

Shafi Khan

Dept for Communities and Local Government
2 Marsham Street
London
SW1P 4DF

Date:

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Our Ref:

Ask for: Dean Langton

Direct Line: (01282) 661866

E-Mail: dean.langton@pendle.gov.uk

Service Head: Dean Langton

BY E-MAIL

Dear Mr Khan,

**PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2015/16
RESPONSE TO CONSULTATION**

I am writing in response to your consultation on the Local Government Finance Settlement for 2015/16. Our responses to the specific consultation questions are provided at the end of this letter. In the meantime, we would like to make the following comments and suggestions.

On a general note, it remains our view that the continuing downward trajectory in funding for Local Government, particularly for District Councils like Pendle, is unsustainable. By 2015/16 funding for Local Government will have reduced by around 37% since the current Government came to power. This average reduction belies significant variations between Councils and it is our estimate that Pendle's funding reduction in cash terms could be 52% by 2015/16. Despite our best efforts, given the scale of this funding reduction, and accepting efficiencies already implemented, there is little doubt that Pendle will have to cut frontline service provision to achieve a balanced budget in the next year.

Looking at 2015/16 specifically, according to the announcement by the Secretary of State, the average reduction in Spending Power is 1.8%. This does, however, mask significant variations between Councils. For example, Pendle will suffer a further reduction in Spending Power of 6.4%. As in the last two years, this is the highest reduction in Spending Power for our class of Authority and, indeed, any authority.

In contrast, as a consequence of the New Homes Bonus allocations – of which we say more below – there are 66 Councils that will have no change or experience an increase in their Spending Power, in some cases of up to 3.2%, in 2015/16.

It is our view, therefore, that the Government should consider whether, in addition to a floor on Spending Power reductions, there should be a ceiling on Spending Power increases. For example, assuming a ceiling of 1%, resources of £71m would be freed up that could be used to reduce the floor to 6.2% ensuring much needed additional resources are available to Councils like Pendle.

Business Rates Retention

Whilst we acknowledge the Government's commitment to providing funding under the New Burdens Doctrine for the enhancements to business rate reliefs and the cap on business rates increases, we share the LGA's disappointment that the Government will provide no new funding for the cost of appeals that pre-date the introduction of the Business Rates Retention.

It is our view that the cost of appeals that pre-date the start of the Business Rates Retention Scheme should be borne by the Government directly or it should be funded under the New Burdens Doctrine.

Revenue Support Grant

The reduction in our Revenue Support Grant (RSG) is of significant concern. In comparison to 2014/15, in which we will receive £4.113m, and excluding the Council Tax Freeze Grant for 2013/14, our RSG will fall to £2.814m, a reduction of £1.299m or 31%.

Whilst we note that the reductions in RSG are similar across all District Councils, there are a number of Councils where the provisional New Homes Bonus payments for 2015/16 are more than sufficient to offset the reduction in their RSG. To some extent, this highlights the iniquity of the NHB Scheme, particularly as it is funding which is top-sliced from the Control Total for Local Government.

On this issues, we believe there is scope within the distribution of the RSG to equalise funding allocations to local authorities and would ask that the Government gives this consideration again to dampen the changes in the Spending Power calculations.

Efficiency Support Grant

We welcome the Government's decision to incorporate the Efficiency Support Grant (ESG) into the Revenue Support Grant with effect from 2015/16. We believe this is a reflection of the significant amount of work we have undertaken to ensure that the Council is run as efficiently as possible.

We also welcome the payment of a further amount of ESG in 2015/16, due mainly as a consequence of the Government's aim to ensure that no Council suffers a reduction in Spending Power of more than 6.7%. In doing so, however, and in view of the amount of ESG payable to Pendle, **we ask that the Government does not repeat the business planning/reporting regime used to support the payment of ESG in 2013/14 and 2014/15.**

Local Council Tax Support

We welcome the additional funding to pay for changes to our Local Council Tax Support Scheme. However, whilst our collection of Council Tax due has held up, it is as a consequence of substantial additional enforcement action (reminders, summons etc) for which no additional resources have been provided by the Government.



It is our view that the Government should seek to better understand the extent of additional enforcement costs being incurred by local authorities and consider whether New Burdens Funding should be increased to reflect this additional activity, at least in the medium term.

New Homes Bonus

Again we do feel it necessary to comment on the impact that the current New Homes Bonus Scheme is having on the funding available to Pendle, both for investment in housing but also the sustainability of Council services.

Pendle's allocation for 2015/16 will be £952k. This allocation stems primarily from the substantial amount of work we are doing to bring empty properties back into habitable use. We have been less successful with building new homes. This is not because of a lack of sites for development but more to do with the economic conditions in our area that are deterring development and hindering the ability of residents to access affordable finance to acquire homes. In both respects we are, therefore, at a significant disadvantage in comparison to other areas of the Country.

An analysis of the regional allocation of the New Homes Bonus illustrates the iniquitous distribution of the funding with the North West receiving only £15.22 per head compared to £29.41 in London. This is shown in the table below:-

Region	Cumulative New Homes Bonus To 2015/16 £000	New Homes Bonus Per Head £	Comparison to Average £
London	248	29.41	+7.74
South West	141	26.23	+4.56
South East	202	22.97	+1.30
East of England	144	24.13	+2.46
East Midlands	94	20.55	-1.12
West Midlands	101	17.83	-3.84
Yorkshire and Humber	90	16.87	-4.80
North West	108	15.22	-6.45
North East	39	15.04	-6.63
Total	1,167	21.67	

We note the Government's report on the evaluation of the New Homes Bonus, which was issued in December 2014. Of particular interest is the analysis of the financial impact of funding the New Homes Bonus given that it is funded by way of resources that are top-sliced from Revenue Support Grant.



It is clear in the report that Pendle, along with other mainly northern local authorities, has suffered a net loss of funding as a consequence of the way in which the New Homes Bonus is funded and distributed. **In view of this, we would reiterate our point above that some form of ceiling should be applied to New Homes Bonus allocations to ensure a more even distribution of this funding.**

Benefit Administration Subsidy

We would also like to take the opportunity here to comment on the funding provided for the administration of Housing Benefit and Council Tax Support Schemes. Since 2011/12, our funding has reduced by % as shown in the Table below:-

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Admin Subsidy - HB	889	800	757	555	485
Admin Subsidy - CTS				144	131
Volumes Subsidy	89	79	37	-	-
Total	978	879	794	699	616
Cum Change £	-108	-207	-292	-387	-470
Cum Change %	-10%	-19%	-27%	-36%	-43%

Whilst we acknowledge the need for the DWP/DCLG to make efficiencies in their Departmental Budgets, it is the case that the volume of both claims and changes in circumstances has not reduced by anywhere near the reduction in funding experienced.

Pendle has already outsourced the processing of benefits and achieved substantial efficiencies as a consequence; further efficiencies in this area are limited and so less reduce is likely to result in longer processing times.

We assume that the rate of reduction in the Benefit Administration Subsidy is linked to the original timetable for the implementation of the Universal Credit. As progress on the implementation of the Universal Credit appears to have been considerably delayed, and anticipated migration of claimants from Housing Benefit to Universal Credit has not happened, **we reiterate our request that the Government make no further reductions in the Benefit Administration Subsidy until there is a firmer timetable for the reduction in Housing Benefit Claimants.**

Capital Funding

In relation to capital funding, again we note in general the absence of any new capital grant funding for Councils like Pendle nor any scope within our revenue funding for any additional borrowing for capital investment. This is of significant concern to us, particularly given our intentions to generate economic growth within in the Borough.

We acknowledge the Government's agenda for economic growth and the investment that is being made available for this. We continue to work with the relevant Agencies, eg Homes and Communities Agency, to exploit funding opportunities where these are possible. We are also working closely with the Lancashire Enterprise Partnership to ensure Pendle's growth aspirations are properly reflected in Lancashire's Strategic Economic Plan.



But it is inevitable in areas like Pendle that funding for growth will continue to be needed. To illustrate the change in funding available, it is worthwhile highlighting that the Council now receives c£952k from the New Homes Bonus in comparison to c£10m pa from the former Housing Market Renewal Fund. Our ability to effect improvement in local housing has, therefore, been substantially curtailed.

On a related specific capital funding matter, we understand that the funding for Disabled Facilities Grants (DFGs) is to become part of the Better Care Fund provided to Lancashire County Council. However, we are concerned that allocations for the Better Care Fund, and within that the allocations of funding for DFGs, have yet to be confirmed. We urge the Government, therefore, to confirm BCF allocations as soon as possible so that, amongst other matters, allocations for DFG funding can also be confirmed.

I trust that you will take these comments into consideration before finalising the Settlement for 2015/16.

Yours sincerely



Dean Langton
Head of Central & Regeneration Services

Tommy Cooney

Councillor Tommy Cooney
Executive Councillor for Resources



Response to Specific Questions

Question 1: Do you agree with the Government's proposal that local welfare provision funding of £129.6m should be identified within the settlement by creating a new element distributed in line with welfare provision providing in 2014/15?

No. It is the Council's view that the Government should provide additional funding to upper tier Local Authorities to meet the cost of providing local welfare support. The rationale for this is that the function of providing welfare support, and in particular the two elements of the Social Fund – Crisis Loans and Community Care Grants – was transferred from the Department for Work and Pensions to upper tier Local Authorities and as this is a new burden for Local Government, it is a matter which should be funded under the New Burdens Doctrine. It is disingenuous for Government to require Councils to fund it from within existing funding (which is reducing year on year).

Question 2: Do you agree with the Government's proposal that the funding for the Improvement and Development Agency for Local Government for services to local government should be £23.4m in 2015/16?

Yes.

Question 3: Do you agree with the Government's proposal to reduce the New Homes Bonus holdback from £1bn to £950m?

Yes although the Government should consider what further scope there is to reduce the amount of the holdback so that Councils have some certainty of funding allocations sooner rather than later.

Question 4: Do you agree with the Government's proposal that the funding element should be increased from £11.5m as previously proposed, to £15.5m?

Yes, it is our view that the Government should provide this additional funding to reflect the needs of sparsely populated areas.

However, it is also our view that the Government should equally recognise the needs of other local authorities, particularly those like Pendle, that suffer levels of deprivation which, too, result in additional costs. It seems incongruous that, on the one hand, the Government states that it is moving to a funding system where Councils have the ability and are incentivised to generate income – through the Business Rates Retention System and the New Homes Bonus – but on the other hand, chooses to provide funding based on needs in some areas.

Question 5: Do you agree with the Government's proposal to reduce the fire funding element of Revenue Support Grant for each fire and rescue authority, by an amount equal to 0.24% of the total pensionable pay for that authority.

We have no view on this matter.



Question 6: Do you agree with the Government's proposal to compensate local authorities for the cap on the multiplier in 2015/16, calculated on the same basis as in 2014/15

Yes. We would also request that any compensation is paid to local authorities in a timely and equitable fashion

