

Councillor Alan Napier. Leader
0191 527 0501 (ext 2203)
0191 527 3079
carol.fletcher@easington.gov.uk

Sir Michael Lyons,
Room 3/12
1 Horse Guards Road
London
SW1A 2HQ.



District of **easington.**

council chambers

12 April 2005
Your Ref.
Our Ref. BoF/THB/AN/CF/050403

Dear Sir Michael

Local government Funding Enquiry - 17th January, 2005: Newcastle

I refer to your letter of the 10th March regarding the above.

Attached is a response setting out the position from our perspective. It is not of a technical nature it basically sets out the practical difficulties we face in running services for one of the most deprived areas in the country.

I trust the response will be useful and I would like to thank you for giving me the opportunity to submit evidence to the review.

Should you require anything further please do not hesitate to contact me.

Yours sincerely

Councillor Alan Napier. Leader of the Council

Our logo captures the welcoming nature of the people of our district and the positive way in which we serve them. It appears in all our communications.



DISTRICT OF EASINGTON

SUBMISSION TO THE LYONS GOVERNMENT FUNDING ENQUIRY

1.0 Balance of Funding – Easington perspective

- 1.1 The Balance of funding issue basically relates to the fact that 70% of funding is provided by government and is fixed, any growth/spend beyond that figure impacts heavily on Council Tax. At Easington a 1% increase in Council Tax realises only £41,000 for the council. Our gearing ratio is around 3.5:1.
- 1.2 We at Easington have a MT Financial Strategy to keep taxes low – primarily because of the hardship the tax can bring. Clearly if we had hiked taxes up over the years rather than look for efficiencies the Council Tax Income yield would have been higher + 1% increase would have brought more. *If we could raise say 50-60% of need locally a 1% increase would bring £80,000.*
- 1.3 Easington has gone through efficiency exercises, has channelled budgets into priorities. It would be wrong in our view to give local government the tools to hike up expenditure through additional taxes without some form of efficiency measure. The solution should not be easy.
- 1.4 In addition to the above some Councils have more opportunities to access other income streams than others. Car park charges could for example damage businesses in deprived areas but be lucrative in a City where they may be more acceptable.
- 1.5 The amount of money required to provide services in a deprived area needs to be given more weighting in any system. Grants have helped to pump prime better services but the improvement needs to be continued and therefore *supported by higher levels of mainstream funding.*

2.0 Issues for Easington

- New additional responsibilities need to be recognised and funded appropriately. (Homelessness, Licensing, Recycling, Freedom of Information). Districts do not have the capacity to absorb costs of this nature. *Estimated at well over £200,000.*
- Question of accountability as Council's control so little. Council's blame government and vice versa this confuses democracy.
- The grant redistribution system is too complex and makes no sense to the public. Effects of data changes can bring financial instability. Linkage to FSS is becoming blurred as government attempts to limit council tax increases. Small shifts in data can create massive problems at District level.
- The system leaves little flexibility for councils to make real improvements, grant increases barely cover wage increases and inflation. Easington has managed by prioritisation, realignment of resources, partnership working and by supplementing budgets with windfall income particularly in relation to planning fees and investments due to buoyancy of housing market. *It will be difficult when those funding streams end, efficiencies will take time to feed through to budgets.*
- Whilst appreciating the importance of Education and Social Services too often the Environmental, Protective and Cultural Services (EPCS) element of block grant is sacrificed to pay for those services. In reality those services are under funded and the issue should be addressed. *EPC Services make a difference to people's quality of life and are a priority for them. They expect more from us and therefore we need a sustainable system.*

- Uncertainty – 3 years settlement seems very positive but the allocations must be delivered without too much variation. *We need to be able to plan ahead with some certainty.*
- * The council has been exceptional in sourcing external funding particularly in the area of regeneration. Neighbourhood Renewal Funding has also helped us tremendously in addressing service improvement BUT it is now becoming a financial issue. The council is now looking to sustain improvements on what can be cross cutting issues and issues cutting across other agencies. The burden of mainstreaming is now mainly falling on the council, and this is causing significant pressure on the District budgets. The difficulty with this is that unlike some Councils where there are small pockets of deprivation resources can be realigned and prioritised to meet those needs. In a district such as Easington *where deprivation affects almost every ward mainstreaming is a major problem and can cause major financial difficulties.* Unless year on year support is sustained the improvements will be short term rendering wasting NRF. *Appendix 1 sets out the difficulties we have faced and will face in 2006/7 to sustain initiatives. You will appreciate the significance given our general fund net budget of just over £14m.*
- Local income bases are low meaning a district such as Easington will need government support to tackle the issues facing it.
- Equalisation of resources will be a key issue for Easington.
- Easington's Tax base is low with 1% raising £40,000. We are reluctant to hike council tax because of the impact on people on low incomes who are just above the benefit threshold

81% of housing is in Band A with 94% in Bands A to C. This has the impact of producing one of the highest Band D taxes in the country and in our view the less well off paying a larger tax than they should have to – Distribution unfair.

- Easington has the 5th highest Band D council tax in the Country at £1349. In terms of what is actually paid per household we are the 17th lowest at less than £900. Of that Easington District retains less than £100. Despite publicity efforts in a 2-tier authority the District receives poor press because of a lack of understanding. The system as it stands does not make sense. We are one of the most deprived areas in the Country, have held tax increases well below regional and national averages and we have one of the highest Band D taxes. *The situation is perverse.*

Specific Questions – Lyons Enquiry

3.0 **Case for providing increased flexibility is set out above.**

4.0 **Council Tax Reforms**

- 4.1 Although we have linked our financial strategy to ensure council tax increases are held to a minimum in an area such as Easington we need to shift the burden so that the tax is distributed more fairly. We realise that this does not necessarily mean that household income is related to property values but the high number of properties in the lower bands distorts the tax making it regressive.
- 4.2 Although 40% of residents are in receipt of council tax benefit many are in and out of employment and can run up significant debts when working making it difficult for them. Many of these are just above the benefit threshold.
- 4.3 In 2 tier authorities the problem can be exacerbated if precepting authorities have differing strategies. In Easington Parish Precepts total over £3.5m.

- 4.4 The properties are due for revaluation from April 2007, using 2005 values. We agree that a simple roll over of values is not acceptable. We agree that the system should be reformed and support the following approach:
- Adding an extra band to the bottom splitting Band A.
 - Increasing bands beyond band D to reflect increasing values.
 - Review the multiplier to redistribute the burden.

Council Tax Rebates

- 4.5 We have worked with other agencies to improve take up. By talking to, particularly the elderly, we have learnt that the main reason people are not in receipt is pride and the indignity of having to apply. Many feel stigmatised if they have to resort to the benefit system. *They feel the agencies have the information through other applications for benefit and therefore they should not have to go through the indignity of having to make yet another application to the Council, another body.* Older citizens are more reluctant and would rather not have it than apply.
- 4.6 Whilst local authorities are keen to increase take up and in Easington's case have committed resources to do that perhaps some thought should be given to automatic entitlement in certain circumstances. We can run campaigns to encourage applications but we cannot compel people to apply.

5.0 **Other Sources**

Relocalisation of Rates

- 5.1 As an authority recovering from closures of heavy industries the Council spends large sums on Economic Development particularly trying to attract investment into the area. We do however acknowledge the reservations businesses have in respect of Councils particularly if rates are returned to local government.
- 5.2 The Council would welcome the return of rates to local control and this would assist the balance of funding issue. However as an authority trying to broker strong links and trust with businesses we are likely to take an approach to limit rate increases in the same way we do for council tax. It is likely therefore that limiting increases would be acceptable providing the limitations are not used by government to control expenditure in the same way it is now.
- 5.3 We feel that the apparent shortfall in business rates increases in previous years arising from inflationary increases not matching local government inflation should be rectified perhaps by a phased approach.
- 5.4 We acknowledge that the local authority business growth incentive scheme can also be a useful source of income but it is our view that as yet such income may be unreliable as far as financial planning is concerned. Under this scheme we recognise that a responsible approach to business may encourage investment and therefore the principle should also apply if business rates was returned.
- 5.5 We may have concerns regarding the business rates base and some form of equalisation may be necessary.

Local Income Tax

- 5.6 Theoretically a good source of income and one which would address the balancing issues however, there are many concerns to be resolved and we wonder if this is a solution which will fit into the timescale of the review. We do not think local government can wait for this to be fully developed.

5.7 Our major concerns revolve around.

- Buoyancy in an area of high deprivation/low incomes
- Equalisation requirement
- Burden for Businesses
- Recovery issues and therefore we would not favour the responsibility for collection being passed to local government.

5.8 At this stage too many concerns have been raised/ technical issues to sort out, we feel this is a one for the future.

Other Issues

5.9 Charging will not affect balance of funding at Easington it can only supplement budgets as opportunities will be limited.

5.10 Charging powers recently introduced should not be limited to merely recovering the cost of the service. If councils through efficient working can produce more for the same cost therefore generating more income it should be allowed to do so.

5.11 As with council tax we have to carefully consider the impact of charges on people on low incomes. Charging of this nature is a local issue and should not be considered in the national debate. In saying that retention of funding related to statutory functions should be considered (Vehicle licenses/Fines).

6.0 **Efficiencies**

6.1 Additional flexibility should not be at the expense of efficiency.

6.2 Easington supports the need for authorities to operate efficiently and use resources effectively. We are however concerned that as an Excellent authority we will be subjected to further inspection which could be arduous and quite frankly waste resources which could be better used on service delivery.

7.0 **Conclusion**

7.1 At this stage we support reform of council tax coupled with the return of business rates.

7.2 Additional income from charging would be welcome as a supplement.

7.3 There are many issues to resolve around local income tax and we do not wish this to delay the review.

GRANTS RECEIVED IN 2004/5 ONLY

| | | |
|-----------------------------|------------|--|
| Neighbourhood Renewal (NRF) | £5,600,000 | Over £10m in total not all for District. |
| Liveability Funding | £3,150,000 | |
| Neighbourhood Management | £ 900,000 | Not all for district |
| Street Wardens | £ 110,000 | |
| SRB | £1,244,000 | |
| Heritage Lottery Funding | £ 48,000 | Over 3 years |
| Turning the Tide | £ 96,000 | To March 2006 – Rangers |
| ODPM – Homelessness | £ 22,000 | Costs exceed £100,000 |
| Recycling Grant | £ 18,000 | |
| Egovt Grant | £ 350,000 | All councils get this. |

The above is welcome particularly in deprived areas but as funding streams end the Council is often faced with the problem of ensuring the improvements are sustained. Many of the services provided by districts directly affect people's quality of lives but we are also trying to develop communities. It is therefore essential that mainstream funding is provided to ensure initiatives/i are not abandoned and that improvement continues.

Certain grant funding such as NRF has been distributed more widely involving other partners, unfortunately some of these are reluctant to make long term commitments in terms of future funding. This is more of an issue in 2 tier areas as too often the district picks up the costs.

If improvements are not continued then grant has been wasted.

IMPACT OF MAINSTREAMING ON EASINGTON

The impact of mainstreaming improvements is set out below. As deprivation in the District affects almost every ward, we are experiencing significant financial difficulties.

2004/5

| | | |
|----------------------------|----------------|---------|
| Life Long Learning | £35,000 | |
| Community Development | £90,000 | |
| Private Sector Housing | £29,000 | |
| Neighbourhood Enforcement. | <u>£52,000</u> | |
| | | 206,000 |

2005/6

| | | |
|--|----------------|---------|
| Community Safety | £61,000 | |
| Community Development | £44,000 | |
| Young People Issues - Social Inclusion | £31,000 | |
| Private Landlord Liaison | <u>£24,000</u> | |
| | | 160,000 |

2006/7 Onwards

| | | |
|---------------------------------------|----------|----------------|
| ASB – Extending Street Warden Service | £450,000 | |
| Other initiatives | £100,000 | |
| | | <u>550,000</u> |
| Estimated Total | | <u>916,000</u> |

You can see we have managed to mainstream almost a million over last 3 years on a £14m budget, this is not sustainable on grant of £9.8m and requirements to keep council taxes low.