

REPORT TO:	CABINET 23rd JANUARY 2017
AGENDA ITEM:	7
SUBJECT:	PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2017/18
LEAD OFFICER:	RICHARD SIMPSON EXECUTIVE DIRECTOR OF RESOURCES(S151 OFFICER)
CABINET MEMBER:	COUNCILLOR TONY NEWMAN, LEADER OF THE COUNCIL COUNCILLOR SIMON HALL, CABINET MEMBER FOR FINANCE AND TREASURY
WARDS:	ALL
CORPORATE PRIORITY/POLICY CONTEXT:	
The Council's budget underpins the resource allocation for all corporate priorities and policies and in particular, the corporate priority for the delivery of value for money for the residents of the borough of Croydon. This report sets out the proposals contained in the Provisional Local Government Finance Settlement for 2017/18.	
FINANCIAL SUMMARY:	
The report details the Provisional Local Government Finance settlement for 2017/18, both nationally and for Croydon. It also details our response to the draft settlement. The proposals would result in a £1.9m reduction in grant income for Croydon compared to our previous assumptions.	
FORWARD PLAN KEY DECISION REFERENCE	
Not a key decision.	

1.0 RECOMMENDATIONS

Cabinet is recommended to:-

- 1.1 Note the Provisional Local Government Finance Settlement and its impact on Croydon
- 1.2 Note the response to the provisional settlement – at appendix 1 to this report.

2.0 EXECUTIVE SUMMARY

- 2.1 This report provides details of the Provisional Local Government Finance Settlement 2017/18 that was announced on Thursday the 15th December 2016 by Sajid Javid, the Secretary of State for Communities and Local Government.
- 2.2 Appendix 1 sets out our formal response to the provisional settlement and Appendix 2 sets out a copy of a letter sent from the Leader of the Council to the Minister.

- 2.3 There were a number of key changes to Local Government Funding contained within the settlement that have had a significant impact both nationally and in Croydon. Cabinet has received reports previously showing the scale of the reductions in funding that the Council is facing and the way that inflation and the growing demand for services from population growth, demographic changes and legislative changes (such as welfare reform) are not being reflected in the funding that Croydon receives. The announcement on 15 December, together with associated announcements around the same time, have exacerbated this position.
- 2.4 In addition, the Government has increased the amount it assumes that councils will collect from residents to fund national adult social care responsibilities through its adult social care precept. It has also assumed a high level of increase for local taxation.
- 2.5 The key change was the transfer of funds nationally from New Homes Bonus to a 'new' Adult Social Care Support Grant. £241.1m was transferred nationally. No new money was being introduced as part of this, rather this is a reallocation between two unringfenced pots of money. For Croydon this saw a net loss of £1.9m for 2017/18 compared to our previous assumptions. This also saw London lose a net £10.6m from the change compared to previous assumptions and one third of councils with social care responsibilities being net losers. Table 1 below sets out the biggest net losers in cash terms from this change nationally.

Table 1: Top 10 greatest funding loses nationally

Local authority	2017-18 ASC grant £m	NHB proposed for 2017-18 £m	NHB revised for 2017-18 £m	Difference £m	Overall £m
Tower Hamlets LBC	1.5	29.0	24.2	-4.8	-3.4
Salford MBC	1.3	11.2	7.5	-3.6	-2.3
Westminster City Council	1.3	13.4	9.9	-3.5	-2.2
Milton Keynes Council	0.9	12.5	9.5	-3.0	-2.1
Islington LBC	1.3	15.5	12.2	-3.3	-2.1
Southwark LBC	1.6	16.7	13.1	-3.6	-2.0
Croydon LBC	1.4	12.0	8.7	-3.3	-1.9
Bristol City Council	2.0	13.8	10.3	-3.5	-1.5
Birmingham	5.6	21.9	15.0	-6.9	-1.3
Medway	1.0	7.6	5.4	-2.2	-1.2

- 2.6 At a national level this change does see a significant transfer of resources to county councils from district councils which is moving funds to where responsibility for social care sits. However in areas such as London the transfer see a net reduction to an area which has responsibility for social care at a time of rising need. At the same time the winners and losers in London does not appear to bear any relationship to where the pressure on the social care system sits.

At the Cabinet meeting on the 10th October 2016 (min A101/16) the Council agreed to accept the four year funding settlement and submitted its efficiency plan accordingly which set out the key principles and programmes that will be delivered to achieve a balanced budget.

- 2.7 The offer of a four year funding settlement made by Government as part of the Spending Review was to help local authorities plan their finances and prepare for the move to a more self-sufficient resource base by 2020. The multiyear settlement was aimed at providing certainty and stability to help local authorities strengthen financial management and efficiency, including maximising value in arrangements with suppliers and making strategic use of reserves in the interests of residents”.
- 2.8 It is incredibly disappointing that the government has changed its plans and moved the goal posts which have resulted in Croydon seeing a further **£1.9m** reduction compared to our previous assumptions at a time when we are seeing a rising demand for services in areas that provide support to our most vulnerable clients. These areas include adult and children’s social care and temporary accommodation.
- 2.9 This reduction in funding will result in the need for a greater level of funding to be raised from local tax payers via council tax and adult social care precept which will mean that there is a greater burden on our local tax payers as we struggle to manage demand within the funding available.

3 NATIONAL AND LOCAL CHANGES

- 3.1 The overall Settlement Funding Assessment for England will fall by 10.6% in 2017/18, the reduction in London is 9.4%. In real terms the reduction will be 25.6% by 2019/20 for England and 23.8% for London.
- 3.2 On the 15th December the Government announced a number of key changes that will impact both nationally and in Croydon as follows:-

3.3 SOCIAL CARE PRECEPT

- 3.3.1 In 2016/17 the Government’s Social Care Precept, collected as part of the Council Tax bills was set at a 2% per annum increase over the four year settlement period, 2016/17 to 2019/20.
- 3.3.2 The terms of this precept have now changed and Local Authorities will be allowed to and expected to increase the Social Care Precept by up to 3% in 2017/18 and 2018/19, but increases cannot exceed 6% over the three year period to 2019/20.
- 3.3.3 These changes to the social care precept rates can be applied in Croydon in 2017/18. The application of an additional 1% increase will generate an additional £1.45m per annum. This is only half of the current forecast demand pressure associated with the service in 2016/17.

3.3.4 If this additional 1% is applied in Croydon it can only be applied in 2017/18 and 2018/19 and we will then be unable to apply any charge associated with this precept in 2019/20 as the 6% cap will have been hit. Therefore whilst this change does provide a little more flexibility in the short term, it is not a long term solution to funding social care needs.

3.4 NEW HOMES BONUS (NHB)

3.4.1 The Government has stated that housing is a priority and NHB was meant to be an incentive for local authorities to generate new housing. The settlement confirmed that the NHB payments are being reduced from six to five years from 2017/18 and four years from 2018/19 onwards, and that there will be the introduction of a 0.4 % base line. This means that local authorities will need to achieve a growth in their tax base of 0.4% before any NHB is awarded. This is effectively a retrospective reduction, as it relates to the Council's housing decisions in previous years.

3.4.2 This change to the NHB will reduce the total allocated to council's by £241.1m next year compared to the indicative figures that were released in February 2016, ahead of Council's signing up to the four year settlement. This money is to be used to fund the Adult Social Care Support Grant detailed in section 3.5 below.

3.4.3 At this stage the Government has retained the option of making adjustments to the baseline in future years in the event of a significant increase in housing growth.

3.4.4 These national changes to the NHB will have a significant impact for Croydon, with a £3.3m reduction in the grant for 2017/18 compared to our expectation based on previous assumptions.

3.4.5 There is an estimated £1m. impact in each of 2018/19 and 2019/20. However, as detailed in 3.4.3, this could be a higher amount

3.5 ADULT SOCIAL CARE SUPPORT GRANT

3.5.1 The settlement announced a new one off Adult Social Care Support grant of £241.1m in 2017/18. With £37.3m being allocated to London. This grant is being funded from savings achieved as a result of changes to the New Homes Bonus, these are detailed further in section 3.4 of this report. This new grant is not as a result of new money being made available.

3.5.2 It is estimated that London will lose £10.6m as a result of this funding 'switch', with 12 London Boroughs gaining slightly and 21 becoming worse off.

3.5.3 Croydon will receive £1.4m in 2017/18 from this newly announced one year only Adult Social Support Grant. This will help us fund a service that is experiencing increasing demands and rising costs in 2017/18 but we are concerned that this is a one year only grant and would welcome a greater level of certainty for the future.

3.6 PUBLIC HEALTH GRANT

- 3.6.1 The 2017/18 grant allocations for 2017/18 were published alongside the settlement. These have not changed since the indicative figures were published as part of last year's settlement.
- 3.6.2 Our Public Health grant for 2017/18 remains as anticipated at £21.9m. This is a reduction of 2.5% from 2016/17 and it will be necessary to ensure that Public Health services are delivered within the funding available, through a combination of staff savings, service efficiencies and contract re negotiations.

3.7 EDUCATION FUNDING

- 3.7.1 As previously reported to Cabinet the Department for Education is currently undertaking a review of schools funding with the view to introducing a national funding formula from April 2018 (delayed from April 2017).
- 3.7.2 The first stage of the consultation was released in March 2016 and the second stage was released one day before the draft settlement on the 14th December 2016. The second stage provides further detail on both the national funding formula for schools and High Needs Funding, with responses to be submitted by 22nd March 2017.
- 3.7.3 Analysis of the information provided to date suggests that financial impact is less severe than previously expected. During the 2017/18 transition the minimum funding guarantee of minus 1.5% per pupil in any year will continue to apply to ensure stability for schools.
- 3.7.4 Indications for Croydon are that our Dedicated Schools Grant (DSG) funding for 2017/18 will increase by £4.6m, with all of this increase being directed to the schools block.
- 3.7.5 The Education Services Grant (ESG) is also changing in 2017/18, with the general duties element ending and the retained duties element being transferred to the schools block of the DSG. To help with this transition there will be transitional funding made available to Local Authorities for the period April to September 2017. For Croydon this is a reduction of £1.4m with no reduction in our responsibilities.

4 CORE SPENDING POWER

- 4.1 The Core Spending Power is the Government's preferred measure for councils' overall funding, even though it does not include all grants and funding streams and makes a number of generic assumptions. The Core Spending Power for Croydon is detailed below in table 2 and sets out the core income elements of the Council's budget. It does not detail the full picture of our financial challenge going forward as it does not show the cost pressures arising from inflation, population change and demographic changes.
- 4.2 The analysis does not show all grants. For example the Public Health Grant is reducing by £0.554m in 2017/18 and a similar amount in future years to 2019/20 but is not included.

- 4.3 Whilst table 2 shows an increase in total core spending power over the period, when calculated on a per head basis it shows that the core spending per head is reducing from £723.77 per person in 2015 to £693.28 in 2020. This is a reduction of £30.49 per person over the five year period.
- 4.4 Table 2 also shows the core spending power in real terms. The funding per head reduces from £723.77 per person in 2015 to £617.36 in 2020. This is a much greater reduction of 15% or £106 per head.
- 4.5 If funding rates were held at the same rate per head from 15/16 to 19/20 then we would receive an additional £12m of funding in 2019/20. If funding was held at the same rate per head in real terms over the period we would an extra £43m in 19/20.

Table 2: Core spending power for Croydon

	2015/16 £m's	2016/17 £m's	2017/18 £m's	2018/19 £m's	2019/20 £m's
Settlement Funding Assessment	132.0	114.6	101.7	94.7	87.8
Council tax	133.4	140.7	147.9	155.5	163.5
Adult Social care council tax precept	0.0	2.8	5.9	9.3	13.2
Improved Better Care Fund	0.0	0.0	0.0	3.1	6.3
Transition Grant	0.0	0.4	0.4	0.0	0.0
The 2017/18 Adult Social Care Support Grant	0.0	0.0	1.4	0.0	0.0
NHB	9.9	11.9	8.7	6.5	6.2
Core Spending Power	275.3	270.4	266.0	269.1	277.0
Population	380,368				399,552
Core funding per Head	£723.77				£693.28
Core spending power real terms		265.5	252.8	246.9	246.7
Core funding per Head - real terms	£723.77				£617.36

5.0 SUMMARY

- 5.1 In summary, the provisional Local Government Finance Settlement for 2017/18 that has seen funding for Croydon reduce by £1.9m more than previously forecast and increased pressures in a number of areas and increased the burden assumed to be borne by council tax payers. This is particularly disappointing given that just three months ago we signed up to the four year settlement that was designed to give certainty and assurance on future funding streams. Attached at appendix 1 and 2 are our formal response to the consultation questions most of which are largely of a technical nature and also a letter from the Leader of the council setting out our concerns with this provisional settlement and the impact this will have on the tax payers of Croydon.

6.0 FINANCIAL CONSIDERATIONS

6.1 This report contains details of the draft 2017/18 Local Government Draft Finance Settlement both nationally at a local level in Croydon.

7.0 COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

7.1 The Acting Solicitor to the Council comments that the Council is under a duty to ensure that the Council sets and maintains a balanced budget. The announcements made in this funding settlement make it even more challenging to deliver our services from a reducing budget.

(Approved by: Jacqueline Harris Baker, Acting Council Solicitor and Monitoring Officer)

8.0 HUMAN RESOURCES IMPACT

8.1 There are no direct Human Resources implications arising from this report. However, the reduction in funding could result in the need to reduce staff costs across the Council, either as a result of posts not being filled or deleted through restructures proposals which could lead to possible vacancies. If this is the case the Council's existing policies and procedures must be observed and HR advice must be sought.

(Approved by: Jason Singh, Head of HR Employee Relations on behalf of the Director of HR)

9 EQUALITIES CONSIDERATIONS

9.1 The Equality Act, 2010, also requires the Council to have due regard to the three aims of the Public Sector Equality Duty (the Equality Duty) in designing policies and planning / delivering services. In reality, this is particularly important when taking decisions on service changes. The three aims of the Equality Duty are to:-

- Eliminate unlawful discrimination, harassment and victimisation;
- Advance equality of opportunity; and
- Foster good community relations between people who share any of the defined Protected Characteristics and those who do not.

The Act lists nine Protected Characteristics as age, disability, race, religion or belief, sex (gender), sexual orientation, gender reassignment, marriage and civil partnership and pregnancy and maternity. However, it is highly unlikely that these "protected characteristics" will all be of relevance in all circumstances.

9.2 Whilst the council must have due regard to the Equality Duty when taking decisions, there is a recognition that local authorities have a legal duty to set a balanced budget and that council resources are being reduced by central government. However, where a decision is likely to result in detrimental impact on any group with a protected characteristic it must be justified objectively. This means that the adverse impact must be explained as part of the formal decision making process and attempts to mitigate the harm need to be explored. If the harm cannot be avoided, the decision maker must balance the detrimental impact against the strength of legitimate public need to pursue the service change to deliver savings.

10.0 ENVIRONMENTAL IMPACT

10.1 There are no direct environmental considerations arising from this report.

11.0 CRIME AND DISORDER REDUCTION IMPACT

11.1 There are no savings which should impact upon this Corporate Priority.

12.0 REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

12.1 The council has a duty to set a balanced budget and this report proves information on the latest funding position ahead of the budget setting report which will be presented to Cabinet and Full Council in February 2017.

**REPORT AUTHOR AND CONTACT: RICHARD SIMPSON,
EXECUTIVE DIRECTOR OF
RESOURCES (S151 OFFICER)**

Background documents: none

**Appendices: Response to LG Finance Settlement (*Appendix 1*) & letter to RT
Hon Sajid Javid MP (*Appendix 2*)**

Response to the Provisional Local Government Finance Settlement 2017/18 – London Borough of Croydon

1. The London Borough of Croydon welcomes the opportunity to comment on the Government's consultation on the provisional Local Government Finance Settlement (LGFS) 2017-18.

We are particularly disappointed that no new funding has been provided by Government to address the funding pressures local government is facing. In particular, London is facing a cumulative funding gap in adult social care of £800 million over the Spending Review period, and increased flexibility to raise Council Tax to fund social care in the next two years is a short term measure that does nothing to address the overall problem by 2020: even if all boroughs fully utilised the new social care precept flexibility, the money available for adult social care would only increase by around 1% over the next three years – at a time when London's population of older people will rise by more than 6% and when overall spending power for councils is showing real terms decline.

2. As well as the adult social care funding crisis, we are facing equally significant pressures in children's social care and a rapidly growing crisis in temporary accommodation, during a time of rapid population growth and increased demand on services due to demographic changes and welfare reform. The provisional settlement does little to alleviate these pressures.
3. This response outlines a number of concerns that the London Borough of Croydon has regarding the provisional settlement including the:
 - timing of the settlement;
 - the inadequacy of funding for adult social care;
 - cuts to New Homes Bonus when London is facing a housing crisis;
4. This response sets out our general comments about the settlement followed by direct replies to the questions posed in The Provisional 2017-18 local government finance settlement: confirming the offer to councils.

Timing of the Settlement

5. We would again like to raise concerns about the timing of the local government finance settlement. For the last five years the settlement has been delivered at the latest possible date before the Parliamentary recess. While this may be helpful for central government, it does little to provide local authorities with the level of certainty and funding assurance needed when formulating their budgets, and setting Council Tax levels, for the following financial year. It is imperative that local authorities have confirmation of funding allocations as early as possible so that robust plans can be formulated and implemented. This is particularly important at a time of rapidly reducing resources. Councils typically begin preparations for the financial year during the preceding summer.

While much of this preparation can be undertaken based on information from previous years and the multi-year agreements, final budget setting cannot be completed until the final figures are received from central government. This is particularly so given that the settlement typically contains a number of significant surprises that need to be taken into account, for example the cuts to New Homes Bonus in 2017-18. We are particularly concerned that the specific conditions of the additional social care precept flexibility scheme have not been set out alongside the settlement.

6. We welcome the return to the process of holding a technical consultation this year prior to the provisional settlement (although it would have been helpful had this been held earlier in the year than September/October); however, in future we ask that the provisional settlement is announced by no later than the end of November each year.

Adult social care funding

Inadequate funding

7. Given the extremely tough financial context for local government, it is hugely disappointing that the Government has found no new money for adult social care, and even more frustrating that it has chosen to present this as finding an additional £900 million to address social care pressures.
8. While the increased flexibility to raise funding through the social care precept, and front load it, is some recognition by Government of the urgent need to tackle the immediate and significant pressures facing social care, it clearly does not go far enough. Given the weight of cross-party and cross-sector consensus on the issue of funding for adult social care, we support the call for an urgent national review of adult social care funding.

Adult Social Care Support Grant

9. We are disappointed that the £241 million being moved from New Homes Bonus (NHB) to fund the one-off Adult Social Care Support Grant in 2017-18 has been presented by the Government as new funding, and as a solution to the social care funding crisis. The switch will see the London Borough of Croydon lose overall by at least £1.9 million compared with the illustrative NHB funding allocations for 2017-18 set out in last year's settlement. It is illogical that a funding grant designed to benefit social care authorities will have the perverse impact of reducing the amount of funding available for social care for many of those authorities. Indeed, the LGA has provided data showing that one in three authorities who provide adult social care services are net losers. The changing of the formula for NHB is effectively retrospective legislation, as the housing was built at a time when the six year period was in place. This move will also see money designed to incentivise new homes taken away from councils at a time when the Government has made boosting housebuilding a clear priority.

10. From an administrative perspective, the decision to fund a contribution to addressing the ASC crisis by dampening a funding mechanism designed to help address the housing crisis illustrates the problem with this short term piecemeal approach to finance policy - as it is effectively a decision to top slice a top slice (the NHB is being top sliced to fund ASC, but is itself majority funded by a top slice of RSG). Given that spending patterns suggest that much of RSG is spent on ASC anyway, it is reasonable to question the efficiency of the system that has emerged. The overall quantum of money available to local government is being reduced overall, at a time of increased population and demand pressures and this transfer from one distribution mechanism to another, and then a further transfer again to meet the use that it was likely to have been spent on originally. This is clearly not an efficient or transparent way to allocate funds.

Reforms to the New Homes Bonus

11. The London Borough of Croydon are disappointed that the overall funding for NHB is being cut by reducing the number of years funding is awarded from 6 to 5 (in 2017-18) and then to 4 from 2018-19, and reducing the annual amounts awarded from 2017-18 onwards. We are also disappointed that Government's contribution to the overall funding for NHB has fallen from £210 million in 2016-17 to just £93 million – meaning more is required to be top-sliced from RSG. The cuts to NHB are a direct result of insufficient funding in the Spending Review to address the funding pressures facing local government in adult social care – with savings being used to fund the “improved” Better Care Fund and ASC Support Grant (in 2017-18). Had sufficient funding been found within SR15, savings from this valuable and important funding stream would not be required.
12. London is facing a housing crisis with 280,000 new homes needed by 2021 to keep pace with the anticipated increase in population. London boroughs face unique challenges to deliver the necessary housing growth required in the capital, including a lack of suitable sites, high land values and affordability issues. With such extreme pressure on housing supply, London Councils believes the incentive to increase house building will be significantly diminished by the lower financial reward from the New Home Bonus. Furthermore, the Government has provided no evidence that it has assessed the potentially negative impact of these proposals.
13. It is also disappointing that the sector had to wait until late December for the Government's response to a consultation that closed mid-March. Increasing the deadweight threshold for tax base growth from the previously preferred option of 0.25% to 0.4% is a significant new change that will impact the amount of NHB London boroughs were expecting in 2017-18 at short notice. London Councils disagrees with the Government's contention that introducing reforms from 2017-18 gives local authorities sufficient time to deal with the changes to funding, because the lead in time for housing development projects is much greater than the present financial year. There are significant risks this will impact negatively on planned developments. Reducing the length of risk destabilising existing investment and medium term financial plans, which will

already have NHB funding allocations locked in based on the 6 year time period.

14. We strongly disagree with the Government's plans to consider withholding or reducing NHB payments related to homes that are built following an appeal. This risks incentivising the approval of permissions for poor quality and or inappropriate residential development, as rejecting residential applications would carry a financial risk associated with losses on appeal. Given that the planning process is quasi-judicial, and given the complexity of the issues involved, this proposal risks undermining the operation of the planning system. It is also worth noting that any reduction in NHB payments with a time lag between the appeal outcome and any adjustment to payments will only add to uncertainty and obstruct long-term planning that is needed to enable delivery of housing.

Consultation Questions

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

15. We agree that the basis is consistent with 2016-17. It seems sensible that central funding should be allocated in a way that ensures councils delivering the same set of services receive the same percentage change in Settlement Core Funding for those sets of services. However, we remain concerned at the failure to make any adjustments for changing circumstances of councils, even the basic and simple to calculate and justify one of population growth. In addition, we would once again raise the issue of the shift of need from Inner London to some Outer London boroughs such as Croydon, which we have previously raised. The fact that Croydon has received some one-off funding for, for example, homelessness-related matters, shows the extent of growing need in the borough.

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

16. Notwithstanding the fact that we disagree with the reduction in funding for New Homes Bonus, if the Government does decide to proceed with these measures, we believe it should consider transitional arrangements to mitigate their impact on local authorities. We have planned on the basis that NHB payments would continue for six years, so any reduction in this will introduce instability and impact on our future medium term financial plans. The proposed changes will lead to a significant reduction in funding allocations for Croydon and thus undermine delivery plans. It will be important to ensure any significant changes are smoothed to enable boroughs to manage change.

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

17. Regarding the returning of any surplus to authorities, we would argue that any top-slice or “holdback” should be returned to authorities in proportion to that by which it was deducted in the first place. The Government has not clarified how it will redistribute the NHB surplus and we urge it to do so in the final settlement.

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

18. As set out in paragraph 11, the London Borough of Croydon believes the Government should have ensured there was enough funding in Spending Review 2015 for local government to deliver adult social care and to the NHS in terms of health provision which is now impacting on adult social care costs, and given the evidence of the funding shortfall as a result of not doing so, Government should have found new money to address social care funding pressures rather than reallocated existing NHB funding and pushed the burden onto Council Tax payers. As such, we disagree with the general proposal. This results in less money for Croydon an authority with significant pressure on adult social care rather than more.
19. We have particular concerns about the accuracy of the needs assessment within the ASC Relative Needs Formula, data for which has not been updated since 2013-14 and some of which still uses data from the 2001 Census.

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

20. We disagree with the safety net hold back. This penalises local authorities through no fault of their own because of the complex system the Government has established. Since 2013 the Government has top-sliced £275 million to fund the safety net because of lower than expected business rates growth. The overriding factor behind this is the effect of outstanding and future rating appeals. Local authorities should not be financially penalised, via what is effectively a cut to RSG, for the increase in the safety net holdback because not enough assurance has been built into the system around the effect of appeals – which are entirely outside the control of local government.

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

21. We cannot agree without further information. There is still insufficient information or exemplification of how this has been calculated.

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

22. We disagree with the additional funding in the settlement for rural areas, which is effectively being topsliced from RSG – funding that would have benefited all authorities – to benefit only some in rural areas. This funding stream raises questions about the funding of urban areas, particularly as historic funding has failed to reflect fully the pressures on London, most notably in terms of its underestimated population and the failure to properly recognise the impact of daytime visitors.
23. We believe that if the Government is minded to further recognise some of the financial pressure on rural authorities, it is not unreasonable to expect further consideration to be given to the unique pressures faced by urban authorities, and particularly those that pertain in London and, in particular, our borough.

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

24. We disagree with the statement within the Equality Statement that “The impact of this re-cycling of funding [NHB funding] could be expected to provide additional funding for areas with higher social care needs which we might expect will include areas with greater numbers of elderly or disabled residents”. As set out in paragraph 22, it is clear that the switch from NHB to ASC support grant will mean a number of boroughs have less funding than they would have previously. The new ASC support grant - designed to benefit social care authorities - will have the perverse impact of reducing the amount of funding available for social care for many of those authorities. This will clearly not benefit the elderly or disabled residents in these affected areas.

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

Date: 9 January 2017

Dear

Sajid

I wanted to write in reply to your statement to Parliament, made on 15 December 2016, regarding the provisional local government finance settlement 2017/18.

I wanted to raise my deep concern about the settlement for Croydon, which is among the 10 worst local authorities in the country in cash terms as a result of the changes you are proposing in this provisional settlement.

As you'll know, as a result of the changes proposed to the New Homes Bonus Scheme and the introduction of the adult social care support grant, Croydon will see a £1.9m net loss in grant in comparison to the assumptions set out in the four year settlement, which will impact hard on Croydon residents. This is within the context of the council already having made savings in excess of £100m since 2010.

Even by the calculations of your government's published core spending calculator, and assuming councils will recover maximum council tax and social care precept, there will be real term reductions in council spending. And this is at the same time as Croydon experiencing unprecedented population growth and service demand.

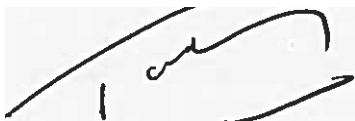
This unsustainable cut to funding comes at a time of significant need for adult social care. Your Government continues to underfund social care and this continues to gravely impact some of the most vulnerable and in-need citizens in the country.

And although we welcome the flexibility brought by the social care precept on council tax, it is clear that taking money from a housing pot to fund social care is not a competent, fair or long-term plan. The Government needs to properly fund adult social care, and not 'rob Peter to pay Paul'.

In October 2016 the council signed up to a four year efficiency plan, which set out our strategy for delivering £45m of savings by 2020, whilst continuing to deliver excellent frontline services and further investment in the borough. This £1.9m funding cut serves to diminish our efforts and to provide yet again more uncertainty in our financial planning. And importantly by undermining our four year plan that you only recently encouraged us to make, you have now weakened the good faith and trust in the relationship between the council and the government.

I would like to ask you to personally meet with the council so we can set out Croydon's case for an improved settlement. I have asked the three Croydon MPs to support us in demanding change and ensuring a fairer deal in Croydon residents.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Tony Newman', written over a light grey rectangular background.

Councillor Tony Newman
Leader of Council

CC:
Councillor Simon Hall, Cabinet Member for Finance
Gavin Barwell MP
Steve Reed MP
Chris Philp MP