

# **Bromsgrove District Council response to consultation questions**

## ***Question 1: Do you agree with the methodology for allocating central funding in 2016-17, as set out in paragraphs 2.6 to 2.8?***

No.

Council tax income should not be used in the formula for calculating the distribution of central resources. Local authorities are pursuing tax base growth and taking decisions on the level of council tax as a means of meeting cost pressures and offsetting reductions in central grant funding.

In addition it is clear that growth in housing ( therefore an increase in tax base) results in additional residents to provide services for. Therefore a proportion of the tax base increase also needs to be used to address the resultant pressures associated with this growth, for instance demographic or volume changes in leisure, early help and environmental services eg. waste collection. To build assumed increases in council tax means this growth is required just to maintain a standstill position, and does not contribute to cost pressures over and above this. The Council therefore would have to meet this pressure elsewhere or not provide the services to our residents.

With regard to Council Tax, the calculation of core spending power is distorted by some questionable growth assumptions used in respect of the movement in the taxbase. The formula has used the average growth between 2013/14 and 2015/16, but this is a flawed. Those years saw changes to the tax base through 'one-off' items such as the uplift in the Council Tax Reduction scheme in many areas, and changes made to council tax discounts and exemptions; effectively these one-off items have distorted the calculations. In earlier years, when there was less distortion, the average increases are significantly lower.

As a result council tax income levels are ambitious and in turn dampen the potential 'real' reduction in core spending power. It is noted that government has chosen not to use the OBR forecast of taxbase growth, but instead calculated individual figures for each council using average growth between 2013/14 and 2015/16. This is a serious concern as it has produced some ambitious projected council tax levels; and as a result we believe it requires modification.

## ***Question 2: Do you agree with the proposed methodology for calculation of the council tax requirement for 2016-17, as set out in paragraphs 2.10 and 2.11?***

The calculation of council tax requirement for 2016/17 takes into account increases in the tax base that are due to one off growth as a result of changes to the councils Council Tax Support Scheme. These should not be part of the calculation moving forward as it is not a true reflection of the real growth in the District.

**Question 3: Do you agree with the proposed methodology in paragraph 2.12 for splitting the council tax requirement between sets of services?**

No specific comments as this does not effect this Council.

**Question 4: Do you wish to propose any transitional measures to be used?**

Yes. To be faced with such a significant level of funding changes at such a late stage ( weeks away from setting the budget) and will no previous indication results in a severe challenge in achieving a balanced budget. The severity of the cuts to Bromsgrove Council in losing RSG in 2016/17 and having negative RSG from 2017/18 the Council will not be able to make considered and informed decisions on savings within the current timeline. Therefore savings may carry a greater risk that they would not be fully realised in 2016/17. A transitional system which limits the percentage reduction in total funding and which ideally also takes account of cost pressures should be implemented.

The impact could also be reduced should there be continued funding for the Local Council Tax Support Scheme which is currently funded as part of the RSG.

The Council would also propose that negative RSG is withdrawn until the new Business Rates Retention Scheme is implemented to ensure that the Council can have a planned approach to addressing the cuts

**Question 5: Do you agree with the Government's proposal to fund the New Homes Bonus in 2016-17 with £1.275 billion of funding held back from the settlement, on the basis of the methodology described in paragraph 2.15?**

For Bromsgrove District Council the New Homes Bonus funding represents a significant source of income, however, raising the topslice will increase the impact to local authorities of reductions in overall RSG. Therefore the top slice should remain the same with any unused funds being returned to authorities as in previous years.

**Question 6: Do you agree with the Government's proposal to hold back £50 million to fund the business rates safety net in 2016-17, on the basis of the methodology described in paragraph 2.19?**

No. The intention was that the business rates safety net should be funded by income from the business rates levy. There has not been a change to this policy and the Council does not see the rationale as to why the Government would require this topslice. Releasing this topslice would provide resources for some transitional protection to those Councils most greatly affected.

**Question 7: Do you agree with the Government's proposed approach in paragraph 2.24 to paying £20 million additional funding to the most rural areas in 2016-17, distributed to the upper quartile of local authorities based on the super-sparsity indicator?**

Not applicable to this Council but the value does seem high in light of the significant cuts other Councils are facing

**Question 8: Do you agree with the Government's proposal that local welfare provision funding of £129.6 million and other funding elements should be**

**identified within core spending power in 2016-17, as described in paragraph 2.28?**

As RSG is reduced to minimal or negative amounts by 2019/20: authorities will have to fund this spend from other sources, therefore it is misleading to imply that the funding is available. There needs to be greater transparency in the settlement to enable Councils to understand and explain the changes in funding allocations.

In addition, In previous years a Core Spending Power 'floor' has been set (6.4% in 2015/16) to dampen the effect of dramatic year on year reductions. This is no longer the case, as in and our Core Spending Power reduces by an excessive amount.

**Question 9: Do you agree with the Government's proposal to include all of the grant funding for the Care Act 2014 (apart from that funded through the Better Care Fund) in the settlement, using the methodology set out in paragraph 3.2?**

By including the funding in this way it attracts the same levels of reduction rather than protecting this grant element.

**Question 10: Do you agree with the Government's proposal to include all 2015-16 Council Tax Freeze Grant in the 2016-17 settlement, using the methodology set out in paragraph 3.3?**

Yes, all council tax freeze grant should be included in core funding. However once the negative RSG is applied this funding will no longer be paid and therefore does not provide certainty to Councils.

**Question 11: Do you agree with the Government's proposal to include all 2015-16 Efficiency Support Grant funding in the settlement and with the methodology set out in paragraph 3.5?**

See answer to question 10. Same applies.

**Question 12: Do you agree with the Government's proposal to include funding for lead local flood authorities in the 2016-17 settlement, as described in paragraphs 3.6 and 3.7?**

Not applicable – however as with the other grants being included will mean that they are also subject to the cuts and may no longer be paid once the Council is in negative RSG.

**Question 13: Do you agree with the Government's proposal to pay a separate section 31 grant to lead local flood authorities to ensure funding for these activities increases in real terms in each year of the Parliament?**

Yes

**Question 14: Do you have any views on whether the grant for lead local flood authorities described in paragraph 3.8 should be ring-fenced for the Spending Review period?**

It is better to give Councils greater flexibility and ringfencing may hinder this.

**Question 15: Do you agree with the Government's proposal to adjust councils' tariffs / top ups where required to ensure that councils delivering the**

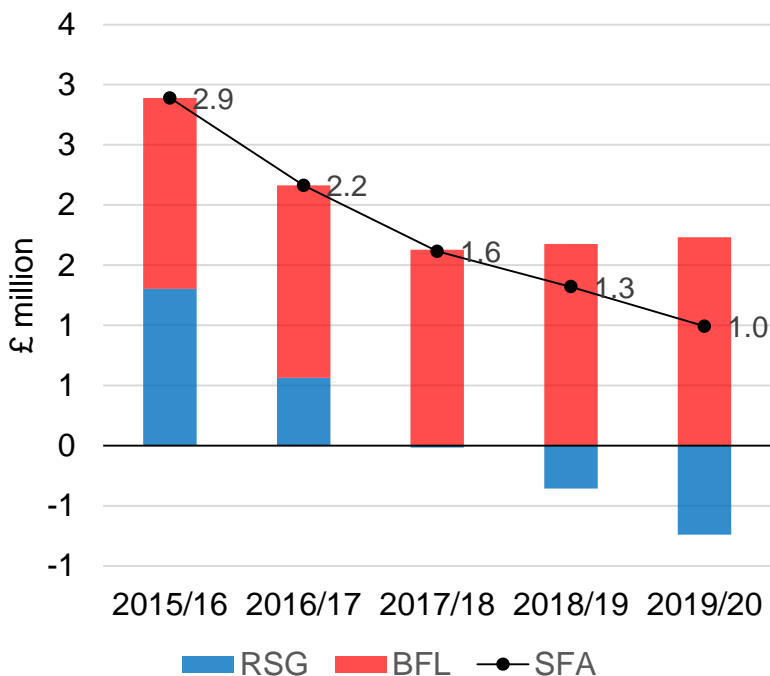
**same set of services receive the same percentage change in settlement core funding for those sets of services?**

I have attached to this consultation response the combined response that has been prepared by the 15 Councils who are affected by the complete reduction of RSG in 2016/17 and negative RSG from 2017/18.

In addition I would make the following points specifically in relation to Bromsgrove District Council.

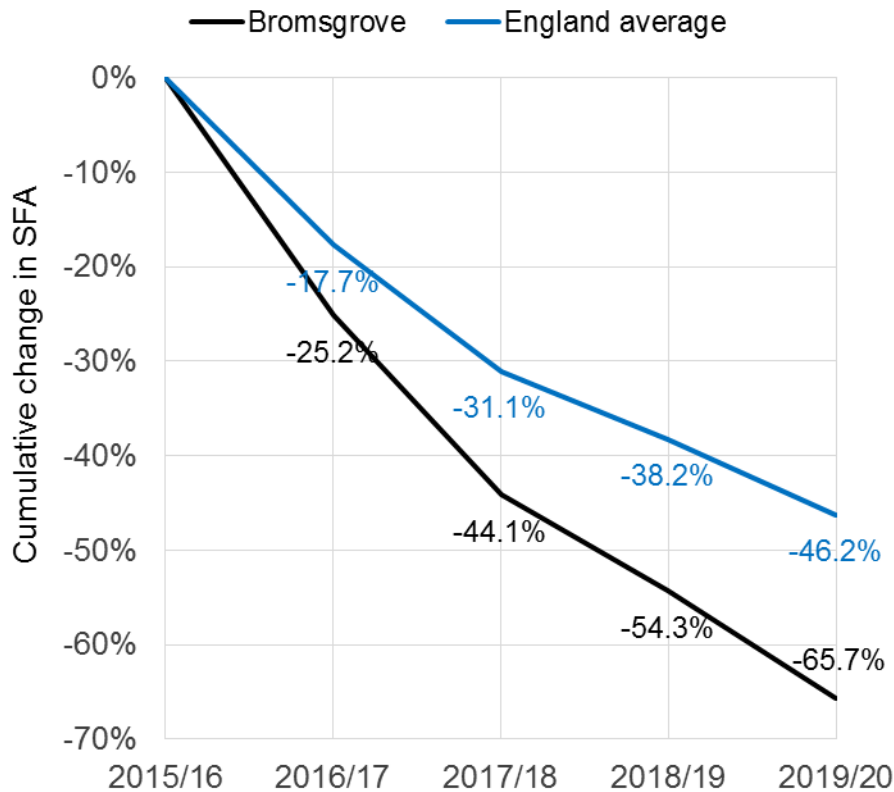
Bromsgrove's SFA was £2.889m in 2015/16. Of this, £1.585m was delivered in the form of retained business rates (i.e. BFL), and £1.304m in the form of grants from central government (i.e. RSG).

The accompanying chart illustrates the change in Bromsgrove's SFA over the Spending Review Period. The indicative figures show that by 2019/20, Bromsgrove's indicative SFA will fall by **65.7%** (from £2.889m to £0.991m).



The following chart compares the reduction in SFA between Bromsgrove and all comparable authorities in England.

As can be seen, Bromsgrove's SFA falls by 65.7% compared to average of 46.2% for districts. This is a significant difference and demonstrates the level of cuts facing the District in comparison to other similar tier authorities.



The inclusion of Council Tax requirement in the Core Spending Power of an Authority has resulted in a detrimental impact on Bromsgrove as the tax base of the Council is high in comparison to the national picture. By basing the levels of Council tax growth from 2014/15 and 2015/16 a misleading position is provided on Core Spending Power and therefore the cuts calculated on an unrealistic basis.

An alternative methodology would be for CLG to implement the cuts while *disregarding council tax revenue*. This is similar to the methodology previously used in 2014/15 and 2015/16.

If this basis was used then Bromsgrove would not be in the position of negative RSG and the SFA would be at the Business rates level baseline in 2019/20 and therefore not face such significant cuts.

**Question 16: Do you have an alternative suggestion for how to secure the required overall level of spending reductions to settlement core funding over the Parliament?**

While the Council accepts the need for spending reductions within the wider economic context, we believe that there needs to be a full and fair review of both needs and resources to inform these and any redistribution; and that funding allocations must take account of the incidence of future spending pressures and inflation. All these appear to be lacking in the Provisional Settlement proposals. The Mechanism for using Council Tax growth assumptions to calculate the Spending Power and resulting cuts to funding is not fair or transparent way of dealing with delivering a balanced budget.

There are a number of freedoms and flexibilities which we believe would help bridge the shortfall. These include:

- Enabling full cost recovery on fees such as those for planning applications which are set at statutory levels.
- Enabling surplus to be made on Building Control and any other restricted services
- Enable increase in Council Tax over 2%
- Capital receipts flexibility in use to offset revenue shortfalls in the short term
- Review of protected groups in relation to Council Tax Support Scheme

**Question 17:** *Do you have any comments on the impact of the 2016-17 settlement on persons who share a protected characteristic, and on the draft equality statement published alongside this consultation?*

The level of cuts facing this Council will result in a review of service provision and a considered judgement and decisions will be made in light of the impact on all of our residents. By making the cuts in the speed and value that are proposed in the settlement will mean that residents will have to see the impact of these cuts in the services and support we provide.