



THIS IS A SUBMISSION FROM SPARSE-RURAL (A SPECIAL INTEREST GROUP OF THE LOCAL GOVERNMENT ASSOCIATION) AND IS PART OF THE RURAL SERVICES NETWORK. IT IS A SUBMISSION TO THE INDEPENDENT COMMISSION ON LOCAL GOVERNMENT FINANCE IN RESPECT OF ITS CALL FOR WRITTEN EVIDENCE

This submission relates to “The strengths and weaknesses of the current Local Government Finance System”.

We agree absolutely with the comments of CIPFA Chief Executive Rob Whiteman when he said “Governments of all persuasions have let the public down with their refusal to reform the system and the way in which they have allocated precious public resources has repeatedly demonstrated the urgent need for change”. This is a point which we have made strongly to successive Governments over the last almost 20 years.

The present Local Government finance system completely fails in two fundamental respects. It is not fair and it is not transparent.

A fair local government system must properly and fully take into account the unavoidable costs faced by local authorities in providing services across their geographical area. In the case of rural local authorities, of all classes, population dispersal and settlement patterns add substantial costs to service delivery which are not properly reflected in the current system (and never have been).

The historic under-funding of rural councils has led to the current situation where overall rural residents (who earn less than their urban counterparts if earned in the rural economy) pay council tax which is £79 higher per head but see urban areas receive government grants worth £178 more, per head, than those in the countryside.

Council tax has long been higher in rural areas in order to counteract the lower levels of government grant that has been received to deliver services that cost more.

We are extremely concerned about the operation of damping in the current system. Damping should be transitional relief from violent swings in funding for councils

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rather than the permanent feature which it has now become. Spending decisions of successive governments based on political motivations, have been embedded into the local government finance system through the damping regime.

We regard it as ludicrous that in its 2012 summer consultation the Government acknowledged the rural case and amended several formulae accordingly. However, damping (along with other changes) wiped out some 75% of the gains from the improved formulae for rural authorities and actually saw their total funding fall faster than the urban counterparts.

We support impartial, objective, needs-based policy which is equitable to all. We accept the need for all areas to contribute to deficit reduction. However, we are saying that a time of austerity it is more, not less, important that allocations are fair and based on objective, need rather than political consideration.

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