CHIEF EXECUTIVE
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Date: 16th January 2018
Our Ref:
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Roger Palmer
DCLG
Local Government Finance
2nd Floor, Fry Building
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London SW1P 4DF

Sent via e-mail

Dear Mr Palmer,

Provisional Local Government Finance Settlement 2018/19
Response to Consultation

We are writing in response to the Department's consultation on the Local Government Finance Settlement for 2018/19. 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.

- *4 year settlement*

  Whilst the Council responded positively to the Government's offer of a four year funding settlement any benefit gained from stability in financial planning will soon be eroded the longer the uncertainty goes on regarding the Fair Funding Review and the transition towards 75% business rates retention. The Council urges the Government to provide greater certainty and clarity at the earliest opportunity as the importance of effective financial planning takes on even greater significance against the backdrop of ongoing reductions in core funding.

- *Change in the Funding Regime*

  We acknowledge the Government's intention to make local government self-financing from locally generated resources (Business Rates, Council Tax and New Homes Bonus) by the end of this Parliament. However, we have previously commented that the move away from a funding regime based on the relative needs of Councils puts authorities such as Pendle, which has cost pressures arising from areas of high deprivation in parts of our urban areas combined with some degree of sparsity across the rest of the Borough, at a significant disadvantage in comparison to other more affluent areas.

Despite our best efforts, it is unlikely that Pendle Council can 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 to deliver the necessary step change.

To that end, as in previous years we urge the Government to consider whether, for those Councils that have long-standing economic and social issues that constrain their ability to be self-financing, 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.

Given the efficiencies that the Council has already made, it is our view that without additional support from Government there is no doubt that Pendle will have to make major cuts in frontline service provision to sustain a balanced budget between now and 2020/21. The extent of these reductions is likely to result in additional costs elsewhere in the public sector over time. This is because the reductions in services such as housing, public health and leisure, for example, will over time, have implications for community health and well-being leading to pressures in the health and social care sectors which are already suffering due to increasing demand against backdrop of funding restraint.

In the absence of additional funding support and in the context of the significant role that District Councils play in the prevention of demand for services that ultimately lead to higher cost interventions across various public services, we urge the Government to consider giving District Councils like Pendle the ability to raise a 'prevention precept'. The Kings Fund report on District Council preventative services identifies that every £1 invested in these services can save the wider Public Sector up to £70 hence the appeal of this proposition, particularly given the strain in areas such as the Health Service.

- *New Homes Bonus*

  The effect of applying a national baseline will, over the medium-term, practically reduce Pendle's future shares of NHB to nil. In response to the changes made as part of the 2017/18 Settlement we estimated that the changes would result in Pendle receiving £3m less in NHB by 2020/21 under the new methodology than it would have received under the former scheme.

  The adoption of a national baseline is detrimental to those Local Planning Authority's (LPAs) that have historically performed well, but are now running out of space or faced with hard to deliver brownfield regeneration sites as their land supply runs out. It also seemingly ties local government income through the NHB to the performance of the wider economy and not the performance of the LPA. It therefore reduces the clear and simple incentive effect of the current reward mechanism, and may eventually discourage housing growth as a result.

The concept of 'deadweight' is misplaced. Planning permission is granted for housing for a number of reasons, the most important being meeting the objectively assessed needs of the area. The incentive of New Homes Bonus is a contributing factor in helping to mitigate the impacts of new housing on local infrastructure, but it will never be the only reason for a housing development to be granted planning permission.

The bonus should be paid in relation to numbers of houses that are built or empty homes that are reduced. It is an incentive to reward housing growth and therefore all housing growth should count.

We maintain our concerns as expressed previously regarding the regional distribution impacts of NHB. In addition because the funding for NHB is top-sliced from the funding available for Revenue Support Grant (RSG), Pendle will continue to suffer a significant loss of resources when RSG and NHB are combined. It remains our view that NHB should be funded from funding other than that which is distributed via the RSG.

- *Council Tax*

We endorse the Government's intention to defer any extension of the Referendum Principles to local Town and Parish Councils for a period of 3 years.

We also acknowledge the scope for District Councils to increase council tax by less than 3% rather than 2% as in the current year noting this is in recognition of inflationary pressures in the wider economy. However, given the Government's stated intention to move to a self-financing model of local government it seems inconsistent to retain the referendum principles and limit council tax increases.

We maintain our view that Councils should have the flexibility to increase Council Tax, taking account of local circumstances, without the need for a referendum. If self-funding is the Government's intended model there should also be greater flexibility for Councils to vary council tax discounts for example. In particular, we can see no reason why there continues to be a Single Persons Discount at all or, at the very least, why Council's do not currently have the freedom to vary the level of discount according to local circumstances.

We also support the District Council Network's proposal that District Councils are given the powers (such as charging Council Tax to Developers on unbuilt homes after a set period) to encourage the delivery of sites with planning consent within a reasonable time frame.

- *Planning and Licencing Fees*

We welcome the recent legislation allowing Councils to increase planning fees by 20% and which will be used for further investment in planning. We believe, however, that in the context of a move to self-financing, that local authorities should have the freedom to determine their own planning and licencing fee charges, again, according to their local circumstances. This would seem to be consistent with the Government's policy of increasing the freedoms and flexibilities for local government.

Our responses to the specific questions set out in the consultation paper follow below and we trust that you will take these and the comments made above into consideration prior to confirming the final settlement for 2018/19.

Yours sincerely,

Dean Langton
Chief Executive

Cllr Mohammed Iqbal
Leader of the Council

T Greaves

Cllr Tony Greaves
Executive Member for Finance

Question 1: Do you agree with the methodology of allocating Revenue Support Grant in 2018-19?

Despite accepting the four-year funding offer we continue to have concerns regarding the extent to which relative needs are assessed and taken in to account when distributing central resources for local government. Hence, we would argue that the current methodology remains sub-optimal. However, we acknowledge that the Government is committed to the Fair Funding Review and this should be undertaken as a matter of priority to provide greater certainty and clarity and support effective longer-term financial planning. We await further developments in connection with this and in advance of this we anticipate little change being made to the methodology of RSG.

Question 2: Do you agree with the Government's proposal to fund the New Homes Bonus in 2018-19 with £900m from Revenue Support Grant and any additional funding being secured from departmental budgets?

We are not in favour of this given the re-distributional effects of top-slicing RSG and allocating it via New Homes Bonus. We feel this leads to more resources going to those Councils that already have greater spending power/resource capacity whereas the allocation of RSG does at least in some way have regard to the relative needs of councils.

The Government implemented reforms to the New Homes Bonus regime for the current year as it felt that although the Bonus was successful in encouraging authorities to welcome housing growth, it did not reward those authorities who were the most open to growth. For some authorities it is not a question of being 'open to growth' but rather a reflection on the viability of the local housing market and wider local economy that inhibits the opportunities for housing growth which results in Council's like Pendle being penalised under the Bonus regime. There is concern that the Government will increase the % baseline from o.4% at some stage in the future and this will simply exacerbate the position for Councils like Pendle and lead to a scenario under which a funding regime which has yielded £1m in the current year will soon fall away to zero.

Question 3: Do you agree with the Government's proposed approach of paying £65 million in 2018-19 to the upper quartile of local authorities based on the super-sparsity indicator?

The grant for rural services delivery seems to address a specific factor impacting on needs. In this case it is sparsity and whilst we recognise the additional costs that stem from this it is but only one factor amongst a number that drive funding needs. Another would be deprivation. In the absence of specific recognition for these other factors we hope and expect these issues will be addressed by the Fair Funding Review.

Question 4: Do you agree with the Government's proposal to hold back £35 million to fund the business rates safety net in 2018-19, on the basis of the methodology described in paragraph 2.6.2?

The need for a safety net mechanism is acknowledged. In part this stems from the volatility and uncertainty inherent in the current system and the persistent unfairness in meeting the costs of appeals including those which pre-date the inception of the current rates retention scheme. As with NHB we do not support the top-slicing of RSG to fund this mechanism.

Question 5: What are your views on the council tax referendum principles proposed by the Government for 2018-19?

We endorse the Government's intention to defer any extension of the Referendum Principles to local Town and Parish Councils for a period of 3 years.

We also acknowledge the scope for District Councils to increase council tax by less than 3% rather than 2% as in the current year noting this is in recognition of inflationary pressures in the wider economy. However, given the Government's stated intention to move to a self-financing model of local government it seems inconsistent to retain the referendum principles and limit council tax increases.

Question 6: Do you agree with the methodology for calculating the revaluation adjustment to business rates tariff and top-up payments as outlined in paragraphs 3.5.1 to 3.5.6?

The variant rationale provided for the latest revaluation adjustment to business rates tariff and top-up payments is noted. It also highlights the inherent complexity in the system with a 2017/18 related adjustment not fully concluded until 2019/20.

Question 7: Do you have any comments on the impact of the 2018-19 local government finance settlement on those who share a protected characteristic, and on the draft equality statement published alongside this consultation document? Please provide supporting evidence.

We have no observations to make in this respect and rely on the Government to comply with the same requirements as are applicable to individual councils when assessing the equality impact of policy decisions.