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 <u>Written Ministerial Statement</u>, 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 eview, 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 ngland, 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 ngland 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 obs and local firms, and directly benefit from the proceeds of a growing economy.

From:

Sophic Broadfield "Sheila Little BUS

Ta: Cc:

Subjects

RE: Pliats

Date:

02 February 2017 19:10:00 .

Attachments:

image001.png image002.png

Yes, they'd need to be reflected in the final settlement. Our analysts are already reworking just in case

Sophie Broadfield

Deputy Director, Local Government Finance Reform

From: Sheila Little BUS [mailto:sheila.little@surreycc.gov.uk]

Sent: 02 February 2017 19:10

To: Sophie Broadfield

Cc: [

Subject; RE: Pilots

Sophie,

A quick thought - if this works out tomorrow, can we expect to see the numbers we have been discussing reflected in the Final Settlement when it comes out?

Copied in case you've left for the evening.

Sheila Little | Director of Finance for Orbis and Surrey County Council

Telephone:

Email: sheila little

east sussex



East Sussex and Surrey County Councils working in partnership

Finance is committed to providing a professional and high quality service. Please provide us with your feedback.

From: Sophle Broadfield (

Sent: 02 February 2017 11:45

To: Sheila Little BUS -

<u>Pcommunities.gsi.gov.uk</u>>

Subject: RE: Pilots

Thank you.

I've fed the ideas up to our special advisers who I understand are speaking to David Hodge later?

From: Sheila Little BUS [mailto Sent: 02 February 2017 11:22 Tq: Soppie Broadfield

Subject: RE: Pilots

Sophie,

As discussed.....

If Mark wants to talk to my technical guy this morning please call Nick Carroll on: 07971,664301.

Speak later

First calculations for NNDR as Derived from Settlement – i.e. what DCLG expects LAs to collect

2017/18			 Settlement
•	Settlement		NNDR -
	total NNDR	Current tariff	tariff
v .	£m	£m	£m
Elmbridge	60.3	-21,9	38.4
Epsom and Ewell	24.4	-8.4	16.0
Guildford	82.4	-30.2	52.2
Mole ∨alley	41.6	-15.5	26.2
Reigate and Banstead	51.6	-18,4	33 .2
Runnymede	51.2	-18.8	32.5
Spelthome	42.0	-15.0	27.0
Surrey Heath	33.5	-11.9	21.5
Tandridge	21.4	-7.2	14.2
Waverley	38.5	-13.5	25.0
Woking	43.2	-15.3	27.9
Surrey D&B total	490.1	-176.1	313.9
Surrey		58.6	58.6
Surrey area total	490.1	-117,6	372.5

... and based on the NNDR estimates for 2017/18 we have received so far (red figures are for 2016/17)

2017/18	- *		Settlement
	Settlement		NNDR -
• •	total NNDR	Current tariff	tariff
·	£m	£m	£m
Elmbri dg e	60.3	-21.9	38.4
Epsom and Ewell	24.4	-8.4	16.0
Guildford	82.4	-30.2	52.2
Mole Valley	41.6	-15.5	26.2
Reigate and Banstead	51.6	-18.4	33.2
Runnymede	51.2	-18.8	32,5
Spelthome	42.0	15.0	27.0
Surrey Heath	33.5	-11,9	21.5
Tandridge	21.4	-7.2	14.2
Waverley	38.5	-13.5	25.0
Woking	43.2	-15.3	27.9
Surrey D&B total	490.1	-176.1	313,9
Surrey	F "	58.6	58.6

Sheila Little Dire	ctor of Finance	for Orbis and	Surrey	County	/ Council.
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Telephone:

Email: sheila.little

east sussex

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From: Sophie Broadfield (mailto:

Sent: 01 February 2017 16:19

To: Shella Little BUS

Subject: Pilots

Sheila,

Please see attached for the contact details at the other pilots. I'll dig out whether there's anything summarising what we're doing in the other areas that I can send over too.

Sophie Broadfield

Deputy Director, Local Government Finance Reform

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RE: Contact details Subject: 03 February Z017 10:38:15 Attachments prd.£0090sm Morning Our understanding from Sophie yesterday was that we would get the 'draft' letter this moming (on an assumption that and David H would have spoken) so that we can confirm the final letter by the end of today. Today is vital for us in order to then take the necessary steps (at an officer level and a political level) ahead of the Full CC on Tuesday morning. Until we have an agreement sorted in terms of the letter it is not appropriate to have any conversations with our Districts and Boroughs at this stage. We are, however, forming a plan for this once the agreement is reached early next week. An early up-date on the conversation would be very much appreciated. Regards: Telephone: Emai): east sussex 回 East Sussex and Surrey County Councils working in partnership Finance is committed to providing a professional and high quality service. Please provide us with your <u>feedback</u>. Sent: 03 February 2017 10:21 Sophle Broadfield Subject: RE: Contact details My understanding was that the call would be today, I've contacted to seek him to confirm this and will let you know if I get a concrete idea of training. In the meantime, I was wondering if you'd been able to speak to any of the District Councils and what their feelings on the possibility were?

Thanks,

From: Sent: 03 February 2017 08:21 To: Sophie Broadfield

Subject: RE: Contact details				
Morning	•			
've ust seen with the Reader has understood from lest alght that marning a	ere in Surrey and rather this was the necessary r	to my surprise he ba next step. dassume	s not had a call fro	m @ Javid soon this
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From: Sophie Broadfield Sent: 02 February 2017 16:10 To:				
Subjects Contact details				•
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£1,120,000

Elmbridge receives £896,000 of this

Surrey receives £224,000 of this.

Under the 100% arrangement, Surrey would also receive what would have been the central share of £1,120,000

Taking the same amounts from the eight NNDR1s we have received and using 2016/17 figures for the other three (in red) gives me an amount for the estimated central share for the Surrey area of £10.0m.

Amount of Section 31 grant due to authorities to compensate for rollofs

•	2016/1	7 · :	201 <i>7/</i> 18 °
Elmbridge		0.9	Ĩ.1
Epsom and Bwell		ڪڙه	0,5
Guildford		1.1	1.3
Molo Valloy		0.8	i.0
Reignto & Banstead		0.9	1.1
Rumymede	•	0.6	0.6
Spelthorne		0.6	0.8
Surrey-Heath	•	0.7	0.7
Tandridge .		1.0	- 0.9
Wayerley.		0.8	1.1
Wolang		0.6	0.8
Total Surrey	٠.	8.2	. 10.0

So, is it fair to say, under a 100% retention pilot, Surrey would receive its 20% share of the local s31 grants (£2m) plus all of the central share (£10m)?

Many thanks

	• •	•	
		Finance	
Telephone:		7	
Mobiles			
Email:			
Addřess:	County Hall, Penrhyn Ro	ad, Kingston upon Ti	hames KT1 2DN

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Texts, Sheila Little to Sophie Broadfield

3 FERRAY.

Friday, 13:36 from Sheila – "Sophie, I'm getting concerned that the leader has not yet had his call from nick. Anything you can do to speed this up please? Sheila"

Friday, from Sophie - "I'll take a look at what's happening"

Friday, from Sophie — "I understand he is awaiting approval from HMT and that there is a meeting happening round about now about it. I'm afraid there's not much we can do to speed this up"

Friday, 15:45 from Sophie – "All the relevant people are currently in a meeting about it (so I can't get hold of them), but they are calling me when they get out"

Friday, from Sheila - "Thanks - hope to speak soon then. Sheila"

Friday, 16:54 from Sophie - "Matthew Style was going to ring you. Let me know if he hasn't"

Friday, from Sheila - "Hasn'trung me yeti"

Friday, from Sophie - "Just asked me for your number as he couldn't find it!"

Monday, 09:16 from Sophie — "Good morning, back in the office now and will revert to being your primary point of confact. I'll follow up at our end on progress. Sophie"

Monday, from Sophie - "Matt has updated me"

Monday, from Sheila - "Great - no doubt speak soon."

Monday, 14:16 from Sophie - "No news I'm afraid. We're still waiting"

Monday, from Sophic - "It's a 'no' I'm afraid, Matthew will be sending a letter over formally."

From: Tol Co Subjecti Matthew Style
"Shesa Unte/CAE/SCL"
Southe Broadfad
In confidence, a draft of a draft!
03 February 2017 17:55:17

We agreed to consider the possibility of piloting 100% business rates retention in Surrey. I am writing to confirm the outlines of such a pilot, to start in April 2017.

If agreed, Surrey County Council will be the first council in a two-tier area to pilot 100% business rates rejention. The benefits your council will see from being a pilot are as follows:

You will keep p% of the growth of business rates income in your area, as opposed to q% under the current scheme (the district councils in Surrey will keep the remaining r%).

Under current estimates, this will amount to an additional £sm for Surrey County Council in 2017/18. The exact figure will be subject to change depending on the level of business rates income achieved in your area over the coming year.

- A higher safety net of 97%.
- A no detriment clause that whatever happens in the pilot you will not be worse off than under the 50% scheme.
- A role at the neart of the design of the new system, particularly representing two-tier areas.

We will need to urgently agree the detail underpinning the pilot in the form of a Memorandum of Understanding that will lead to the necessary regulations to be laid before Parliament by the end of March. My officials will work with yours to agree the MoU in the next week.

In return, I ask that you make your best efforts to gain the agreement of the district councils in Surrey to take part in this pilot. It will be a more effective pilot of 100% business rates retention with their close involvement.

Texts, Matthew Style to Sheila Little

Starting Friday 3rd February.

Friday, 17:15 from Matthew – "Sheila, Sophie passed on your message. No news as yet I'm afraid. I think Nick is trying to reach David. Happy to speak after that if helpful? Best, Matthew"

Friday, from Sheila – "Yes please as David had just me nick doesn't seem to know anything about the situ!"

Friday, from Sheila — "I believe they have spoken, but they didn't communicate clearly — it would be hugely helpful if a number can be quoted to David — he won't understand the %'s!"

Friday, from Matthew - "Ok - let me triangulate at this end and come back to you!"

Saturday, 10:53 from Sheila – "Morning Matthew. Did you get any confirmation of a proposal? Thanks for the letter and as I indicated yesterday we do need a figure asap to be able to work through the implications ahead of full council debate on Tuesday. Any update appreciated please. Tanks and sorry to text on a Saturday. Sheila"

Saturday, 12:04 from Matthew – "No problem at all. I'm afraid I've not been able to get a definitive view but I will keep trying. I think the urgency is understood. Will sms as soon as I hear anything. MS"

Monday, 08:07 from Sheila – "To keep you posted, the leader is seeking confirmation of the number / arrangements by noon today in order to have time to prepare for full council tomorrow. (He's doing with via text / email to nick king). I'm sure we will speak sometime today.

Monday, from Matthew - "Great, thanks. I will pursue again too at this end."

Monday, 09:15 from Matthew – "PS Sophie back in action today too so do keep in touch with her later, especially if you can't reach me! MS"

Tuesday, 08:23 from Sheila – "Matthew, the leader has just sown me a note from a Surrey mp about a conversation late last night wit SJ. Seems to indicate Government are willing to get us some extra funding from 2018. V interested in whether this is sincere. As it stands isn't enough to call the ref off? But could it be? Grateful if we can have an officer chat, although I've told the leader he would need to speak to SJ."

From:

Sent:

To:

Sübject:

06 February 2017 08:24

'david'-

RE: Budget Speech Surrey CC Tuesday 7th Feb.

Dear David,

Thanks for your email and continued efforts,

I will ask our officials to be in touch with yours later in the day.

Best wishes.

Nick.

From: david

Sent: 05 February 2017 19:59

To: Nick: King

Subject: Budget Speech Surrey CC Tuesday 7th Feb

Dear Nick,

I have completed the opening section of my proposed speech for Tuesday Budget at SCC with the second section in different draft forms. The first draft allows me to propose a way forward based on the discussions between DCLG officials and SCC Finance this week concluding with a Council Tax of 4,99% if an agreement can be reached. . The alternative draft with a Council Tax of 1.99% and 3% for Adult Social Care and a further 10% to meet the Increased demand in Social Care resulting in a Referendum on 4th May.

May I respectfully lay out the timeframe in order that if there is a new direction that allows the time to conclude the speech, prepare the media material before I speak and then ensure that the Budget report can be tabled at 1010am with the new report and recommendations. To achieve all this we need clarification by 1200 latest on Monday that a letter/MQU:can be prepared by officials on both sides so that when I conclude my Coast to Capital LEP Meeting by 1300 can devote the time to reading the proposition. The important factor is that if an agreement is reached I will require a complete black out by SCC/DCLG until (have presented the budget - this is to ensure that the opposition do not create their own story by hijacking any disclosure. Happy to chat about this.

I regret that my mobile password has done a runner on me which is only allowing me to receive calls but no access to texts or phone calls out.

I expect to be back home at 1415pm

Home number

David Hodge

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Department for Communities and Local Government

Sheila Little Director of Finance Surrey-County Council County Hall Penthym Road KINGSTON-UPON-THAMES KTI 2019 Our Ref. Your Ref:

6 February 2017

Dear Shela

Business rates retention pilots, 2017/18

We have been discussing the possibility that Surrey County Council would be the first two-lier area to plint 100% business rate retention from April 2017. Lam grateful to you for working so quickly to develop a proposal, but regret that we cannot take this any further.

As you are expre, establishing a pilot to start in April 2017 would have required an update to the Settlement and secondary legislation to be tald before Parliament. A pilot in a two-fler area also requires the Government to establish the fler split for business rates growth — potentially prejudging the next consultation on the design of the business rates retention scheme, and not allowing other councils to have their say. As a result, it has not therefore been possible to design and agree a pilot in time for an April start.

I hope you will continue to work closely with us as we design the new business rates retention scheme and update the funding formula for local government. These reforms and our collective understanding of their impact in two-tier areas will continue to benefit from close imput from you and SCT colleagues.

lows true

Matthew Style Director, Local Government Finance

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