



By e mail to: LGFConsultation@communities.gsi.gov.uk

Dear Sir,

PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2016/17

INTRODUCTION

This response is from SPARSE-Rural, part of the Rural Services Network, a Special Interest Group of the Local Government Association. It is made on behalf of our 131 Principal Council Members. Our members may also respond individually.

We are not responding to all of the Consultation Questions, just those that we consider to be especially relevant to rural areas compared to other areas. We are not limiting our response to 2016/17 but, where relevant, will also refer to the exemplifications show in your Consultation Document for subsequent years

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 receiver 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 only about 25% of the financial gains which should have flowed from that decision actually materialised. Since 2013/14 London Boroughs together with Surrey and Hertfordshire have received some £266M 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.

Although there is not a specific question on the Council Tax limit we do wish to raise a concern about what is proposed.

Fairer Funding for Rural Communities

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We do not understand why restrictions are being placed on the ability to raise Council Tax by a simple £5. It could result in bizarre situations where Runnymede (the last Council in the bottom quartile) could raise Council Tax by £5, but Chesterfield (the next Council) which charges 30 pence more per annum could not. It will result in councils leapfrogging one another year after year. It seems to be an unnecessary bureaucratic device and the public locally find it bizarre that central government should concern itself with such tiny monetary values and micro-managing what is probably the most democratically set tax in the country.

Surely the proposal should be self-regulating as it would only be used by councils whose Council Tax is so low that a £5 increase would equate to more than a 2 per cent increase..

Our position is that there should be no rules surrounding the 2% or £5, whichever is the higher, increase

.QUESTION 1: Do you agree with the methodology for allocating central funding in 2016-17, as set out in paragraphs 2.6 to 2.8?

We 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 which an examination of the data in the Consultation so clearly shows (**SEE ATTACHED GRAPH AND TABLE A BELOW**). There clearly has been a complete lack of rural proofing here.

We find it inconsistent with past practice that the gains by Metropolitan Authorities from the shift of funding from Shire areas is proposed to go unchecked and yet in 2013 when changes were made to the sparsity weightings in favour of rural authorities most of the gains were lost to damping.

Metropolitan Authorities (Non-Fire), as the graph shows, face 19.3% cuts (2015/16 compared to 2019/20) in comparison to Shire Counties (non-Fire) of 34.4% and Predominantly Rural (PR) Unitaries (non-Fire) of 30.6%.

The graph also shows Metropolitan Fire and Rescue Services (2015/16 compared to 2019/20) facing cuts of just over 15% compared to PR Services of circa 23%.

The fact that these cuts are “front-end loaded” against Shire areas [SEE TABLES B & C BELOW] in favour of Metropolitan areas compound the felony.

TABLE A – reduction in Government Funded Spending Power by rural/urban class, by type of authority and across a range of selected individual authorities.

Change in Government Funded Spending Power 2015/16 to 2019/20

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SPARSE RURAL

Part of the Rural Services Network

Government
Funded
Spending
Power is
Core
Spending
Power
minus
Council Tax.
It consists
of SFA, New
Homes
Bonus and
Rural
Services
Delivery
Grant and
from
2017/18,
Improved
Better Care
Fund.

Government Funded Spending Power

<i>by rural / urban class</i>	Total	Total	per head	per head	per head	
	2015/16 (£m)	2019/20 (£m)	2015/16 (£)	2019/20 (£)	Change (£)	Change (%)
Predominantly Rural	4,145.224	2,850.657	320.88	220.67	-100.21	
Significant Rural	2,258.652	1,514.590	313.13	209.98	-103.15	
Predominantly Urban	16,058.220	12,596.084	473.21	371.19	-102.02	
	22,462.096	16,961.331				-24.5%
<i>by type of authority</i>						
GLA	1,163.493	1,198.632	137.54	141.69	4.15	3.0%
London	4,087.471	3,154.448	483.18	372.89	-110.29	-22.8%
Mets	5,528.164	4,454.680	474.88	382.67	-92.21	-19.4%
PR Unitaries with Fire	398.648	294.325	397.75	293.66	-104.09	
PR Unitaries no Fire	908.410	630.355	314.33	218.11	-96.21	
SRUnitaries no Fire	315.494	208.728	327.03	216.36	-110.67	
Urban Unitaries no Fire	3,008.647	2,274.929	402.40	304.26	-98.13	
PR Counties with Fire	989.971	735.280	281.96	209.42	-72.54	
SR Counties with Fire	596.039	383.418	220.98	142.15	-78.83	
Urban Counties with Fire	468.624	244.110	203.65	106.08	-97.57	

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PR Counties no Fire	640.887	420.291	216.83	142.20	-74.63	
SR Counties no Fire	2,331.513	1,578.902	229.33	155.30	-74.03	
PR Districts	556.376	357.863	61.64	39.65	-21.99	-35.7%
SR Districts	337.210	205.659	59.06	36.02	-23.04	-39.0%
Urban Districts	448.533	274.176	65.04	39.76	-25.28	-38.9%
PR Fire	73.254	56.171	16.55	12.69	-3.86	-23.3%
SR Fire	218.663	168.052	16.68	12.82	-3.86	-23.1%
Urban Fire	128.239	102.145	18.53	14.76	-3.77	-20.3%
Mets Fire	262.461	219.166	22.55	18.83	-3.72	-16.5%
	22,462.096	16,961.331				-24.5%

Selected Authorities

Hackney	202.464	168.713	803.67	669.70	-133.97	-16.7%
Westminster	164.868	141.282	715.88	613.46	-102.41	-14.3%
Liverpool	307.069	261.126	661.00	562.10	-98.90	-15.0%
Kingston upon Hull	141.543	121.159	547.76	468.88	-78.88	
East Riding of Yorkshire	101.573	70.624	299.14	208.00	-91.15	
Cornwall	212.009	157.777	389.57	289.92	-99.65	-25.6%
Shropshire	100.908	75.878	325.67	244.89	-80.78	-24.8%
Rutland	9.377	4.890	243.54	127.01	-116.53	-47.8%
Gloucestershire	146.064	99.317	240.43	163.48	-76.95	-32.0%
Northamptonshire	168.951	118.613	237.82	166.97	-70.86	
Warwickshire	119.656	74.189	215.74	133.77	-81.98	-38.0%
West Sussex	161.368	91.298	195.66	110.70	-84.96	-43.4%
Cumbria	164.356	128.817	327.91	257.01	-70.90	-21.6%
Lincolnshire	204.280	164.077	279.18	224.23	-54.94	-19.7%
Norfolk	292.854	227.277	334.79	259.83	-74.97	-22.4%
Oxfordshire	134.168	72.574	202.29	109.42	-92.87	-45.9%
Suffolk	194.313	142.534	262.54	192.58	-69.96	-26.6%
Buckinghamshire	87.681	36.303	170.53	70.60	-99.92	
Derbyshire	203.057	153.238	260.66	196.71	-63.95	-24.5%
East Sussex	139.504	94.562	261.06	176.96	-84.10	-32.2%
Essex	341.717	228.933	239.93	160.74	-79.19	-33.0%
Hampshire	244.687	141.286	182.45	105.35	-77.10	-42.3%
Kent	347.901	235.107	232.49	157.11	-75.38	-32.4%
Lancashire	342.904	264.095	289.67	223.10	-66.57	-23.0%
Leicestershire	119.216	73.163	179.12	109.93	-69.20	-38.6%
Nottinghamshire	197.204	138.714	247.36	173.99	-73.37	
Staffordshire	189.611	136.450	220.72	158.84	-61.88	-28.0%
Worcestershire	118.030	77.052	206.49	134.80	-71.69	-34.7%
Cambridgeshire	120.574	69.998	189.60	110.07	-79.53	-41.9%
Devon	189.532	131.333	250.09	173.29	-76.79	-30.7%
Dorset	75.348	41.131	180.24	98.39	-81.85	-45.4%
North Yorkshire	126.539	82.800	208.98	136.75	-72.24	-34.6%
Somerset	128.894	95.029	239.43	176.53	-62.91	-26.3%

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TABLE B – Reductions in Government funded spending power per head of population: non Fire Authorities

AUTHORITY TYPE	15/16-16/17 (%)	16/17-17/18 (%)	17/18-18/19 (%)	18/19-19/20 (%)	15-16-19/20 (%)
LONDON	-9.2	-8.1	-5.2	-2.5	-22.8
METS	-9.8	-7.6	-2.2	-1.0	-19.3
PR UNITARY NO FIRE	-12.6	-11.4	-7.3	-3.2	-30.6
SHIRE CTY NO FIRE	-17.3	-15.0	-4.5	-2.3	-34.4

TABLE C – Reductions in Government funded Spending Power per head of population: Fire Authorities

LOCAL AUTH. WITH FIRE	15/16-16/17 (%)	16/17-17/18 (%)	17/18-18/19 (%)	18/19-19/20 (%)	15/16-19/20 (%)
METS	-5.6	-7.2	-3.3	-1.4	-16.5
PR SHIRE CTY	-13.7	-11.1	-2.2	-0.9	-25.7
PR UNITARY	-11.3	-10.3	-5.3	-2.0	-26.2
FIRE AUTH.					
URBAN	-7.6	-10.0	-4.7	-2.0	-20.3
PR	-8.2	-10.6	-4.8	-1.8	-23.3

As we said earlier, Council Tax is, on average, already significantly higher per head of population in rural areas compared to urban due to historic underfunding of rural services by successive governments. This point is also relevant to the permitted 2% increase in Council Tax ring fenced to Adult Social Care.

The changes to the funding formula have been applied at the last minute without prior consultation and fundamentally reductions in funding have not been applied consistently across local authorities in the same manner as in the past.

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Whilst the gap in per head funding may not close as much as we feel it should, it is 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 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 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.

Based on the figures assumed in the Consultation, and if all Councils do raise Council tax as assumed, by 2019/20 Predominantly Rural Authorities will be 71.2% reliant on Council Tax compared to 56.5% in Predominantly Urban. Rural residents will, per head, pay £100.32 more in Council Tax compared to 2015/16 whilst their urban counterparts will pay £95.91 more

The Government must think again on this issue of fundamental unfairness.

QUESTION 5: Do you agree with the Government's proposal to fund the New Homes Bonus in 2016 – 17 with £1.275 billion of funding held back from the settlement on the basis of the methodology described in paragraph 2.15?

We have no views on this specific question. Our members, no doubt, will hold differing views to each other and may respond to this point individually.

However, we should state that we strongly object to the principle of New Homes Bonus being reduced so significantly to support increased government funding into Adult Social Care.

Of course, we recognise the importance of additional funding for Adult Social Care but consider that, like the NHS, this is a national issue which should be funded by new government monies to meet the needs of an ageing population.

The impact on small (mainly rural) District/Borough Councils in particular is very worrying indeed. Many such authorities have found it necessary to apply New Homes Bonus to support mainstream services – we regard this protection of services (as opposed to their reduction or complete withdrawal), as a quite proper way to recompense local communities for accepting new housing. A loss of New Homes Bonus on the scale proposed will be devastating on some services in some areas. It will also destroy the community's willingness to support new house building and will work against the government's house building targets being achieved.

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QUESTION 7: Do you agree with the Government’s proposed approach in paragraph 2.24 to paying £20 million additional funding to the most rural areas in 2016 – 17, distributed to the upper quartile of local authorities based on the super-sparsity indicator?

Naturally we agree with the need for additional funding to support rural areas and we are grateful to Ministers for having listened to and accepted our evidence and arguments in that regard.

Equally naturally, we are extremely disappointed that the extra £50M (by 2019/20) over and above the £15.5M paid in 2015/16 is “back-end loaded”.

The Question implies there is £20M extra funding in 2016/17 when, in fact, there is just a £4.5M increase to £20M compared to 2015/16

We also challenge the perceived impression given by the Secretary of State’s Statement “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 Consultation Document shows that 77.5% of the additional funding is in respect of Adult Social Care Authorities. This means that just £14.74M (of the 2019/20 £65.5M) is for all other local government services across District/Borough Councils and Fire & Rescue Services. This is woefully inadequate and is unlikely to even cover the sparsity costs associated with refuse collection/ and recycling.

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:-

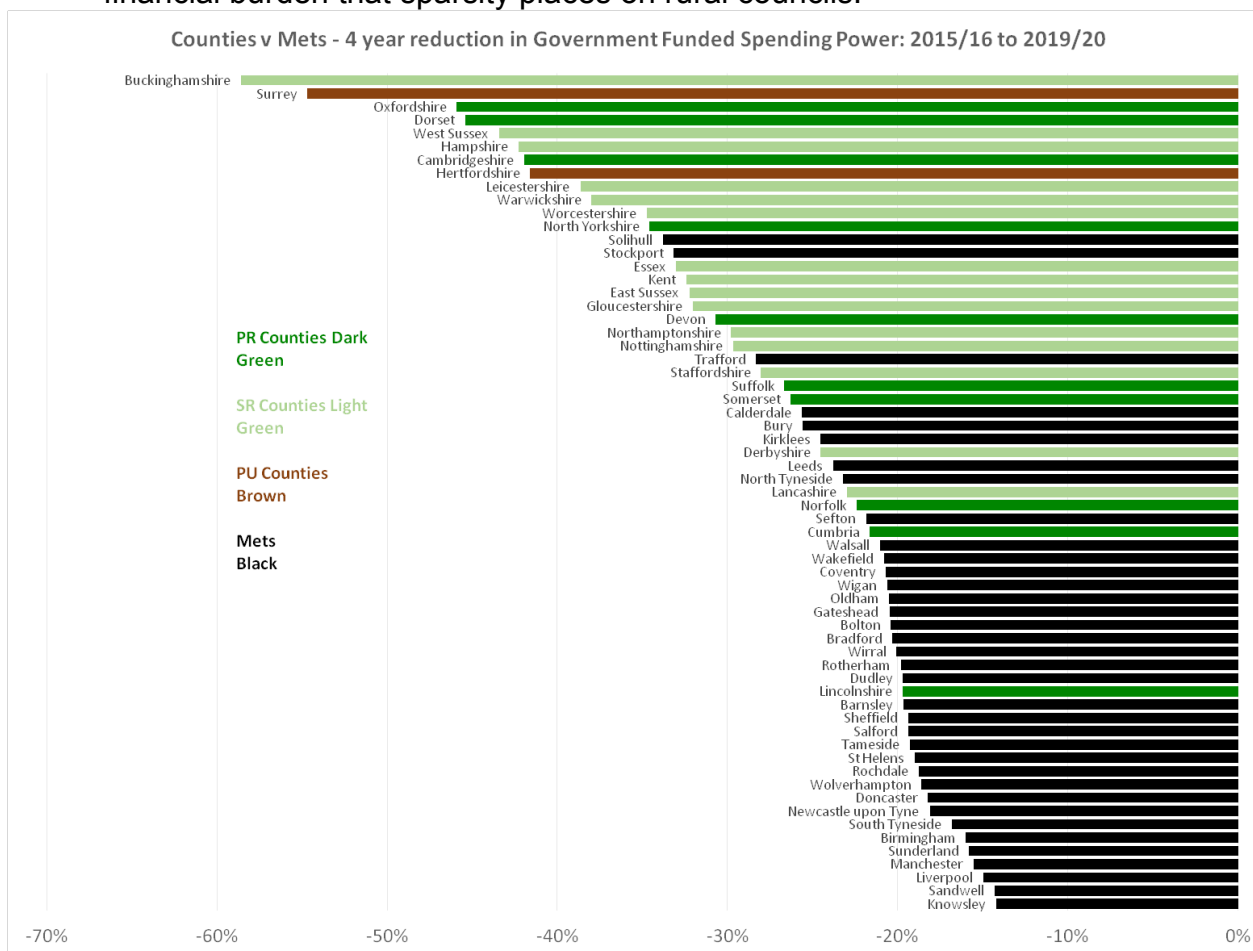
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- We are calling for the uniform local government cut to fall **exclusively** on the central government grant, as was the case in the last Parliament, and not on ‘Core Spending Power’
- We are also calling for the Rural Services Delivery Grant to be increased to £130 million by even increases over the four year 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 the residual amount from the Government’s own calculations in 2012 about the additional financial burden that sparsity places on rural councils.



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