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Rt Honourable Philip Hammond MP  
HM Treasury  
1 Horse Guards Road  
London SW1A 2HQ

Dear Chancellor

### **Autumn Budget 2017**

In order to assist you in preparing your Budget Statement I would like to bring to your attention four key issues for Birmingham City Council:

- Unfairness in the funding distribution across local government
- The overall lack of funding for Social Care
- Uncertainty of funding available from the Improved Better Care Fund
- Funding of any increase in the Public Sector Pay Cap for local government

### **Unfairness in Local Government Funding**

There is considerable unfairness "built in" to the current allocation of local government funding. In 2014/15 and 2015/16 the Government cut grant allocations to local authorities pro rata to the level of grant received and disregarded ability to raise Council Tax income. The implication was that those authorities receiving more Government grant because they were least able to raise council tax income (but with generally higher levels of deprivation) received the largest cuts proportionately.

Birmingham City Council met with the Government to discuss changes in the approach to the distribution of the cuts made to local government so that cuts would take account of ability to raise Council Tax. We welcome the fact that the Government acknowledged our case and changed the approach to allocating cuts from 2016/17 so they take into account ability to raise Council Tax to some extent. However, there remains the inherent unfairness of the first two years' cuts, the impact of which compounds each year.

Based on the latest local government finance settlement, we estimate that we will receive in the region of £100m less funding in 2018/19 than we would have done if cuts were made fairly. As discussed with CLG at the time, this is not based on making a special case for Birmingham, just treating each authority equally in terms of the level of cuts made annually.

I appreciate that the Government has said that it will review fairer funding and is looking to implement a new approach around 2020. However, these cuts are impacting on Birmingham's citizens and the services they receive now. It is imperative that the Government addresses this issue as soon as

possible and makes adjustments to reflect this issue as part of the local government finance settlement, expected to be announced in December 2017.

This could be addressed at nil cost to the Treasury and, if necessary, by phasing in the removal of this unfairness until the introduction of the Fair Funding Review in 2020.

### **Social Care Funding**

There has been a lot of discussion nationally about the shortfall in Social Care funding. A consequence of the Council receiving proportionately larger cuts in funding than the average is that this impact is increased in Birmingham. The Council is finding it increasingly difficult to deliver social care in line with the expectations of our citizens and for us to provide the level of care that those we love most deserve!

I would ask that you consider this in making your Budget Statement and identify additional funding for Social Care, with proportionately more resource given to those who have received the greatest levels of cuts, to support some of the most vulnerable people in society.

### **Improved Better Care Fund**

The Council welcomes the additional resource that the Government has made available to Local Authorities in the form of the Improved Better Care Fund and the additional announcement made in the March Budget. We have agreed a plan to work with our local NHS partners and are fully supportive of working together to deliver the best possible outcomes for the citizens.

However, successfully delivering the changes required will take time and the potential threat of withdrawing resources does not help to create the stability required; in fact, if targets are not met, withdrawing resources will make it less likely to meet the targets in future years, not more. Instead, I would suggest the Government support Birmingham and its partners in the NHS who are working with Newton and ECIP to implement sustainable approaches to reducing DTOCs and improving services for citizens.

### **Public Sector Pay Cap in Local Government**

I note that the Government is moving to a more flexible position on the public sector pay cap which I welcome. I think it is important that we pay our staff a fair wage and are able to attract the right calibre of staff to the sector.

However, when the four-year local government finance settlement was announced there was an assumption that pay would increase by 1% per annum. If the pay award is in excess of this then it is crucial that the Government provide additional funding for this. If they do not then this will lead to a further real terms cut in funding which will further impact on the services provided to the citizens of Birmingham.

I am very happy to discuss these and any other issues with you further and look forward to seeing how you are able to address these in the Budget Statement.

Yours sincerely



Councillor Ian Ward  
**Leader of Birmingham City Council**