



Fair Funding

Facts, Figures and Formulas

9 October 2023



The background of the slide features several stacks of gold coins. The stacks are arranged in a row, with the tallest stack on the left and the shortest on the right. The coins are highly reflective, showing bright highlights and deep shadows. The background is a soft, out-of-focus light color.

The Rural Services Network is fighting for a fair deal for rural communities, in all public sector funding



**We want a fairer
distribution of
national resources to
rural areas and for
more nuanced
national policies that
reflect rural
circumstances.**

Facts about Rural Funding

1

Successive Governments have underfunded Rural Councils

2

Rural residents pay more in council tax

3

It costs more to deliver services in rural areas

Rural Facts



Urban areas get 38% more in Government Funded Spending Power than rural areas.

Urban areas in 2023/2024 will receive some 38% (£135) per head in Government Funded Spending Power more than their rural counterparts

Authority	Government Funded Spending Power	Council Tax
Cornwall	£426.49	£651.57
Chichester	£240.10	£721.72
North Yorkshire	£311.01	£723.04
URBAN AUTHORITY AVERAGE	£488.99	£542.18

Per head figures for 2023/2024



£110

Rural Residents pay on average £110 per head more in Council Tax

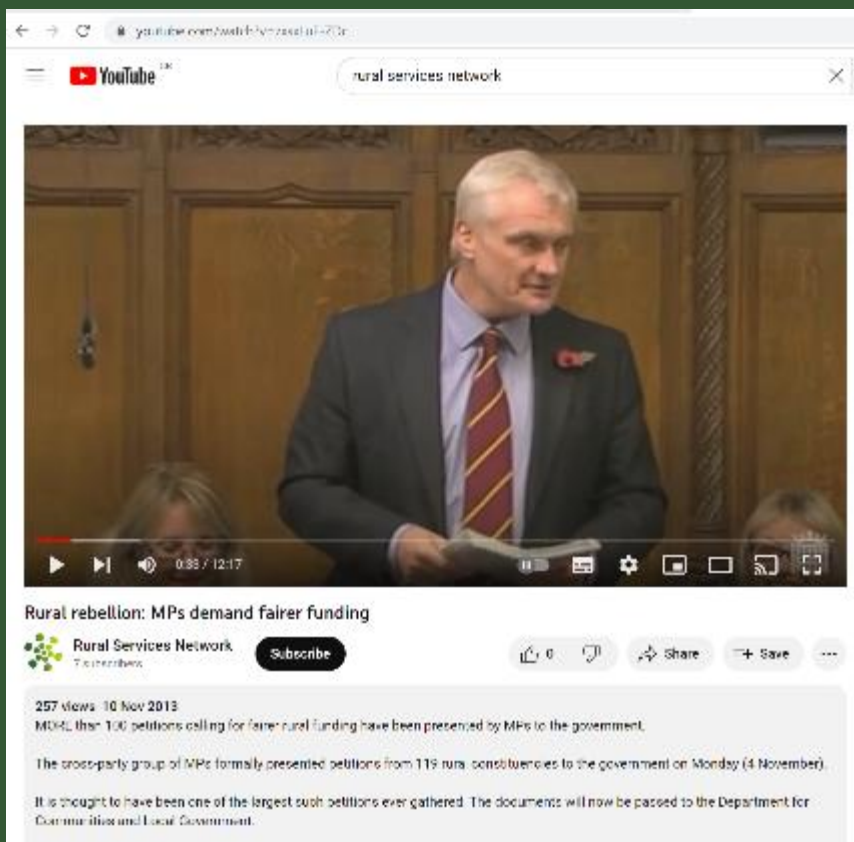
Rural residents will pay on average, 20% (£110) per head **more** in Council Tax than their urban counterparts due to receiving less Government Grant



For something as simple as refuse collection, it costs more to deliver that service in a rural, sparsely populated area compared to an urban street.



Local Government Funding Formula



The Rural Services Network has been campaigning for fair funding for local authorities for a number of years, supporting MPs with information and statistics to understand the approach of Government to rural areas.

Fair Funding Campaign Timeline

July 2012 –

Government issues technical consultation which includes exemplifications (based on the 2012/13 formulae) showing the impact of proposed changes to sparsity weighting in the formulae.

The exemplifications show a significant redistribution in favour of rural areas.

Dec 2012 –

The technical changes to sparsity were supported by the majority of respondents to the July 2012 consultation and were consequently implemented in the provisional settlement for 2013/14. However, the damping mechanism (and other changes) wiped out the majority of the gains to rural authorities leaving them with only about a quarter of the additional funding arising from the technical changes.

The formula was then frozen from further change.



Fair Funding Campaign Timeline

Summer 2014

DCLG/Defra undertook a joint study on the additional cost of rural services. This study looked at 30 authorities including rural and urban across a number of local government services.

Dec 2014

As part of the provisional settlement, the Government publishes the results of the study into the additional cost of rural services. They concluded:

“Several drivers for additional rural costs were identified in the research including the small size of rural authorities, scattered and remote populations, lack of private sector providers and poor broadband and mobile coverage in rural areas.”



Government introduced the Rural Services Delivery Grant (RSDG)



What has the Government said?

Local Government Finance

Statement made on 6 February 2023

Statement UIN HCWS545

Statement made by



Michael Gove

Secretary of State for Levelling Up, Housing and Communities and Minister for Intergovernmental Relations

Conservative

Surrey Heath

Commons

“In recognition of the specific cost pressures in rural areas the Government is increasing the Rural Services Delivery Grant by £10 Million, bringing the total value to £95 Million.”

Rt Hon Michael Gove MP





Dear Rt Hon Michael Gove MP

Re: Local Government Funding

Thank you for the opportunity to meet with us earlier in the summer to talk about the Local Government Finance Settlement and the unfair funding for rural councils.

I am now writing ahead of your department's work on the Provisional Local Government Finance settlement for 2024/2025.

As we explained in the meeting, rural councils have been underfunded by successive governments which has resulted in 2023/2024 urban councils receiving 38% more than rural councils per head in government funded spending power. These years of underfunding have meant that rural councils have had to raise council tax to balance the books. Rural residents now pay on average 20% more in council tax compared to urban.

This is simply unfair and an additional tax on those living in rural communities where the cost-of-living is higher.

Our analysis shows that urban councils were able to budget to spend double that of rural councils in 2023/2024 for discretionary areas. This limits the services that rural councils are able to provide their communities.

The government accepted the additional costs of delivering services to sparsely populated areas and changed the formula for 2013/2014. Unfortunately, the majority of these changes never flowed through to rural areas due to the damping process being frozen in place.

Whilst we appreciate the fair funding review will take time to complete [it was started in 2016 but various factors have caused it to stall] we are asking for the government to release the damping process and actually apply its own formula. There are local authorities currently receiving millions more than the government's own formula says they should, due to this damping process being locked in place.

At the meeting I refer to, you commented that you did not think it was a good idea to try to change the decisions of 2013/14. Whilst we do not accept that position, it is a fact that the formula should have only been frozen until 2021. Therefore, unfreezing it and applying it in full accords with the 2013/14 decisions.

We are asking for:

Providing a voice for rural communities and service providers

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- The existing formula to be applied from 2024/25 in full without damping, but with the £248 million pounds exemplified so the overall benefit to rural councils is increased to reflect inflation.
- If the formula is not applied as set out above, then in 2024/25 the amount necessary to do so should be distributed via the RSDG mechanism and all authorities exemplified as benefiting from the 2013/14 formula changes should receive the exemplified amount as adjusted for inflation.
- The Needs and Resources Review to conclude in the first 12 months of the next Spending Review period (with full implementation in 2026-27). In so doing Rural Services Delivery Grant should remain as a discreet fund to reflect the non-travel costs of rurality in any future funding formula.

40% of constituencies are rural. It is time that their needs are considered, and rural councils are fairly funded. We know that there is a finite amount of resources available, but we want our fair share of the pot.

If you need any further information, please do not hesitate to contact me.

Yours sincerely

Kerry

Kerry Booth
Chief Executive
RURAL SERVICES NETWORK

Providing a voice for rural communities and service providers

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The RSN has written to Rt Hon Michael Gove MP setting out clear asks ahead of the Provisional Settlement



Campaigning for a fair deal for rural communities



Department for Levelling Up,
Housing & Communities

Department for Levelling Up, Housing and
Communities
2 Marsham Street
London
SW1P 4DF

Kerry Booth
Chief Executive
Rural Services Network
kerry.booth@sparse.gov.uk

Email: correspondence@levellingup.gov.uk

www.gov.uk/dluhc

Our Ref: 31256245

Date: 8 September 2023

Dear Kerry Booth,

Thank you for your letter of 4 September, addressed to The Rt Hon Michael Gove MP, on behalf of the Rural Services Network, about funding for rural areas. With apologies, the previous response to your letter was sent to you in error. The response was not authorised by the Minister for Local Government and Building Safety but was in fact intended to be a response from officials working within the Local Government Finance Directorate. We are sorry for any confusion this mistake may have caused and would ask you to please disregard the previous letter.

The government recognises the importance and difficulties of serving dispersed populations in rural areas. As you note in your letter, the Department currently allocates the Rural Service Delivery Grant (RSDG) to the most rural places in England. The grant is currently distributed to local authorities ranking in the upper quartile of the super-sparsity index and seeks to support councils with the additional costs of delivering services in the most sparsely populated areas. At this year's Final Local Government Finance Settlement, we increased the value of RSDG from £85 million in 2022/23 to £95 million in 2023/24, its highest ever level.

We understand your desire for clarity on local government finance reform, including changes to the existing damping arrangements. We published a policy statement last year to set out the measures we expect to maintain into 2024-25. It was our intention that publishing this statement would enable councils to plan confidently across multiple financial years. We also confirmed in the policy statement that we will not be proceeding with the Review of Relative Needs and Resources or Business Rates Reset during the current Spending Review period. We remain committed, however, to improving the local government finance landscape in the next Parliament. We will work closely with local partners and consult local councils and their representative agencies on any funding reforms prior to implementing changes in the next Spending Review period. We will bring forward our proposals for the next Local Government Finance Settlement later in the year in the usual way.

Thank you for writing in on this important matter.

Yours sincerely,

They responded!

However:

- They confirmed RSDG amount this year(which doesn't go to all councils serving sparsely populated areas)
- They confirmed the Review will not proceed in the current spending review period

“We remain committed, however, to improving the local government finance landscape in the next Parliament.”

What are we asking for?



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We need your help..



We have written to
Leaders of Sparse
Local Authorities

We provided a template letter for
you to send to your MP, asking them
to contact the Minister on Fairer
Funding for rural areas



We have written to
your rural MPs

We have asked them to contact the
Minister on Fairer Funding for rural
areas



You can write to your
MP directly

Ask them to contact the Minister on
Fairer Funding for rural areas

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