

FAIRER FUNDING FOR RURAL AREAS



RURAL
SERVICES
NETWORK

ENGLAND is the most heavily populated of the Home Countries but four fifths of its area is rural – and some 20% of its population live in rural areas.

It is common sense that it costs more to operate services in rural areas. People can work that out for themselves. For every face to face trip a public service officer makes there is the extra cost of travelling and then the extra cost of officer time in undertaking that travelling, with no economies of scale.

The refuse collection service is perhaps the strongest illustration. The most rural refuse rounds will take five or six times longer than a refuse collection round in a town centre.

Rural areas are also detrimentally impacted upon by the lack of population itself. Facilities such as libraries and leisure centres run at a significantly lower cost per user where there is a strong immediate catchment. Such strength of catchment is not available in rural areas and provision when it occurs is always likely to be at a higher revenue cost than elsewhere – and often multiple facilities, such as for leisure, are provided and managed to ensure reasonable accessibility.

Lack of a local labour market will also mean costs for care provision and other services is always likely to be higher in rural areas than in other localities. Qualified people are supplied less readily and tenders will consequentially reflect that and be higher than the norm.

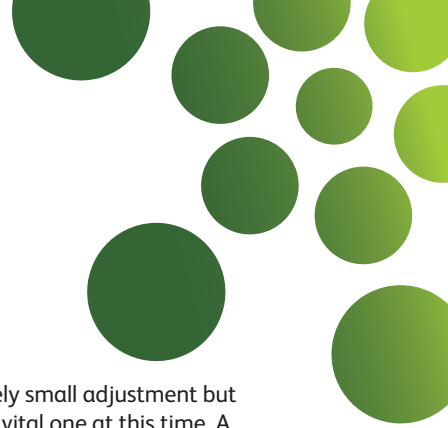
These rural operational problems are so obvious that it could be assumed that governments have made adequate allowance for these issues when considering grant settlements across the country.

However, in reality this is not the case. Urban considerations such as density and urban deprivation have in fact, in England been, and still are, given considerably more weighting in grant terms than any sparsity allowance. In many services particularly public health services these rural considerations are given no financial consideration at all in their respective grant formulae.

In 2012 the Department of Communities and Local Government under pressure from the RSN research finally recognised that the sparsity allowance in the Local Government grant formula had been understated and increased it significantly in the Needs Block of the formula. However, it then bizarrely introduced a revised damping system that prevented a considerable amount of this recognition from converting into any grant. The same position largely appertains to the Fire & Rescue Service.

There is every indication that a lack of recognition of the true costs of sparsity has significantly impacted on rural local authorities and their residents already. The average Council tax in rural areas is on average 15% higher than across England as a whole.

As rural areas tend to be more careful by nature about expenditure, the only fair assumption that can be drawn is that rural authorities have in the past had to resort to local rate rises to maintain services than is generally the case. This is worrying as historically, services are fewer in rural areas compared to urban.



At a time of incremental annual cut backs called for by the Treasury because of the austerity measures and with council tax increases restricted, rural areas are quite clearly in a fundamentally weaker position in terms of maintenance of services than is the case elsewhere in England. The current position is that rural residents pay more council tax for a lesser level of service than people in urban areas receive. For those rural residents who are working in the rural economy they do so out of an average wage that is significantly lower than in urban areas.

As this position rolls forward into coming year's rural residents will inevitably have this lower level of service thinned further and at a faster rate than elsewhere. Delivery points for any service will become further and further from their homes.

The differentiating levels of service between the average council tax payer and the rural council tax payer in England will become greater and greater even though the rural resident pays the higher tax.

Clearly to stop this accelerating cut back scenario in rural areas and avoid ever widening differentials the Government immediately needs to be faithful to its own conclusions last year and remove the damping mechanism from the enhanced sparsity allowance.

The average person in an urban area 'receives back' in government grant to his local authority half as much again as his rural equivalent. If the gap is measured in grant per dwelling the differential grows from that 50% to 60%. The payment of the increased sparsity allowance damped down by government would reduce that gap by some 10%.

This is relatively small adjustment but an absolutely vital one at this time. A cross party parliamentary group, the Rural Fair Share Group, are also calling for the closing of the rural – urban gap coincidentally also by 10% by 2020 as they also have concluded that the position in terms of rural and urban areas is totally inequitable.

Government needs to be put under continual pressure if they are to be fair to rural areas. There is no new money. Equity has to come from readjustment of the size of slice from a grant cake that is reducing by the year.

The task is not an easy or straightforward one, but it is in the interest of every predominantly rural and a lot of the significantly rural local authorities to join together to force this issue. In reality the adjustment in relation to urban areas is a comparatively small one as urban areas have a significantly higher population base.

Urban areas are also much better placed to gain from Business Rates Retention and New Homes Bonus. The change we are calling for is the minimum change that has to be made to achieve anything like fairness.

The present position is manifestly unfair and as times become harder it cannot be allowed to grow to a position that relegates rural service to a service level that impacts on the health and well-being of the 20% of the population who live in rural localities.

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