



24<sup>th</sup> November, 2016

Marcus Jones MP  
Parliamentary Under Secretary of State  
(Minister for Local Government)  
Department for Communities and Local Government  
2 Marsham Street  
London  
SW1P 4DF

22<sup>nd</sup> November, 2016

Dear Minister,

Earlier this year I led the delegation from SPARSE-Rural/Rural Services Network to meet you, and you Officials, to discuss what we considered to be a disastrous set of proposals set out in the Provisional Settlement. The Final Settlement was much improved but only on a temporary basis through the Transitional Relief arrangements set out in that Settlement. However the Transitional Relief, in practice, was little more than a sticking plaster – once that funding comes to an end the remainder of the 4 year Settlement continues to represent proposals which risk crippling public services in rural areas and forcing local authorities to raise council tax to a significantly higher level than their urban counterparts. The Government's plans will make life for people across rural England totally insufferable, hitting hardest those most in need of public services such as social care or transport. It is incredibly disappointing that the Chancellor in his Autumn Statement yesterday did not make more funding available for Adult Social Care.

Cuts in grants have been difficult to live with for five years but until now (including during the Transitional Relief period) the axe has fallen reasonably equitably across rural and urban areas. The Final Local Government Settlement, if implemented beyond 2016/17, would see rural areas lose over 31% of their central Government funding over the next four years, with urban areas in line to lose just over 23%. 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.

Government even assumes in their figures that rural residents will have to pay even more in council tax than their urban counterparts. That is an astounding and horrible miscalculation which, in part, has led to the present disconnect between rural residents and Westminster.

You must not assume that because 97% of Councils have accepted the 4 year settlement that they have accepted the figures, and the impact on services, as being either fair or equitable. They only accepted the principle for the certainty it brings of minimum government support

Fairer Funding for Rural Communities

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As was the case at the time of the Provisional Settlement, once the current Transitional Relief period has ended, Rural Councils at County, Unitary and District levels all face an impossible task if this goes through. Rural residents and businesses face a tsunami of swingeing cuts to essential front line services. There will be no alternative. We plead with Government to extend the Transitional arrangements through to the end of the 4 year Settlement period.

## **BACKGROUND/CONTEXT**

Our comments and concerns are set against the background and 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. A consequence of this is that rural local authorities have, over the years, found it necessary to increase Council Tax more than their urban counterparts (but have still had considerably less Spending Power overall).

So 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 often cost those residents more to access. Rural areas also have significantly greater older populations. Over the next five 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%

Government recognised the rural case through decisions in the 2013/14 Settlement to increase various sparsity weightings in the formula but, on average, only about 25% of the financial gains which should have flowed from that decision actually materialised. 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 their Needs (as adjusted by their Resources and Central Allocation) Assessment said they should have received. This, in large part, is at the expense of rural areas. In times of austerity it is more important than ever that the funding which is available nationally is distributed fairly. What is proposed through the Final Settlement is demonstrably unfair to the rural areas of England.

We continue to object in the strongest possible terms to the proposed shift in Government Funded Spending Power (Core Spending Power less Council Tax - which we consider to be the correct comparator as Council Tax is, on average, higher in rural areas than urban due to the historic underfunding of rural areas) away from Shire Counties to Metropolitan areas. There clearly has been a complete lack of rural proofing in these proposals.

It remains unthinkable that the gap in government funding per head of population between urban and rural areas should increase during the life of this Parliament. Many of the Government's MPs campaigned on this issue during the General Election and, based on

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soundings which we have taken, we believe such a move will be unacceptable to them. To compound that by assuming the rural residents will have to pay yet more in Council Tax than do their urban counterparts is astounding. Many Councils themselves have manifesto commitments not to raise Council Tax and the assumption that all Councils will raise Council Tax to the maximum permitted, or the amount assumed, is flawed.

If all Councils do raise Council tax as assumed, by 2019/20 Predominantly Rural Authorities will be 71.3% reliant on Council Tax compared to 57.2% in Predominantly Urban. Rural residents will, per head, pay £102.58 more in Council Tax compared to 2015/16 whilst their urban counterparts will pay £94.40 more

The Government must think again on this issue of fundamental unfairness and discrimination against rural residents. .

We also challenge the perceived impression given by the Secretary of State's Statement at the time of the Provisional Settlement in relation to Rural Services Delivery Grant "by which time (2019/20), when 100% business rate retention has been achieved, we can consider what further correction is due", that this may be sufficient. It is not.

The additional weightings for sparsity introduced into the formula in 2013/14 (following the Summer 2012 DCLG Consultation) created a much larger list of 163 (including 18 Fire & Rescue Services) beneficiaries than the 94 (including 5 Fire & Rescue Services) upper quartile of authorities based on the super sparsity indicator. It recognised that sparsity costs apply across the spectrum of rural areas and do not suddenly manifest themselves at the boundary of super sparse areas.

We believe strongly that this anomaly needs to be addressed before the 100% Business Rates Retention comes in and firmly incorporated into the new Needs Assessment for the scheme along with the current RSDG proposals from 2019/20.

The Government must make full provision for the costs of providing services across rural areas in its assessment as to whether or not any areas need more resources than are available to them through the previous method of allocating flat rate cuts to SFA to ensure that they (rural authorities) do not have to fail in meeting their statutory duties.

**FOR THE AVOIDANCE OF DOUBT OUR SPECIFIC ASKS OF THE GOVERNMENT ARE:-**

- We are calling for the uniform local government cut to fall **exclusively** on the central government grant, as was the case in the last Parliament, and not on 'Core Spending Power' and for the Transitional Relief to be extended to the end of the 4 year period of the Settlement



- We are also calling for the Rural Services Delivery Grant to be increased to £130 million by even increases over the remaining settlement period and for this grant increase to be allocated proportionately to all authorities who have sparse areas to service and not just to those with super sparse areas. This figure is our estimate of the 2015/16 residual amount from the Government's own calculations in 2012 about the additional financial burden that sparsity places on rural councils.

Yours sincerely,

*Cecilia Motley*

**Councillor Cecilia Motley**

**Chair, Rural Services Network**

*Graham Biggs*

**Graham Biggs MBE**

**Chief Executive, Rural Services Network**