

Fair Funding Review - A review of local authorities' relative needs and resources

Response to Consultation

Question 1): Do you have views at this stage, or evidence not previously shared with us, relating to the proposed structure of the relative needs assessment set out in this section?

The Council welcomes this opportunity to respond to the Department's consultation.

The Council has consistently argued that areas like Pendle have not been treated equitably under the current methodology for allocating resources to local government. However, the Council also acknowledges the difficulty in designing a system that is robust and fair based on the Government's guiding principles whilst addressing the relative needs and resources of all local authorities.

The Council has concerns that, in striving for enhanced levels of simplicity, the Government risks a system which is over-simplified and one which fails to give sufficient weight to factors which can have a significant influence on individual local authorities. Examples include Deprivation and the effects of Rurality.

The consultation document outlines a Foundation Formula which will be paid to lower-tier authorities such as Pendle on a per capita basis using ONS population data. This is a simple and transparent cost driver provided changes in population are regularly updated. However, this makes no allowance for deprivation and the extent to which this acts as a cost driver for Councils such as Pendle.

In 2015 (latest available data), based on the average Index of Multiple Deprivation (IMD) score in Pendle (factoring in population weighting) it is ranked 38th out of 326 local authorities. In 2010 Pendle was ranked 33rd. The Ministry of Housing, Communities and Local Government also rank authorities based on the proportion of lower super output areas (LSOAs) in the top 10% most deprived across the country. On this basis, Pendle ranked 18th out of 326 authorities with 16 of its 57 LSOAs in the top 10% most deprived in the country.

The Department argues that deprivation is not a major cost driver when viewed in aggregate terms; however, this risk is that deprivation is 'averaged' out at the expense of those councils for whom it is a real issue and driver of costs. Whilst the proposals set out in the consultation include some recognition of Deprivation this is only in relation to four of the service specific formulas, none of which apply to lower-tier authorities.

In relation to rurality, the Government proposes to introduce a new Area Cost Adjustment within the allocation methodology. This will be applied to the Foundation Formula when determining needs allocations. Whilst this is supported by the Council there are concerns that it may not adequately take in to account those authorities that are a mix of urban and rural. As with deprivation the risk is that rurality gets 'averaged out' to the detriment of Councils like Pendle that consist of a number of towns but with a significant rural hinterland.

Question 2): What are your views on the best approach to a Fire and Rescue Services funding formula and why?

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This question is not applicable to the Council as a lower-tier authority.

Question 3): What are your views on the best approach to Home to School Transport and Concessionary Travel?

As with Q2 above this question is not applicable to the Council as a lower-tier authority.

Question 4): What are your views on the proposed approach to the Area Cost Adjustment?

The Council accepts that any assessment of relative needs should consider the variation in local costs amongst local authorities. The methodology outlined in the consultation document appears reasonable and takes in to account the main factors which influence costs locally. This is provided that consideration of accessibility and remoteness includes those authorities like Pendle that have a significant rural hinterland and poor connectivity. Likewise, the weightings given to the various elements of the adjustment also need careful consideration.

It is expected that the Area Cost Adjustment will benefit those authorities closest to London and the South-East. Whilst this may, in isolation, imply a higher relative need this must be coupled with the recognition that, generally, these authorities also have a higher resource capacity. Thus, provided there is appropriate consideration of both sides of the allocation equation, the Council accepts the proposed approach to the Area Cost Adjustment.

Question 5): Do you agree that the Government should continue to take account of non-discretionary council tax discounts and exemptions (e.g. single person discount and student exemptions) and the income forgone due to the pensioner-age element of local council tax support, in the measure of the council tax base? If so, how should we do this?

Yes. The Council does agree with the approach outlined in the consultation document and considers that this should be done as now using data captured by local authority council tax base returns.

Question 6): Do you agree that an assumptions-based approach to measuring the impact of discretionary discounts and exemptions should be made when measuring the council tax base? If so, how should we do this?

Yes - A fairer assessment of a local authority's resources would take in to account the impact of discretionary discounts and exemptions on its council tax base. An assumptions based approach as outlined in the consultation document is one way but the broad acceptance of this approach will depend on the actual assumptions made.

Given the impact of austerity on most authorities it is likely that the majority will have exercised the discretions granted by Government in recent years. Arguably, for those that have not done so, this is an indication that their 'resource need' is not as great. In this scenario should such authorities have their local decision-making rewarded? We would suggest not.

The data required to inform the approach could be obtained via the Council Tax Base return although this may require additional questions to be added.

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Question 7): Do you agree that the Government should take account of the income forgone due to local council tax support for working age people? What are your views on how this should be determined?

Yes – as with Q6 above this should give a fairer assessment of the resources available to the Authority. However, the Government's preference appears to be one of an assumptions based approach rather than one based on a measure of actual income foregone. Inevitably this will result in winners and losers dependent on the relative position of an authority to the assumptions made.

Question 8): Do you agree that the Government should take a notional approach to council tax levels in the resources adjustment? What are your views on how this should be determined?

The rationale for the approach outlined in the consultation document is understood and it is accepted that Council tax levels can vary between authorities for a variety of reasons. The Government appears minded to adopt a notional approach to council tax levels in the resource adjustment. It is difficult to assess the impact of this on individual councils as it will depend on the level set combined with the ratio of the authority's tax base to its relative needs share. In the absence of any other approach finding greater acceptance within the sector we acknowledge the Government's position.

Question 9): What are your views on how the Government should determine the measure of council tax collection rate in the resources adjustment?

If an assumption has to be made on collection rates at the local authority level it is suggested that this be set at a uniform level adopting a minimum collection rate. It is acknowledged that whichever level is assumed (minimum, average, maximum) it would have the same effect for all authorities in the relative resources adjustment regardless of their actual collection rate.

Question 10): Do you have views on how the Government should determine the allocation of council tax between each tier and / or fire and rescue authorities in multi-tier areas?

The consultation document states that the Government is minded to calculate the average share in council tax receipts in multi-tier areas between the respective precept elements across the country. An alternative approach would be to base this on actual shares in each area. The latter would reflect the reality of the position 'on the ground'.

Question 11): Do you agree that the Government should apply a single measure of council tax resource fixed over the period between resets for the purposes of a resources adjustment in multi-year settlement funding allocations?

The application of a single fixed measure of council tax resource would seem consistent with two of the Government's guiding principles for the review, namely simplicity and stability. In this scenario the adequacy / robustness of the initial position will likely determine the level of acceptance.

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Question 12): Do you agree that surplus sales, fees and charges should not be taken into account when assessing local authorities' relative resources adjustment?

Pendle has a relatively low capacity to generate income from fees and charges. This reflects the economics and demographics of the Borough including the level of deprivation as outlined in the response to question 1. The Council does not, for example, charge for off-street car parking as this would have a detrimental impact on the economic vitality of our main towns.

If account is taken of these factors in setting the Council's relative needs share then we would accept the Government's position in which it is broadly minded not to make an adjustment for surplus sales, fees and charges. However, if this is not the case then we would advocate that the Government should take such income streams into account when setting authorities relative resource adjustments.

Question 13): If the Government was minded to do so, do you have a view on the basis on which surplus parking income should be taken into account?

The Council does not generate surplus income from car parking and hence has no view on this.

Question 14): Do you agree with the proposed transition principles, and should any others be considered by the Government in designing of transitional arrangements?

The transition principles outlined in the consultation document appear reasonable. Given the review of needs and resources coincides with planned changes to business rates retention from 2020/21 it is important that transitional arrangements are put in place to help authorities mitigate and manage the effects of change. Whatever arrangements are put in place must aid effective medium-term financial planning and reduce the risk of further shocks or changes post implementation.

Question 15): Do you have views on how the baseline should be constructed for the purposes of transition?

We note the Government is proposing to adopt a baseline measured as the funding available to each local authority in 2019-20. This would seem a reasonable point from which to start being the most current year prior to implementing the change in funding system. However, there is concern that even adopting this position the government indicates there may be a requirement for 'some form of adjustment' due to a number of factors including the treatment of negative RSG. This provides neither certainty nor is it conducive to effective financial planning.

Question 16): Do you have any comments at this stage on the potential impact of the proposals outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.

We have no comments in respect of persons who share a protected characteristic. We would expect the Government to undertake an appropriate assessment in line with its responsibilities under equality legislation. The Council is concerned that deprivation is not being considered within the Foundation Formula for lower-tier authorities. As a

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result the Council remains pessimistic regarding the outcome of the review especially given its low taxable capacity. If these concerns are borne out and should the Spending review 2019 offer little respite from austerity then the impact will be felt most locally by those who can least help themselves and the more vulnerable in our community.

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