

**CHIEF EXECUTIVE**

Town Hall, Market Street, Nelson, Lancashire BB9 7LG

Date: 6<sup>th</sup> January 2020  
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*Sent via e-mail*

Dear Sir,

**Provisional Local Government Finance Settlement 2020/21  
 Response to Consultation**

I am writing on behalf of Pendle Borough Council in response to your consultation on the Local Government Finance Settlement for 2020/21. 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.

- *Review of the Funding Regime and Multi-Year Settlements*

You will be aware that 2019/20 will be the final year of the 4-year settlement agreed by the Government in 2016/17. Whilst we considered that we had no choice but to sign up to that settlement, despite it reflecting significant reductions in the Council's funding, it did provide a period of certainty in funding allocations (although changes to both New Homes Bonus and, latterly, the Government's response to Negative Revenue Support Grant undermined the approach) which was, for the purposes of financial planning, welcome. We urge the Government to consider offering similar multi-year settlements with effect from 2021/22.

In contrast, whilst acknowledging the circumstances in which the decision was taken, a single-year settlement for 2020/21 provides no basis on which the Council can plan effectively for the medium term, particularly given the significant reduction in resources after almost a decade of austerity.



With the prospect of a Comprehensive Spending Review in 2020, a further consultation on the Fair Funding Review, changes to the Business Rates Retention System and a review of the New Homes Bonus, we are concerned that these changes will create significant turbulence and uncertainty in the funding system for local government. Each of these changes alone is potentially significant but taken together, and with limited useful information on which to model future funding scenarios, the ability of local authorities like Pendle to forecast funding levels with any accuracy from 2021/22 is incredibly difficult, if not impossible.

We accept that the timing of the Comprehensive Spending Review cannot be changed. Equally, the Fair Funding Review is necessary to bring up to date the relative needs and resources of local councils (given that it was last considered in 2013/14). ***To that end, we would urge the Government to consider deferring the implementation of any changes in Business Rates Retention and New Homes Bonus until at least 2022/23 allowing the impact of any changes in funding from the Fair Funding Review to be bedded in.***

We would, therefore, ask the Government to consider the timing and implementation of these reviews with a view to managing the impact on individual local authorities. In particular, either delaying the implementation of one or other of the reviews or including transitional arrangements such as 'floors' and 'ceilings' to manage the changes in funding from one year to the next should be considered as part of any system change.

- ***Funding based on Needs***

We acknowledge the Government's intention review the funding regime for local government. 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 to counter the loss of 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 funding from Central Government 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, the needs-based assessment of funding allocations should adequately reflect these matters to ensure that a basic level of service provision. Given Pendle has a number of areas of high deprivation, this is an issue which needs to be properly factored into any formulaic approach to future funding allocations.



- *New Homes Bonus*

We note the Government's intention to pay New Homes Bonus in 2020/21 reflecting new and empty homes brought into use between October 2018 and October 2019. We are disappointed that, once again, the basis on which New Homes Bonus will be paid has been changed with only a single year payment (and not the 4-years as previously determined following a review of the Scheme) for 2020/21. Again, this change undermines local government's ability to plan budgets over the medium term.

**We are relieved that the Government has again not changed the national baseline (0.4%) but, that said, our view remains that there should be no baseline.**

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. Fundamentally, 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.**

Assuming the Government does not remove all legacy payments of New Homes Bonus, we estimate that the effect of applying the national baseline, over the medium-term, will practically reduce Pendle's future shares of NHB to nil.

We note the intention to undertake a consultation on the future of the New Homes Bonus in Spring 2020. We hope that any such review takes into consideration the regional differences in Housing Markets and the ability of local places to build new housing. More specifically, we would urge the Government to ensure that any funding used to incentivise the delivery of new homes is additional to that already in the local government funding system and that it is distributed in an fair, transparent and equitable way reflecting the regional variations in housing markets.

- *Council Tax*

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. Equally, 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 endorse the Government's intention to defer any extension of the Referendum Principles to local Town and Parish Councils.

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 2020/21.

Yours sincerely,



Dean Langton  
Chief Executive

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**Question 1: Do you agree with the Government's proposed methodology for the distribution of Revenue Support Grant in 2020-21?**

We acknowledge the uprating of the Revenue Support Grant for 2020-21.

We reiterate our concerns regarding the extent to which relative needs and resources 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, not least because it is based on out-of-date data.

We acknowledge that the Government is committed to the Fair Funding Review and that work on this has already started. We are deeply disappointed that the implementation of the Fair Funding Review has now been delayed until April 2021. Nevertheless, we will be responding to the consultation on this matter in due course because the present method of allocating Revenue Support Grant is based on outdated information associated with both the relative needs and resources of local authorities which, in our view, is depriving our local area of the resources required to sustain local services.

**Question 2: Do you agree with the Government's proposal to eliminate negative RSG?**

We remain aggrieved at the Government's response to those Councils that, as a consequence of the formulaic approach to the allocation of Revenue Support Grant, will 'suffer' negative RSG again in 2020/21 (and indeed in the current year). In our view, it is contrary to both the calculation methodology and, in relation to the current year's allocation, the acceptance of the 4-year settlement that the Government has chosen to find funding to compensate these Councils, most of which have:-

- not suffered the extent of reduction in Revenue Support Grant as Pendle yet are being reimbursed funding;
- by virtue of their taxable capacity, have been largely protected from funding reductions;
- received more New Homes Bonus than Pendle given they have functional housing markets.

Fundamentally, it is unfair.

**Question 3: Do you agree with the proposed package of council tax referendum principles for 2020-21?**

No, we fundamentally disagree with the proposal for a separate Council Tax referendum principle for all Councils. And it is incongruous that the Government is seeking to set referendum limits for Council Tax increases by local authorities yet allowing the Mayoral Combined Authorities to precept without limit.

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.



Equally, if self-funding of local government 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 Councils do not have the freedom to vary the level of discount according to local circumstances.

We agree that there should not be referendum limits for Council Tax for either Mayoral Combined Authorities or Town and Parish Councils on the basis of our view that referendum principles should not apply to any local authority. Decisions on Council Tax should be a matter for local politicians to determine.

And, as with the Government's proposals for the additional Adult Social Care Precept, we also support the District Council Network's proposal that District Councils are given the powers to precept an additional amount of Council Tax to meet the costs of prevention activities (such as investment in housing standards, leisure provision etc) which contribute significantly to reducing the demand burden on Health and Social Services.

**Question 4: Do you agree with the Government's proposals for the Social Care Grant in 2020-21?**

Yes.

**Question 5: Do you agree with the Government's proposals for iBCF in 2020-21?**

Yes, we agree with the Government's proposals to continue iBCF funding for Adult Social Care Pressures.

We note there are no proposals as yet for the Better Care Fund for 2020/21. In this respect, we would urge the Government to both provide sufficient funding for Disabled Facilities Grants and implement the recommendation of External Review of Disabled Facilities Grants (Dec 2018) for a new allocation formula to be established at the next Comprehensive Spending Review.

**Question 6: Do you agree with the Government's proposal to fund the New Homes Bonus in 2020-21 with the planned £900 million from Revenue Support Grant, with additional funding being secured from departmental resources, and to allocate the funds in line with previous years but with no legacy payments?**

Whilst we are relieved that the Government has chosen not to make any change to the baseline of 0.4%, we are still of the view that the Baseline per se does nothing to encourage housing growth; it is simply further mechanism to skew the distribution of resources unfairly.

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. In our view, this compounds the unfair allocation of funding.

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 of 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.

***Question 7: Do you agree with the Government's proposed approach to paying £81 million Rural Services Delivery Grant in 2020-21 to the upper quartile of local authorities, based on the super-sparsity indicator?***

As we have said previously, 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 factor would be deprivation which, in the consultation on Review of Local Authorities' Relative Needs and Resources, the Government acknowledges as 'an important driver for some specific services'.

To that end, we are unclear why the Government has chosen to make available increasing amounts of additional funding (the grant was £65 million in 2018/19) for this factor but chooses to ignore other factors that impact on the costs of many other local authorities. We would strongly urge the Government to reconsider whether additional funding should be made available for Council areas recognised as being within the upper quartile of deprived areas according to the Index of Multiple Deprivation.

***Question 8: Do you have any comments on the impact of the proposals for the 2020-21 settlement outlined in this consultation document on persons who share a protected characteristic, and on the draft equality statement published alongside this consultation document? Please provide evidence to support your comments.***

None specifically.

