



CHIEF EXECUTIVE

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Date: 4th January 2021
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Local Government Finance Settlement Team
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Sent via e-mail

Dear Sir,

Provisional Local Government Finance Settlement 2021/22 Response to Consultation

I am writing on behalf of Pendle Borough Council in response to your consultation on the Local Government Finance Settlement for 2021/22. 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.

We acknowledge these are extraordinary times for all public services. Nevertheless, we are disappointed that details of the Provisional Settlement were only released on 17th December 2020. This is despite the recommendation of the Hudson Review (into Local Government Finance: Review of Governance and Processes) which stated that the provisional settlement should be announced around 5th December each year. As you will appreciate, delays in issuing the provisional settlement have a consequential impact on the development of our budget at a time when, after years of austerity, there is a need to consider carefully and in detail decisions which could have a significant impact on the delivery of critical services.

Returning to the provisional Settlement, we note the Government's headline announcement of a 4.5% increase in cash (and real terms) funding for Local Government. However, as has been highlighted since by various organisations such as the Local Government Association, this assumes that Council Tax will rise by the maximum allowable levels.



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In Pendle's case, even if Council Tax is increased by the maximum amount allowed by the Council Tax Referendum principles for District Councils, the increase in our Core Spending Power will only be 1.3% (one quarter of the growth in funding on average). If that is not the case, and we choose not to pass the additional burden on to hard pressed residents who continue to feel the impact of the Covid-19 Pandemic, our Core Spending Power will reduce by 0.7% and without the Lower Tier Services Grant, our Core Spending Power would reduce by 3.7%. In all cases, these are substantially less than the headline announcement on the increase in Council funding.

Part of the reason for this is way in which the Government's New Homes Bonus Scheme is funded and operates which arguably deprives places like Pendle of funding that would, otherwise, be part of the Council's Core Spending Power. Our comments on the New Homes Bonus Scheme are set out below.

On the other matters related to the Provisional Settlement, we have the following comments:-

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

Whilst acknowledging the circumstances in which the decision was taken, a further single-year settlement for 2021/22 (following on from the single year settlement for the current year) 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 2021, a delayed consultation on the Fair Funding Review, changes to the Business Rates Retention System and the proposed reform of the New Homes Bonus Scheme, we remain 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, with limited useful information on which to model future funding scenarios and the continuing pressures and uncertainty of the Covid-19 Pandemic, the ability of local authorities like Pendle to forecast funding levels with any accuracy from 2022/23 is incredibly difficult, if not impossible.

We accept that the timing of the Comprehensive Spending Review cannot now 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 allowing the impact of any changes in funding from the Fair Funding Review to be bedded in.***

In the event the Government presses ahead with these reviews, we ask that the Government considers the impact carefully on each individual local authority. In particular, if delaying the implementation of one or other of the reviews is not possible, we ask that you consider including transitional arrangements such as 'floors' and 'ceilings' (as it has done with the Lower Tier Services Grant) to manage the changes in funding from one year to the next so that no individual authority suffers a disproportionate loss of funding.



- *Funding based on Needs*

We acknowledge the Government's intention review the funding regime for local government although note that this will not now take place until 2021 with a likely implementation from April 2022. 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.

As we have previously set out, despite our best efforts, it has not been possible for Pendle Council to generate sufficient resources locally to counter the cumulative 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 significant 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. That funding has not been made available by Government because the policies employed, as with the New Homes Bonus Scheme, redirect such funding away from Council's like ours.

At the heart of this issue is the absolute disconnect between the Council's Taxbase and any funding received direct from Government in the form of Revenue Support Grant. Previously, Councils with a low taxbase due to the nature of their housing stock, received a higher share of Revenue Support Grant funding to compensate this inability to raise tax locally. Since 2013/14, that method of equalisation is less prominent in the Funding Settlement and, given the Government's control on Council Tax increase through the Referendum Principles, any ability of the Council to raise Council Tax to compensate for the loss of Revenue Support Grant has been inhibited,

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 and the link between a low taxbase and the calculation of Revenue Support Grant needs to be reinstated.

At the same time, Government needs to provide adequate resources for investment in infrastructure in places like Pendle to make up for the underlying lack of investment experienced over many years that has led to the inability of the local economy to grow and compete with other places.



- *Green Book Review*

In the context of the funding mechanisms referred to above, we welcome the Government's review of the HM Treasury Green Book as part of the 'levelling up' agenda. Changes in the way HM Treasury decides on investments by taking into consideration where public sector interventions is most needed – not where growth is the highest – is fundamental to achieving the step-change in economies like Pendle and, indeed, would go some way to countering the disproportionate impact of Covid-19.

- *New Homes Bonus*

We are disappointed that the Government has not undertaken the review of the New Homes Bonus Scheme in 2020 as planned. We are equally disappointed that the Scheme has been rolled forward for 2021/22 in its current form given that it explicitly disadvantages areas of low housing growth. In essence, the Scheme as it presently operates does nothing other than redistribute what was Revenue Support Grant funding in an inequitable way, notably to the South East.

In particular, 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.**

That aside, it is our strong view that the funding allocated to the New Homes Bonus should, in fact, be added back to Revenue Support Grant and distributed to local authorities

In relation to the forthcoming review, 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 a 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 Council's do not currently have the freedom to vary the level of discounts according to local circumstances should they wish to do so.



At the same time, of all District Councils, Pendle has one of the highest number of properties in Band A reflecting that it has an abundance of pre-1919 terraced properties in a number of its Towns. These make up around 65% of properties in Pendle and, as a consequence, the Council has a low taxbase relative to other similar Councils. This means that historically, the Council has had to increase its Council Tax by more than the average in order to maintain its tax yield and overall resource level. The corollary to this is that Council Tax is now becoming increasingly unaffordable for many residents, not only those for those in Band A properties but particularly those who live in larger properties who are on middle incomes. We urge the Government to consider a review of Council Tax at the earliest opportunity and, if possible, as part of the Fair Funding Review to make it more equitable across the Country.

- *Funding for Covid-19*

We welcome the proposed additional funding for Covid-19.

Pendle's allocation of the Expenditure Pressures Grant is £633k. The Government has indicated that its priorities for this grant include household waste collection, shielding the clinically vulnerable, homelessness, rough sleeping, domestic abuse, managing excess deaths, support for re-opening the country and the additional costs associated with the local elections in May 2021.

It is not clear at this stage how long the Pandemic will continue to impact in 2021. Whilst we are hopeful that the vaccine(s) programme will be rolled out as quickly as possible, the logistics of doing so suggest that it may take up to 12 months before the vaccine is available to the general public. In view of this, we expect the impact of restrictions on individuals and businesses to continue as efforts to contain the spread of the disease remain in place. Similarly, we expect the impact on the Council's activities to continue throughout the year and that the net costs of this are more than likely to exceed the funding made available. It is disheartening that the Government has stated in its policy paper that *'Councils should plan on the basis of not receiving any additional funding for the above pressures'* and we would urge the Government to reconsider this.

Again, we welcome the Local Council Tax Support Grant. However, we are disappointed that the Government will not provide the Hardship Grant (of £150) in 2021/22 to Council Taxpayers who might struggle to pay their Council Tax otherwise. This support has proven invaluable in the current year and we ask the Government to continue this funding.

Fundamentally, however, our view is the Covid-19 funding package falls significantly short of the commitment made by Sir Ed Lister on behalf of the Government in his letter to Lancashire Leaders dated 16th October 2020, a copy of which is enclosed with this response. In his letter, he states that:-



'[The Government] recognise the challenging position you have set out in relation to local government funding and are clear that, in these difficult and challenging times we will do our best to provide support. The Prime Minister announced on Monday a further £1bn of COVID funding for local authorities to protect vital services. The Government will confirm as soon as possible how this will be allocated but I have received assurance from the Treasury that no LAL 3 authorities will be put in a position where they are unable to balance their budget this year or set a legal budget next year.'

Notwithstanding the uncertainty with the Covid-19 Pandemic, we can assure you that the funding package set out is not sufficient to prevent Pendle Council from having to take decisions that will impact on our ability to continue providing services.

Finally, 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 2021/22.

Yours sincerely



Cllr Mohammed Iqbal
Leader of the Council



Cllr David Whipp
Deputy Leader of the Council



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Question 1: Do you agree with the Government's proposed methodology for the distribution of Revenue Support Grant in 2021-22?

We acknowledge the uprating of the Revenue Support Grant for 2021-22.

We reiterate our concerns regarding the extent to which relative needs and resources are assessed and taken into 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 again until April 2022. 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.

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 2021/22 (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 and because the Scheme as it presently operates redistributes funding in way that favours areas of housing growth that, without New Homes Bonus funding would arguably experience housing growth in any event. .

Fundamentally, it is unfair.

Question 2: Do you agree with the proposed package of council tax referendum principles for 2021-22?

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 Council's do not have the freedom to vary the level of discounts according to local circumstances should they consider it necessary.

At the same time, of all District Councils, Pendle has one of the highest number of properties in Band A reflecting that it has an abundance of pre-1919 terraced properties in a number of its Towns. These make up around 65% of properties in Pendle and, as a consequence, the Council has a low taxbase relative to other similar Councils. This means that historically, the Council has had to increase its Council Tax by more than the average in order to maintain its tax yield and overall resource level. The corollary to this is that Council Tax is now becoming increasingly unaffordable for many residents, not only those for those in Band A properties but particularly those who live in larger properties who are on middle incomes. We urge the Government to consider a review of Council Tax at the earliest opportunity and, if possible, as part of the Fair Funding Review to make it more equitable across the Country.

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 3: Do you agree with the Government's proposals for the Social Care Grant in 2021-22?

Yes. But as with the general review of Local Government Finance, the review of the future funding of Social Care has still not been concluded which undermines the ability of Council's to plan their budgets over the medium to long term.

Question 4: Do you agree with the Government's proposals for iBCF in 2020-21?

No, it is disappointing that the Improved Better Care Fund has been frozen, particularly given the pressures in the Health and Social Care System.

Question 5: Do you agree with the Government's proposals for New Homes Bonus in 2021-22?

We are disappointed that the Government has yet not reformed the New Homes Bonus scheme as set out at last year's Financial Settlement for Local Government. The Scheme in its present form does nothing to incentivise the delivery of new housing or bringing empty properties back into use and is in need of reform.



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We are not in favour of the top-slicing of RSG and allocating it via New Homes Bonus. We feel that the distribution of resources in this way 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.

We remain equally not in favour of the 0.4% threshold for new housing/empty homes brought back into use, below which no New Homes Bonus is paid. This directly discriminates against areas of low housing growth for no apparent reason other than to distribute funding to places that are experiencing growth for reasons outside the scope of New Homes Bonus.

The Government implemented reforms to the New Homes Bonus regime two years ago 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 Councils like Pendle being penalised under the Bonus regime.

Question 6: Do you agree with the Government's proposal for a new Lower Tier Services Grant, with a minimum funding floor so that no authority sees an annual reduction in Core Spending Power?

We welcome the introduction of the Lower Tier Service Grant but it is no substitute for the loss of Revenue Support Grant experienced by Pendle Council over the last 10 years of Austerity. And without assuming the maximum increase in Council Tax, as the Government has done in the determination of Core Spending Power, Pendle would have experienced a reduction in Core Spending Power, when compared to 2021/22 of nearly 4% if the Lower Tier Service Grant was not included. With the Lower Tier Services Grant, the reduction is still nearly 1%.

Question 7: Do you agree with the Government's proposals for Rural Services Delivery Grant in 2021-22?

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 has previously acknowledged 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 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 Government's plan not to publish Visible Lines?

Our view is that the Government should be as transparent as possible about the derivation of local authority funding settlements and therefore the publication of information on grants rolled into the settlement should continue wherever possible.

Question 9: Do you have any comments on the impact of the proposals for the 2021-22 settlement outlined in this consultation document on persons who share a protected characteristic, and on the draft equality statement published alongside the consultation document? Please provide evidence to support your comments.

None specifically.



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