

Ian Williams
Group Director of Finance & Corporate
Resources
London Borough of Hackney
Hackney Town Hall
London E8 1EA

Via email:

lgfsettlement@communities.gov.uk

Tel: 020 8356 3003

E-mail: ian.williams@hackney.gov.uk

Date: 10 January 2019

Dear Sir/Madam

Re: Consultation on the local government financial settlement for 2019 to 2020.

Please find attached the London Borough of Hackney's response to the 2019/20 LGFS Consultation Paper.

Yours faithfully

A handwritten signature in black ink that reads 'Ian Williams'.

Ian Williams
Group Director of Finance and Corporate Resources

Enc.

THE PROVISIONAL 2019-20 LOCAL GOVERNMENT FINANCE SETTLEMENT

RESPONSE BY THE LONDON BOROUGH OF HACKNEY

General Comments

Whilst we note the additional funding made available for local government and in particular the social care support grant, it must be recognised that it is a short-term palliative and does not address the significant funding pressures we and other councils face in 2019/20, and the huge funding losses we have experienced since 2010/11. In Hackney's case, we have lost £170m of core funding and have experienced a £512 per capita reduction in spending power. While short term funding is better than no funding, it is far from ideal in terms of supporting sustainable and efficient public service delivery.

It should also be noted that at the same time as losing this funding, we have had to pick up the largely unfunded costs of Government policies as well as various cost shunts. These include: - the impact on direct and indirect employee costs of the National Living Wage; the underfunding of homelessness; the introduction of CTRS with a fixed grant which has effectively declined significantly overtime; the additional costs of implementing the Homelessness Reduction Act 2017; the impact of the Children's and Families Act 2014 which has led to a significant unfunded rise in high needs education costs; transfer of responsibility for Local Welfare Provision in 2013-14, funding for which effectively ended in 2016-17; and the cost of supporting people with No Recourse to Public Funds. London Councils has estimated that these cost shunts have cost London £1bn per annum.

It is hoped that the acute funding needs resulting from the core grant reductions and the cost shunts are addressed in the forthcoming Spending Review.

We are concerned about the trend in recent Government announcements to allocate increasing shares of funding to rural areas at the expense of urban areas. With the Fair Funding Review well underway, we are very concerned this represents a direction of travel that will mean further funding cuts to urban areas from 2020.

We are disappointed at the funding both Hackney and London in general will receive from the £420m which will be allocated in 2018/19 to local government to tackle potholes, repair damaged roads and invest in maintaining bridges. Hackney's share is only £320k which is wholly inadequate to meet our maintenance needs.

We also do not agree with the Government's proposal to distribute the £410m social care support grant, which can be spent on adult or children's social care, based only on shares of the adult social care Relative Needs Formula (RNF). In the Consultation Paper, the Government justified this allocation method by stating that "the Adult Social Care formula is well established and understood by the sector, and there is a good level of correlation between it and some key indicators of children's social care pressures". But there is a children's social care RNF in existence which could have been used in conjunction with the Adults RNF to allocate out the funding. Surely, if the intention of the additional funding is to help relieve financial pressures on both adult and children's social care, it's distribution should reflect relative levels of needs in both services.

The proposed approach has the effect of disadvantaging Hackney whose share of the adult social care RNF is less than its share of the children's social care RNF. Our share of the Children's RNF is 1.2%, while our share of the Adults RNF is 0.6%. If instead, the Government had allocated out the funding on the basis of a combined indicator (such as allocating out 50% of the £410m on the basis of the Adults RNF and 50% on the basis of the Children's RNF), which is far better and more accurate method of identifying need, then Hackney's allocation would have been £1.2m higher than the £2.4m that we are currently allocated. In our view, the proposal involving a 'second-best' allocation formula rather than the 'first best', which is readily available; unfairly penalises Hackney and London in general and is therefore, rejected.

Whilst we welcome the continuation of the London business rates retention pilot pool in 2019/20, it is extremely disappointing that the scale of the pilot has been reduced from 100% to 75%, and that there was little willingness to negotiate on developing the pilot further. We believe an opportunity has been missed to test options for the new levy on extraordinary growth that the Government is proposing within the separate consultation on business rates retention reform.

Response to Specific Consultation Questions

Question 1: Do you agree with the methodology for allocating Revenue Support Grant in 2019-20?

Yes

Question 2: Do you agree with the Government's proposed approach to allocating £410 million un-ringfenced funding for adult and children's social care according to the existing Adult Social Care Relative Needs Formula?

No. As set out above, we believe that this funding should be distributed using a combination of the adult social care RNF and the children's social care RNF.

Question 3: Do you agree with the Government's proposal to fund the New Homes Bonus in 2019-20 with the planned £900 million from Revenue Support Grant, with any additional funding being secured from departmental budgets?

We welcome the decision not to go ahead with the proposed changes to New Homes Bonus (NHB) as set out in the summer Technical Consultation, but we are concerned about the continuing reduction in the Government's contribution to the New Homes Bonus, which has now fallen 90% from £210 million in 2016-17 to just £20 million in 2019-20.

Question 4: Do you agree with the Government's proposed approach to paying £81 million Rural Services Delivery Grant in 2019-20 to the upper quartile of local authorities based on the super-sparsity indicator?

No. All funding allocated through this separate grant could otherwise have been distributed to all local authorities based on need and as far as we can see, little evidence has been published for this decision. Further, if the Government recognises some of the financial pressure on rural authorities, surely it reasonable to expect further consideration to be given to the unique pressures faced by urban areas such as London.

Question 5: The Government intends to distribute £180m of the levy account surplus. Do you agree with the proposal to make this distribution based on each authority's 2013-14 Settlement Funding Assessment?

Yes. The surplus on the business rates levy account is rightly being returned to local government and we agree with its distribution based on 2013-14 SFA, as this is consistent with the method used to top-slice RSG in previous years to fund the Safety Net account when the levy account was in deficit.

Question 6: What are your views on the council tax referendum principles proposed by the Government for 2019-20?

We object to the use of referendums or any other form of council tax limitation as it should be left solely to elected Members to determine what level of funding level is required from council tax to help finance spending needs.

Question 7: What are your views on the Government's approach to tariffs and top-ups in 2019-20?

We agree with the principle behind the adjustment to top-ups and tariffs ensuring that, as far as possible, business rates income does not change solely as a result of the revaluation.

Question 8: Do you have any comments on the impact of the 2019-20 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.

No comment.