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Our Ref:

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BY E-MAIL

Dear Mr Khan,

**PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2016/17
RESPONSE TO CONSULTATION**

I am writing in response to your consultation on the Local Government Finance Settlement for 2016/17. 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.

Four-Year Funding Settlement Offer

We welcome the Government's 'offer' of a four-year funding settlement to 2019/20 accepting the principle that a medium term funding settlement is one which should provide certainty of funding allowing the Council to plan ahead with certainty and stability.

However, setting aside both the proposed change in funding regime and the continued significant reduction in funding, of which we say more below, the information provided as part of the provisional Settlement does not provide sufficient detail for the Council to consider whether the offer is acceptable or not. For example:-

- there is a requirement for a published efficiency plan but no guidance is provided that sets out what that plan should include, how it should be approved, how it will be monitored etc.;
- despite being a four-year settlement, the Government still appears to reserve a right to amend the settlement from year to year (for transfers of functions, mergers between councils etc) hence undermining the robustness of the four-year settlement figures;

- it is unclear at this stage what additional responsibilities local government will be asked to absorb and whether they would be reflected in either a revised Settlement or through the New Burdens Regime. We note, for example, the intention for local government to retain the responsibility for administering Housing Benefit for Pensioners but remain unclear about the funding implications for this;
- the implications of not accepting the four-year offer are not stated.

We would, therefore, appreciate more details of the proposed four-year funding settlement offer so that the Council can give serious consideration to the proposal.

Change in the Funding Regime

We acknowledge the Government's intention to make local government self-funding from locally generated resources (Business Rates, Council Tax and New Homes Bonus) over coming years. However, we have previously commented that the move away from a funding regime based on the relative needs of Councils puts local authorities such as Pendle, which has cost pressures arising from areas of high deprivation, at a significant disadvantage in comparison to other more affluent areas.

Despite our best efforts, it is unlikely that Pendle Council could generate sufficient resources locally over the next four years to counter the significant reduction (>70%) in Revenue Support Grant. This is because some of the economic and social issues in Pendle – a failing housing market, lack of inward investment due to poor connectivity, low skills levels and levels of worklessness – are deep seated and, as demonstrated in previous years with programmes such as Housing Market Renewal, Neighbourhood Renewal, require significant grant funding.

Given the efficiencies that the Council has already made, it is our view that without continued support from Government in the form of Revenue Support Grant, there is little doubt that Pendle will have to cut frontline service provision to achieve a balanced budget in the next and subsequent years until 2020.

We urge the Government to consider whether, for those Councils that have long-standing economic and social issues that constrain the ability to be self-funding, there should be a needs-assessed funding allocation to ensure that a basic level of service provision can continue to be provided in areas of high deprivation.

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, 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 remains 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.



We note the Government's intention to allow local government to retain 100% of its business rates income. We will comment further on that once the Government provides details of how the Scheme will operate in detail.

However, we would like to reiterate our concerns that moving to a funding regime based entirely on locally generated resources – without Revenue Support Grant from the Government – will disadvantage areas like Pendle that have economic and social issues that constrain the ability to generate resources locally.

Indeed, we believe it is incongruous that specific funding is provided in areas of social care and rural sparsity – both of which are reflective of the needs of those Council areas to which they apply – but no such funding is available for areas of high deprivation.

Efficiency Support Grant

We welcome the Government's decision to incorporate the Efficiency Support Grant (ESG) into the Revenue Support Grant with effect from 2016/17 although we note that the reduction in Revenue Support Grant is far in excess the amount of ESG received.

New Homes Bonus

We note the consultation on proposed changes to the New Homes Bonus (NHB) and will submit our response to that consultation in due course.

In the meantime, we reiterate our concerns that because the funding for NHB is top-sliced from the funding available for Revenue Support Grant (RSG), Pendle will continue to suffer a net loss of resources when RSG and NHB are combined. **As indicated in our response to the consultation questions, it is our view that NHB should be funded from funding other than that which is distributed via the RSG.**

Council Tax

We note the proposal to allow Councils with responsibility for social care to increase their Council Tax by 2% over the existing referendum threshold. We also note that both Police and Crime Commissioners and Shire District Councils which are in the lowest quartile by Council Tax will be allowed to increase their Council Tax by a higher limit of 2% or £5 (on a Band D bill).

With these proposed flexibilities in the levels of Council Tax increase, and bearing in mind the significant financial constraints faced by all Councils irrespective of the services they provide, we are disappointed that Government is proposing to continue limiting Council Tax increases (to below 2%) without recourse to a referendum.

Acknowledging that the Government wishes to move to a fully self-funding local government, we ask that the Government allow all Councils to have the flexibility to increase Council Tax without the need for the additional burden of a referendum.



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 54% as shown in the Table below:-

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
Admin Subsidy - HB	889	800	757	555	485	388
Admin Subsidy - CTS				144	131	117
Volumes Subsidy	89	79	37	-	-	-
Total	978	879	794	699	616	505
Cum Change £	-108	-207	-292	-387	-470	-581
Cum Change %	-10%	-19%	-27%	-36%	-43%	-54%

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.

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 – which, in essence, is a form of cost shunting from one Government Department to another – 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 remains a 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 endeavouring to work 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 both regeneration and growth will continue to be needed. To illustrate the change in funding available, it is worthwhile highlighting that the Council now receives c£1m 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.

Flexible Use of Capital Receipts

We welcome the flexibility to use capital receipts and the proposed discretion for Councils to identify projects on which they can be used.

We would ask, however, that the:-

- flexibility in using capital receipts is applied retrospectively so that capital receipts in hand can be used for revenue purposes; and
- the administration burden of this is as 'light touch' as possible so that Councils can act in an efficient way when applying the use of any funds they raise.

I trust that you will take these comments into consideration before finalising the Settlement for 2016/17.

Yours sincerely



Dean Langton
Strategic Director



Cllr Mohammed Iqbal
Leader of Council

T Greaves

Cllr Tony Greaves
Portfolio Holder
Finance and Devolution



Response to Specific Questions

In addition to indicating whether or not they agree with the Government's proposals, consultees are invited to substantiate their responses where relevant.

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?

We welcome the change in the methodology that recognises the differences in the taxable capacity of local authorities and the impact that this has had on the distribution of Revenue Support Grant.

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?

We note the Government's assumption that Council Tax will increase by, on average, 1.75%. Likewise, it is assumed there will be growth in the Council Tax base which has been based on the average levels of growth between 2013/14 and 2015/16.

We have no comment on the assumed average increase in Council Tax but it is our view that, given the Government's ambition for the growth in housing numbers, it might be reasonable to expect that the growth in housing numbers might accelerate over the life of the Spending Review period and, therefore, the Council Taxbase in some areas will grow at a faster rate.

In view of this, we would ask that the Government allows for a revision of the calculation of the Council Tax requirement annually regardless of whether a Council has opted for a four-year funding settlement as this might have an impact on the amount of Revenue Support Grant allocation.

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

We have no comment on this.

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

No. As indicated above, we would prefer that the Council Tax calculation is subject to annual review.

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?

No. It is our view that the funding for New Homes Bonus should not be top-sliced from the funding available through the Revenue Support Grant. Any funding for New Homes Bonus should be over-and-above the resources distributed



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?

Whilst we acknowledge the need for the Government to hold back funding to meet any additional costs of the safety net, the amount held back should be reviewed in the light of the number of Business Rate Pools which are established and where, in those cases, the safety net liability is borne by the Pools.

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?

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

However, as it has done here and with the much more significant issue of social care, 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 the specific needs (in this instance, reflecting the needs of sparsely populated areas and elsewhere in the settlement on social care) in some areas.

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?

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 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?

Yes, the Council agrees with the Government's proposal to include the entire grant funding for the Care Act 2014 in the settlement using the methodology proposed.



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, the Council agrees with the Government's proposal to include the entire 2015/16 Council Tax Freeze Grant in the 2016/17 settlement, using the methodology proposed.

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?

Yes, the Council agrees with the Government's proposal to include the entire 2015/16 Efficiency Support Grant in the 2016/17 settlement, using the methodology proposed.

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?

We agree that the Settlement should include funding to allow Lead Local Flood Authorities to discharge their duties under the Flood and Water Management Act 2010. That said, District Councils retain existing powers to undertake works on ordinary watercourses, and have the roles and responsibilities for flooding including:

- Acting as the SuDs Approving Body (SAB) for major developments with surface water drainage;
- Power to designate structures and features that affect flooding or coastal erosion;
- Duty to exercise their flood risk management functions in a manner consistent with local and national strategies, and to have regard to those strategies in their other functions;
- Duty to comply with the Lead Local Flood Authority's requests and recommendations.

In view of this, we believe that the Settlement should also include additional funding for District Councils to discharge these roles and responsibilities.

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?

In view of the flooding events in December 2015, and indeed those in recent years, it is our view that any grant for lead local flood authorities should be ring-fenced to ensure that it is only used in support of activities that are required by the Flood and Water Management Act 2010.



Question 15: Do you agree with the Government's proposals 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?

Whilst generally in agreement with this approach, it is unclear how sustainable this methodology will be within the framework of the new Business Rate Retention system in which Councils will retain all of the business rates paid.

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?

We have the following suggestions:-

- Allow all Councils to have the flexibility to increase Council Tax (and not just those with responsibility for social care and some District Councils) without the additional burden of a referendum.
- Allow Councils the freedom to amend fees and charges as they see fit for their local area. For example, the Government continues to prevent Councils from changing planning fees so that the Planning Service can be operated on a cost-recovery basis.
- The Government should act to prevent 'cost shunting' from other Government Departments. Examples include:-
 - when Schools convert to Academies, they become charitable organisations and therefore entitled to business rate relief, partly at the expense of local government;
 - the protracted implementation of the Universal Credit which has meant the anticipated reduction in Benefit Claimants has not materialised so far yet the DWP has continued to reduce the Benefit Administration Subsidy, by almost 54% since 2010. We are clear that the number of claimants has not halved in that period, with only marginal reductions realised.

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?

Whilst we have no specific comments on the Equality Impact Statement, we are concerned that the continuing reduction in funding for local government is likely to have a significant impact on the provision of services in Pendle, particularly those provided to vulnerable residents. In this context, moving to a funding regime that does not directly reflect the relative needs of local area is likely to lead to worsening levels of deprivation which ultimately will require Government intervention.

