

Date: 31st December 2025

Local Government Finance Settlement Team
Ministry of Housing, Communities and Local
Government
2nd floor, Fry Building
2 Marsham Street
London
SW1P 4DF

Dear Sir,

**Provisional Local Government Finance Settlement 2026/27
Response to Consultation**

I am writing on behalf of Pendle Borough Council in response to your consultation on the Local Government Finance Settlement for 2026/27 (and prior to that, the Local Government Finance Policy Statement). Responses to the specific consultation questions are provided at the end of this letter. In the meantime, I would like to make the following comments and suggestions.

In general terms, I am extremely disappointed with the provisional Settlement and what it means for Pendle. The Council does recognise the importance of establishing a funding distribution system that is fairer, more transparent, and better aligned to actual need and cost drivers than the current arrangements. And I am supportive in principle of the Government's intent to reform the funding system, particularly the move toward updated needs assessments and the phasing-in of allocations over a three-year period.

However, I also have significant concerns about specific aspects of the approach, which may undermine fairness or operational viability for Councils like Pendle unless addressed. In particular, the following areas are of concern:-

- *Relative Need is not fully Captured*

According to the most recent English Indices of Multiple Deprivation (IMD2025), the Pendle area is one of the relatively most deprived districts in England. More specifically, Pendle is ranked 13th out of 296 local authority districts in England (having previously been ranked 36th out of 317 local authority districts in 2019), placing it within the most deprived 10% of authorities nationally.

Although the provisional Settlement seeks to reflect relative need – and I understood that the level of deprivation was to be a proxy for need – the proposed formulas are not weighted sufficiently for:-

- high levels of deprivation;
- poor health outcomes and demand for preventative services; and

- housing pressures, homelessness and private rented sector challenges.

All these matters contribute to significant demand for services in Pendle which, in my view, are not adequately reflected in the Relative Needs Formula.

- *Insufficient Protection for Smaller District Councils*

Again, I welcome the principle of phasing in funding reductions, particularly in the context of the full impact of the Fair Funding Review on a Council like Pendle. But, phasing is inevitable given the impact of the Fair Funding Review does not adequately reflect the needs of a place like Pendle (see our comment above on the Relative Needs Formula) and it is my view that the level of protection afforded to Pendle is insufficient given it is a small District Council providing a very wide range of services.

- *Consolidation and Simplification of Grant Funding*

Consolidation and simplification of grant funding is well overdue. However, I have significant concerns that whilst it is helpful to simplify the grants landscape, it is a smokescreen to reduce transparency of grants available and, indeed, the overall amount of funding being distributed by the Government.

I note there is no separate grant allocation to meet the revenue costs for the operation of weekly food waste collections, which are due to be introduced from April 2026. The Local Government Policy Statement confirmed that the Government '*remained committed to supporting Councils to deliver weekly food waste collections*' and whilst MHCLG have indicated that the funding is included in the Core Spending Power, it remains unclear where in the CSP this is, how much it is in total and how much each Council will receive. I should be grateful for clarification of this.

- *Council Tax*

I note the Government has retained the previous Government's referendum principles for 2026/27. I do take issue with the Government's assumption that funding increases for Local Government are predicated on the maximum permissible increase in Council Tax. This requires difficult decisions from Councils that, after years of austerity, need to raise funding to sustain services from residents, many of whom are already facing significant hardship due to the cost-of-living crisis.

Equally, if the Government's intended model for Local Government includes the intention to place reliance on Council Tax as a primary source of funding for local services, there should also be greater flexibility for Councils to vary council tax discounts for example. I can see no reason why Councils do not currently have the freedom to vary the level of all discounts according to local circumstances should they wish to do so.

At the same time, of all District Councils, Pendle Borough Council has one of the highest number of properties in Band A. These make up almost 60% of properties in Pendle and, consequently, 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 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 in Band A properties but particularly those who live in larger properties who are on middle incomes.

I am aware of growing pressure on the Government to consider a review of Council Tax, hopefully to create a more progressive tax system. I would urge the Government to progress such a review at the earlier opportunity and, indeed, I have recently written to the Government on this matter following a resolution of the Council.

- *Low Council Tax Base limits Local Flexibility*

I recognise the Government's attempt to redistribute resources to Councils with low Council Taxbases through the Resource Allocation formula. However, it remains the case that, given the relatively low Council Taxbase in Pendle, Council Tax increases in line with the Referendum Principles set by the Government will generate significantly less income than in other areas with more buoyant taxbases. Continued reliance on Council Tax in its current form as primary source of funding for local government services will continue to disadvantage places like Pendle and will, if it hasn't already, entrench regional inequalities.

Finally, responses to the specific questions set out in the consultation paper follow below and I trust that you will take these and the comments made above into consideration prior to confirming the final settlement for 2026/27.

Yours faithfully

Cllr. David Whipp
Leader of the Council
Pendle Borough Council

Responses to Consultation on the Provisional Local Government Finance Settlement

Question 1: Do you agree or disagree with the government's proposals for distributing the total Fair Funding Allocation across the multi-year Settlement period from 2026-27? This encompasses the approach to Baseline Funding Levels, Revenue Support Grant, the Adult Social Care Relative Needs Formula

distribution, the additional funding for local services, the approach to the Local Authority Better Care Grant, and the method for calculating tariffs and top-ups.

Pendle Borough Council supports the overall direction of the proposals — updating the Fair Funding Allocation, targeting resources via relative needs formulas, and phasing changes to protect councils during transition. However, we do not fully agree with the current proposals and we believe the Government should:

- provide greater transparency on the underlying data, weighting, and modelling approaches used for need assessments and baseline calculations. We believe there should be more weight given to deprivation-based indicators so that areas with deep pockets of deprivation (and with it, higher service demands) are funded appropriately;
- ensure regular review and updating of relative needs formulas to reflect changes in demographics, demand, and service delivery costs;
- strengthen transition protections and safety-net arrangements to avoid disproportionate negative impacts on Councils like Pendle with limited tax bases.

The Council generally supports the reform objectives but disagrees with several elements of the current proposals in their current form. Our further comments are provided below:-

Baseline Funding Levels and Revenue Support Grant (RSG)

We agree that moving toward a modernised system with up-to-date baseline funding levels and a core Revenue Support Grant (RSG) that reflects relative need is a necessary step to update a distribution model last substantively revised in the mid-2013/14. We also welcome the commitment to a multi-year settlement, which will aid medium-term financial planning and service continuity; this will only be the case if the Government does not substantially change the funding allocations from one year to the next.

That said, the proposed methodology for phasing in fair funding shares and setting baseline funding levels lacks sufficient transparency on the data and weightings used. Without clearer evidence of how specific needs and costs have been modelled, there is a risk that allocations will not fully reflect local service demands, particularly in smaller districts with demographic and cost profiles that differ materially from larger urban authorities.

Adult Social Care Relative Needs Formula

Whilst we have no direct responsibility for Adult Social Care, we welcome additional funding targeted through the Adult Social Care Relative Needs Formula. Alignment of funding with adult social care pressures is vital given demographic shifts and service demand. The phased approach of distributing £900 million across three years (£150m in 2026-27 rising to £500m by 2028-29) is a positive step toward directing resources where needs are highest.

However, the formula's underlying data and weighting must be regularly updated and reflective of local realities. There remains concern that the current formula may not fully capture in sufficient detail the nuance of social care service costs and pressures faced by Councils like Lancashire County Council (that provides Adult Social Care in the Pendle Area) with older populations, high deprivation, or rural delivery challenges in some parts of its area.

And, fundamentally, we remain concerned that there is insufficient funding in the Local Government Finance system for Adult Social Care services. Rising demand, costs pressure on Providers (due to increases in the Real/National Living Wage, National Insurance, Utilities etc) and explicit cost-shunting from the NHS are all contributing to increased costs which are increasing at a faster rate than the change in funding being made available by the Government. At the same time, the rising pressure on acute services provided by the NHS mean that the focus on localised, preventative health service provision is not adequate, is short term and does not have the resilience required to underpin transformation in the way in which healthcare is delivered.

Local Authority Better Care Grant (LABCG)

Retaining the LABCg as a standalone, ring-fenced grant acknowledges its statutory role within the Better Care Fund framework and maintains integration with health partners. Maintaining 2026/27 allocations at current levels provides stability (but does imply an inflationary reduction).

However, the long-term integration of LABCg into RSG in later years should not dilute the visibility of funding specifically intended for health integration. As we have indicated above, the consolidation and simplification of grant funding should not be undertaken at the expense of the amount of funding available. Indeed, clarity on how pooled budgets like these will operate and accountability measures is essential.

Additional Funding for Local Services

Additional funding for neighbourhood services and other local priorities is welcome, and allocating £180 million via the fair funding shares is a constructive move. Ensuring funding flows to councils addressing key community services is important. But, we urge the Government to ensure that such uplifts are sufficient to sustain services in areas of persistent deprivation and do not simply redistribute existing pressures across councils without adequate growth in the national pot.

Tariffs and Top-Ups

We recognise the logic of calculating tariffs and top-ups based on business rates baselines relative to baseline funding levels as part of a reset of the business rates retention system. This is an important mechanism to balance locally retained revenue with assessed needs.

We also believe that having a 100% safety net in 2026/27 is the right thing to do. Given the changes to and complexity of the Business Rates Retention system along with the potential volatility of business rates income, it is essential that safety nets and protections are robust and minimise detrimental impacts on financial sustainability, particularly for districts with a limited business rates base.

Question 2: Do you agree or disagree with the government's proposed transitional arrangements?

We broadly agree with the principle of transitional arrangements but consider the proposed approach insufficient. Indeed, we welcome the commitment to phasing in funding changes over a multi-year period, as abrupt changes would pose serious risks to financial sustainability and service delivery. However:

- the scale and duration of transitional protections must be sufficient to avoid destabilising councils with limited financial resilience;
- protection mechanisms should account not only for percentage losses, but also for absolute cash impacts which, given much smaller budgets and therefore volatility around financial resilience, can disproportionately affect smaller district councils;
- transitional arrangements should be guaranteed for the full settlement period, not subject to annual revision acknowledging that, in this multi-year period, local government reorganisation is likely to take place and Councils will wish to ensure that any new Organisations are financially resilient.

We urge the Government to ensure that no Council – whether existing or new - experiences funding reductions that exceed its capacity to manage change without service reductions.

Question 3: Do you agree or disagree with the proposed package of council tax referendum principles?

While we recognise the need to balance local accountability with taxpayer protection, the current approach constrains councils' ability to respond to local demand pressures, particularly where government funding has not kept pace with inflation and service costs. Specifically:-

- a uniform percentage increase limit disadvantages Councils like Pendle with a low council tax base where equivalent increases generate significantly less income;
- greater flexibility should be provided for Councils facing high deprivation, demographic pressures, or a legacy of significant underfunding;
- consideration should be given to increasing discretion over some discounts and exemptions;
- without reform, reliance on Council Tax as a significant source of income to fund local services risks entrenching regional and socio-economic inequalities.

As the Government continues to point out, decisions on Council Tax are a matter for local councils to take and should, in my view, leave Councils to do that.

We also reiterate our concerns about some of the proposals in the Government's consultation 'Modernising and Improving the Administration of Council Tax'. We have yet to see the Government's response to this consultation but we would urge the

Government not to implement the proposals on Collection and Enforcement of Council Tax which, in our view, will result in reduced income from Council Tax.

Question 4: Do you agree or disagree with the government's proposed approach to distributing funding for the Families First Partnership programme via the final version of the Children and Young People's Services (CYPS) relative needs formula?

Pendle Council is not the provider of Children and Young People's Services in Pendle, that responsibility rests with Lancashire County Council.

Nevertheless, the Council agrees in principle with the use of a relative need formulae for the distribution of the funding for the Families First Partnership Programme, so long as any such formulae are sufficiently focused on areas of deprivation in large geographic areas like Lancashire.

For the reasons set out above, whilst we acknowledge the formulaic approach to the allocation, our view is that the formulas do not adequately reflect the pockets of high levels of deprivation (and child poverty), poor educational and health outcomes and higher prevalence of families requiring intervention in Lancashire.

It is our view that the formula(s) used should refine the model to better reflect the deprivation-driven need, preventative service pressures and the realities faced by Councils serving disadvantaged communities.

Question 5: Do you agree or disagree with the government's proposed approach of continuing the IDB support grant for 26-27 but seeking an alternative solution from 2027-28?

We welcome the Government's decision to continue the IDB support grant for 2026-27. The grant is an important source of funding for local flood management and maintenance of drainage infrastructure. Continuity of support ensures councils and IDBs can maintain essential flood prevention measures without immediate financial disruption.

We are concerned, however, that the grant is only payable to a small number of Councils rather than all Councils that are levied by IDBs. Whilst acknowledging that Pendle's levy is relatively small – at c£12k pa – the Council does not receive any funding at all from the Government for this. Our view is that it should be fully reimbursed for this additional cost.

Question 6: Do you agree or disagree with the government's proposal on Mayoral Strategic Authorities in the Local Government Finance Settlement?

We acknowledge the increasing emphasis by Government of the role that Mayoral Strategic Authorities (and with that, Mayoral Combined Authorities (MCA)) have in co-ordinating strategic investment, transport and economic development across those regions where exist.

Our concern is that, because Lancashire does not currently have a Mayoral Strategic Authority and that Pendle Council has no discernible influence (as it is not a constituent authority on the Lancashire Combined County Authority) to determine whether such an Authority is created, it does not have the ability to benefit from the level of investment being made available to other such Authorities through the Local Government Finance Settlement.

Consequently, there is a real risk that the significant social and economic disadvantages that places like Pendle have, which are the result of years of under-investment, will be entrenched, thereby potentially locking in those disadvantages for years to come.

On that basis, we disagree with the Government's proposals for Mayoral Strategic Authorities whilst there remain areas of the Country that cannot benefit from these funding proposals. More specifically, we disagree with the proposals to provide ongoing running and capacity funding for the cost of Mayoral Combined Authorities and would urge the Government to fund Strategic Authorities in whatever form they are in an equitable manner.

Question 7: Do you have any comments on the impact of the proposals outlined in this consultation document on persons who share a protected characteristic? Please identify which protected characteristic you believe will be impacted by these proposals and provide evidence to support your comments.

No