



RURAL SERVICES
NETWORK

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12th May, 2010

The Right Honourable David Cameron MP.,
Prime Minister and First Lord of the Treasury,
10 Downing Street,
London,
SW1A 2AA.

Dear Prime Minister,

Fairer Funding for Rural Areas

May I begin by offering the congratulations of the Rural Services Network to you and your Party in forming the government of this Country in the coalition with the Liberal Democrat Party. Like you we have no illusions about the scale of the issues which face you in dealing with the deficit in the public finances.

I enclose a short briefing note about the Rural Services Network.

Naturally, we were delighted that in your "Agenda for Rural Action" published in July 2009 you recognised that "the funding gap between urban and rural areas has grown dramatically since 1997" and the fact that "the increasing levels of deprivation in rural areas must not be overlooked, nor the fact that the costs of delivering services in these communities can be significantly higher". We were particularly pleased to note that our research as outlined in our "Call for Action" published in March 2008 formed part of your reasoning and, of course, we very much agree with the need for a better more transparent system for allocating central government funding to local government. In our view the same applies across all of the funding formulae which distributes central government funding to public service providers; often this is currently either under recognised or not recognised at all.

As I said earlier we have no illusions about the scale of the task that faces you in dealing with the deficit in the public finances and we acknowledge that rural areas must face their fair share of the measures introduced to address the deficit. We do, however, think there needs to be some realism on the question of what, in rural areas, constitutes a "fair share".

Central government funding formulae – across the public services – have ill-served rural areas as you acknowledge. It is a fact, therefore, that a simple pro rata X % reduction in funding will hit harder in rural areas because of the current low starting point and because of the gearing effect given the low tax base of our local authority membership.

We take as our starting point the facts that rural residents pay at least as much, and often much more, than their urban counterparts (by way of Council Tax), but receive significantly fewer services. At the same time they have to spend more of their net disposable income in accessing services whilst incomes earned in the rural economy are about £7,000 per annum less than the national average. There is a significant measure of basic unfairness in this position.

We urge you to take the above issues into account in the early decisions which you take.

We have views on some of the principles which we feel should be applied to the required review of the funding formulae. They are:-

- Transparency – e.g., a system that shows the level of local government spending that is supported by central funding; presents figures in cash terms; and specified the levels of needs and resources equalisation; and
- The importance of evidence-based decisions in the distribution process and recognition of the costs of meeting needs in different types of geographical areas.

We also suggest that in the review of funding formula the following points should be reflected:-

- Successive governments have focussed on urban deprivation and have tended to ignore rural deprivation and the effects of rurality on the costs of services in their work on needs assessments.
- Any future review of the grant distribution arrangements should include research into the effects of rurality on the costs of service provision “the rural premium”. Modern technology and management information systems make it possible to identify the costs of rurality more clearly than was possible in the past – so new research should be able to identify the link between different types/degrees of rurality and the costs of service provision for a wide range of services.
- Mainstream funding should not replicate the distribution of specific grant aid (or vice versa) because this is likely to overcompensate those local authorities and other public service providers that benefit most from specific grant aid at the expense of those that are largely dependent on mainstream funding – many of which serve rural areas. In effect their assessed needs are funded twice
- Extensive reliance on ring fencing will make it difficult for local authorities to reshape spending to take account of demographic change and, at the same time, hold down Council Tax over the next few years; and

- The effects of demographic change – and in particular the growing size of the elderly population and the increasing numbers of very elderly people – may be greater in rural areas than elsewhere. Rural areas tend to retain more of their elderly population than urban areas and this is likely to be exacerbated by the ever increasing numbers of people choosing to retire to rural/coastal areas, with substantial pressures on health and social care services.

We would be more than happy to share our analysis and thinking in detail with your Ministers and Officials in their consideration of the review of the funding formula.

Yours sincerely,

Graham Biggs MBE., FCIS.
Chief Executive.

ABOUT THE RURAL SERVICES NETWORK

The Rural Services Network is a group of over 200 service providers and local authorities working to establish best practice across the spectrum of rural service provision and to represent the collective concerns of rural service providers and the communities they serve, to Government and its agencies.

The network is non political and has representation across the complete range of rural services, including local authorities (county, district and unitary councils), public service bodies such as Ambulance, Colleges, Connexions, Fire and Rescue, Primary Care Trusts and Acute Hospital Trusts, Housing Associations, Police, Transport Operators, businesses, charities and voluntary groups as well as national rural interest groups. It also has a large “Community Group” of Parish/Town Councils, local schools and businesses.

We are devoted to safeguarding and improving services in rural communities across England. We are the only national network specifically focusing on this vital aspect of rural life.

The network has three main purposes:

- **Representing** the case for a better deal for rural service provision
- **Exchanging** useful and relevant information
- **Developing and sharing** best practice and learning

The Rural Services Network exists to ensure services delivered to the communities of predominantly rural England are as strong and as effective as possible.

There are two operating arms of the network: the **Sparsity Partnership for Authorities Delivering Rural Services** (SPARSE-Rural) – a Special Interest group of the Local Government Association and the **Rural Services Partnership** (a not for profit company).

The term ‘predominately rural’ refers to counties and Local Authority districts with at least 50 percent of their population living in rural settlements (i.e. rural towns, villages, hamlets and dispersed dwellings) as identified in the Office for National Statistics’ rural definition, and including larger market towns as identified in the Defra classification of local authority districts. The rural definition and classification were devised by the Rural Evidence Research Centre (RERC) at Birkbeck College. Further information on these can be found on the RERC website at www.rerc.ac.uk

INCORPORATING:

SPARSE-Rural

www.rsnonline.org.uk

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community**

www.ruralservicescommunity.net

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