RURAL FAIR SHARE CAMPAIGN GROUP

RURAL SERVICES NETWORK

A CALL FOR ACTION BY RURAL MPs AHEAD OF THE LOCAL GOVERNMENT FINANCE SETTLEMENT FOR 2023/24

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

- 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 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.

ACTION NEEDED - NOW

We strongly recommend that the Rural Fair Share Group and its individual members use every opportunity and parliamentary process to press Ministers that:

- **If the Fair Funding Review is now not going to progress for a further two or more years, then the existing formula must be applied from 2023/24 - in full without damping. This does not require any new monies to be found.**
- **There can be no justification for penalising rural authorities by continuing to deny them their full formula allocations. They have already been denied that benefit for 9 years.**
- **If the formula is not going to be applied then the amount necessary to do so for rural councils should be distributed via the RSDG mechanism and all authorities exemplified in benefiting from the 2013 formula changes should receive the relevant amount through RSDG.**

CURRENT CONTEXT

It is now apparent that there will be no fair funding review during this current spending review period (this is based on a statement by the Local Government Minister at the Conservative Party Conference 2022).

In 2012/13 the then Government – following a campaign by the Rural Fair Share Group and the Rural Services Network based on detailed research – consulted on changes to the funding formula to apply from 2013/14. The 2012/13 consultation included an exemplification for each authority of the impacts of the changes. This showed in the combined effect of the changes a benefit to rural councils collectively of some £249M a year. In the DCLG Summer 2012 Consultation the Government said that it "accepts, based on available evidence, that such a correction [a correction applied so that there is proper recognition of the additional costs of delivering services in rural areas] is warranted".

The changes were approved, and the formula changed for 2013/14. That is the formula which is still by and large in operation today.

HOWEVER, whilst not a change to the formula as such, the government changed the methodology for calculating Revenue Support Grant (which took Council Tax receipts into account) with huge losses to rural areas and huge gains to urban.

Despite the fact that the 2013 proposals were, in effect, seeking to right an historic wrong, on average, some 75% of the exemplified gains were lost to authorities due to damping and other changes. Damping is intended to protect councils from volatile changes, which the system would otherwise produce – in effect a transition measure after changes to the formula. The Government then froze the formula from further changes as the so-called retention by local government of 50% of Business Rates was also introduced. The freeze has been in place ever since which locked in the huge losses to rural areas and stopped the implementation of the changes to recognise the additional costs of delivery in rural areas.

From 2013/14 DCLG introduced what is now termed Rural Service Delivery Grant (RSDG) worth £15.5m paid to 94 authorities in 2015/16. That has been increased over the years and for the last two years been £85M. Not all of the authorities exemplified as benefitting from the formula changes get RSDG.

In 2016 the then Government announced the Fair Funding Review (formally called Relative Needs and Resources Review). The review is intended to ensure a fairer formula for the allocation of funding from the government. The intention was to have a new funding formula in place for the 2020/21 financial year. But the review has been delayed over and over again.

THE IMPACT OF THE ABOVE

1. London is getting some £236M a year more in Government Grant than the formula says it should (of which £166M is received by only 5 boroughs) – this at the expense of rural and non-London local authorities.
2. **Note: £249,894 should be £335,957 (£86,000 more) to have the same spending power in 2022.**
3. RSDG was at £85M in 2020/21 (and still is at that level). £85M should, as presently assessed, be £96.27M in 2023/24 to reflect inflation.
4. Due to their underfunding, Rural Councils in 2022/23 were only able to budget to spend £67.00 per head on so-called discretionary services whilst urban areas budgeted to spend almost twice that (£131.3I per head).
5. Cost of Living is higher in rural areas, but wages earned in the rural economy are lower.
6. If in 2021/22 rural residents had paid **the average urban band D council tax,** those council tax payers collectively would have been better off to the tune of **£419.3m**. Much of this would have been spent by them locally meaning a loss to the rural economy generally. This impact is greater still when the difference between average London and average rural Band D council tax is applied, and sees the rural council tax payers collectively, and rural economy, **suffering to the tune of £1.520bn. THIS IS FOR A SINGLE YEAR** – the cumulative impact over a period would have been enormous.
7. As an example, an average Band D charge for Herefordshire Council this year is £2114 but for Southwark is £1595. That is over £519 (or 32.5%) more a year for rural residents to be paying in Herefordshire compared to Southwark residents.

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