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The potential impacts on rural communities of future public sector austerity – a discussion paper

Introduction and purpose

“..tax increases and spending cuts are inevitable immediately after the election ...and any managers of a public service who are not planning now on the basis that they will have substantially less money to spend in two years time are living in cloud-cuckoo-land..¹”

1. There has been much speculation and projection about the scale and impacts of future public austerity measures.
2. The Commission for Rural Communities (CRC) wants to help those who represent and serve our rural communities with information, commentary and guidance on how future austerity measures might affect rural people and places and how any adverse impacts might be mitigated. There is now a window of opportunity for rural representatives to consider these challenges and to act on them where possible. Where decisions are taken locally, using the practices and tools of Rural Proofing², the more likely it is that the right decisions in the circumstances will be taken. Of course, rural communities and places should face their *fair* share of whatever the future holds. Neither the CRC nor anyone else, as far as we are aware, is arguing for anything else.
3. This discussion paper aims to help this process. It has been prepared following a literature review and a Chatham House rules roundtable discussion on 17 December 2009, chaired by Ben Lucas, Director of the 2020 Public Services Trust. This involved colleagues working in various central and local government bodies as well as in other sectors.

¹ Steve Bundred, Chief Executive of the Audit Commission, The Times, 27 February 2009

² See: <http://www.ruralcommunities.gov.uk/files/rural%20proofing%20toolkit.pdf>

Summary conclusions and suggestions

Those representing and serving rural communities should:

- Use Rural Proofing tools as a way of supporting decision makers in making fair decisions between people and places. Including making the Total Place approach deliver joined up spending reductions that still maintain good service access.
- Commit to demonstrably fair resource allocations between different local authority and other areas, and also within them.
- Look at further efficiencies to be gained in the rural public sector, including unitary authorities and virtual unitary authorities and improving boundary coterminosities. This will demand strong leadership and collaboration.
- Look at innovation and good practice and investing in potential. This could include: shire mayoral/gubernatorial systems to deliver Total Place ambitions; releasing further potential of parish and town councils; taking up best practice from Beacon Councils and Green Flag exemplar projects.
- Look for opportunities to help local economies prosper and fill the slack created by less public spending, particularly through increased local purchasing.
- Consider investing in areas that are successful but still punching below their economic potential.
- Protect and maintain the capacity of local communities to help themselves, through community development and other support.

Context

4. The research and speculation literature surrounding the next few years of public spending policy is extensive. What does it tell us overall? It tells us that optimism is at a premium, (although there are still a few optimists about). The literature includes views that future choices are not just between cuts and the status quo, but should also consider:

- tax rises;
- increasing fees and charges;
- more co-payments for services;
- out sourcing;

- partnerships to deliver joint services;
 - more means testing;
 - reforming public sector pensions;
 - alternatives to job cuts, such as pay and recruitment freezes and a stronger reliance on more flexible working patterns;
 - moving towards more social enterprises and mutuals; and
 - using existing reserves and investments.
5. Some commentators expect severe cuts in, or even cessation in, discretionary services.
 6. There is a view that public investment into local economies may be facing a particularly bleak future, with fewer capital resources available for investment in housing and regeneration projects. There are fears among regeneration bodies that the public sector might be tempted to cherry pick easier projects in future, in greenfield and city edge locations.
 7. There is also some interesting speculation as to whether some central government budgets, for example those deployed by Non Departmental Public Bodies, could be decentralised to local authorities and integrated into their own operations, securing efficiencies and better local outcomes. This, for example, is one direction of travel from the current Total Place³ pilot initiative.
 8. Whether the circa £12 billion per annum of public funding that currently goes into voluntary organisations would be seen as easy targets for cutbacks or whether these organisations would be protected because they are currently delivering local front-line services in social care, employment and training, law and advocacy, education and housing and providing support to recession hit communities, is unclear.
 9. Important features of the future, regardless of the state of our public finances, will include the fact that we face demographically driven challenges from an ageing population (a particular challenge facing rural and coastal communities) as well as technology challenges (“a driver of change, a solution and ... a problem”⁴).

How might all this particularly affect rural people and places?

³ Total Place is a new initiative that looks at how a ‘whole area’ approach to public services can lead to better services at less cost. It seeks to identify and avoid overlap and duplication between organisations – delivering a step change in both service improvement and efficiency at the local level, as well as across Whitehall. See: <http://www.localleadership.gov.uk/totalplace/>

⁴ From ‘Drivers for Change: Citizen Demand in 2020’ 2020 Public Services Trust (2009) (See: <http://www.2020publicservicestrust.org/publications/item.asp?d=1049>)

10. One of the key sources of detailed evidence on public sector employment in rural areas over the last ten years was a report to the Countryside Agency in 2004⁵. This research noted that whilst public service sectors employ one quarter of the national workforce this was slightly higher in rural areas. The research highlighted that concentrations of employment within each region showed that while education, health and social work were relatively evenly spread, public administration appeared to be of greater importance in some rural districts than others, and defence and higher education had the most uneven spatial distribution.
11. Overall, in rural areas, nine per cent of the workforce was employed in education. Half of all education sector jobs in rural districts were in primary schools with a further third in secondary schools. Employment in the health sector made up six per cent of the rural workforce, slightly lower than the English average. A substantial share of rural employment in this sector was to be found in remoter rural districts, indicating that much of the employment in the more accessible rural areas was concentrated in larger urban centres.
12. The health and social work sector was a major source of employment for women in rural areas, more than half of whom worked part-time.
13. The research also involved an in depth survey of 102 public service organisations in four rural districts to explore the range of contributions that these sectors made to rural areas. The results highlighted that a high proportion of lower paid staff lived locally (i.e. within the district), but a higher proportion of professional and managerial staff lived outside the district (although invariably in other rural districts). The care and health sectors included a large proportion of staff on lower salaries. A small proportion of procurement (typically 10% by value) came from the local area. However, several of the larger organisations (notably the district councils) had a commitment to increasing the amount of local sourcing. The large defence establishments had enormous potential for local procurement, but were then currently tied into national purchasing systems.
14. There were several other ways in which public bodies were contributing to their local communities including: provision of apprenticeships and work experience placements; support for local groups and charities; and providing premises for wider community use (e.g. schools, libraries, GP surgeries).

⁵ 'Public Service Sectors in Rural England' a report to the Countryside Agency by the Centre for Enterprise and Economic Development Research at Middlesex University Business School (October 2004).

<http://www.ruralcommunities.gov.uk/files/Public%20service%20sectors%20in%20rural%20England%2009-04.pdf>

15. The research also provided a detailed local and regional commentary on these employment sectors across the country. This highlighted where there were then particular local employment concentrations such as defence bases, campuses and colleges, health and social care (for example in rural coastal districts) and public administration (such as in district and county centres⁶).

Some suggestions and conclusions

16. Based on our literature review and discussions we note and suggest the following.

17. Firstly, taken in the round rural places may not be *as* exposed to the impact of potential public sector *employment* cuts as urban areas. (Of course other impacts of public sector austerity may be the same as or worse in rural England). This conclusion is based on the assumptions that much will be done to protect front line service delivery and that jobs at greatest risk will include managerial, professional and administrative jobs in Government bodies and agencies, including Quangos and local authorities, which tend to be located in urban rather than rural places. But it should be noted that many of those affected, whilst working in urban centres, might actually live in rural areas.

18. Secondly, looking at rural places in the round may not, in this instance, be particularly helpful. It is the impacts on different places that will be important, not national averages. In this context, the impacts of any new public sector austerity will be very different in different rural places. Where rural public sector employment is most important as a share of total employment, in the more peripheral regions and districts (including the North East, South West, Yorkshire and the Humber), there may well be more marked impacts and challenges.

19. Research conducted for the Centre for Cities claims that “for every 100 public sector jobs created in a city, it is estimated an additional 30 to 50 private sector jobs may be created through the public sector’s spending power. It is reasonable to expect that the reverse outcome may be observed when the public sector shrinks”⁷. If this claim is reasonable then a similar risk faces rural areas with high public sector employment profiles; and that they too might see significant secondary effects in their private sector following public sector job losses (including in local retail sectors).

20. It continues to be the responsibility of local authorities and their partners to identify the

⁶ Ibid. Pages 16 - 19

⁷ Public sector cities: Trouble ahead, Kieran Larkin, Centre for Cities, July 2009

circumstances, needs and potential of different places. For example, in local economic assessments and City Region, sub regional as well as regional strategies. All such plans need to recognise the individual communities and economies of our rural places, for example the circumstances within each of the thousands of market and small towns across shire England.

21. The capacity and resilience of different rural communities will differ hugely, as is the case at present. The importance of helping communities develop and strengthen their own capacity to help themselves will continue to be important. The investment that lottery distributors make, as well as the work of the voluntary and community sector, is all well worth maintaining. This includes the work of Rural Community Councils and others in supporting community led planning, village hall management, village agent approaches and also promoting community led housing solutions (such as local housing trusts).
22. The potential of the Total Place approach to service provision and the management of local places also has great potential during a time of austerity. Rather than local places suffering incremental cuts by dozens of service providers it is possible, through strong local leadership and co-ordination, that service providers could address the collective impacts of all their decisions. This should include recognition that where services are cut there are differential geographic impacts: remoter rural communities face greater problems accessing services when these are closed locally than is the case in more urban and accessible places. Total Place partners should manage together the challenges of service access, and provide transport, outreach, broadband, multi service outlets⁸ and other solutions.
23. There should also continue to be encouragement to invest in innovation and replicating existing successful models, for example through the recently awarded green flag exemplars under the Comprehensive Area Assessments⁹ and also through the Beacon Council¹⁰ exemplars.
24. Public investment into local rural economies may be facing a particularly bleak future. It is largely agreed that there will be fewer capital resources available for investment in housing and regeneration projects. It is already the case that Area Based Initiatives (ABIs) tend to be designed to tackle areas of concentrated deprivation rather than dispersed

⁸ From supporting multi service outlets (such as village and community halls) to small town based multi service 'shop' centres (such as the Gateways in Kent: <http://oneplace.direct.gov.uk/infobyarea/region/area/pages/flags.aspx?region=57&area=366> and the public interface provided through the Town Council in places such as Burgess Hill: <http://www.burgesshill.gov.uk/Helppoint/> .

⁹ See: <http://oneplace.direct.gov.uk/Pages/default.aspx>

¹⁰ See: <http://www.beacons.idea.gov.uk/idk/core/page.do?pageId=1>

deprivation, and therefore benefit urban investment more than rural investment.

25. However, there is a strong case, which the CRC has been promoting¹¹, for investing in areas of potential and areas of success in order to secure future stronger sustainable growth. Such an approach, if implemented, would benefit many local rural and small town places.
26. The potential of local procurement to help local economic growth and sustainability should also be reviewed through Total Place and similar approaches. Local authorities have considerable experience in this area, although there are legal and other issues around competitiveness and securing value for money which will need to continue to be addressed¹².
27. At the regional and local levels standalone initiatives are often a response to the challenges and sometimes failures of mainstream services meeting the needs of rural communities (for example local community transport initiatives filling in the gaps provided by a lack of public transport). Any pressure and cuts to these local and regional initiatives may cause particular challenges to improved delivery to rural communities.
28. A lot of the literature argues that many public services will be protected during a period of retrenchment. However, if there do have to be significant service cuts, then it is those services that are less popular, less 'fashionable', and less noticed that would be likely to suffer first. This would variously affect all places. But the constituency of support for these services in rural areas is likely to be even smaller and less powerful than in urban areas.
29. The pressures on discretionary spending will be far greater than on statutory spending. In many rural places it is the discretionary public expenditure that is particularly visible public expenditure (community transport; libraries/visiting libraries; local environmental management and improvement). Whether this visibility and popularity will protect such services is unclear. It may be that there is some pragmatic deal making that would take place between county, district and parish councils to share the costs and the tax raising consequences of continuing to supply these valued local services.
30. The continuing pressures on the public sector to secure efficiencies will be intense. And

¹¹ See 'England's rural areas: steps to release their economic potential' (CRC, 2008) at: <http://www.ruralcommunities.gov.uk/publications/crc74englandsruralareasstepstoreleasetheireconomicpotentialssummary>

¹² There is useful guidance on this subject in 'Sustainability and local government procurement' (Improvement and Development Agency 2003): <http://www.idea.gov.uk/idk/aio/1701515>

there is scope for further efficiencies to be secured, as is being highlighted by the Total Place initiative. There are some particular rural aspects to this agenda, particularly those relating to the local government and administrative structures such as the multi tier local government system. This congested system includes county and district councils, as well as growing numbers of single tier unitary authorities. It includes in most rural areas parish and town councils and in many rural areas National Park Authorities as well. There may well be further efficiencies to be secured from rationalising this system, or else through other reforms. Changes could include moves towards more single tier unitary authorities and creating virtual unitary authorities through sharing back office functions as well as senior management posts and structures. Supporting development of the potential of the parish and town council tier could also be a useful strategy. Some 8,000 plus councils with over 80,000 councillors with the ability to raise taxes and to borrow and with a newly introduced well being power all point towards a sector that could deliver more for local people at a time of austerity.

31. There may well also be efficiencies to be gained through improving local boundary coterminosities and thereby reducing transactional costs involved in doing cross boundary business.
32. Another rural risk point concerns the drive towards greater on-line delivery of public services. Such delivery can generate large efficiency savings. Yet for the rural digitally excluded, either by living in 'not spot' or low band speed areas, or economically or otherwise excluded from the internet, such reforms would bring further hardships without mitigating measures.
33. Greater attention and pressure will move onto securing perceived *fairness* within central/national resource allocation systems. There are some important rural perspectives to this agenda. At the moment there is a considerable perception, backed up by some evidence, that public resource allocations between places are not fair. This is a view felt strongly by many of those representing and serving rural communities. This was one of the messages of research conducted for Defra in 2004¹³. It is also the message articulated by bodies such as the County Councils Network, the Rural Services Network, Action with Communities in Rural England and others.
34. Likewise, and finally, greater attention and pressure will move onto how resource allocation is managed *locally* and securing proportionate and fair delivery across administrative geographies. This may become a particular rural agenda, with local

¹³ 'Review of Evidence on Additional Costs of Delivering to Rural Communities' conducted for Defra by MSA Ferndale in 2004

authorities and Local Strategic Partnerships (LSPs) coming under increasing pressure (including from their own scrutiny committees) to deliver fairly across their communities (e.g. performance management of LAA improvement targets). This agenda should also reinforce the imperative for public bodies to work together to deliver to local communities. Shire local authorities and LSPs need to work in collaboration. They also need to do this alongside nearby urban authorities and LSPs, maximising the opportunities that exist in the interactions and interdependencies between urban and rural places.

35. This pressure, for both fairness and for efficiency, should also be felt and reflected by inspection and scrutiny bodies (notably the Audit Commission in relation to Comprehensive Area Assessments).

Next steps

36. We hope that this discussion paper is of interest to readers. And readers are welcome to share their feedback on our website.

Commission for Rural Communities

www.ruralcommunities.gov.uk

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