RURAL SERVICES NETWORK

RURAL FAIR SHARE CAMPAIGN GROUP/ RURAL SERVICES APPG

BRIEFING NOTE BY THE RURAL SERVICES NETWORK: RURAL IMPACTS OF THE AUTUMN STATEMENT 2022

This Briefing Note to MPs from Rural Constituencies who are members of the Rural Fair Share Group, and the All-Party Parliamentary Group for Rural Services is intended to highlight issues from the November 2022 Autumn Statement which the Rural Services Network considers will be of different impact to rural communities and businesses compared to other areas of England.

Before detailing our thoughts on the issues from the Autumn Statement we wish to highlight what we feel is the 'perfect storm' faced by rural communities and businesses. From a local government perspective, rural councils are much more reliant on council tax because of historically imbalanced government funding settlements. Moreover, the Fair Funding Review looks to be delayed yet again. More widely, there are large numbers of rural properties off-grid; there is the high cost of vehicle fuel impacting on rural areas with few public transport links. These factors impact on access to services including health. There are historically low rural wages, lack of affordable housing and the cost-of-living is higher. All these put rural areas into a spiral of disadvantage. The longer this continues the more impoverished rural areas become and the harder it becomes to rebalance. – the need for levelling up rural areas could not be greater.

In times of reducing public expenditure, it is more, rather than less, important to distribute the available resources between different areas fairly.

LOCAL GOVERNMENT FUNDING: BASELINE POSITION

- Urban areas in 2022/23 receive some **59%** (£105.21) per head in Settlement Funding Assessment grant more than their rural counterparts (it was 45% in 2015/16).
- Rural residents pay, on average, £104.20 **(21%)** per head more in Council Tax than their urban counterparts due to their Councils receiving less government grant.
- Rural residents pay more, receive fewer services and, on average, earn less than those in urban areas and the cost-of-living is higher. That is inequitable. See, Kovia Rural Cost of Living Report https://rsnonline.org.uk/images/publications/rural-cost-of-living.pdf

1.0 RELIANCE ON COUNCIL TAX TO FUND LOCAL SERVICES

The most obvious issue relates to the decisions announced by the Chancellor in respect of allowed increases in Council Tax of circa 5% from 1st April 2023 and the impact on services.

Although all Councils, including those serving rural areas, desperately need additional funding to enable them to provide essential services to support their communities and businesses the reliance on Council Tax is grossly unfair on rural communities.
Historic underfunding of rural local authorities as set out in the Baseline Position above, means that rural residents are currently paying, on average, 21% (£104.20) per head of population

more in Council Tax than their urban counterparts. **If all Councils opt to charge the full increase of 5% then average (Band D 2 adult equivalent) council tax including both local and major precepts in rural areas would rise by £103, versus £72 for urban areas.**

On average, a 5% increase in council tax would take Council Tax in a predominantly rural authority to £2,158.14 and an inner London borough to £1,526.74.

Because incomes earned in rural economies are lower than urban rural councils may not feel it appropriate to add the whole 5%. If they do levy the full 5% the cost impact for rural residents on locally earned incomes will be greater. If Councils do not levy the full 5%, they will have less income to provide essential services on which people rely.

The financial benefit to rural councils to aid service delivery is markedly lower. Fewer overall numbers of properties in rural areas means a lower Council Tax Base, so rural authorities such as South Hams District Council in Devon would raise (for both County and District Council Services) an extra £4.2M but the London Borough of Southwark would raise £8.5M (more than double).

2.0 SERVICES WILL BE CUT BACK

Government Grant will not rise to cover the costs of inflation. The same is true for both urban and rural councils but rural will fare worse.

It costs more to deliver services across rural areas and rural services start from a lower level due to the historic underfunding previously referred to – therefore the cuts will be deeper and more painful.

3.0 IMPACT ON DISCRETIONARY SERVICES

Discretionary Services are those which councils are not required to provide by law but which they have the power (as opposed to a duty) to provide.

For statutory services – such as Social Care - where the government grant does not meet service needs (which are growing year-on-year) councils still must find the money to provide the services. This means they have to reduce discretionary services

So called Discretionary Services are, nevertheless, essential for wellbeing in rural areas. They include Bus Service Support, Economic and Community Development, Support to the Voluntary and Community Sectors and Sport, Leisure, and Cultural Services.

In setting budgets for the current year (2022/23) rural councils have, on average, been able to budget to spend £67 per head of population on discretionary services but in contrast urban areas have budgeted to spend over £131 per head. The 2022/23 budgets were, of course, set before the cost-of-living crisis really set in.
To give an example rural councils budgeted to spend on public transport support (including concessionary fares) £20.10 per head compared to urban at £76.30 per head.

4.0 SOCIAL CARE

The increase in funding announced or social care is much greater than had been expected. At that is generally to be very welcome. **However, the formulae to distribute government funding remains a critical issue for rural areas.**

Some of the additional funding has been found by postponing the implementation of the social care charging reforms from October 2023 to October 2025. Local authorities were extremely worried about the cost (and risk) or these reforms, and that the funding was insufficient. So, postponing the reforms, and then using the resources to manage existing service pressures will make a very significant difference to local authority budgets.

The additional resources (£2.8bn in 2023-24 and £4.7bn in 2024-25) come from three sources:

- **New money, £1bn in 2023-24 and £1.7bn in 2024-25.** Of which: £600m in 2023-24 (£1bn in 2024-25) will be distributed through the Better Care Fund (BCF) "to get people out of hospital on time into care settings, freeing up NHS beds for those that need them" £400m in 2023-24 (£680m in 2024-25) will be distributed through a grant "ringfenced for adult social care which will also help to support discharge"
- **Recycling funding from adult social care charging reforms, £1.3bn in 2023-24 and £1.9bn in 2024-25.** Funding within Spending Review 2021 for the reforms will be distributed to local authorities via the Social Care Grant for adults and children.
- **2% Adult Social Care precept. See comments above re reliance on Council Tax**

Allocations from these grants will be made to local authorities in the provisional settlement next month. There is no indication that there will be any targets or restrictions on how local authorities use the additional grant funding.

The £400m grant in 2023-24 is ringfenced – but this might only mean that authorities must spend it on adult social care. It is possible that the £600m in 2023-24 does come with more conditions.

In its Rural Lens Review of the Adult Social Care Reform White Paper (December 2021) https://rsnonline.org.uk/images/rural-lens/adult-social-care-rural-lens-review.pdf
we demonstrated that Particular challenges for rural and county areas were and still are:

- **Resource**: Government funded support for adult social care service costs is significantly lower in county and rural areas.
- **Workforce**: The higher average age alongside ageing population projections within county and rural areas places a high burden on these local authorities.
- **Self-Funders**: The balance of adults self-funding their care is higher in rural areas and likely to be more sensitive to reforms made to the funding system.
- **Care Homes**: The proportion of residential care homes situated in rural locations is higher than in metropolitan areas, often encouraging service user inflow to counties.
- **Sparsity**: Geographical challenges in providing adult social care in large and remote rural areas, particularly the time and costs involved in delivering personal care over large distances.

There was absolutely no mention in the White Paper (or the Autumn 2022 Statement) of the formulae used to distribute Government Grant to Local Authorities. In 2021/22 urban areas receive **16% more per head** of population in Government support for social care services than rural areas. The gap has **increased from 4%** in 2017. This is even though it costs more to provide services across rural areas.

The historic underfunding has seriously impacted on the capacity of rural Councils. Competition or 'bidding' for Government Funds is then negatively impacted by these capacity issues.

The Government needs to ensure that all citizens can access the similar levels of social care service regardless of where they live. A sustainable and fair distribution of resources between health and social care must be coupled with a fair formula for distributing monies between different councils. This must recognise the costs of service delivery in county and rural areas. Any funding distribution must also recognise the already disproportionate burden placed on council tax to fund services in county and rural areas.

5.0 DOMESTIC ENERGY BILLS

The main differentials between urban and rural domestic energy users arise because of many rural properties being off the gas grid. These also need to be looked at alongside other interventions that have a universal coverage.

The alternative fuels payment is being raised from £100 to £200. This is welcome; but it is unclear what period this is supposed to cover. The Chancellor seemed to suggest in his statement that this increase is aimed at providing support for the current winter, 2022/23.

The target energy bill for the Government's 'typical' house (1000KWh of heat per month) for the year following April 2023 has been raised from £2500 to £3000. This will be delivered through per KWh price guarantee subsidy. The implication is that the gas price guarantee will move from an average of 10p per KWh to 15p. There is no commitment to continuation of the £400 'per winter' payment that is being paid in £67/£66 instalments through all electricity bills.

The net effect for those off the gas grid will be no further £400 for 2023/4, (unless this is re-introduced later) and the addition of £100 for those using alternative fuels. Much will depend on what happens to the market price of heating oil, kerosene, and LPG over the course of the winter. Industry estimates suggest this could rise from the equivalent of 13p per KWh in the last quarter of 2022 to 18p in the first quarter of 2023.

The additional £100 would make negligible impact if this were the case, leaving an off -gas grid household paying approximately £500 more per year than Government's typical house. By far the worst -off households will be those off the gas grid who heat their homes with electricity and who could still find themselves with annual bills over £2,500 more than the Government's target.

It is essential that the additional £200 of Alternative Fuels Payment is paid without delay. A solution could be to pay it to all domestic premises that do not have a gas meter registered to them, through their electricity suppliers. This would be relatively easy to do and would give some additional help to those using electricity for heating.

There are an estimated 240,000 homes on neither the gas nor electricity networks. There should be proposals to ensure they do not miss out on support which others receive.

6.0. NON-DOMESTIC ENERGY BILLS, INCLUDING RURAL CHARITY PREMISES

The Energy Bills relief scheme provides a comparable price guarantee per KWh to non-domestic users, including organisations such as Village Halls until the end of March 2023. Government is committed to reviewing and replacing this scheme when it ends and has recently said that the details of its approach will be published by the end of December.

Rural charities and community buildings (including those operated by community businesses – often not registered with Companies House or the Charity Commission) have a good case to be included in any future scheme given the emphasis on vulnerability to future price rises and their relative inability to passed increased costs through to users. This combined with the fact that they provide a myriad range of essential support services to rural communities.

Community buildings not on the gas grid will receive a flat payment of £150. Without detailed modelling of the typical use of heating oil by Village Halls it is impossible to know if this will make a difference to whether Halls, and which Halls, can remain over the winter. **Village Halls are essential community infrastructure; energy bills are a major part of their expenditure and they do not have the scope to recover these from their users. They must be categorised as vulnerable non-domestic customers and receive support at a higher level than a flat £150.**

7.0. FUEL DUTY

There is no mention of a further freeze in road fuel duty. **Without a continued freeze the cost of petrol and diesel could rise significantly having a major impact on rural areas where car ownership can be a necessity.**

The 2021 Budget contained the following statement:

"Recognising that fuel is a major cost for households and businesses, the government will keep fuel duty frozen at 57.95 pence per litre for 2022-23. This is the twelfth consecutive freeze, saving the average UK car driver a cumulative £1,900, compared to the pre-2010 escalator".

This is not repeated in the Autumn Statement, leaving it to be picked up in the Budget in 2023. The Office for Budget Responsibility has commented on this, saying:

"Particular risks to this forecast include:
The planned 23 per cent increase in the fuel duty rate in late-March 2023, which adds £5.7 billon to receipts next year. This would be a record cash increase, and the first time any Government has raised fuel duty rates in cash terms since 1 January 2011. It is expected to raise the price of petrol and diesel by around 12 pence a litre".

As background it should be noted:

- In 2020, urban areas spent £76.20 per household per week on transport vs. £113.90 in rural areas (a 49% difference). This disparity remains in the percentage spent on transport against disposable income, at 12.3% in rural areas and 9.9% in urban.
- Households in rural villages spent the most on transport at £131.00 per week, which accounted for 14.8% of their weekly disposable income and was £55 higher than households in urban areas.
- Rural households take more trips, and travel greater distances by car/ van
- The National Travel Survey (2020) found that individuals from 'rural villages, hamlets and isolated dwellings' took 17% more trips driving a car or van (on average) than those in 'urban cities and towns'. 'Rural towns and villages' took 7% more trips in their car or van that urban cities and towns.
- The distance travelled shows greater disparity. The average miles travelled driving a car or van in 'rural villages, hamlets and isolated dwellings' is 54% higher than in 'Urban cities and towns'. 'Individuals in rural towns and villages travelled 33% more in their car or van than individuals living in urban cities and towns'.
- Rural households are also more reliant upon owning vehicles for each driver. Individuals from urban cities and towns take 9% more trips as passengers than those from rural villages / hamlets and isolated dwellings.

8.0 BUSINESS RATES RELIEFS

For business rates, there is a package of reliefs and support to help businesses which should be welcomed.

The support package is worth £14bn over two years. The 2023 Revaluation will go ahead as planned, and the measures are designed to help offset the impact of the revaluation as well as other financial pressures on businesses.

- Transitional relief scheme (government funded) for 2023 Revaluation (£1.2bn in 2023-24).
- 75% relief for Retail, Hospitality and Leisure (RHL) sectors in 2023-24 (£2.3bn in 2023-24).
- 3-year support for small businesses (scheme for properties losing Small Business Rates Relief or Rural Rates Relief) (£190m per year for 3 years).

Given the reliance of many rural economies on small businesses and the hospitality and retail sectors the help will be of significant importance.

9.0 UPCOMING ISSUES

In December,2022 the Government will issue its consultation on the Local Government Financial Settlement for 2023/24.

It is now understood that the Fair Funding Review promised in 2016 is now not going to progress for a further two or more years.

Thank you to ACRE (Action with Communities in Rural England) for their input into this briefing note.

The Rural Services Network campaigns for fair funding for rural public services, it costs more to deliver services in rural areas and residents should not be penalised for years of Government unfair funding regimes.