



RURAL SERVICES NETWORK (RSN): RESPONSE TO “THE 2017/18 LOCAL GOVERNMENT FINANCE SETTLEMENT: TECHNICAL CONSULTATION PAPER”

Submitted by email 28th October, 2016 to LGFConsultation@communities.gsi.gov.uk

We are responding to this consultation as the organisation Rural Services Network. We are a Special Interest Group of the Local Government Association and we represent over 125 Local Authorities in relation to Rural Fairer Funding. Pixel Financial have assisted us with the preparation of this response.

Question 1: What other, additional grants, beyond those set out in para 2.2.2, could the Government consider including in the multi-year offer?

RSN has no view on additional grants that might be included in the multi-year offer.

Whilst RSN accept the principle of a multi-year offer providing greater certainty of funding for local authorities, we reiterate our deep concern about the current four-year settlement. The Government will be aware of our objection to the inclusion of Council Tax in determining cuts in SFA which has been used in all SFA calculations from 2016-17 to 2019-20. This resulted in a significant widening of the gap in the level of Government Funded Spending Power¹ between urban and rural areas.

The Government’s introduction of Transition Grant and increase in Rural Services Delivery Grant following responses to the provisional settlement had the effect of ensuring that urban and rural areas suffered roughly equal cuts in Government Spending Power in 2016-17 and at the time the Secretary of State, the Right Honourable Greg Clark MP, undertook to look further at the remaining three years of the four year offer.

As things stand, the SFA reductions will be significantly greater in rural areas than in urban areas and at the same time Transition Grant will remain the same for one more year before being discontinued and Rural Services Delivery Grant will be reduced in 2017-18. Taken

¹ Government Funded Spending Power includes Settlement Funding Assessment, Transition Grant, New Homes Bonus, Improved Better Care Fund and Rural Services Delivery Grant.

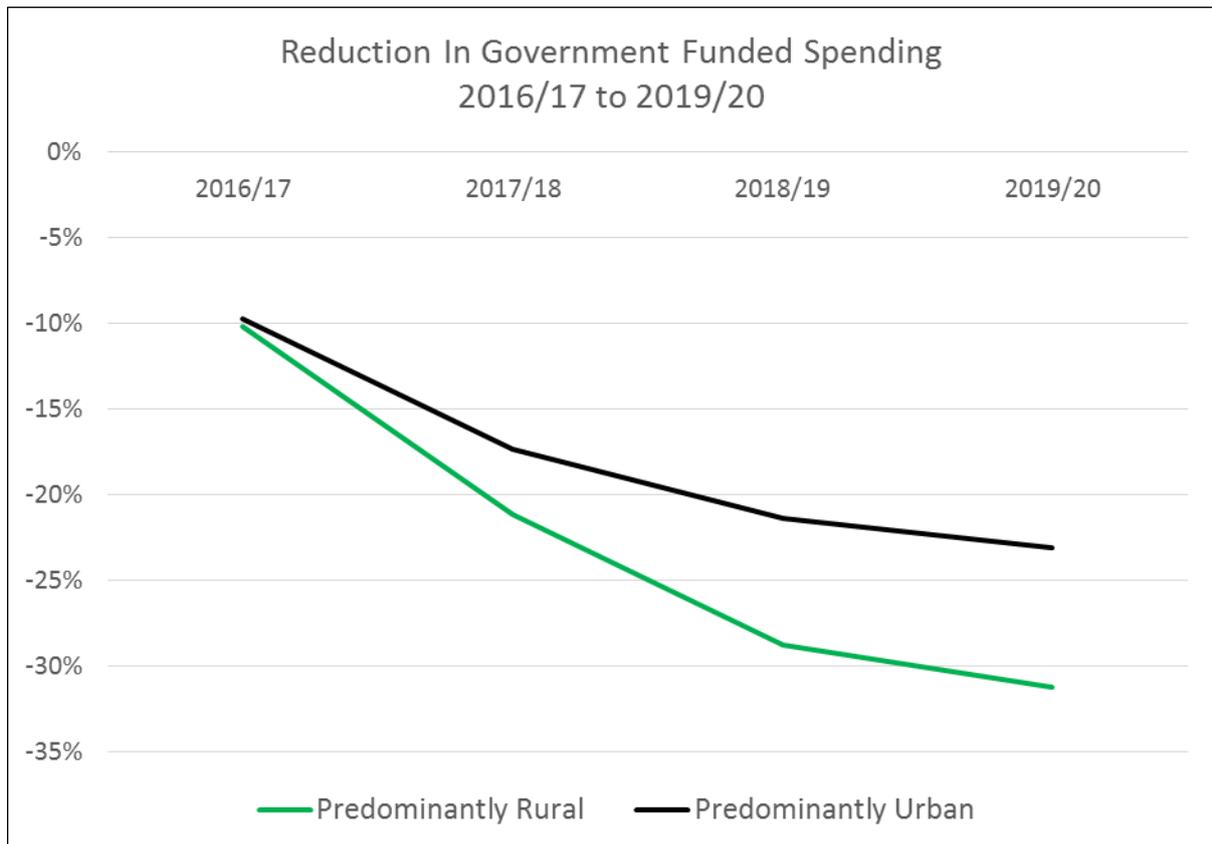
Fairer Funding for Rural Communities

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together this will result in significantly higher reductions to Government Spending Power in rural areas as shown in the graph below.



Council Tax is also much greater per head in rural areas compared to urban and yet fewer services are provided in rural areas

The RSN will continue to campaign strongly for a much fairer settlement.

Question 2: Do you agree with the proposed methodology for allocating funding for the improved Better Care Fund as outlined in paragraph 2.3.4?

No.

RSN does not agree with the proposed methodology for allocating funding for the Improved Better Care Fund. As the table below shows, the difference in funding between rural and urban will further increase the gap in overall Government Funded Spending Power. We feel

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that the use of 2013 Social Care Relative Needs formula takes insufficient account of the cost of providing services in rural areas. Moreover, the 2013 formula takes no account of demographic changes in respect of older people which are likely to impact more in rural areas.

Improved Better Care Funding	2017/18 (£m)	2018/19 (£m)	2019/20 (£m)
Predominantly Rural	0.84	12.16	23.39
Predominantly Urban	2.63	17.62	31.28

Question 3: Do you agree with the council tax referendum principles for 2017-18 proposed in paragraphs 3.2.1 to 3.2.2 for principal local authorities?

The RSN is opposed to the principal of capping

Question 4: Do you agree that referendum principles should be extended to larger, higher-spending town and parish councils in 2017/18 as set out in paragraphs 3.3.3 to 3.3.4?

No.

The majority of town and parish councils are located in rural areas. The RSN cannot support the inclusion of town and parish councils within the referendum principles for the reasons set out below:

- Rural areas have been underfunded for many years. DCLG have accepted that there is a penalty associated with providing services in rural areas (despite this being difficult to quantify). Town and parish councils are part of the service delivery picture in rural areas, receive no central government funding and the imposition of stringent capping limits will further penalise service provision in rural areas.
- The practical implications of capping town and parish councils fall disproportionately in rural areas. The potential consequences arising from a re-billing following a capping are significant both in terms of costs and staff resources and additional resources will be employed, in any case, by principal councils in supporting town and parish councils in interpreting and complying with these regulations.
- Government is in any case looking to town and parish councils to play a greater role under its localism agenda. This can include things such as neighbourhood planning,

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using the community rights and supporting voluntary action, which typically require some sort of funding from the precept and are not a transfer from principal councils.

RSN feel that the Government should consult further with town and parish councils before considering such measures. We also feel that the Government should also undertake further work on the additional costs of service provision in rural areas (as they have undertaken to do) prior to making decisions which might further restrict funding available to rural areas.

Question 5: Do you agree with the proposed approach to take account of the transfer of responsibilities to town and parish councils as outlined in paragraph 3.3.5?

No – see above

Question 6: Do you have any comments on the suggestion that referendum principles may be extended to all local precepting authorities as set out in paragraph 3.3.6? If so what level of principle should be set?

No – see above (response to Q4) and below (response to Q7)

Question 7: Do you have views on the practical implications of a possible extension of referendum principles to all local precepting authorities as set out in paragraph 3.3.7?

There are a number of practical implications associated with extending referendum principles to all local precepting authorities. There are implications both for the precepting and billing authorities.

For the precepting authorities, many of which are small with small taxbases and council tax levels, a relatively modest increase in council tax might trigger a referendum. Parish councils are discouraged from holding excessive balances and therefore are more likely to require occasional 'one-off' hikes in Council Tax to fund local projects. The Government should also consider that parish councils often do not have the expertise which would allow them to recognise and interpret Government policy on Council Tax and may therefore inadvertently trigger a referendum. For most parish councils the costs of a referendum would be completely out of proportion to their relatively tiny budgets

For billing authorities, the extension of referendum principles would undoubtedly impact on

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resources. Most rural billing authorities have multiple parishes and the work involved in supporting these parishes to interpret rules and set council taxes will be disproportionately more than in unparished areas.

RSN accept the principle that excessive Council Tax rises should be discouraged but feel that the decisions are best left to local areas to make – a key principle of localism and decentralisation. The regular cycle of council elections provides the electorate with their proper democratic opportunity to express a view on council expenditure, where they wish to do so. The Government should consider whether its measures recognise the size, capacity and challenges of some of the smallest parish councils.

Question 8: Do you agree with the methodology for calculating the revaluation adjustment to business rates tariff and top-up payments as outlined in paragraphs 3.4.1 to 3.4.8?

Generally, RSN accepts the methodology as set out in the consultation.

However, we would seek assurances that rural authorities are not penalised as a consequence of the proxy for revaluation change failing to reflect disproportional reliefs for revalued properties in rural areas. We note that paragraph B6 accepts that the proxy might be less accurate for some reliefs but that Rural Rate Relief is dismissed as insignificant!

Question 9: Do you agree that the methodology, as outlined in paragraphs 3.5.5 to 3.5.13, for calculating changes to the local share of business rates and tariff and top up payments is correct and does not adversely affect non-pilot areas?

RSN has no view on this.

Question 10: Are you contemplating a voluntary transfer of funding between the Combined Authority and constituent authorities?

Not Applicable

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Question 11: Do you have any comments on the impact of the proposals for the 2017-18 settlement outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.

RSN has no view on this.

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28th October, 2016**

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