is no longer valid even though we still have the responsibility. This is deeply disturbing.

I genuinely hope that a solution can be found at this late hour.

Yours sincerely

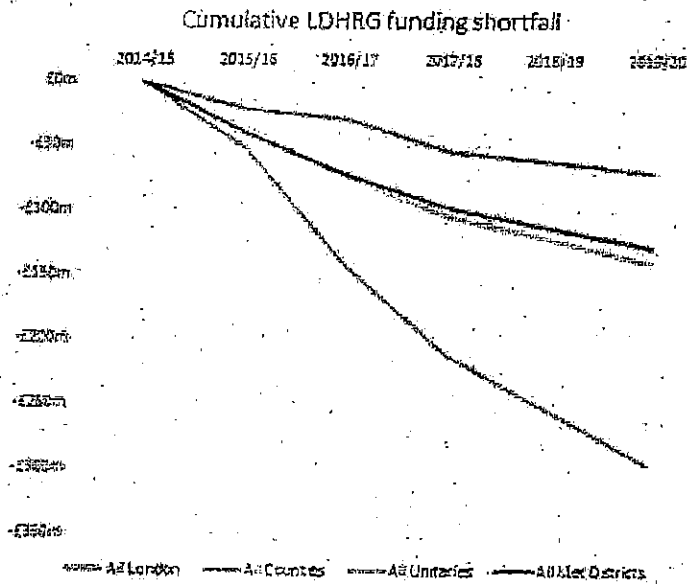


David Hodge CBE
Leader of the Council

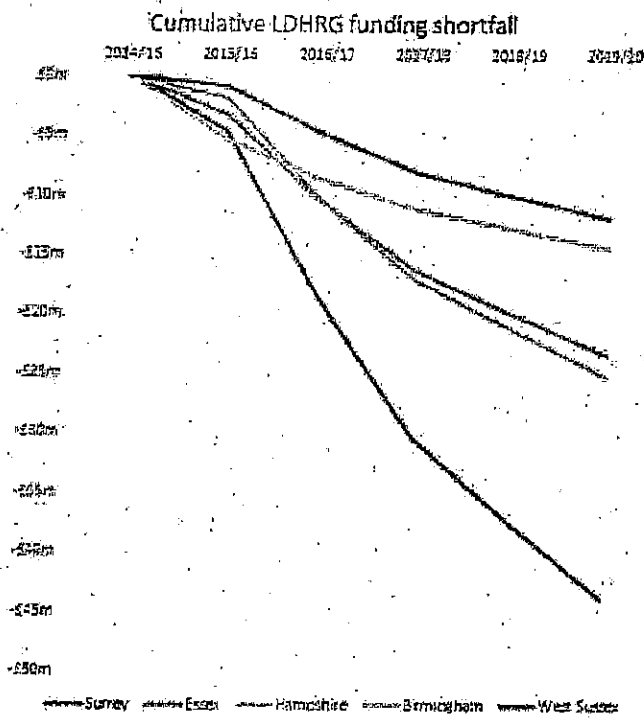
Cc David McNulty, Chief Executive
Sheila Little, Section 151 Officer

Relative loss of Learning Disability funding in Ems

Graph 1. Demonstrates counties losing the most in total



Graph 2. Demonstrates that Surrey loses the most funding nationally



[REDACTED]

From: PSSajidJavid
Sent: 09 January 2017 21:55
To: anne.milton.mp@parliament.uk
Cc: PSSajidJavid; PSAdvisers
Subject: FAO Rt Hon Anne Milton MP – letter to Chancellor and Health Secretary regarding Surrey
Attachments: Letter to Chancellor and Jeremy Hunt_Surrey.pdf

Dear Anne

Please see attached a letter to the Chancellor and Health Secretary that our Secretary of State has asked to bring to your attention following a meeting he had with the leader of Surrey this morning.

Louise



Department for
Communities and
Local Government

Louise Morgan

Principal Private Secretary to the Secretary of State

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

E: [REDACTED]

M: [REDACTED] | **W:** [DCLG](#)



**Department for
Communities and
Local Government**

Rt Hon Philip Hammond MP
Rt Hon Jeremy Hunt 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*
4th Floor, Fry Building
2 Marsham Street
London SW1P 4DF

Email: [REDACTED]

www.gov.uk/dclg

9 January 2017

Dear Chancellor and Jeremy

Funding for Learning Disabilities in Surrey

Today I met David Hodge, leader of Surrey County Council, following his specific request that we should meet to discuss funding for learning disabilities in Surrey. He has argued that his council is particularly disadvantaged by the way that funding for adult social care is distributed, and suggested that because Surrey has a large number of people with learning disabilities, they should receive extra funding on top of the Local Government Settlement to reflect this.

It is true that Surrey has a disproportionately large number of people with learning disabilities, but this is reflected in the County's overall funding settlement, which takes into account the previous separate grants from the NHS which were transferred into the 50% Business Rates Retention scheme in 2013-14. The case rests on the fact that the distribution of specified elements within Revenue Support Grant, such as Learning Disability, are no longer protected as they have been in previous years. It is for local authorities to decide how to fund local priorities from the full range of resources available to them, including council tax and business rates.

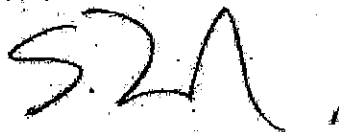
Surrey's argument is that council tax income should not be taken into account in national funding decisions, and that this element of their funding should be protected, and paid as a separate direct grant (£31.8m in 2017/18, rising to £46.1m in 2019/20). David also suggested that if a grant were not forthcoming we should allow Surrey to increase their council tax to a significantly higher level without the need for a referendum.

We have offered allocations to local government through the 4-year settlement, which

was approved by Parliament last February and has since been accepted by 97% of councils and confirmed in the provisional 2017/18 local government finance settlement we published before Christmas. There does not appear to be a good case that we could make to Parliament and the public for treating Surrey differently from other councils, by reopening the settlement at this stage, or allowing them a different council tax referendum limit. We must also be careful not to set a precedent that allows other authorities to argue for the special treatment of the many other services that are no longer separately identified within the settlement.

DCLG has no uncommitted budgets that could be used to provide additional grant funding. If a grant was to be provided, therefore, any extra resources would need to come from the Department of Health, as the policy lead for people with learning disabilities, or from the Treasury. I have made the case to David in writing and in our meeting that the additional resources are not available and that the right place for these issues to be considered is in the round through the Fair Funding Review, which will look at how best to assess councils' relative needs and resources, and which will set local authority baselines for the 100% business rate retention scheme.

Notwithstanding the need to avoid setting a precedent, my officials have been advised by yours that neither of your Departments are in a position to consider an additional grant. If this is not the case, please let me know this week, as it could affect Surrey's local budget and council tax setting decisions, which David will be discussing with council colleagues this Friday.



RT HON SAJID JAVID MP

[REDACTED]

From: Nick King
Sent: 10 January 2017 11:40
To: [REDACTED]; 'dominic.raab.mp@parliament.uk';
'anne.milton.mp@parliament.uk'; [REDACTED];
'crispinbluntmp@parliament.uk'; 'kwasi.kwarteng.mp@parliament.uk';
'michael.gove.mp@parliament.uk'; 'jonathan.lord.mp@parliament.uk'
Cc: 'hammondp@parliament.uk'; 'huntj@parliament.uk';
'chris.grayling.mp@parliament.uk'; 'HARRIS, Rebecca'
Subject: Surrey CC

Dear all,

I am writing on behalf of Sajid Javid, regarding correspondence he has seen from the Leader of Surrey County Council, David Hodge, about a meeting he and David had yesterday.

In that letter, David claims that Sajid told him that having eleven Conservative MPs was 'a disadvantage' for Surrey. He said no such thing. In fact, Sajid simply rejected David's idea that having eleven Conservative MPs within Surrey would somehow make it easier to find additional funding and pointed out that any bespoke financial package put together for Surrey alone could attract increased public and political scrutiny. He referred to the wider need for consistency in our dealings with local authorities.

Should you wish to discuss the wider financial situation within Surrey in more depth, Sajid would be happy to meet with colleagues tomorrow. He has suggested in his office (Room 50, down the stairs behind the Speaker's Chair) straight after PMQs. Attendance is entirely optional, of course, but please do let me know if you intend to come along.

Best wishes,

Nick

Nick King
Special Adviser to The Rt Hon Sajid Javid MP

[REDACTED]

From: Nick King
Sent: 11 January 2017 23:30
To: 'RAAB, Dominic'; 'KWARTENG, Kwasi'; 'crispinbluntmp@parliament.uk'; 'BLUNT, Crispin (2nd Mailbox)'; 'GOVE, Michael'
Cc: PSSajidJavid; Carrie Symonds
Subject: Further information re Surrey CC
Attachments: Surrey Slides2.pptx

All,

Thank you for coming to see Sajid today. I hope you found it as useful as he did.

You asked for some further information on the Fair Funding Review. As you will be aware, we are working closely with local government on this, examining the factors that influence the costs of delivering local services. This will develop a new and updated assessment of the relative needs and resources of authorities and will set new baseline funding allocations for the introduction of 100% business rate retention.

We are sympathetic to many of the issues raised by Surrey and other County Councils. We accept that the current formula is outdated and overly complex, and it is our aim to introduce a more up to date, transparent and fairer formula. We agree that the current use of historic expenditure in the formulae fails to reward efficient councils and is not responsive to changing needs over time, and that we need to take a fresh look at how we take the ability to raise income through council tax into account. And while this Government has already recognised there are additional costs of delivering services in sparsely populated areas through the Rural Services Delivery Grant – which is increasing five-fold this year – we acknowledge that we need to look very carefully at the particular challenges for rural councils such as Surrey.

Taking these facts together, we believe that the Fair Funding Review will deliver the support Surrey needs in the longer term.

You also asked for some comparative figures regarding Surrey's overall financial position. Next year, the county council's headline core spending power will reduce by just 0.1 per cent, the 12th-lowest reduction out of 152 Adult Social Care authorities. Over the course of this Parliament, from 2015/16 to 2019/20, local government as a whole will see an overall flat cash settlement – but in Surrey, core spending power will actually rise by 1.4 per cent. And in 2017/18 the council's Core Spending Power per dwelling will be 19.1 per cent higher than the county council average at £1,653.

Since 2009/10 shire counties have, on average, reduced their discretionary spending by 7.3 per cent. In Surrey it has actually gone up by 12.7 per cent. On top of this, Surrey is one of just a tiny handful of councils not to have accepted our offer of greater certainty over funding in exchange for efficiency plans. 97 per cent of councils have chosen to go down this route, recognising that an ability to plan ahead translates into greater savings.

Just as with national government, all local authorities are continuing to make tough decisions in order to deliver quality services and value for taxpayers. While we recognise that this is not an easy process, we do not believe that the pressures Surrey faces are out of the ordinary and we must remain consistent in our approach, as I am sure you understand.

I have attached the slides that Sajid distributed at the meeting for your records.

Please don't hesitate to reply if you have any further questions or comments.

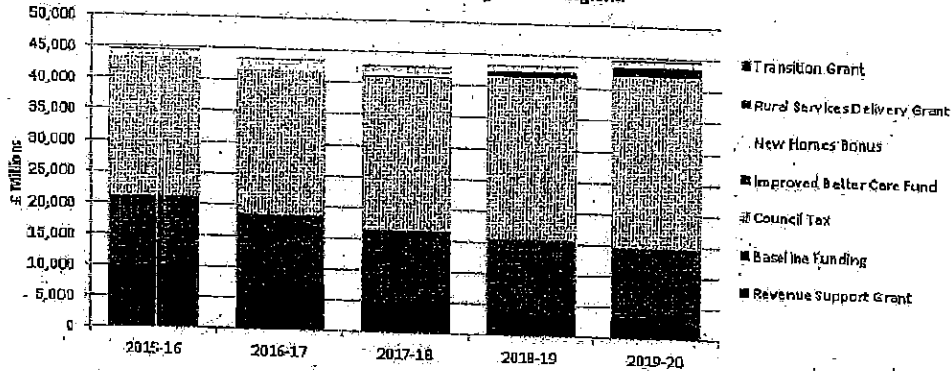
Best wishes,

Nick



England - Core Spending Power

Components of Core Spending Power: England



	Change in CSP between 2015-16 and 2016-17		Change in CSP between 2016-17 and 2017-18		Change in CSP between 2015-16 and 2019-20	
	£m	%	£m	%	£m	%
England	-937	-2.1%	-496	-1.1%	177	0.4%
Unitary Authorities	-191	-2.1%	-115	-1.3%	28	0.3%
Shire Districts	8	0.3%	-134	-5.2%	-257	-9.9%
Shire Counties	-199	-1.5%	-27	-0.2%	445	3.3%
London Boroughs (excludes GLA)	-195	-2.9%	-102	-1.6%	-83	-1.2%
Inner London Boroughs	-90	-3.1%	-55	-2.0%	-74	-2.6%
Outer London Boroughs	-105	-2.7%	-47	-1.2%	-9	-0.2%
Metropolitan Districts	-313	-3.4%	-131	-1.5%	-84	-0.9%

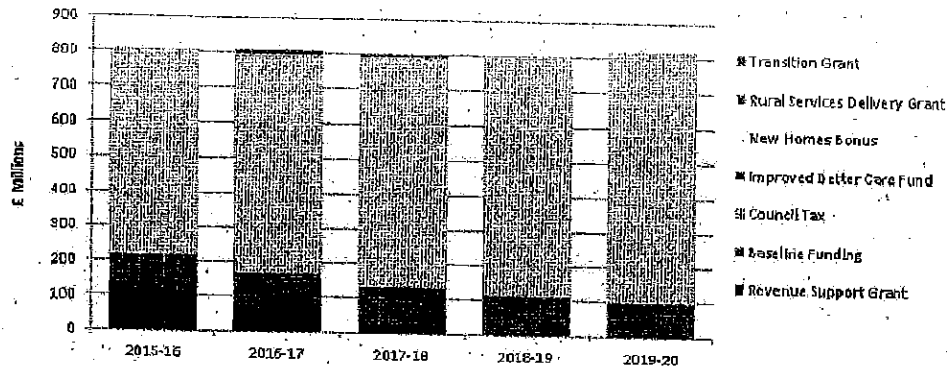
CORE SPENDING POWER TOTAL

	2015-16 £ millions	2016-17 £ millions	2017-18 £ millions	2018-19 £ millions	2019-20 £ millions	Total Change over period £ millions
Settlement Funding Assessment* of which;						
Revenue Support Grant	21,249.9	18,601.5	16,632.4	15,598.8	14,584.3	-6,665.7
Baseline Funding	9,926.8	7,183.9	4,981.8	3,573.3	2,284.0	-7,642.8
Council Tax of which:						
Council Tax Requirement excluding parish precepts (including base growth and levels increasing by CPI)	11,323.2	11,417.5	11,650.6	12,025.5	12,300.3	977.2
additional revenue from referendum principle for social care	22,035.9	23,247.3	24,623.2	26,082.1	27,629.0	5,593.1
Potential additional Council Tax from £5 referendum principle for all Districts	0.0	381.8	23,789.7	24,760.7	25,773.5	3,737.6
Improved Better Care Fund	0.0	0.0	814.2	1,289.6	1,811.5	1,811.5
New Homes Bonus	0.0	7.0	19.4	31.7	44.0	44.0
Rural Services Delivery Grant	0.0	0.0	105.0	825.0	1,500.0	1,500.0
Transition Grant	1,200.0	1,485.0	1,251.9	938.0	900.0	-300.0
The 2017-18 Adult Social Care Support Grant	15.5	80.5	65.0	50.0	65.0	49.5
Core Spending Power	0.0	150.0	150.0	0.0	0.0	0.0
Year on year change (£ millions)	44,501.3	43,564.2	43,068.6	43,493.8	44,678.3	177.0
Year on year change (% change)		-937.1	-495.6	425.2	1,184.5	
Year on year change real terms (% change)		-2.1%	-1.1%	1.0%	2.7%	
*2019-20 Settlement Funding Assessment has been modified to include a provisional tariff or top-up adjustment		-3.4%	-2.6%	-1.1%	0.9%	6.1%

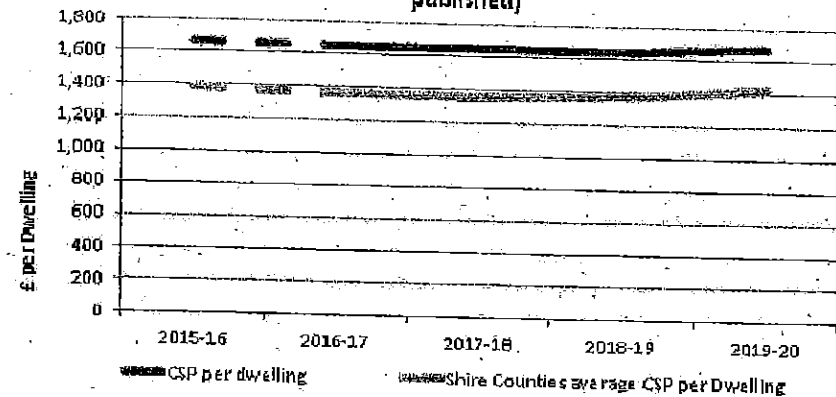


Surrey - Core Spending Power

Components of Core Spending Power: Surrey



Core spending power per dwelling for Surrey (2015-16 not published)



CORE SPENDING POWER TOTAL						
	2015-16	2016-17	2017-18	2018-19	2019-20	Total Change
	£ millions	£ millions	£ millions	£ millions	£ millions	£ millions
Settlement Funding Assessment* of which:						
Revenue Support Grant	220.3	172.4	135.5	115.4	97.7	-122.6
Baseline Funding	115.8	67.1	28.0	4.5	0.0	-115.8
Council Tax of which:						
Council Tax Requirement excluding parish precepts (Including base growth and levels increasing by CPI)	104.5	105.4	107.5	111.0	97.7	-6.8
additional revenue from referendum principle for social care	586.9	617.9	650.6	685.0	721.3	134.5
Potential additional Council Tax from £5 referendum principle for all Districts	0.0	11.9	24.8	38.8	53.9	53.9
Improved Better Care Fund	0.0	0.0	0.0	0.0	0.0	0.0
New Homes Bonus	0.0	0.0	0.0	0.0	1.5	1.5
Rural Services Delivery Grant	5.2	6.2	5.0	3.6	3.5	-1.7
Transition Grant	0.0	0.0	0.0	0.0	0.0	0.0
The 2017-18 Adult Social Care Support Grant	0.0	11.9	12.2	0.0	0.0	0.0
Core Spending Power	0.0	0.0	4.0	0.0	0.0	0.0
Year on year change (£ millions)	812.3	808.4	807.3	804.1	823.9	11.6
Year on year change (% change)		-3.9	-1.2	-3.2	19.9	
Year on year Change Real terms (% change)		-1.8%	-1.6%	-2.5%	0.6%	-5.2%



Cllr DAVID HODGE
LEADER

(By email)

12 January 2017

Dear Sajid,

Over the past 24 hours I have had several people alerting me to the fact that you are now stating that Surrey hasn't got a case and that you and your officials do not accept our figures. I am frankly astonished and very disappointed. I would like to remind you of some key facts.

In our meeting on Monday and indeed on previous occasions you have specifically told us that not only do you believe our case is well made but that it is precisely because of the issues I have been raising for several years that you have established a comprehensive Fair Funding Review. I also recall just over 12 months ago when I asked Greg Clark to look again at the proposals emerging for the provisional local government settlement because of the very negative impact there would be on many counties and particularly Surrey. In several meetings and phone calls I was told my officers and I had got our figures wrong. Then on the very morning of the announcement of the provisional settlement I got a personal call from Greg because I was right and he had to find transitional funding in agreement with the Chancellor to mitigate the impact. Here we go again.

I have been providing detailed figures and analysis for 4 months. Not once in that period have you or your officers queried them and yet now apparently you are claiming our case is not sound.

As you know the Chartered Institute of Public Finance and Accountancy (CIPFA) has been consulted by the Treasury and has developed a financial resilience methodology to test the sustainability of local authorities. I volunteered Surrey County Council to be one of the first to submit themselves to this level of detailed scrutiny. After a week's intensive work the CIPFA team's conclusion was stark: the detailed figures being provided to Cabinet by the officer team (which I've then quoted when writing to you and others) are entirely accurate; because of the severity of the demand pressures in Adult Social Care and Learning Disability coupled with the scale of the loss of grant from government Surrey County Council does not have a sustainable budget. I have no idea what evidence you are using to question the accuracy of my work, my officer team and CIPFA but I'd like to see it and look forward to you sharing the detailed analysis you've based your comments on.

You are rightly putting a lot of faith in the Fair Funding Review as a longer term solution to these problems. My Chief Finance Officer is leading on this work for the Society of County Treasurers and is rightly seen as one of the senior finance leads in the country; this makes it even more surprising that you are seeking to query Surrey's figures when your team use her expertise in a range of ways.



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

RECYCLED PAPER

During our meeting you seemed surprised at the scale of the financial challenge we faced for 2017-18 and the impact that loss of government grant played in that. As CIPFA have confirmed the scale of the problem for 2017-18 began as a gap of £151 million. The loss of government grant for 2017-18 is £148 million.

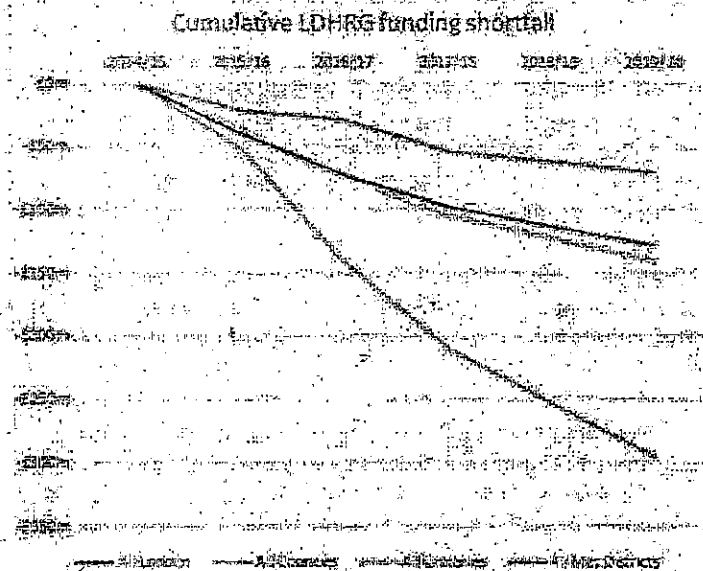
Surrey County Council	
	£m
SFA 2013/14	252
SFA 2017/18	135
SFA reduction	-117
Shortfall in LDHRG funding in SFA against assessed need	-31
Funding pressure	-148

The situation is clear. Through hard work and efficiencies we have absorbed all the demand pressures, which are huge in Surrey, and we've found a further £120 million towards closing the gap on top of over £450 million we've already made since 2010. The remaining gap of £31 million cannot be closed in a sustainable way without devastating cuts to frontline services.

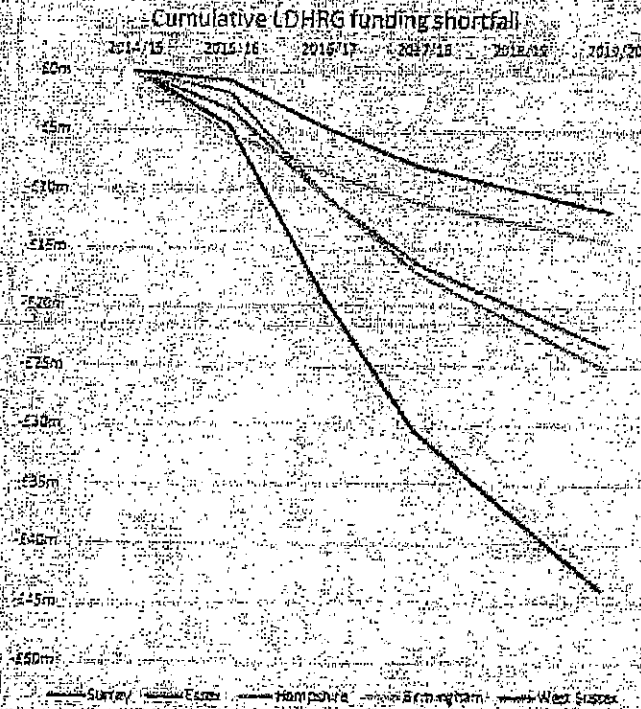
Our focus on Learning Disabilities is for a specific reason. It is a very serious challenge to us and it is an issue where there is no question that the scale of the problem we face is significantly greater than elsewhere. Therefore it is an area for which special provision could be made. Finally, the gap between the funding DCLG originally said was being allocated to Surrey when responsibilities were transferred and what we're actually receiving is £31 million. I include again the two charts we discussed on Monday.

Relative loss of Learning Disability funding in £m

Graph 1. Demonstrates counties losing the most in total



Graph 2: Demonstrates that Surrey loses the most funding nationally



Finally Sajid my request to you is that you think again about the situation you are putting us into and agree a sensible solution with us before it is too late.

Yours sincerely



David Hodge CBE
Leader of the Council

From: PSJo Farrar
To: [REDACTED]
Cc: PSJo Farrar; PSSaidDavid; Nick Burkitt
Subject: Your Meeting
Date: 13 January 2017 07:31:21

Dear Cllr Hodge

At your meeting with the Secretary of State on Monday, you raised the idea of having a different council tax referendum limit from other authorities for next year, and he said we would get back to you about this.

The Secretary of State has the powers to set different referendum principles for different categories of authority each year, and that could include individual ones. However, he would have to justify that publicly, and the House of Commons would need to give its approval as it does to all principles that he sets under the provisions of sections 52ZD and 52ZE of the Local Government Finance Act 1992.

As with all decisions relating to the funding of local government, when setting referendum principles it is incumbent upon him to take into account a wide range of factors, from the macro-economic context to pressures on local government, while balancing the need to support service delivery with the manifesto commitment to work with local government to keep council tax low. Those decisions and the evidence are of course also liable to review by the courts.

Somerset was mentioned as an example of an area where the powers had been used for a particular council, and you raised them in your letter. In this instance, and with the approval of the House of Commons, the Secretary of State made a notional adjustment to the council tax baselines of a number of Somerset authorities in 2016-17 under section 52ZE of the Act. This provided them with a one-off flexibility to increase council tax by an additional 1.25% to pay for flood defence without exceeding the referendum principles. Sedgemoor District Council opted not to use the flexibility in 2016-17 but they intend to do so in 2017-18. It is important to be clear that these authorities have been given limited additional flexibility not because of the extra costs of flooding, but to fund the creation of the Somerset Rivers Authority which was formed to control and manage the flood risk in their area following the wettest winter in 200 years.

I hope this explanation of the powers and their use is helpful.

Jo Farrar

Dr Jo Farrar | Director General Local Government and Public Services | Department for Communities and Local Government
Fry Building, 2 Marsham Street, London, SW1P 4DF [REDACTED]
[REDACTED]



CLLR DAVID HODGE

LEADER

[By email]

13 January 2017

Dear Sajid,

Thank you for calling me yesterday evening. You suggested that I now ask my senior finance colleagues to meet with your senior people and colleagues from Treasury and Health next week. However, you were also very clear that there is still no money available. So I am not clear what the purpose of this meeting would be.

On Monday you were very frank. You said three things: we have made a strong case to which you're very sympathetic; you have no funding to offer; and even if you did you wouldn't give it to Surrey. I understand subsequently you've told some of our MPs that our case isn't strong. Nevertheless even if it were you're still sticking with points 2 and 3 namely you have no money and even if you did you wouldn't give it to Surrey.

So what would be the point of me investing more of my scarce officer resource in such a meeting? I suggest a more sensible way forward would be for you to identify which of our figures is wrong; which of the numerous tables and graphs we've provided over four months is inaccurate. We both know that you won't be able to because we've simply reported the facts of the funding reality we face.

May I point out that you've yet to explain the fundamental point: if the methodology over the past seven years is producing fair and sensible outcomes why do you have to undertake a wholesale review to change it?

I understand that you are suggesting that Surrey isn't an outlier and hasn't lost more than others. I have to say that I hope you've got more to rely on for this than some presentation on "Core Spending Power". We've provided detailed evidence about the flaws in CSP and how these flaws are magnified at the extremes. Your officer team is fully aware of these problems and basically is ready to accept the negative impact on Surrey because the methodology works well enough for councils in the rest of the country. I'm not ready to accept that negative impact for Surrey residents.

I've explained repeatedly how the Chartered Institute of Public Finance and Accountancy (CIPFA) spent a week with unrestricted access to all our spreadsheets, interviews at all levels of the finance teams and at the end of that intensive scrutiny the CIPFA team concluded that the figures being presented to me and my Cabinet were 100% accurate. The criticism they made was that actually in the way those figures were presented we were understating the scale of the problem. Given that degree of rigorous scrutiny and the strength of that conclusion I'm very sceptical that a short meeting with your officers and

Treasury can achieve very much. Nevertheless my Chief Finance Officer is in DCLG yet again on Monday and will set aside additional time for the conversation you've suggested.

The focus of our attention next week will be to finalise the Surrey Cabinet papers for Friday 20 January including the Chief Finance Officer's section 25 robustness assessment. At the same time from Monday onwards my Chief Executive and Chief Finance Officer will be fulfilling their duties to the Council as a whole by briefing the Leaders of the opposition groups on the financial situation and the likely contents of the Cabinet papers that will go into the public domain after Friday. In the light of those briefings and the imminent publication of the Cabinet papers I will be preparing our explanation of this crisis to the residents of Surrey.

I am disappointed that Government colleagues still seem to be in denial about the reality of the scale of the funding that has been removed from Surrey. I'm ready for residents in Surrey to judge for themselves what's happening when we show them the figures. They will see straight away how funding has been removed from Surrey and used elsewhere.

I've been told that I have to understand "it's just politics". I'm afraid I don't understand that political logic and I don't believe residents will.

I will close by confirming that my Group has just overwhelmingly agreed to set a budget with a Council Tax increase of 15%.

Yours sincerely,



David Hodge CBE
Leader of the Council

cc. Surrey MPs

[REDACTED]

From: PSSajidJavid
Sent: 08 March 2017 22:55
To: [REDACTED] Louise Morgan
Subject: FW: Surrey CC Settlement

From: LORD, Jonathan [mailto:jonathan.lord.mp@parliament.uk]
Sent: 26 January 2017 17:16
To: PSSajidJavid; Nick King
Cc: BERESFORD, Paul; BLUNT, Crispin; GOVE, Michael; GRAYLING, Chris; GYIMAH, Sam; HAMMOND, Philip; HUNT, Jeremy; KWARTENG, Kwasi; MILTON, Anne; RAAB, Dominic; Carrie Symonds
Subject: Surrey CC Settlement

Dear Sajid (and Nick),

Thank you for the notes of the meeting you held with MP colleagues about Surrey County Council's financial position. I am also pleased that Paul Beresford and I were able to catch up with you at some length shortly afterwards.

It is very welcome that you are sympathetic to the issues raised by Surrey and that you acknowledge that the Council's main points about the problems with the current funding distribution are essentially correct. Indeed, you confirm you're planning real change of the funding formula for three years' hence and that this important review will take on board these very points.

However, in the meantime you're telling us that we have to accept the impact of this fundamentally flawed construct - the Core Spending Power - on Surrey's residents. This construct does not recognise the difference the starting point makes. As Surrey already has to raise one of the highest proportions of its funding from council tax, the Government's decision to allocate RSG based on core spending power exacerbates this position.

From the figures you provided to us, it is clear that the proportion of council tax within the CSP increases for Surrey from 76% to 87% over the Parliament, while the English average is from 53% to 61%. There is a disproportional impact on Surrey, the gap is getting wider and it is funded by Surrey residents. In the end the CSP becomes a self-fulfilling process; if you start as a low funded council from Government, then you keep getting further punished for it. In turn, therefore, the burden just keeps on getting larger for residents in terms of council tax rises.

Not only is the current funding formula outdated, and overly complex, it also does not recognise that the cost to serve in Surrey is more equivalent to that of London - as can be seen by the rise in housing costs over recent years. Nor does it reflect the difference in demand pressures - most notably for people with Learning Disabilities.

To make matters worse for a county such as Surrey that is facing one of the largest increases in the demand for social care, the distribution of the Improved Better Care Fund (IBCF) on the same basis as the CSP leaves the county with a minute level of funding - far below what the relative need would dictate. Again this is fundamentally unfair when other areas of the country receive far more from IBCF than their relative need.

You mention that Surrey's discretionary spend has risen compared to other shire counties. I don't know the full details on this, but I believe that the main driver for this is almost certainly essential spending on highways. When David Hodge's administration came to power, Surrey's roads were in a really terrible state. A large part

of the problem is that Surrey's roads are some of the most heavily used in the country outside of London and so they need repairing and then full resurfacing much more often than the other shire counties. Like some of the other key demands on Surrey, this is not a fact that is reflected in the funding formula, I don't think. Surrey simply had to invest in recent years to bring our roads back up to an acceptable standard, and this has surely been a wise use of resources, given the impact that the Government and economists say that road infrastructure has on the economy. So - yes - 'discretionary spend' in terms of local government accounting rules; but 'necessary investment' to keep Surrey moving and contributing so much to UK Plc and HMRC would be a fairer and more accurate description.

In summary, in the past six years while Surrey has faced increased demand and cost pressures adding up cumulatively to over £400m per year, it has also had its government funding cut by £170m. Then, in addition, the failure now of the Government to properly fund learning disability effectively makes this a cumulative cut of £200m per year.

Surrey MPs and Surrey County Council are being told by Ministers that Surrey's position is no more difficult than that of other councils. I would dispute that, given the demand and cost pressures falling more heavily on Surrey than elsewhere (combined with the very poor financial settlements that Surrey and a handful of other councils have received from government ever since the Labour Government changed the funding formula to benefit 'its' areas).

What is indisputable, however, is that Surrey has been uniquely penalised over and above any other council in the amount that has been withdrawn from Surrey by Government for the funding of Learning Disabilities. This is an entirely 'new' withdrawal of funds compared to the previous funding arrangements, (which, as I understand it, was effectively a direct needs-based funding settlement to cover the estimated actual costs to the Council of taking on this extremely expensive cohort of people from the NHS and NHS funding).

The sum involved matches very closely the final £31 million that Surrey County Council is currently unable to save without inflicting on residents and vulnerable residents what it regards as completely unacceptable cuts to frontline services.

I understand that you have no additional budget to distribute but I would urge you to play fair(er) with Surrey (and other affected Councils) and:

Either: (a) Reinstate the way that Learning Disability Funding was given to Councils until this settlement round, i.e. strictly 'needs-based'/'costs-based', and making the small consequential adjustments to the overall budget distribution of this provisional settlement so that all Councils are treated the same under this methodology. This would not single out Surrey for special treatment, as it would mean relatively small adjustments for all Councils in order to give fair treatment to those few Councils which have been particularly short-changed by your officials' completely new application of 'core spending power' methodology to this particular budget line.

Or: (b) Reimburse Surrey for the money that it has lost re. Learning Disability Funding over and above the losses of any other Council that has also been impacted adversely by your change in the distribution mechanism for this budget line in this year's local government settlement package. If you have no contingency budget whatsoever and also no other pots of money that you could raid, then this could still be achieved by very small changes to the financial distribution to other Councils.

And/Or: (c) The Improved Better Care Fund could also be distributed on a needs/costs basis rather than a core spending power basis. Like (a), above, this could apply to all Councils without singling out Surrey.

[REDACTED]

From: Nick King
Sent: 30 January 2017 22:00
To: david
Subject: Re: Surrey CC - Cabinet meeting tomorrow at 2pm

To the best of my knowledge, the situation remains as was, David.

All the best,

Nick

From: david [REDACTED]
Date: 30 January 2017 at 20:50:49 GMT
To: Nick King [REDACTED]
Subject: Surrey CC - Cabinet meeting tomorrow at 2pm

Dear Nick

Any sign of movement before the Cabinet meet tomorrow at 2pm.

David Hodge

[REDACTED]

This email has been scanned by the Symantec Email Security.cloud service.
For more information please visit <http://www.symanteccloud.com>



Department for
Communities and
Local Government

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



E-Mail:



30 January 2017

Dear Jonathan,

Thank you for your letter of 26 January about funding for Surrey. As you know, I and others in Government have met with representatives from the council several times over recent weeks to discuss these issues. There are clearly differences of opinion over the way we fund local government but this does not mean I am without sympathy for some of the points that have been raised.

When we came into office there were some tough choices which needed to be made to reduce the deficit. I know councils, including those in Surrey, have worked hard over the past five years to deliver substantial savings while maintaining public satisfaction with local services. However it remains the case that further savings need to be made. Councils account for a quarter of all public spending and they need to continue playing their part.

Local authorities have three principle sources of funding: central government grants, retained business rates and council tax. Surrey's income from these sources has remained steady, and is in fact forecasted to increase between 2013/14 and 2019/20. This is in stark contrast to other areas of the country, for example metropolitan districts on average will see a reduction in income of 17% across the same period. Surrey's funding position also compares favourably to other shire counties which will see an average reduction of 3.4%, counties such as Lancashire and Cumbria will see falls in income of 10.6% and 11.1% respectively.

I appreciate your comments about including council tax increases in the calculation of Core Spending Power. However, Core Spending Power represents the potential income Surrey could have access to over this Parliament. I am firmly of the opinion that this should include the ability to raise income from council tax, including the Adult Social Care precept which is an important element in addressing funding pressures for social

care. But I should clarify that we do not allocate Revenue Support Grant based on Core Spending Power. Allocations of funding through the local government finance settlement ensure that councils delivering the same sets of services receiving broadly the same percentage change in 'settlement core funding' - a narrower measure which includes council tax, retained business rates and revenue support grant - for those services. Settlement core funding only includes a council's 2015-16 Council Tax Requirement, and does not make any assumption about subsequent increases in council tax.

Council tax is a matter for individual local authorities but it is also an important source of income from which to fund local services. As you are aware our manifesto commitment is to keep council tax down and this is why we have made sure to safeguard against excessive increases. The increases which are shown in Core Spending Power are only forecasts of the funding potentially available to councils should they use the additional flexibilities we have provided, and will still mean that council tax bills in England will be lower in 2019/20 than they were in 2010/11. The same principles apply to all social care authorities: the figures you refer to accurately reflect the level of income Surrey is able to generate without requiring a referendum.

You are right that the Improved Better Care Fund does take into account the amount of funding Surrey can raise through the 2% Adult Social Care Precept announced last year. This is because the Improved Better Care Fund is only one element of a £3.5 billion investment package for adult social care. The distribution of the fund was designed to work in conjunction with the Adult Social Care Precept to ensure that every social care authority gets its fair share of the total £3.5 billion package based on the relative needs formula for adult social care. This approach was specifically designed to address concerns when the package was originally announced that local authorities with a low council tax base would be unable to benefit sufficiently from the Precept.

This year I have been able to announce a new Adult Social Care Support Grant for 2017-18, which will be distributed to social care authorities according to their relative need. Surrey is receiving £4.0 million from this. This year we announced a further flexibility for councils to increase the Adult Social Care Precept to 3% if they wish, and we have not taken this additional 1% flexibility into account in Improved Better Care Fund allocations.

As I have discussed with representatives from Surrey, we need to bring the needs assessment, which determines the distribution of funding to local authorities, up to date. That is why we are conducting the Fair Funding Review, an essential element of the reforms around 100% business rates retention. This review is thoroughly examining how to measure the relative needs of each council. I recognise that authorities with responsibility for adult social care are facing unprecedented pressures, and that there are real challenges for county councils given the proportion of elderly people is highest in shire areas. I also acknowledge that Surrey is in a difficult position in having to provide

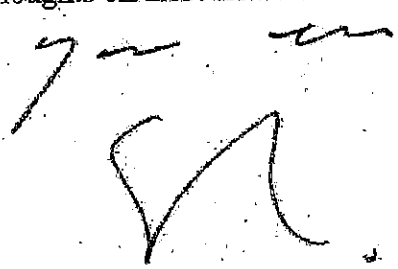
expensive services to an especially large cohort of people with learning disabilities. I have instructed my officials to look carefully at these demographic issues and to ensure that they are properly addressed.

However, it is important to be clear that we have not withdrawn any funding specifically for learning disabilities. Up until 2016-17 the local government finance settlement continued to identify the funding levels for a number of specific grants that had been rolled into the settlement as part of the introduction of 50% business rates retention, including the Learning Disability and Health Reform Grant. From 2016/17 onwards, we have published visible lines which represent notional funding allocations and signal the priority central government places on certain issues. It is up to local councils to determine how to fund their local spending priorities from the wider resources available to them within core spending power.

You mention that Surrey's above average need to spend on road maintenance is not reflected in current settlement allocations; in fact, outside of London, Surrey has the highest area cost adjustment top-up for highways maintenance.

As I have said above, the Fair Funding Review is an appropriate vehicle to carefully consider some of the issues you have raised. It will have a significant impact on the way local services are funded in the future and it is important that we take the time to work closely with all councils to develop a new funding formula.

I sincerely appreciate your thoughts on these issues and I hope my letter has addressed the points you raise.



THE RT HON SAJID JAVID MP

Thank you for your letter. Happy to discuss further. Rt Hon, S.

