RURAL SERVICES NETWORK

This is the response of the Rural Services Network/SPARSE-Rural to the Government's Consultation on the Local Government Provisional Settlement for 2018/19. The Rural Services Network represents Councils servicing rural areas across England.

INTRODUCTORY COMMENTS

Before responding to the specific question, we wish to make some introductory comments which demonstrate the depth of feeling there is on the various issues across Rural England.

Early in 2016 a delegation from the Rural Services Network (RSN) met the then Local Government Minister, Marcus Jones MP to discuss what were, from our perspective, devastating proposals set out in the 2016/17 - Four Year Provisional Settlement. The government accepted the validity of our arguments as, following protests from a significant number of rural MPs, the Final Settlement was improved temporarily by the addition of Transition Grant. However, as we said in our discussions with the Minister in 2017 the Transition Grant was always going to be no more than a sticking plaster. The 2018/19 Provisional Settlement shows – just as we demonstrated last year - that with Transition Grant coming to an end from 2018/19, the proposals will risk crippling public services in rural areas and force local authorities to raise council tax to a significantly higher level than their urban counterparts. The government's plans are likely to make life for people across rural England extremely difficult, hitting hardest those most in need of public services.

Cuts in grants have been difficult for all local authorities to live with over the last five years. But at least - until now (with the Transition Grant in place) - the axe has fallen reasonably equitably across both rural and urban areas. Under the original Four-Year Final Local Government Settlement rural areas are set to lose over 31% of their central Government funding, whilst urban areas will lose just 22%. The Provisional Settlement just announced, seeks to implement the third year of the Four-Year Settlement and makes it even worse in 2018/19 than it was in 2017/18.

This comes after chronic underfunding of rural areas by successive governments, despite the acknowledged higher cost of providing services to remote communities and the lower than average incomes of people living in them.

The government's Core Spending Power figures once again take for granted that rural residents will have to pay even more in council tax than their urban counterparts. That gross unfairness has undoubtedly contributed to the present clear disaffection between rural residents and Westminster.

In a letter to Marcus Jones MP ahead of the 2017/18 Provisional Settlement announcement, the RSN stated: "Once the Transition Relief period has ended, rural councils at County, Unitary and District levels face an impossible task. Rural residents and businesses face a tsunami of swingeing cuts to essential front-line services. There will be no alternative." We remain of that view.

We pleaded then with government to extend the Transition Grant through to the end of the Four-Year Settlement period - a plea which has clearly fallen on deaf ears despite the delayed programme for introducing the Fairer Funding Review proposal. **Unfair, unjust and totally unacceptable sums up our feelings.**

As alluded to above, our concerns are set against the context that for decades, under successive governments, rural areas have received substantially less government funding per head of population for their local government services compared to urban areas. As a consequence, rural local authorities have increasingly found it necessary to rely more heavily on Council Tax income than their urban counterparts, whilst still struggling with considerably less Spending Power overall. This has inevitably had an impact on the level of services they could provide.

Thus, rural residents, who on average earn less than their urban counterparts, pay more in Council Tax but get less government grant and receive fewer services which cost those residents more to access. In addition, according to recent research, rural residents pay some £3000 more per annum for essentials than their urban counterparts.

Rural areas also have significantly larger older populations. Over the next few years, the number of older residents in shire areas is projected to rise at an average annual rate of 2.0%, compared to an English average of 1.8%, London Boroughs 1.9%, and metropolitan boroughs 1.5%.

Since 2013/14 London Boroughs (£266M), together with Surrey (£44M) and Hertfordshire (£16M), have received some £326M per year (based on 2013/14 values) more than the existing formula shows they need. This, in large part, is at the expense of rural areas. **This too is grossly unfair, and illogical. In times of austerity it is more important than ever that the funding which is available nationally from a shrinking pot, is distributed fairly.**

Any damping arrangements for the introduction of new formulae following the Fairer Funding Review must not perpetuate the unfairness by protecting those authorities at the levels of grant received but should be based on the funding they should have received had the present formula been introduced without damping.

Whilst increased funding for Adult Social Care is much needed, the amounts proposed in the Provisional Settlement will, once again, hardly scratch the surface of the underlying funding crisis that these services face across England. Furthermore, the fact that much of this increase has to come from Council Tax is both wrong and blatantly unfair to rural residents. Until this long term national issue is resolved nationally its immediate impact needs to be tackled by coherent policies and realistic funding from Central Government. Council Tax is already higher in rural areas compared to urban and these proposals can only widen that gap further. In the past the Government made much of the issues facing the so call JAMs (those families Just About Managing). All of us, including JAMS, have to pay Council Tax and, especially in rural areas, these proposals will hit JAMS hard in their purses and wallets.

The Government's introduction of Improved Better Care Fund, whilst insufficient to meet the Adult Social Care crisis is, at least in principle, a step in the right direction. However, yet again the Government's policy to make rural residents pay for services through Council Tax rears its head. The inclusion of the Council Tax flexibility in the IBCF calculations means that once more rural residents are forced to contribute more to pressures which the Government is funding in urban areas. The use of the Social Care Relative Needs Formula, frozen in 2013/14, in the Better Care Fund means that social care authorities serving rural areas are not being recompensed for the significant growth in their older population -or indeed the greater costs of meeting those needs. Moreover, much of the funding raised through the social care precept has been absorbed by the introduction of the National Living Wage

Taking these things together, it is not surprising that, yet again, more government grant per head goes to urban areas per capita. In 2019/20, the average predominantly urban resident will attract £37.74 per head in Improved Better Care Funding, £8.20 per head more than rural

residents per head (of £29.54). This difference is double the amount being paid to rural authorities in Rural Services Delivery Grant.

There is no relationship between the numbers of people requiring social care and either Council Tax or Business Rates. It is obvious that the rising costs of caring for the growing elderly population cannot be met by local taxation and must be funded per capita by central government. In rural areas there are significantly more residents aged 65+, fewer businesses required to pay business rates and Council Tax levels are already much higher than in urban areas. Thus, there is created a 'perfect storm' of rising costs and limited income in the rural areas across England.

There appears to be a clear anomaly facing those Councils (urban and rural) having to meet the needs of Internal Drainage Boards. Those Councils have no control over that expenditure – which is increasing due to inflation. They therefore have to reduce their own service etc. costs to an even greater extent to compensate. This needs to be rectified.

The Government must think again on all these issues of fundamental unfairness and discrimination against rural residents. It must begin **now** to correct the current bias in funding allocations towards residents living in urban and built up areas at the expense of rural residents

RESPONSES TO CONSULTATION QUESTIONS

Question 1: Do you agree with the methodology for allocating Revenue Support Grant in 2018-- 19?

No

The RSN has always recognised the commitment and stability offered by a four-year finance deal. However, the RSN has also always made it clear that it would be the minimum level of funding. The funding in the 2018/19 Provisional Settlement is demonstrably insufficient to meet current and future demand for the essential services provided by local government in rural areas.

The RSN fundamentally disagrees with the change to the methodology for calculating RSG which was introduced in the 2016/17 settlement and which has not been changed in this settlement.

The inclusion of Council Tax in the calculation of RSG reductions has resulted in significantly higher reductions in RSG (and SFA) in rural areas than has, and will, occur in urban areas over the settlement period.

The reductions highlighted in this response were made to a starting position which was already inequitable. In 2015/16, SFA per head of population in predominantly urban areas at circa £428 was already some 43% higher than in predominantly rural areas of circa £299). By the end of the settlement period, SFA per head in predominantly urban areas will reduce by just 30.79% compared to a reduction of 41.25% in predominantly rural areas- **this is grossly unfair**.

RSN continues to believe that the change in methodology introduced in the 2016/17 settlement and retained in the 2018/19 Provisional Settlement is fundamentally unfair and should be changed.

Indeed, the then Secretary of State, the Right Honourable Greg Clark, recognised the inequity of the formula changes and introduced the Transition Grant as well as a significant increase in Rural Services Delivery Grant. This had the impact of almost equalling the reduction in 'Government Funded Spending Power' between predominantly urban and predominantly rural areas - but for 2016/17 only.

In introducing Transitional Relief, the then Secretary of State told Parliament that its purpose was "to ease the change from a system based on central government grant to one in which local sources determine a council's revenue". Given the delays now announced in introducing a new Fairer Funding formula and Business Rates Retention (by the sector) now being 75% rather than 100% there is a clear need for the Government to consider **increasing and extending** transitional grant for the remaining two years of the four-year settlement

With Transition Grant disappearing in 2018/19Government Funded Spending Power (which excludes Council Tax) in Predominantly Urban Areas will be £371.91 per head (down 5.76% on 2017/18). By comparison, in Predominantly Rural Areas, Government Funded Spending Power will be £249.03 per head (down 9.57% on 2017/18). Thus, there is, once again, an unacceptable widening in the gap in Government Funded Spending Power between predominantly urban and predominantly rural areas.

The impact of these changes is seen in Council Tax levels which are already significantly higher in rural areas, and are set to increase at an even greater rate due to the Government funding shortfall highlighted above.

Council Tax per head (as reflected in the Provisional Settlement) in 2018/19 is £541.46 for Predominantly Rural Areas compared to £450.58 in Predominantly Urban Areas. The gap is a completely unfair, and unacceptable, (circa) £91 per head.

The Provisional Settlement re-enforces the view that there appears to be a conscious policy decision by the Government that in rural areas Spending Power will be increasingly funded by council - taxpayers. **In other words, the Government is content for people in rural areas to pay more Council Tax from lower incomes and yet receive fewer services than their urban counterparts.** This is manifestly unreasonable and grossly unfair. The RSN cannot accept this position

The table below shows the relative gearing between Government Funded Spending Power and Council Tax between predominantly rural and predominantly urban areas over the four-year settlement period as a result of the inequitable changes to RSG.

Percentage of Spending Power funded by Council Tax over the four-year settlement period					
	2015/16	2016/17	2017/18	2018/19	2019/20
Predominantly Rural	58%	62%	66%	69%	71%
Predominantly Urban	45%	49%	53%	55%	57%

RSN believes that is inequitable that the taxpayer in rural areas, where earnings are, on average significantly lower and the costs of "essentials" significantly higher, should shoulder an ever- increasing Council Tax burden to fund local services.

The current crisis in funding for Adult (and Children's) Social Care is a national problem which needs new government money – it is wrong to pass that burden on to local council tax payers.

There is some evidence to show a correlation between the relative generosity (or otherwise) of government funding on local council tax decisions. In 2016/17, of 11 upper tier authorities that restricted Council Tax increases to less than 2%, 10 were predominantly urban and none were predominantly rural. Six London Boroughs were able to freeze Council Tax and the Greater London Authority, which enjoys the most generous changes in SFA, reduced their Council Tax by 6%!

The RSN does not believe the Government policy of making greater reductions in Government Funded Spending Power in rural areas is either fair or sustainable and therefore, once again, calls on the Government to:

Either

- **Change the formula which calculates RSG reductions to remove Council Tax from the equation so that RSG reductions are at least equal between predominately urban and predominantly rural authorities**

Or

- **Re-introduce and extend Transition Grant so that it fully counteracts against the Government formula for RSG reduction in rural areas**

Question 2: Do you agree with the Government's proposal to fund the New Homes Bonus in 2018-19 with £900 million from Revenues Support Grant and any additional funding being secured from departmental budgets?

We have no firm views with respect to question 2. However, we continue to point out that some very rural councils will find it difficult/impossible to grow their property base by more than 0.4% - from 2018/19 they will, under these proposals, get no NHB thereby increasing yet further the urban/rural funding divide.

The RSN supports the decision not to implement any of the further possible changes which the Government consulted on to the way that NHB is calculated

Question 3: Do you agree with the Government's proposal of paying £65 million in 2018 -19 to the upper quartile of local authorities based on the super-sparsity indicator?

RSN supports the decision to increase the funding allocated through RSDG, but in cash terms it is very small. It never made sense for RSDG to reduce by £15.5 million in 2018/19 only to increase by the same amount in 2019/20.

The extra £15.5M is still a lot less than the higher than average reductions in SFA experienced overall by Predominantly Rural authorities created by the 2015/16 decision to bring actual Council Tax into the “cuts equation”

The RSN is looking for higher weightings for sparsity to be introduced via the Fairer Funding Review. It welcomes the Government’s recognition “that cost pressures associated with service delivery in rural sparse areas, such as lack of private sector providers and poor broadband coverage should be met with a more consistent package of funding over the course of this Parliament”. The proposal for 2018/19 plays lip-service to this recognition.

We welcome the long-awaited recognition by the Government (as contained in the recent Technical Consultation on relative needs) “that it is possible that altering the weightings in 2013/14 may have only partially reflected the challenges faced in delivering some services in rural areas”. The RSN considers this to be actual rather than possible.

To expect rural areas, and their elected representatives, to wait for a fairer allocation of national resources until the introduction of the Fairer Funding Review is a really big ask – especially given the damping, then freezing, in the changes to sparsity weightings and the consequentially increasing gap in government funded spending power and council tax between Predominantly Rural areas compared to Predominantly Urban.

Whilst we acknowledge that the Government has increased the value of RSDG since it was introduced, we make the following observations.

- The £65m proposed for 2018/19 is a £15.5m reduction when compared with 2016/17.
- The £65m is still only about half of the amount which was lost to rural authorities to damping in 2013/14. This loss followed changes to sparsity in 2013/14, the majority of which was damped. As 2013/14 was the last year that formula funding was calculated, this damping loss has been suffered in each year since.
- The reduction in Revenue Support Grant national control total between 2015/16 and 2017/18 was 47.6%. However, as this response shows, the reduction for Predominantly Rural authorities was 56.9%. In cash terms, therefore, predominantly rural authorities have lost £167m more than they would have if they and urban authorities had suffered equal reductions to RSG. This is £102m greater loss than is being offered in RSDG in 2017/18.
- RSN has long campaigned for the RSDG to be tapered so that all rural authorities (as exemplified in the DCLG Summer 2012 Consultation) receive a contribution towards the additional cost of serving rural areas (the current system only provides funding for top quartile of super sparse authorities). We continue feel that an increase in RSDG to, at the very least, cover the losses outlined above is warranted so as to facilitate the extension of the grant to all authorities which should have benefitted from the (adopted by Government) 2012 Consultation proposals.

So, whilst RSN acknowledges the importance of RSDG, we strongly feel that given the changes to other elements of the settlement, it is imperative that the level of RSDG is significantly increased and that the qualification criteria are changed to extend some level of support to all authorities with significant levels of sparsity.

Question 4: Do you agree with the Government’s proposal to hold back £35 million to fund the business rates safety net in 2018-19, on the basis of the methodology described in paragraph 2.6.2?

We have no firm views with respect to question 4.

Question 5: What are your views on the council tax referendum principles proposed by the Government for 2018 – 19?

Like others across local government the RSN believes that council tax setting is a matter for individual local authorities which are democratically elected and offer local accountability. The RSN therefore disagrees with any referendum principles being imposed on local government.

Again, we point out that residents in rural areas are already paying above-average amounts of council tax, despite receiving fewer services.

When calculating the gap between Rural and Urban authorities, our figures exclude parish precepts, if we were to include them then the gap would be much higher between Rural and Urban. Some rural parishes have increased their precept to take into account that they now deliver some discretionary services which the Local Authority has stopped providing due to funding pressures.

RSN supports giving local authorities the ability to generate more from council tax. Local budgets are under severe pressure, particularly in rural areas where pressures on adult social care is growing sharply, and the increase in council tax yield will make a welcome contribution to these pressures. The RSN agrees with the County Councils Network that county councils should be allowed to levy the social care precept on the entire tax base of their areas (rather than just the county precept element) as would be the case if they were unitary authorities

However, the Government is placing unfair pressure on the council tax payers in rural areas. Band D council tax is higher than in many other parts of the country, particularly Inner London. By allowing all areas the same percentage increase in Band D, the divergence will only grow over time, placing increasingly greater pressure on residents in county areas. An alternative is to allow low-tax authorities the opportunity to increase Band D by more than the 3% threshold (e.g. the higher of 3% or £50) to help to redress the balance.

The RSN is concerned about the impact Council Tax levels may have if included in the Resources Block under the Fairer Funding Review and will be monitoring this issue very closely.

The RSN supports the decision to defer introducing controls on Parish/Town Councils

Question 6: Do you agree with the methodology for calculating the revaluation adjustments to business rates tariff and top-up payments as outlined in paragraphs 3.5.1 to 3.5.6

We have no firm views with respect to question 6.

Question 7: Do you have any comments on the impact of the 2018-19 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.

We have no firm view views with respect to question 7