AGENDA FOR SPARSE RURAL AND RURAL SERVICE NETWORK
EXECUTIVE AND BOARD OF DIRECTORS OF THE RURAL SERVICES PARTNERSHIP LTD MEETING

Venue:- Millbank, LGA, Smith Square, London. SW1
Date: **Monday 20th June 2016**
Time: **11.30am to 2.30pm**

1. **Apologies for Absence**

2. **Notes of the Previous Meeting**
   Held on Monday 18th January 2016 to consider any relevant items.
   Attachment 1

3. **Notes of the Main Meetings**
   Held on 11th April 2016 to consider any relevant items.
   Attachments 2(a) & 2(b)

4. **Main Gas Supply Networks in Rural Areas**
   Cllr Rosemary Doyle (Canterbury) to attend.

5. **Vice Chairs:**
   Extract from Previous Minutes:-
   Members noted the list of Vice Chairs, and raised concerns that representation from the south east and south west should also be considered.

   Action: Eligible existing Vice-Chairs be re-appointed and there be the creation of 2 additional vacancies for Vice-Chairs to address geographical issues with the appointments thereto being made at the next meeting.

   There is also a vacancy for a Vice Chair representative of Unitary Councils following the death of Cllr Roger Begy.

6. **To consider the attached revised statement as to the Financial Representational Service**
   Attachment 3

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7. Pixel Financial Management Reports

(1) on Business Rates as discussed at the Main Meeting on 11th April and 4 Briefing Notes in respect thereof (Attachments 4 (a) – (e))

(2) Short Briefing Note on Needs Review (Attachment 5)

(3) Authorities which need top-up under the existing system – Verbal report by Graham Biggs

8. LG Futures Reports

(1) Costs Drivers of Sparsity (Attachment 6)

(2) The Value of Sparsity and Density (Attachment 7 & 7(a))

(3) RSDG Distribution Methodology – Verbal Report by Graham Biggs

9. DCLG/LGA Steering Group and Needs Assessment Working Group
Graham Biggs to Report

10. Rural Fair Share Campaign Group of MPs.
Graham Biggs to report on discussions with Graham Stuart.

11. Working with the DCN & CCN.
Graham Biggs to report

12. Budget Report 2015/2016 and 2016/2017
Attachment 8

13. To agree a date for a "Blue Skies" Meeting

14. Rural England C.I.C. Update. Verbal Report

15. Rural Health Network – Report to Follow

16. Rural Conference 2016
Graham Biggs to update on the Rural Conference 2016
(Attachment 9)

17. Any other business

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MINUTES OF THE SPARSE RURAL AND RURAL SERVICES NETWORK EXECUTIVE, MONDAY 18TH JANUARY, 2016 HELD AT THE LGA, SMITH SQUARE, LONDON

Present:- Cllr Cecilia Motley (Chair) Cllr Robert Heseltine (First Vice Chair), Cllr Peter Stevens, Cllr Gordon Nicolson, Cllr Peter Thornton, Cllr Sue Sanderson (Observer), John Birtwistle (Transport).

Officers: - Graham Biggs (Chief Executive), David Inman (Director), Andy Dean.

Apologies: - Cllr Roger Begy, Cllr Derrick Haley, Cllr Adam Paynter, Cllr Janet Duncton.

Cllr Begy had been unwell and the Executive asked to send him their best wishes for a speedy recovery.

Cornwall Council would be written to see if there was a possibility of a Deputy also being appointed for Cllr Paynter.

1. Minutes of the Executive of 14th September 2015

(1) The review of funding for Police Authorities had been deferred for a year.
(2) The legal housing decision involving West Berkshire had been appealed by the Government.

2. Provisional Settlement

The situation was considered in detail. A settlement for 2016/17 and a profile settlement over 4 years had been set out through to 2019-20. Although RSDG was programmed to increase to £65.0 million by 2019-20 (back end loaded) cuts had been calculated on a new definition of Spending Power (core Spending Power) which included Council Tax. As Council Tax levels in rural Authority were higher, on average) than in urban areas the reductions proposed were consequently significantly higher in rural areas than urban areas. (Previously cut backs had been at a uniform percentage). Lincolnshire felt the loss to Shire Counties overall would be over £240 million. It was also felt surprising that this had only become apparent when the figures were examined in detail. No paragraphs in the settlement document had actually detailed this. Rural MPs were incensed.

(a) A petition signed by 50 MPs had been sent to the Prime Minister (cc Chancellor and Communities Secretary).
(b) RSN hoped to get, through Shropshire Council, a joint letter to the Prime Minister signed by the Leaders of a number of Counties/Unitaries.
(c) A Back Bench debate which had involved some 40 MPs being critical of the Provisional Settlement had been held on the 11th January. The film of this and the Hansard extract would be circulated to all members with the message for Authorities to get or keep their MPs involved.
(d) Graphs showing comparison member Authority to urban Authority were being prepared and would, it was hoped, be sent out on the week of the 18th January.
(e) The consultation response sent in by Sparse Rural and the Rural Fire Group was detailed.
(f) It was understood the Government wanted the matter concluded by the 11th February so there was very limited time to try to get this changed.

(g) All Authorities would be asked to provide to the RSN evidence of their service cuts and their hardship areas as part of this process. It was felt regrettable that the overall picture which would be produced could only be one from 80% of the rural areas of England because of the intransigence of authorities in the other 20% who continued to refuse to be involved with RSN.

(h) Authority was given to the Chief Executive in consultation with the Chair to take such further action as may be considered necessary.

3. New Homes Bonus

The draft response to the New Homes Bonus Consultation was approved with minor amendments, Delegated authority was given to the Chief Executive, in consultation with the Chair, to agree the final version in case further changes became necessary.

4. The Business Rate Based System

The Chief Executive outlined the position. For rural areas the equalisation system and the level of tariffs/top ups would be the key factor. The review of needs to be built into the new systems would be absolutely fundamental as this is where sparsity costs would feature. A massive amount of work on members' behalf was envisaged over the coming years.

It was decided to commission research to a sum of £5k from L G Futures mapping previous evidence on the sparsity situation and seeking to comment on the impact of sparsity in super sparse and average sparse areas to seek to avoid cliff edges. Work in relation to Pixel already commissioned was outlined.

5. Budget Report 2015/16 – 2016/17 and Conference Budget

The Chief Executive detailed the position which was complicated by 15 Local Authorities and 5 RSP organisations which had not paid to date. However, it was hoped a balance in the region of £17k could be taken forward to 2016/17. In that year the budget was still tighter with a balance of £7k estimated to go forward to 2017/18.

Graham also presented the Conference Budget which for 2015/16 showed a small surplus. Complimentary remarks continued to be received about the Conference.

The Chief Executive stressed that the rest of the Agenda showed how the organisation would have to reposition itself to show the widest possible brief over the next few difficult years. It was decided that the next Executive in September would be a full day one which would include a 'Blue Sky Thinking' session.

6. A Rural Information Exchange

A report was received on this important area that needed to be developed.

Three Knowledge Hubs had been developed:

- Local Government Finance
- Performance and Transformation
- Rural Service Delivery

Three further ones were planned:

- Planning and Communities
- Rural Economic Development
- Rural Housing

Long term Social Care and Education would need to be looked at.

In terms of conveying information, 6 member contact lists and 22 officer contact lists had been established. The information from the various bulletins sent out would now be reinforced by the use of this system.

7. Expansion of the Community Group

(i) This report detailed how the Group's links in the communities of member Authorities could be expanded over the coming years. The present system that had an estimated reach of some 50,000 contacts, it was hoped to take that figure to a six figure one – an eventual target of 250,000 had been identified.

Information would be sought on:-

- Village Hall Committees
- Details of local village Pubs and shops
- Details of any Youth Clubs and Scout Groups
- Details of any Parish Council or community website in the hope of working in liaison with them.
- Details of volunteers for Sounding Boards (see next report)

A call was made for RSN to look to supplement the information contained on the ONS website where it was believed there was a profile of every individual parish in England

It was also hoped the new Transparency Fund for Parishes might persuade parishes to be involved more. Parishes were being encouraged to run their own public websites. It was suggested we work with NALC in this connection.

(ii) **Sounding Boards and a Rural Panel**

It was decided to expand the present system of two Sounding Boards (District and Parish Councillors) to a range attempting to capture:

- Young People (under 25) (suggested we work with Youth Clubs and Young Farmers Clubs here)
- Rural Businesses
- Rural Residents

Members asked for a Sounding Board of Rural Primary School Governors to also be considered.

It was hoped each Sounding Board could seek to comprise of at least 300 people (the number Gloucestershire University had suggested was representatively important).

Eventually, it was hoped that volunteers would come forward from those people in the 5 Sounding Boards who would be willing to constitute a cross representative spectrum of the rural population to be able to operate a Rural Panel.

8. Membership

RSN Membership currently stood at 154 Local Authorities (132 Sparse Rural: 22 Rural Assembly only). RSP membership was around 80.

The Executive asked for a list of the Authorities who declined to be in membership. The question was posed how would such Authorities present co-ordinated evidential material that would be essential to arguing the rural case for the forthcoming needs assessments. It was felt the total rural picture required would be incomplete without these Authorities contributing to it.

The Executive asked that information be compiled showing both the global sum won by the work of the Group in relation to financial representation and how that sum was felt to break down Authority by Authority.

9. Devolution

The position was discussed generally. There was concern that rural areas would again lose out in a situation that appeared to be dictated by urban mass.

10. A House of Lords Group

With the undoubted success of the Commons Group, it was decided to seek to form a Lords Group. This might be achieved by initially more Lords being invited onto the APPG and an annual meeting of those Lords at least once a year. Members asked that the following people be approached:

Lord Cameron, Lord Taylor, Lord David Clark, Baroness Byford, Lord Rupert de Mauley, Lord Henley, Lord Henley, Lord Ullswater, Baroness Redfern (North Lincs), Lord Clark of Windermere.

11. Rural Unitary Group

The Group planned to hold a seminar on Devolution led by the Leader of Cornwall County Council at Bath in the Spring. All RSN members would be invited.

12. Rural Fire and Rescue Group

Fire and Rescue Group membership had now reached 15 Authorities. A meeting had been held in Northampton before Christmas. The Group had responded to the Provisional Settlement Consultation and the Chair had written to the Chancellor about the impact of the cuts.

It was decided that, in future, there would be one Annual Meeting involving Fire Chiefs and members and at least one meeting each year of Fire Finance Officers. The first of the latter form of meeting was planned for a date in March.

13. RSN – ACRE – NALP Concordat

Andy Dean presented a draft proposal by Officers and detailed what was hoped to be achieved. The document was agreed by the Executive.

14. AOB

It was decided that in future every Assembly meeting would have a presentation on a policy item from Brian Wilson. These often might mirror the policy item he had last done for rsnonline.

It was also agreed that at the end of each meeting consideration would be given to the topical item which the meeting wished to identify and pursue in letters to Government and other appropriate Agencies.

Local Government Association

Note of last RURAL SERVICES NETWORK -SPARSE Rural (sub) Special Interest Group meeting

Title:	RSN SPARSE Rural (sub) Special Interest Group
Date:	Monday 11 April 2016
Venue:	Smith Square 1&2, Ground Floor, Local Government House, Smith Square, London, SW1P 3HZ

Attendance
An attendance list is attached as **Appendix A** to the note of the Assembly meeting which followed.

Item	Decisions and actions
1	**Minutes of the last meeting held on the 16th November 2015**
	Councillor Cecilia Motley, Chair, welcomed those in attendance and paid tribute to the late Cllr Roger Begy who had recently passed away. Members were reminded of his valued contribution as a colleague and previous Chair of the group. A silent act of remembrance was to take place at the following Rural Assembly meeting
	The group then moved onto the agenda for the SPARSE Rural Sub SIG.
	Members approved the minutes of the last meeting 16 November 2015, subject to amendment of missing attendees (Cllrs R Reichold and L Strange) . The Chair reminded colleagues to sign the attendance sheet for each meeting as the only record of their attendance.
2	**Minutes of the Executive Meeting held on the 18th January 2016**
	The minutes of the last Executive meeting 18 January 2016, were agreed.
	Members noted the work done to raise the profile of the effects on Rural areas due to cuts to funding and thanked officers for their efforts and achievements, particularly in working with Rural MPs. Councillor G Nicholson (Eden) expressed thanks to the Officers for all of their hard work in getting a significant increase in RSDG for those Councils which received it..
3	**Fairer Funding Campaign 2015-16** **Graham Biggs**
	Members received a presentation from Mr Graham Biggs which outlined the issues faced by rural areas as part of the Fairer Funding Campaign. The presentation was a “cut down version” of the presentations made by Pixel at the finance seminar before Easter The full slides from those presentations are available at http://www.sparse.gov.uk/ . The full reports from Pixel were being finalised and would be sent to member authorities as soon as possible
	Members noted an imminent report was due from LG Futures detailing a review evidence of the cost of sparsity – this too would be circulated to member authorities.

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Mr Biggs outlined analysis of the provisional and the final settlements and stressed that the Transitional relief won was very much a temporary measure – by 2018/19 the final settlement matched the outcomes of the provisional.

The Group noted there was a significant movement in funding away from rural areas which would mean more loss in terms of pounds per head and urban gains. This was because the government was now using Core Spending Power (which includes Council Tax) to calculate how the cuts would fall.   However, it was agreed that the final settlement was, nevertheless, unpresented in terms of change – this was mainly due to the input of rural MPs who helped sway decisions.

Members heard about options for requesting transitional relief, noting not all rural authorities would be impacted by the cuts in the same way.

Mr Biggs said that SPARSE will continue to campaign for getting funding to recognise the costs of serving rural areas for all authorities listed in the DCLG Summer 2012 consultation as a priority, notwithstanding the 4 year settlement.

The presentation then gave details of the findings from the Pixel research into Business Rates issues.

Members raised several points;

- They were concerned about the shortfall in funding and continuation of costs not recognised by government.
- The level of rateable values in rural areas were lower, with fewer opportunities and relief would be vital in order to support the local economy.
- They asked if anyone had given any thought to the impact of additional costs and funding during the transformation period and felt this was a major flaw in planning.
- Members felt that the report was very complex and there may be issues around understanding what needed changing. Mr Biggs suggested condensing the report into a few fact sheets for ease of reference.- this was agreed
- They were concerned about how big events like flooding, closures of business etc. would be dealt with and felt that councils need to keep a safety net for such occasions.
- They noted the probability that income from business rates would eventually reduce due to changes in work practices such as working from home and the need to rely on safety nets.
- They agreed that, subject to a better understanding of the complexities involved, political lobbying was vital. It would be important to involve rural MPs, ensuring that they realise the implications of Business Rate Retention proposals.

Members were encouraged to approach and engage with newer MPs in order to create greater awareness of the work of the RSN.

The Group were informed of DCLG’s announcement regarding a review of the Needs Assessment and their assurances that they would involve RSN in the process.

Members discussed difficulties and agreed that parliament need to be kept aware of complications and shortfalls faced by rural authorities because of redistribution.

Action
Circulate Pixel report and LG Futures report to members for comment - then to Executive for consideration. Follow up at next meeting. (Members agreed condensing Business Rates report into fact sheets). **Graham Biggs**

Members went on to further discuss ways of clarifying information regarding impacts of cuts in funding.

This meeting was closed and the Rural Assembly SUB SIG convened.

Local Government Association

Note of last RURAL SERVICES NETWORK Rural Assembly (sub) Special Interest Group meeting

Title:	RSN RURAL ASSEMBLY (sub) Rural Special Interest Group
Date:	Monday 11 April 2016
Venue:	Smith Square 1&2, Ground Floor, Local Government House, Smith Square, London, SW1P 3HZ

Attendance
An attendance list is attached as **Appendix A** to this note

Item	Decisions and actions
1	**Apologies for Absence**
	Councillor Cecilia Motley, Chair, welcomed Rural Assembly members to the meeting and noted apologies.
	The Chair paid tribute to the late Cllr Roger Begy who had recently passed away. Members were reminded of his valued contribution as a colleague and previous RSN Chair. In recognition of this, the Chair invited a minute's silence.
2	**Minutes of the last Rural Assembly meeting - 16 November 2016**
	The minutes from the previous meeting were approved.
	John Birtwistle commented that it looked like the Buses Bill would be out in September
3	**Minutes of the last Executive meeting – 18th January 2016**
	The minutes of the last Executive meeting werea noted and an update was provided on the Housing & Planning Bill.
	Reference was made to the importance of RSN engagement with community groups and in particular, village halls via parish clerks.
4	**Budget Report for 2015/16 and 2016/17**
	Members agreed the budget report which had been circulated to members in advance of the meeting.
5	**Mains Gas Supply Networks in Rural Areas**
	It was agreed that this presentation would be postponed to the next

meeting, with the Executive considering the issues at its next meeting.

Action
Consider circulating forms requesting information to members in advance of next meeting.

Item to be included on the Executive agenda and on the agenda for the meeting in July.

6 Rural Services Network Events

Members received an update of progress and outline of future Rural Service Network Events.

- The Rural Conference, Cheltenham - 6,7 September.
- 2015-16 Rural Services Network Seminar Programme - Members noted a paper included within the agenda.

7 Devolution: to discuss the attached draft Policy Briefing Paper and thereby establish RSN Policy on Devolution

Brian Wilson introduced the draft policy briefing note on devolution. Evidence showed a strong rural and shire case for devolution but local authorities should decide themselves if they wish to do so. The government policy was that any substantial devolution would need an elected mayor but local authorities were keen that other options should be available.

Mr Wilson referred to LEPs and the need for them to match up with devolution geography. He invited comments on the draft.

Members raised several issues:

- They were concerned about associated members where city regions cross with shires and that their economies may pull different ways.
- With regard to housing and planning, there were issues about ground rules and consistencies - negotiating processes were very difficult.
- Members provided examples where lack of recognition of extreme rural areas within the scheme of devolution were evident. They agreed that there was a need for assistance and more lobbying to remind the government of the existence of rural areas and the problems faced. The Remit is about economic regeneration - rural community economies struggle to deliver.
- They were concerned about bureaucracy and additional costs in reaching agreements that do not help extreme rural communities in any way.
- Evidence showed that LEPs will be a major part of devolution deal – this has been judged on population figures which is not fair on more rural areas.

Members discussed shared responsibilities at local levels and Mr Wilson

Local Government Association

agreed that they may not get as much in a devolution deal as they would with a mayor - but that there should still be a choice. He reiterated the importance of getting local MPs on board.

Mr Wilson agreed to amend the draft to incorporate member comments and to add information about housing.

8 Rural Sounding Board

Nothing to report.

9 Widening the Sounding Boards

Andy Dean (RSN) updated members on mechanisms for building more sounding boards and on the progress of developing websites

10 Report on the RSP Service Groups

Mr Dean went on to update members on progress of arrangements for the Alliance Rural Housing Week being held in July.

Members noted an update on the Rural Health Network and the planned re-launch in the next few months. Feedback had been received from the last conference and a product based on this would be developed and produced as a suggestion to be tested among interest groups. Key issues facing SPARSE areas needed to be addressed, including access to health care, GP recruitment/retention and high levels of rural fuel poverty. They agreed that a case needed to be made to find ways to deal with these barriers, both economically and practically.

Mr Biggs informed the group on work of the National Rural Crime Network inluding and development of the website. The 2 yea rHome Office funding grant was now finished – further funding would be dependent on on the wishesof commissioners to be elected in May and whether they would be keen to continue and be part of the crime network which would have to be self funding.

Members noted updates on Fire and Transport Groups.

11 Housing Bill – An Update on the Current Position

Members received a presentation from Monica Burns (National Housing Federation). She outlined collaborative organisations and details of their current work which included the scheme being introduced for voluntary 'right to buy'. Members noted the policy which had received a major input from housing associations and progress on pilots.

She outlined the details of right-to-buy and the rules of the scheme, informing the group that full compensation for the discounts applied will be paid by government. Sales receipts would then be used to build new homes – with the intention that all those sold would be replaced nationally.

Ms Burns invited members to comment and informed them that the NHF would be organising workshops to inform organisations of their recommendations as well as consultations on starter homes.

Members noted the presentation and agreed that any exceptions to right to buy - particularly where housing associations refuse to sell to tenants – need to be clearly stated.

The Chair thanked Ms Burns for the presentation.

Action
Circulate slides to members.

12 LEPs and Rural Areas

Mr Dean gave a presentation on member experiences of relationships with LEPs and the problems faced in setting them up to be active in very rural areas.

Members agreed the importance of continuing to emphasise the value of contribution by rural areas but were aware that there were issues which made it very difficult, such as lack of broadband. Parish councils also needed to be more involved and communication was vital as there was a real lack of public knowledge.

Action
Circulate presentation.

13 Any Other Business

Members noted that the Surrey Rural Statement was now available and would be sent to the RSN

.

The Chair thanked members and officers for their attendance and the meeting closed at 3.30pm.

Date of next meeting:
SPARSE Rural Sub SIG and SPARSE Rural Assembly sub SIG – 11 July 2016

Local Government Association

Appendix A - Attendance

Position / Role	**Name**	**Organisation**
Chairman	Cllr Cecilia Motley	Shropshire Council
Members	Cllr Neil Butters	Bath & NE Somerset Council
	Cllr Leslie Kew	Bath & NE Somerset Council
	Cllr Peter Bedford	Boston BC
	Brian Wilson	Brian Wilson Associates
	Christopher Graffius (Observer)	British Association for Shooting & Conservation
	Cllr Geraldine Carter	Calderdale MBC
	Cllr David Ireton	Craven DC
	Cllr William Gray	East Lindsey DC
	Cllr G Nicolson OBE	Eden DC
	Cllr Rupert Reichhold	EN DC
	John Birtwistle	First Group, Head of Policy
	Anne McLoughlin	Hastoe Housing Association
	Cllr R Phillips	Herefordshire Council
	Revd. R Kirlew	Independent
	Cllr C Strange	Lincolnshire CC
	Cllr P Posnett	Melton BC
	Cllr Margaret Squires	Mid Devon DC
	Cllr Heather Bainbridge	Mid Devon DC
	Monica Burns	National Housing Federation
	Cllr Robert Heseltine	NYC
	Cllr Lindsey Cawson	North Kesteven DC
	Cllr Robert Heseltine	North Yorkshire CC
	Cllr Malcolm Leeding	OALC, President
	Cllr Y Peacock	Richmondshire DC
	Graham Biggs	RSN
	Andy Dean	RSN

	Cllr Cameron Clark	Sevenoaks DC
	Cllr David Godfrey	Shepway DC
	Cllr E Sneath	South Holland DC
	Cllr P Thornton	South Lakeland DC
	Cllr Jeremy Savage	South Norfolk DC
	Carole Clarke	South Northamptonshire Council
	Cllr P Stevens	St Edmundsbury BC
	Cllr P Sanders	West Devon BC
	Cllr Owen Bierley	West Lindsey DC
	Cllr Nick Daubney	West Norfolk BC
LGA Officer	Fatima de Abreu	LGA
Apologies	Liz Philip	Askham-Bryan College
	Cllr Roy Miller	Barnsley MBC
	James MacColl	Better Transport
	Mark Hemming, Head of Finance	Buckinghamshire Fire & Rescue Service
	Holly Jago	Calor Ltd
	Peter Shipp	Chairman & CX – EYMS Group Ltd
	Cllr Barry Wood	Cherwell DC
	Cllr Samantha Dixon	Cheshire West & Chester Council
	Paul Over	Chichester DC
	Dr P Blantern	Chief Executive, Northamptonshire CC
	Steve MacKenzie	Chief Executive, Purbeck DC
	Nick Millington	Chief Executive, Rural Media Company
	Ian Richardson	Chief Executive, Shropshire Rural Housing Association
	Lesley Tucker	Chief Finance Officer, Teignbridge DC
	Jenny Poole	Cotswold DC
	Mary Davis	Director of Finance - Devon CC
	Cllr R Gould	Dorset CC
	Cllr Paul Diviani	East Devon DC

	Paul Over	Executive Director, Chichester DC
	Steve Jorden	Executive Director, South Hams & West Devon Councils
	Cllr M Henry	Gateshead Council
	Karen Henriksen	Head of Resources, Derbyshire Dales DC
	Martin Reohorn	Hereford & Worcester Fire & Rescue Service
	Cllr P Posnett	Melton BC
	Nicky Lovely	Newark & Sherwood DC
	Cllr Gonzalez De Savage	Northamptonshire CC
	Donna Smith	Plunkett Foundation
	Gill Cameron-Waller	Policy & Partnerships Manager – Wealden DC
	James Mitchell	Royal Mail
	David Inman	RSN
	Cllr Malcolm Pate	Shropshire Council
	Kath Hemmings, Neighbourhood Manager	Solihull MDC
	Cllr Michael Hicks	South Hams DC
	Mark Hardingham	Suffolk Fire & Rescue
	Cllr P Martin	Surrey CC
	Cllr Williams	Taunton Deane DC
	Cllr Whittaker	Torridge DC
	Cllr Seccombe	Warwickshire CC
	Cllr Roger Croft	West Berkshire Council

SPARSE-RURAL

FINANCIAL REPRESENTATIONAL SERVICE: THE FIGHT MUST GO ON

SPARSE-RURAL members should not think that as Revenue Support Grant (RSG) will no longer exist by the end of this Parliament as we move to a world of 100% Business Rates retention (by the Sector not individual authorities) the need for SPARSE-Rural's Financial Representational Service will also disappear. **That is certainly not the case.**

It is very clear that there is going to continue to redistribution within the business rates system. This is likely to be similar to the current system, with "top-ups" for those authorities whose business rates income is lower than their Assessed Needs, and a "tariff" for those whose business rates income exceeds their Assessed Needs. **There will continue to be a formula for the assessment of need (as there is at present) and a re-distributional formula**.

The Government is conducting a review of the Needs Assessments, working with the LGA. **SPARSE-RURAL is represented on the Working Group carrying out this work.**

So, the starting point for the Business Rates Retention system will include the Needs Assessment. We can be reasonably certain that rural areas will not agree with all of the components or weightings (or both!!). The same can be said for Metropolitan Authorities, London and Other Urban areas, and their organisations will certainly keep on researching and pressing their case, even after the new system is introduced. There may well remain within the new formula elements based on ministerial judgement – so easily varied to achieve political objectives.

FIRST BATTLE

If there was a change of government, and by default, rural areas are not continuing to work together through SPARSE-RURAL to research the rural case and having it directly represented at the national level, then rural councils, businesses and residents will lose out.

SECOND BATTLE

Rural people etc. will also lose out if Government persists in the view that it is fair and reasonable for a greater proportion of councils' costs of providing services to be funded by higher levels of Council Tax in rural areas compared to urban.

THIRD BATTLE

The business rates base and business rates Rateable Values are lower in rural areas than in urban. At present rural areas need to generate (on average) twice as much square footage for business premises to get the same financial benefit as urban areas.

If in the future Councils are to retain more of their business rates growth (and, where is the incentive if they are not?) the available funding to support services per head of population between urban and rural areas will grow even further. This is on top of the underfunding in the Needs Assessment.

So Battle three relates to Business Rates Growth and Re-Distribution.

Effecting change in any of these areas once the new system has been introduced will, inevitably, be a slow process. Rural voices together can make a difference as we have already proven – there was no RSDG in 2013/14; it now stands at £65M across those which get it. In addition all authorities listed in the DCLG Summer 2012 Consultation have gained, on average, 25% of the financial benefit then exemplified (£255m). This was all won on the back of SPARSE-Rural work and financial representational activity – fundamentally supporting the Rural Fair Share Group of MPs. We are continuing to press for RSDG to be paid to authorities listed in that DCLG consultation in the amounts exemplified and not just to super sparse authorities

THE BATTLE MUST GO ON OR RURAL AREAS WILL AGAIN LOSE OUT. SPARSE-RURAL ARE THE ONLY GROUP MAKING THE RURAL CASE ON LOCAL GOVERNMENT FINANCE.

Rural Service Network (RSN)

Business Rates Retention: Analysis for Rural Authorities and Proposals for Future Lobbying

Introduction

1. In the Spending Review (25 November 2015) the Chancellor confirmed that local authorities will be allowed to retain 100% of their business rate income by the end of the current parliament. This is hugely significant to local government and to rural authorities.
2. In this report we have outlined how the current rates-retention system works and how it might have to change to accommodate 100% retention. We have then analysed the business rates collected and reliefs awarded in rural areas, and how the current retention system impacts on rural authorities.
3. From this analysis we have highlighted features of the current system that work to the advantage and disadvantage of rural authorities. We have recommended where RSN could lobby for changes to the current system, and outlined the issues that RSN needs to be aware of during the period that the Government is designing 100% retention.

Operation of the current rates-retention scheme

4. The current rate retention regime was introduced in 2013-14. Before this, a nationalised business rates system operated whereby local authorities acted as collection agents for central government; business rates were collected locally, pooled nationally and then redistributed to local authorities through Revenue Support Grant (and other grants). Under the rate-retention system introduced in 2013-14, local government retains 50% of business rates, with the remaining 50% being paid over to central Government (and returned to local government through RSG and other grants).
5. Within local government, different rate retention amounts are set for different functions. District functions retain 40%, upper-tier functions 9% and fire functions 1%. A unitary council with fire functions will retain 50% of rates. A district council will retain 40% of rates. A county council will only retain 9%, unless it still has fire functions, in which case it will retain 10%.
6. Importantly, there is still rates equalisation in the system, otherwise the authorities with the largest rate bases would have far too much income for their needs, and most of the rest of local government would have too little. To adjust for the massive differences between rates collected and needs, the Government still sets a needs target and a business rates target for each authority.
   - Where the business rates target is greater than the needs target, then the authority pays over a **tariff** into the national pool; and
   - Where the needs target is greater than the business rates target, then the authority receives a **top-up** from the national pool.

7. Across the whole country, top-ups and tariffs balance each other out; the system of transfers between authorities balances out the differences between needs and income potential. Top-ups and tariffs – and the underlying needs and rates targets – are fixed until 2020 and only uprated each year by the increase in the national business rates multiplier (usually the Retail Price Index from the previous September).

8. There is protection – a safety net – for authorities whose business rate income falls significantly in any one year. The threshold for the safety net is set at 92.5% of the authority's baseline funding level.

9. Levies are also payable by authorities on business rates that are collected above their rates target. The levy rate is calculated by comparing the needs target with the rates target. If the rates target is, say, £25m and the needs target is £20m, then the rates target is 25% greater and the levy for the authority would be 25% (i.e. the authority would pay over to central government 25% of any business rates is collects over-and-above the business rates target). The levy rate is capped at 50%. For any authority whose needs target is lower than their rates target (i.e. all top-up authorities), no levies are payable at all, even if business rate income exceeds the target.

10. District councils have very large business rates targets (because they retain 40%) relative to their needs targets. As a result they are all tariff authorities, and all pay a levy. Conversely, almost all county councils are top-up authorities and do not pay levies. Because most rural areas have two-tier structures, most of the rates collected in these areas are at risk of being reduced by levies. In contrast, most urban areas – outside the major city centres – are top-up areas, and above-target business rates in those areas are not exposed to levies.

11. There is a way that two-tier areas can reduce the levies that are payable, and that is by using business rates pools. In these pools, county councils (top-ups) and district councils (tariffs) combine together to reduce the average levy rate on above-target business rates collected. In most cases, the average levy-rate is reduced to zero, although not in all cases. This arrangement does not work for every area or for every district council, which means that many districts – and many rural areas – are exposed to the full levy rate.

12. The rates baselines that authorities were given in 2013-14 included the reliefs that were given to businesses at that time. These included both the mandatory and discretionary reliefs. However, any change in those reliefs (except those funded specifically by central Government through a section 31 grant) has a financial effect on the local authority broadly equivalent to the function shares outlined above. If the amount of relief awarded (such as charitable or rural relief) increases then the local authority has to pay for its share of the increase; if it reduces, then the authority gets its share of the reduction. There is therefore a financial incentive to reduce the value of reliefs that are awarded locally, but in the case of mandatory reliefs the authority has no choice other than to award the relief to qualifying businesses.

13. When the Retained Rates system was introduced in 2013-14 it was envisaged that the system would be "frozen" until 2020-21. This meant that the rates targets, top-ups and tariffs would be untouched (other than to increase for inflation every year). Freezing the rates target for 7 years means that there is a reasonable incentive effect for those authorities with growing rate bases (although those with falling rate bases have to suffer the effects for this period as well). There are two problems with this approach:

- Revaluation of rateable values (RV) in 2017-18 – part-way through the freeze – and it is unclear how this would be handled. The revaluation would change the RV of every property in England and change the national multiplier as well. It would cause significant disruption to the system.
- The needs target will remain frozen until 2020, which means that the formulae for assessing needs will not be changed for 7 years, and neither will the underlying data that drive the formulae. "Errors" (perceived or real) could not be corrected during this period; and the formulae cannot respond to changes in demography. For rural authorities, the damping that eroded their "gains" in 2013-14 cannot be addressed or reduced until 2020.

14. It is unclear how the reset in 2020-21 would be handled: would the new baselines be reset entirely, would authorities be allowed to retain some of their previous gains, and would there be a transitional period?
15. In practice, the Government could change the targets (and the resulting top-ups and tariffs) if they wished: the mechanics of the system allow ministers to do this; it has been a policy choice to freeze targets and the top-ups and tariffs. At least until now.

100% business rates retention

16. Under the Chancellor's proposals all business rates income (£26bn) would be retained locally, although it is unclear whether this includes the £1bn "central list". 100% retention would apply to the sector as a whole. The Government is still envisaging transfers between local authorities – possibly by using something similar to the current top-ups and tariffs.
17. It is important to note that what is being proposed is not proper localisation of business rates or self-financed local authorities. The Government will continue to tell every authority how much of their own business rates they can keep, and how much has to be paid over to support other authorities. The amount authorities can keep – and how much they have to spend – will continue to be determined by the Government's assessment of their ability to collect taxation (council tax and business rates) and their need to spend (needs assessment).
18. A recent Ministerial Statement by the Secretary of State, Greg Clark, confirmed there would be redistribution between Councils – although gave no hint of what that may be. The Statement reads, "Redistribution between Councils will remain important, to reflect the needs of different authorities".[1] The Statement goes on to say, "In developing the reforms we will consider the responsiveness of the system to future changes in relative needs and resources whilst maintaining a strong incentive for authorities to grow their local economies" and "we will also consider how risk and business rates volatility can be better managed and how to protect authorities against significant falls in income".
19. Phasing of the proposals is still unknown: all that has been promised is that 100% of rates will be retained locally by the end of the parliament. A period of engagement with local government is starting in early 2016, and there will be a consultation paper in Summer 2016 followed (possibly) by primary legislation. With such a timetable it is possible that the transition to 100% retention could start in 2018-19, however.

[1] Written statement (HCWS221), 12 October 2015

20. The increase in locally-retained rates to 100% does not represent “new money” or increased spending power for local government. The increase in Retained Rates will be in return for the elimination of “core” grants (e.g. RSG, and possibly New Homes Bonus) and new burdens. We estimate that local government will have to shoulder around £9.1bn in new burdens, funded through Business Rates retained income, by the end of the parliament if the increase in retention is going to be fiscally neutral.
21. The nature of these new burdens will be as important as rates retention itself. Ministers might already have an eye on what these new functions could be (e.g. the expanded childcare offer, new public health responsibilities). Other ideas could take a little more thought (e.g. housing benefit) or be more controversial (e.g. unemployment benefits). Attendance Allowance looks to be a very likely candidate; if this is the case, then it would account for more than half of the additional new burdens (£5.5bn out of the £9.1bn). What is important for local government for the medium term is whether growth in local business rates matches the growth in spending pressures on these new burdens; this balance will be different for each authority. And it will be important to understand where there will be greater costs of delivery of the new burdens in the rural context.
22. Another consequence of the increase in retention is that many of the new burdens are likely to be for upper-tier services (social care, childcare). This will increase the share of business rates retained by county councils in two-tier areas (currently districts retains 40% of business rates growth and counties c.10%), as well as its share of future growth (or contraction). Some of them will also be much higher per head in higher-need (typically urban) areas, which will increase the amount of rates than needs to be retained in these areas. This could push some urban authorities into the tariff category, and could reduce the levy rates in some rural areas.
23. With 100% retention, authorities will be able to keep all the growth in their business rate income. The Government wants authorities to promote growth and attract businesses, and in return to benefit from increases in business rates. This suggests that there will be no more levies on above-target growth, but our view is that this is probably unlikely. This leaves the question of what kind of safety net there will be for those with falling business rate income, and how that will be paid for.
24. It is not clear how ministers will deal with any needs assessments. A freeze in needs was expected until 2020-21. The proposals for increased local business rates retention are not incompatible with the current freeze. Treatment of specific funding streams within RSG – council tax freeze grant and rural services delivery grant – also needs to be watched.
25. The vexed question of equalisation is left open. There is the suggestion that resources will be equalised once at the start of the new scheme, and possibly not again thereafter; this would allow growing authorities to keep all their future business rate income (this is “point” equalisation). More frequent equalisation of resources (and of needs) would help those with less ability to generate business rates growth (and those with growing needs); but would come at the price of “taxing” growing authorities and reducing the incentive effect on these authorities. Ultimately the balance between equalisation and incentives is one that ministers will have to make.

Scope

26. This report will seek to address a range of questions about how the current and future rate-retention regimes work. The answers to these questions will help us to understand how rural and sparse authorities have fared in the current system, and how they would be better advantaged by changes to the system.

27. First of all, it is essential to establish what business rates bases are like in rural areas:

- Are business rates nationally growing more quickly or more slowly than the national average in rural authorities? Are there different prospects for different types of rural authority?
- Is the incidence of reliefs greater in rural areas and does this reduce the amount of collected rates more in rural areas than in urban areas?
- Is the incidence and impact of appeals greater in rural areas?

28. We then need to establish whether there are features of the way the system has been implemented that are good – or bad – for rural authorities:

- Did rural authorities gain or lose from the way that the initial baseline was set at the start of the retention scheme in 2013-14?
- Does the way that levies are calculated work against rural authorities, particularly in two-tier areas?
- What type of equalisation would work best for rural authorities?
- Is the current method of protection through the safety net appropriate for rural authorities?
- How much business rates has been retained by rural authorities above the Business Rates Target?

29. We know little about how 100% retention will work, but these are some of the questions that we need to consider:

- Will the spending pressures of new burdens for rural authorities be greater than the benefit from the increased Retained Rates? What services would rural authorities like to be funded from retained business rates? Is there a "Rural Premium" in terms of service delivery costs?
- How do rural authorities ensure that their "needs" are properly taken into account, both at the outset of the new system and during its operation?
- What impact is revaluation of business rates likely to have on rural areas?

Methodology

30. In this report we have analysed the key elements of the rates collected by each billing authority. This includes showing the trends and the amounts per head. Amounts are shown in both cash and real terms based to 2010-11 (the start of the current rating list). Adjustments for inflation have been done using the rates multiplier (updated for the Sept RPI).

31. The element of rates that have been analysed are:

- Rateable value. The valuation for each business hereditament; it is provided by the Valuation Office Agency (VOA).

- Gross rates payable. The amount payable by local businesses before the application of various reliefs; effectively the RV multiplied by the national multiplier.
- Mandatory relief.
- Discretionary reliefs
- Unoccupied property reliefs
- Discretionary relief
- Rural relief
- Net rates payable. The amounts payable by businesses after the application of reliefs.
- Retained Rates, including levies and safety net payments. The amounts that local authorities are able to retain; includes adjustments for local and national shares, top-ups and tariffs, and the levy and safety net.

32. We have used a combination of NNDR1 and NNDR3 (these are the budget and outturn forms that are returned by each billing authority). There can be variances between budget and outturn both for differences between plans and actual performance, and as a result of budgeting strategies used by local authorities. We have used NNDR3 outturn where this is available (the latest is for 2014-15 outturn). These forms show data at the billing authority level; they are not returned by preceptors (county councils, fire authorities).
33. To calculate Retained Rates, and levies and safety net payments, we have used the DCLG's levy and safety net calculator for 2014-15. This shows the estimates for 2014-15 based on the 2014-15 NNDR3. It shows all local authorities, including districts, single tier authorities, county councils and fire authorities.
34. We have used the following classification of authorities, which are produced by DEFRA:
    - Major Urban (MU) – districts with either 100,000 people or 50% of their population in urban areas with a population of more than 750,000
    - Large Urban (LU) – districts with either 50,000 people or 50% of their population in one of 17 urban areas with a population between 250,000 and 750,000
    - Other Urban (OU) – districts with fewer than 37,000 people or less than 26% of their population in rural settlements and larger market towns
    - Significant Rural (SR) – districts with more than 37,000 people or more than 26% of their population in rural settlements and larger market towns
    - Rural 50 (R50) – districts with at least 50% but less than 80% of their population in rural settlements and larger market towns
    - Rural 80 (R80) – districts with at least 80% of their population in rural settlements and larger market towns

Gross Rates Payable and Rateable Value

35. Gross Rates Payable (GRP) and Rateable Value (RV) are the two top-level indicators of the amount of rates that is generated in an area, and the direction of travel. There are numerous adjustments between gross rates and the amounts that authorities can recognise in their

budgets (reliefs, losses on collection, levies), but the gross position gives the clearest broad indicator of overall change in the ratebase.

36. GRP is much lower per head in rural areas than urban areas (Chart 1). It is £565 per head in Major Urban areas (including central London and the major cities). The average is £506 for England, with all other areas of England apart from MU being below average. Major Urban authorities collect almost 50% of the total gross rates in England (£12.1bn compared to £14.7bn in the rest of England as a whole). Rural areas have by far the lowest GRP per head: SR £366, R80 £317, and R50 £310. The amount per head in R50 authorities is only 55% of the amount per head in Major Urban areas (and only 72% of the average).

37. There are also some very significant outliers in the Major Urban authorities. For examples, GRP is £8,669 in Westminster, and as high as £777 per person in London as a whole. Other Urban authorities and, in particular, Large Urban authorities have much lower business rates per head (£422 and £361 per head respectively). Large Urban authorities actually have lower GRP per head than the average for SR authorities.

38. Differences in rates are adjusted for in the rates retention scheme at the start (i.e. in the rates target). Nevertheless, a larger rate-base will give an authority a greater opportunity to grow in future, and a 1% increase in GRP will result in much greater additional income. **For instance, a 1% increase in the GRP for Major Urban authorities will generate c.£123m whereas it would generate only £20m for R80 authorities and £27m for R50 authorities.**

39. This is illustrated by the growth in GRP which – in cash terms – is greater in urban areas, particularly Major Urban (Chart 3). Growth was particularly strong in Major Urban areas in 2012-13 and 2013-14. The picture is not always clear-cut, as can be seen in the dip in growth in Major Urban areas in 2014-15 and 2015-16,but over the period since 2010-11, growth in GRP has been higher in urban than rural areas.

40. In contrast, the strongest growth in GRP and in Rateable Value is in rural areas (Chart 2 shows the percentage increases in GRP since 2010-11). Average growth rates in percentage terms have been higher in rural areas than urban areas during the period of the current rating list (starting in April 2010). The average growth in GRP is 2.1% (real terms) in R80 authorities, 1.7% in R50 authorities, compared to an average for England of 0.3%, -0.5% for London and -0.3% for Major Urban authorities.

41. **As can be seen, urban areas are on average able to convert a lower percentage increase in GRP into a higher cash-terms increase**.

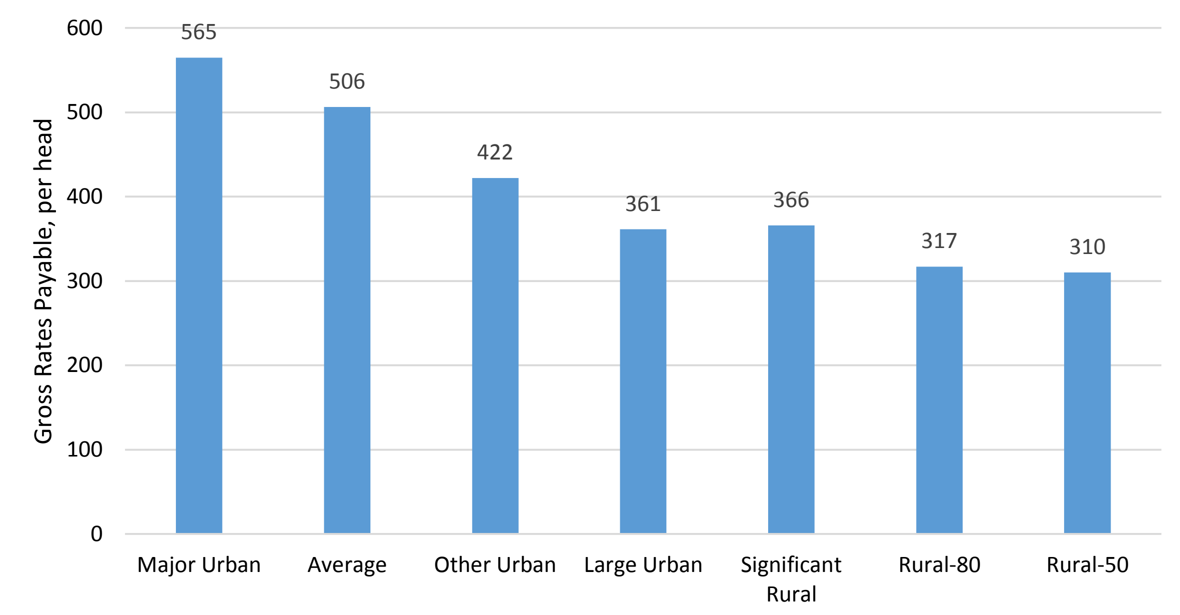

Chart 1 - Gross Rates Payable

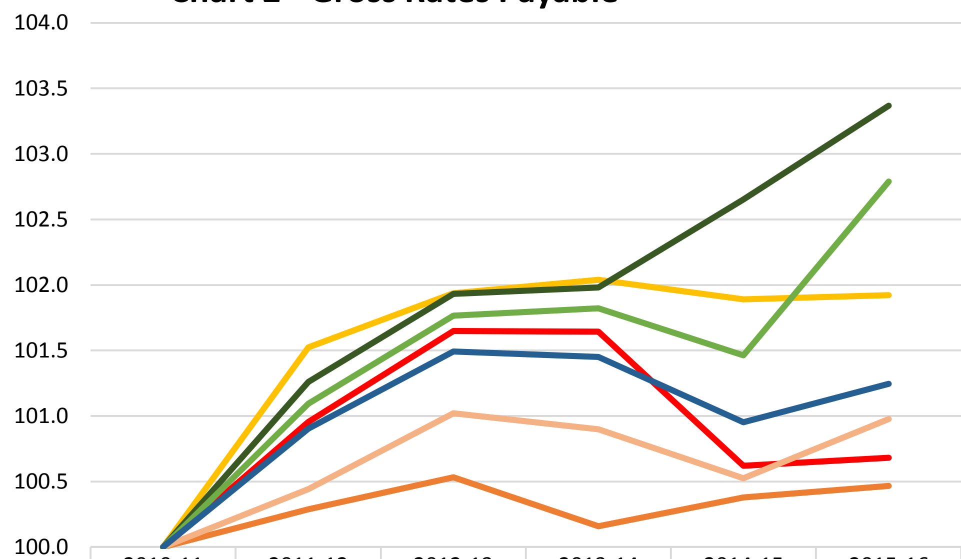

Chart 2 - Gross Rates Payable

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Major Urban	100.0	101.0	101.6	101.6	100.6	100.7
Large Urban	100.0	100.3	100.5	100.2	100.4	100.5
Other Urban	100.0	100.4	101.0	100.9	100.5	101.0
Significant Rural	100.0	101.5	101.9	102.0	101.9	101.9
Rural-80	100.0	101.3	101.9	102.0	102.7	103.4
Rural-50	100.0	101.1	101.8	101.8	101.5	102.8
England	100.0	100.9	101.5	101.5	101.0	101.2

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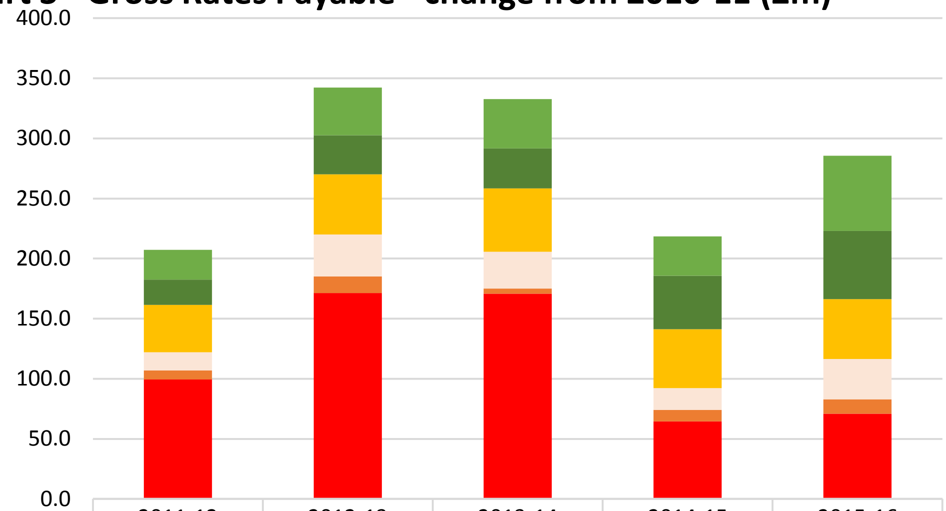
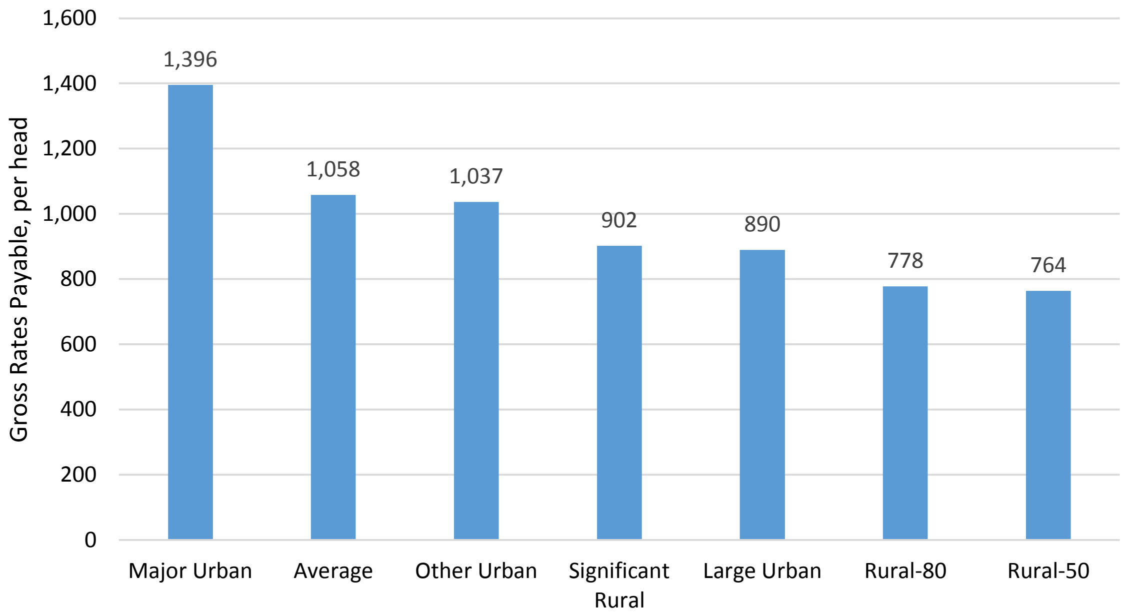
Chart 3 - Gross Rates Payable - change from 2010-11 (£m)



	2011-12	2012-13	2013-14	2014-15	2015-16
Rural-50	24.6	39.6	40.9	32.8	62.6
Rural-80	21.2	32.5	33.3	44.6	56.6
Significant Rural	39.5	50.2	52.8	49.0	49.8
Other Urban	15.1	35.0	30.7	17.9	33.4
Large Urban	7.4	13.8	4.1	9.8	12.1
Major Urban	99.4	171.3	170.8	64.4	70.9

Chart 4 - Rateable Value



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42. We have undertaken further analysis of the composition of the rateable value in urban and rural authorities.[2] Specifically:

- **Number of business hereditaments (Chart 5)**. The number of business hereditaments is overwhelmingly in the Major Urban authorities, and there are roughly double the number of hereditaments in urban areas (850,000) than rural areas (487,000).
- **Square metres (sqm) per hereditament (Chart 6)**. The average size of business hereditament is smallest in the most urban and the most rural authorities.
- **Rateable value per sqm (Chart 7)**. Rateable value per sqm is highest in Major Urban areas, and gets progressively lower in more rural areas. Average RV per sqm was £44 in Rural 80 authorities and £88 in Major Urban authorities. (There are further classifications of business that can show the RV per sqm; we have shown the average for all businesses.)
- **Rateable value per hereditament (Chart 8)**. Reflecting the lower RV per sqm the average RV per hereditament is much lower in rural areas than rural areas. Average RV per hereditament is less than half that of a business in Major Urban authorities.

43. Our broad conclusion from the data is that a new business hereditament will attract more RV in an urban area than a rural area. RV is about twice as high in Major Urban areas compared to the most rural authorities. This means that the economic development activity of a rural council will be much less well rewarded than in an urban council. To generate the same amount of additional rateable value –in cash terms – a rural authority would have to attract twice the amount of additional new business space. This is something that should be taken into account in both the equalisation and the levy system in a future retention scheme.

44. Additional analysis has been undertaken using data from NOMIS on business counts in the UK. This data shows what is happening to all businesses whether they have business premises eligible for business rates or not:

- Chart 9 shows that the increase in the number of businesses is much lower in rural areas than urban areas. In the period 2010 to 2015, the growth in Predominantly Rural areas has been 8.19% compared to 17.8% in Predominantly Urban areas. This suggests business formation is almost twice as strong in urban areas.
- Chart 10 shows that businesses are likely to be larger in urban areas. This should result in businesses that have premises eligible for business rates.

45. The growth in businesses does not appear to be feeding through into the growth in GRP and RV in urban areas. We can only speculate that business formation in rural areas is more likely to require premises that are liable for business rates, or that the growth in GRP and RV in urban areas is dependent on fewer larger new businesses with very high RV.

46. **In the following sections of this report we review whether the increases in RV and GRP in rural areas actually gets converted into income that is retained by rural authorities**.

[2] Unfortunately the only data available at a national level is on the 2005 rating list; rateable values will have changed in the 2010 revaluation. However, the broad patterns of rateable value per sqm and per hereditaments will remain similar in the 2005 and 2010 rating lists.

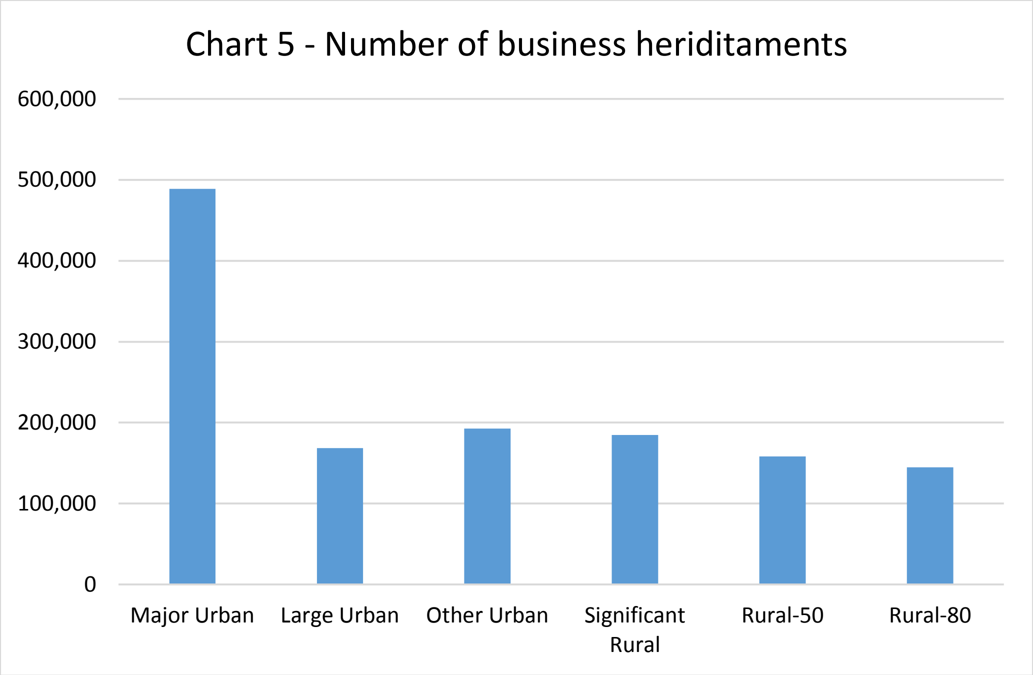


Chart 5 - Number of business heriditaments
600,000
500,000
400,000
300,000
200,000
100,000
0
Major Urban
Large Urban
Other Urban
Significant Rural
Rural-50
Rural-80

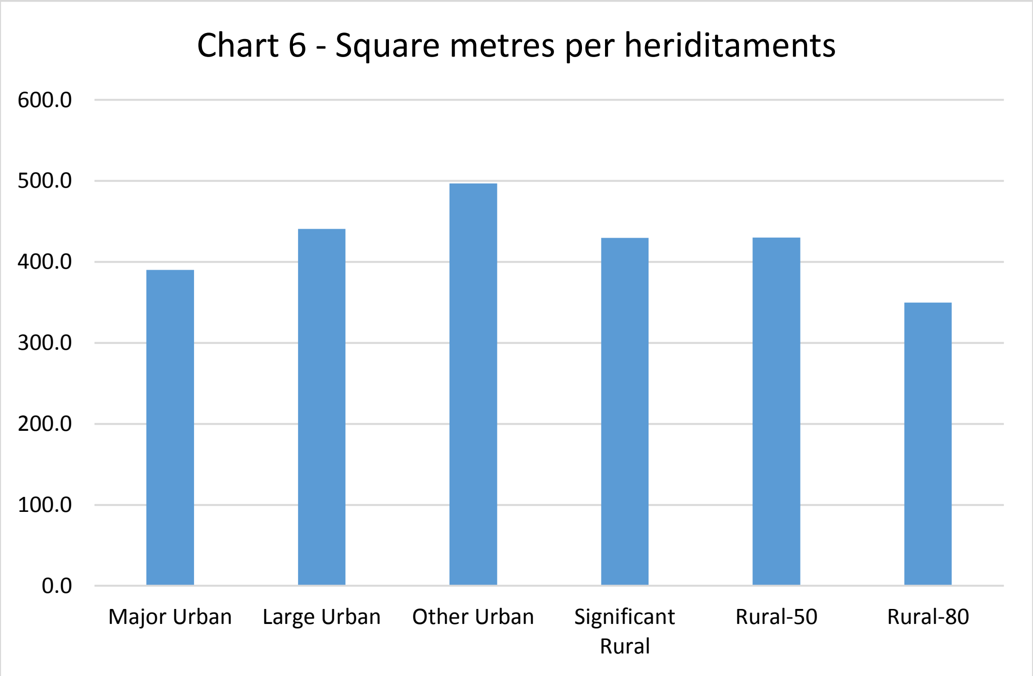


Chart 6 - Square metres per heriditaments
600.0
500.0
400.0
300.0
200.0
100.0
0.0
Major Urban
Large Urban
Other Urban
Significant Rural
Rural-50
Rural-80

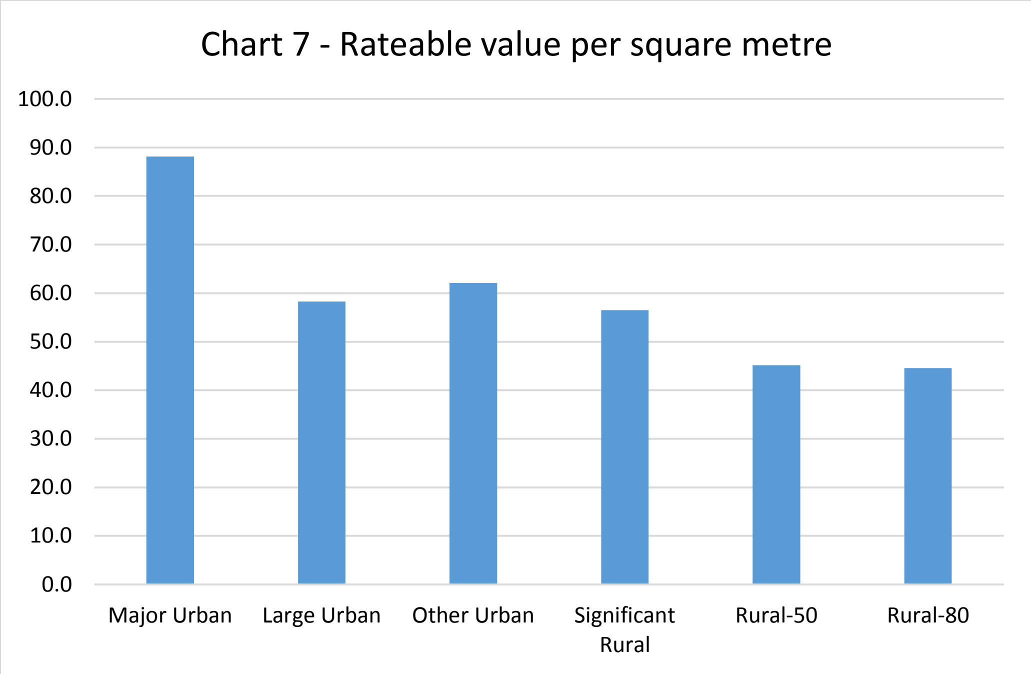


Chart 7 - Rateable value per square metre
100.0
90.0
80.0
70.0
60.0
50.0
40.0
30.0
20.0
10.0
0.0
Major Urban
Large Urban
Other Urban
Significant Rural
Rural-50
Rural-80

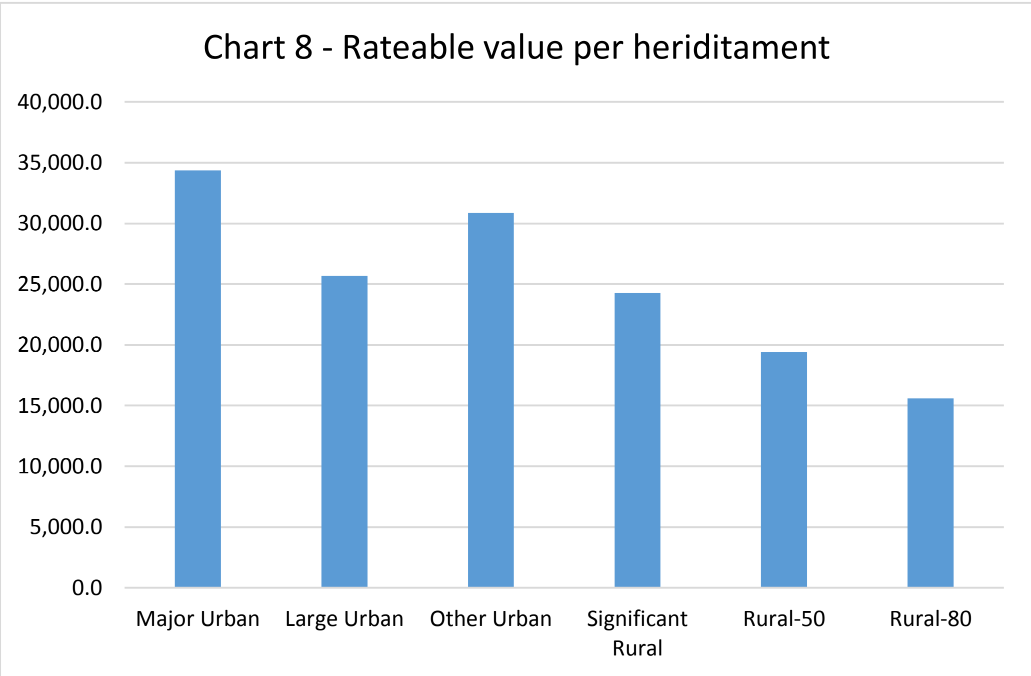
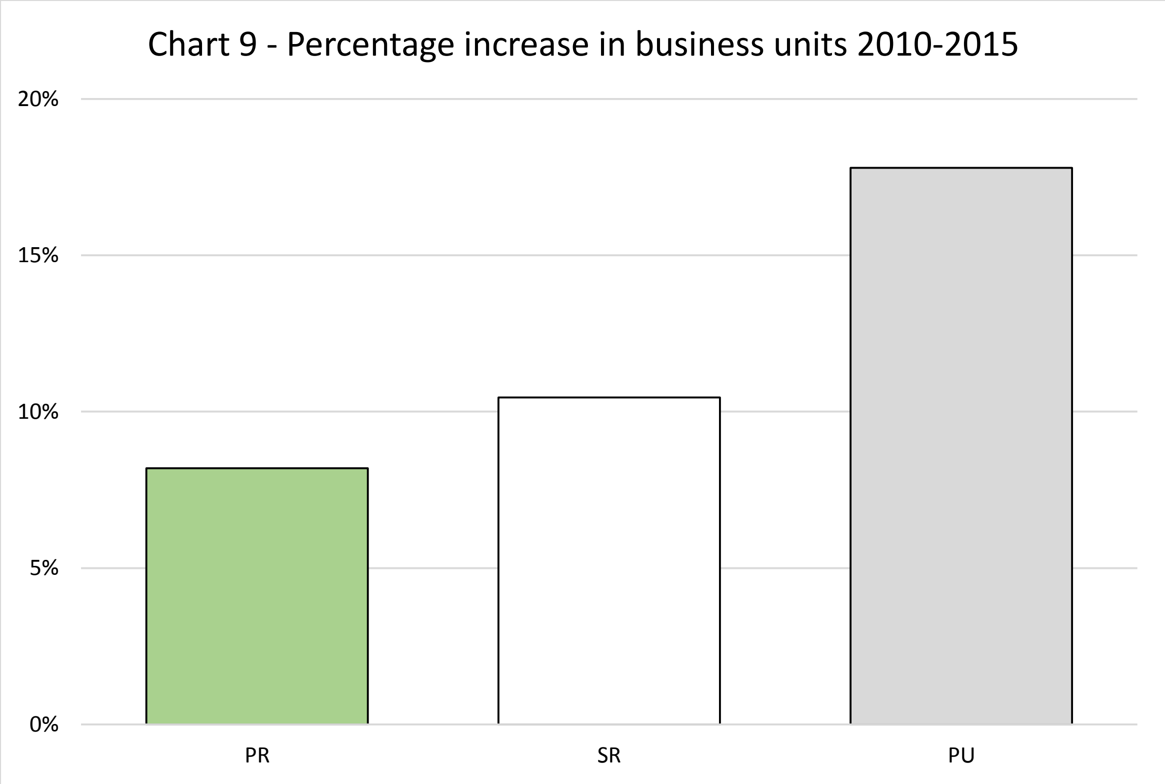
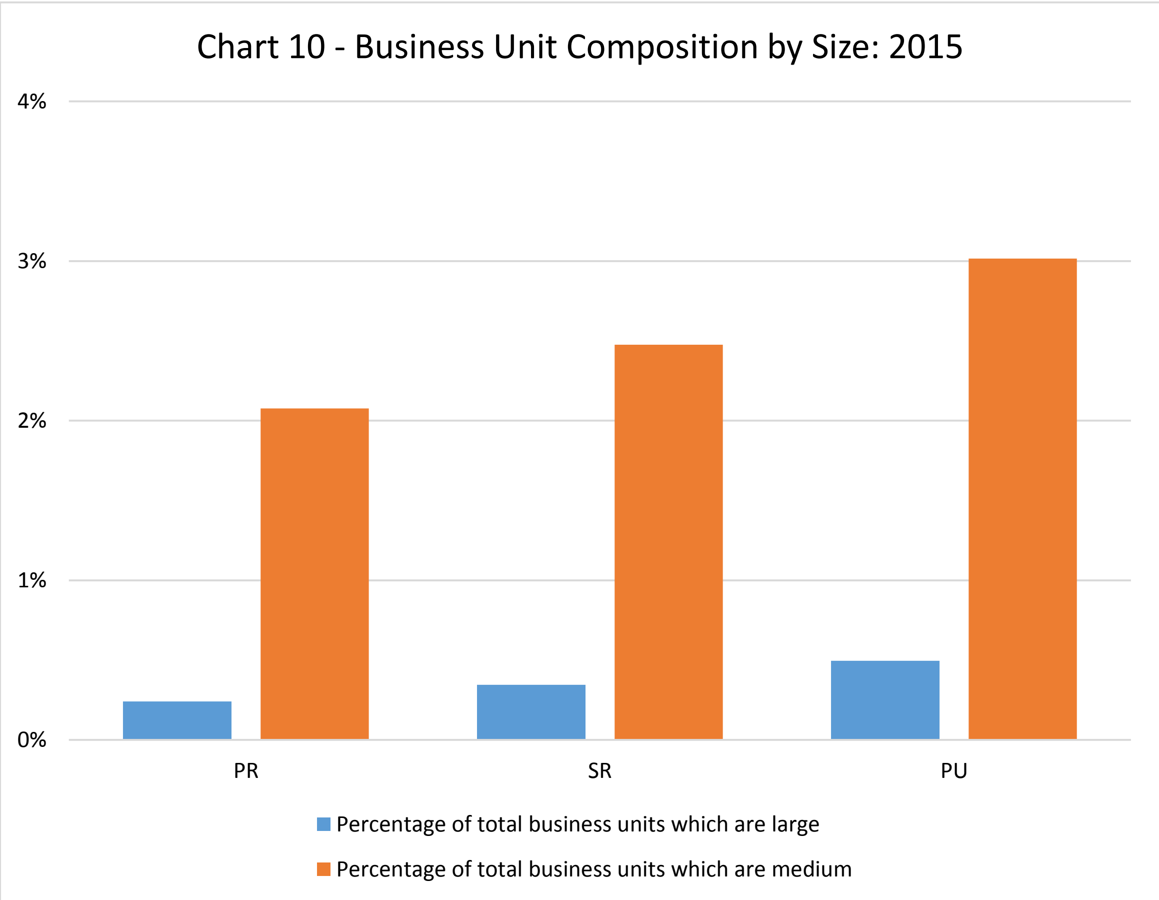


Chart 8 - Rateable value per heriditament
40,000.0
35,000.0
30,000.0
25,000.0
20,000.0
15,000.0
10,000.0
5,000.0
0.0
Major Urban
Large Urban
Other Urban
Significant Rural
Rural-50
Rural-80





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Mandatory reliefs

47. Mandatory reliefs include:

- Small Business Rate Relief (SBRR). Small businesses occupying one property with an RV of less than £12,000 can get relief of 50%. In recent years this has been doubled to 100%, and the Chancellor has announced that it would be extended further (to March 2017) in the Spending Review on 25 November. (There is also a lower multiplier for small businesses.)

- Charitable organisations and amateur community sports clubs. These organisations can apply for relief of up to 80%. This relief is mandatory but charities can apply for discretionary relief of up to 100%.

- Rural Rate Relief. This is available to businesses with rural populations of less than 3,000. Mandatory relief at 50% is available if the business is the only village shop or post office (with an RV of less than £8,500) or the only petrol station or public house (with an RV of less than £12,500). Further relief (up to 100%) is available at the discretion of the local authority and can include businesses with rateable values of up to £16,500.

48. There is a mixed picture on Mandatory Reliefs in rural areas (Chart 11). Rural 80 authorities have a very high level of Mandatory Relief (at £45 per head). Other types of rural authority, though, have a similar level of reliefs to urban authorities – with Mandatory Reliefs at between £29-32 per head. The very high level of Mandatory Reliefs in R80 authorities is probably because the average business size is relatively small, so many qualify for SBRR and Rural Relief; many will potentially also be charitable organisations.

49. As at 1 April 2013, Mandatory Reliefs are fully funded because there were included in the baseline for each authority. But changes away from this – with the exception of SBRR, which is funded by section 31 grant – are shared between the local authority and central government. So, if total Mandatory Relief increases by £50,000 locally, 50% is funded by the local authority and 50% by central government; and the converse if Mandatory Relief reduces.

50. R80 authorities are most likely to have businesses that attract relief. So, growth in new businesses is likely to result in less bottom-line retained income because gross rates will be reduced by reliefs, and a smaller proportion of new RV is translated into income that can be retained by a rural authority.

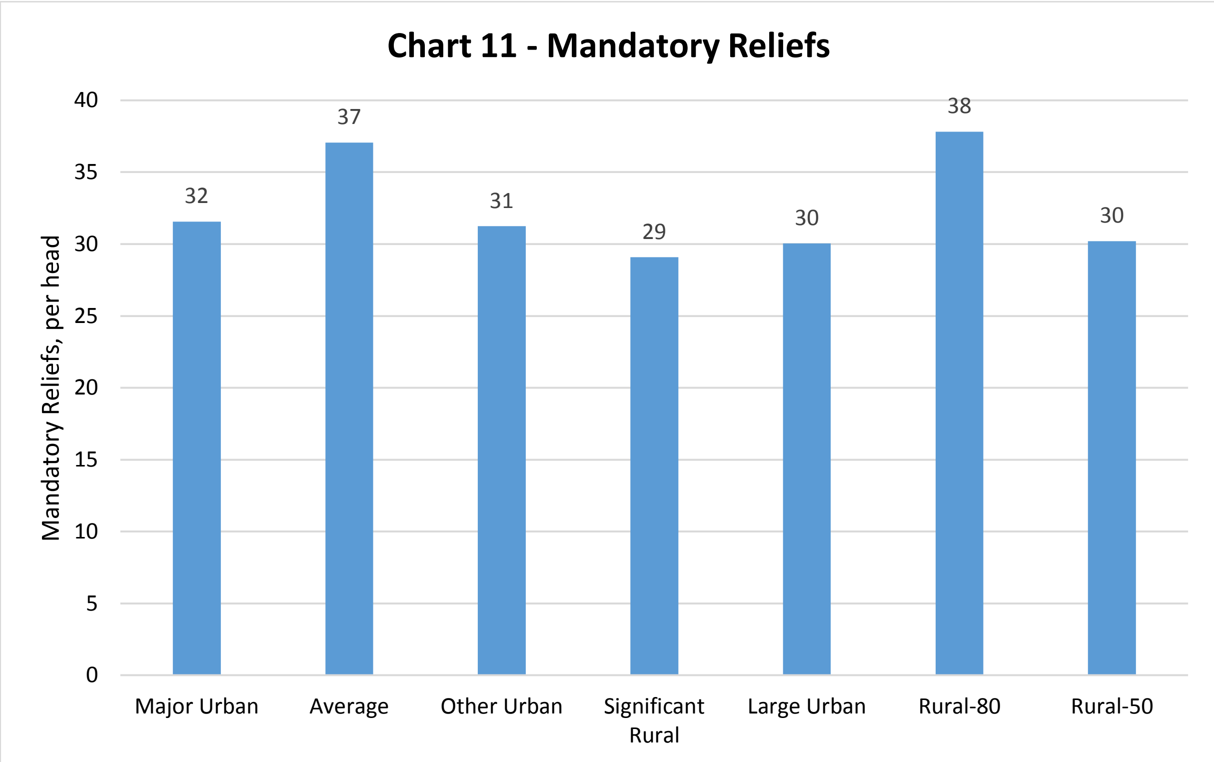
51. There is some evidence that Mandatory Reliefs are falling more quickly in urban areas than rural areas. Since the start of the retention scheme 2013-14, Mandatory Relief has fallen by 24% (in real terms) in Major Urban authorities, by 9% in R80, 13% in R50, and by between 18% and 20% in other authorities (including SR). As rates of Mandatory Relief fall, then 50% of the benefit accrues to the local authority. The fall in Mandatory Relief in Major Urban authorities is worth £10 per head, whereas the fall in R50 and R80 authorities is worth only £4 per head.[3]

52. Expressed another way, Mandatory Relief represents a larger share of GRP in rural than other authorities, as can be seen in Table 1. Mandatory Relief reduces GRP by only 6.1% in Major Urban authorities but by nearly twice as much in Rural 80 authorities.

[3] Note that we have excluded the City of London from these figures.

Table 1 – Gross Rates Payable and Mandatory Reliefs, by Urban/ Rural Classification

	Cash figures. 2015-16		
	GRP (excl City)	Mandatory Relief	%
Major Urban	11,537,246,463	701,439,640	6.1%
Large Urban	3,076,301,401	255,960,070	8.3%
Other Urban	4,075,651,719	301,620,216	7.4%
Significant Rural	3,113,915,704	247,343,297	7.9%
Rural-50	2,721,193,561	265,046,873	9.7%
Rural-80	2,049,823,311	244,524,347	11.9%



Unoccupied property reliefs

53. These reliefs are

- Exempted buildings. These include agricultural land and buildings, buildings used for training or welfare of disabled people, and buildings registered for public religious worship, including parish halls.
- Empty properties. Business rates are not payable for the first 3 months that a property is empty.

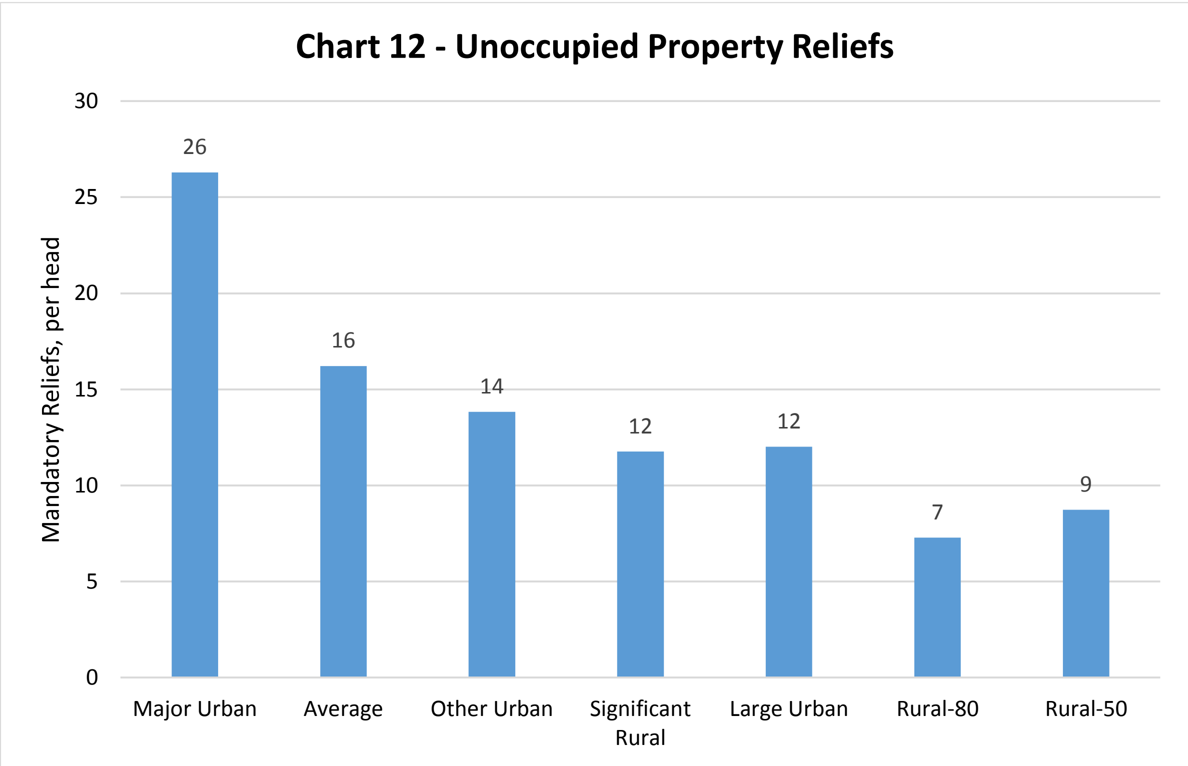
- Partial empty relief. Extended relief can be granted for some types of property (e.g. low RV (below £2600), between charitable occupation, industrial premises).

54. Unoccupied Reliefs are higher in per-head terms and as a proportion of GRP in urban areas than rural areas. Chart 12 shows that Major Urban authorities have empty rates at an average of £26 per head, compared to £12-£14 in Large Urban/ Other Urban/ SR and £7-£9 per head the Rural 50 and Rural 80 authorities. As a proportion of the GRP, these reliefs represent 2.4% and 1.9% of Rural 50 and Rural 80 GRP, 3.9% of Major Urban authorities, and 2.7% to 2.8% of the remaining authorities.

55. This data suggests that urban authorities – particularly very urban – will typically have a higher rate of "empties". We do not know the reason for this, but we would suggest that there is greater turnover both in terms of churn and the value of the reliefs in cash terms. Major Urban authorities could argue – the converse to our argument on Mandatory Relief – that their growth in GRP/ RV will be partially offset by a larger proportion of that growth being empty in future years.

56. The rate of "empties" is falling. In real terms, the value of empty reliefs has fallen by 7.2% in 2014-15 and by 11.1% in 2015-16 (budget). It is falling in cash terms as well. Generally, the most likely explanation for this trend is that the economy is improving and there is a lower rate of business failure, which results in fewer empty properties.

57. It also suggests a steadier rate base in rural areas. This possibly reflects a less dynamic rate base where more of the properties are supported by reliefs, but that there is less turnover and less loss from "empties".



Discretionary reliefs

58. Discretionary Reliefs are slightly higher per head in rural areas, particularly in Rural 50 authorities (Chart 13). It is not clear why Rural 50 authorities should have Discretionary Reliefs that are higher than Rural 80 authorities, although the latter is still above average.

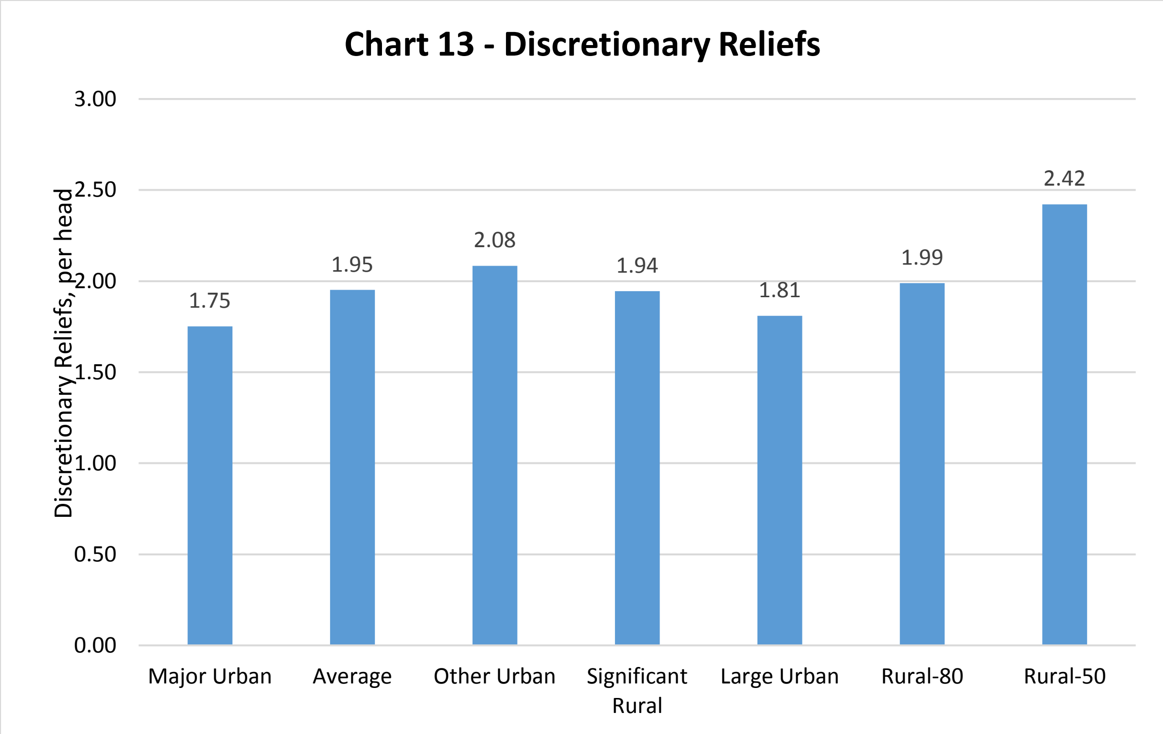
59. As a proportion of GRP, however, Discretionary Relief is a much greater factor for rural authorities (Table 2). Discretionary Relief ranges from 0.5% to 0.7% of GRP in rural groups; all urban areas are lower than this (between 0.3% and 0.4%).

60. This is caused by a much higher rate of relief for Charitable and Community and Amateur Sports Clubs (CASC), and for rural reliefs. Latter in particular demonstrates that many rural businesses might be less financially-viable, particularly in villages in sparsely-populated areas.

61. Urban authorities might argue that rural authorities have awarded more discretionary relief in the past (partly at their own cost) and it is their choice to support local organisations and businesses. If they want to reduce the cost to the rates they retain, then they have the option of reducing the discretionary relief that is awarded. The counter-argument from rural authorities should be that rural businesses need more support, and provision of services is more likely to be from charitable or community organisations in rural areas.

Table 2 – Gross Rates Payable and Discretionary Relief, by Urban/ Rural Classification

	Cash figures. 2015-16		
	GRP (incl City)	**Discretionary Relief**	**%**
Major Urban	12,341,599,542	32,441,759	0.3%
Large Urban	3,076,301,401	13,066,945	0.4%
Other Urban	4,075,651,719	17,062,848	0.4%
Significant Rural	3,113,915,704	14,024,619	0.5%
Rural-50	2,049,823,311	10,903,945	0.5%
Rural-80	2,721,193,561	18,016,177	0.7%



Rural relief

62. Rural Reliefs – which are described above – are funded through a combination of mandatory and discretionary reliefs. They are worth £10.8m in 2015-16.

63. As we would expect, the majority of Rural Relief is awarded in rural areas (Chart 14): £0.83 per head for Rural 80, £0.48 per head for Rural 50 and £0.28 for SR. (A couple of Major Urban authorities, such as Bradford, award reasonable amounts of Rural Relief.)

64. In the short term, rural authorities will want to retain Rural Relief is something like its current format. With 50% Retained Rates, Rural Relief is partly funded by central government, and 50% of any reduction in relief would be pocketed by central Government. Clearly the relief has significant benefits to the rural economy and to rural services.

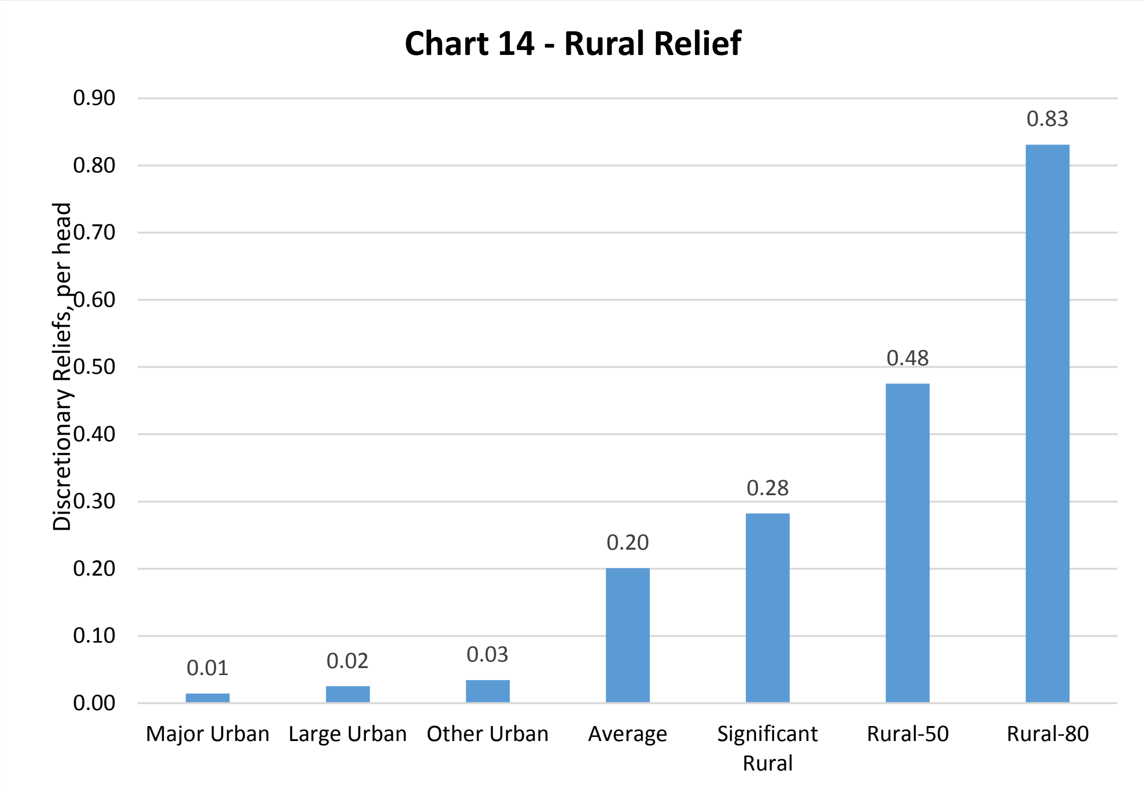
65. In the longer term and as we move towards 100% retention, rural authorities will want to make sure, as a minimum, that the new baseline fully recognises the current level of Rural Relief.

66. It should be noted that, with 100% retention, any increase in Rural Relief awarded will have to be fully funded by rural authorities themselves; there will be no 50% contribution from central Government. And although rural authorities would pocket 100% of any reduction, this implicitly means that there is less support going to rural businesses and rural services.

67. Options to consider are:

- To transfer funding for Rural Relief to central Government and have it paid to qualifying rural organisations directly. This has the advantage that growth in relief would be paid for by the Treasury, but it would leave the funding at the risk of Government cuts or change.
- To continue to get the Government to fund 50% of any increase in Rural Relief. Allows control to remain with rural local authorities, but requires central Government to make some contribution, even if authorities themselves have to contribute 50%.

- To ask Government to make more central funding available through the rates system, for instance to increase support from the current £10.2m to say £20-30m.



Net Rates Payable

68. Net Rates Payable (NRP) is calculated by deducting all the reliefs from GRP.

69. Based on the analysis above, for rural authorities, growth in the business ratebase tends to get eaten away by reliefs: greater support is required for businesses and a greater proportion of business premises likely to be occupied by charities. This makes it more difficult for rural authorities to achieve economic growth that can be converted into actual business rates income.

70. This concept can be illustrated in Table 3, below, which shows that NRP is a smaller percentage of GRP in rural areas than in urban areas. Chart 15 shows the NRP (per head of population) actually collected in each group of authorities for 2013-14 and 2014-15.

Table 3 – Net Rates Payable as Percentage of Gross Rates Payable

	Net Rates Payable	Gross Rates Payable	NRP as % of GRP
Major Urban	594	666	89.2%
Large Urban	371	426	87.2%
Other Urban	438	498	88.0%
Average	445	506	87.8%
Significant Rural	377	432	87.3%
Rural-50	313	366	85.6%
Rural-80	313	374	83.8%

71. Growth in NRP has been by far the greatest in Major Urban authorities, with all other groups of authority having below-average growth (Chart 16). It should be noted that large and other urbans do particularly badly as well. RSN might need to think about making common cause with these authorities, although the reasons for their poor performance might be different and they might, as a result, require different sort of help to rural authorities. For example, rural authorities are seeing growth in GRP, which is then offset by an increase in reliefs; Large/ Other Urban authorities are experiencing very little increase in GRP.

72. This additional growth – and higher levels of NRP per head – converts into much higher additional yield in urban areas, and in Major Urban areas in particular (Chart 17). The average additional yield in urban areas in 2014-15 (£15.4 per head) is almost double that received in rural areas (only £8.2 per head). Major Urban authorities have by far the largest increase per head (£19.5).

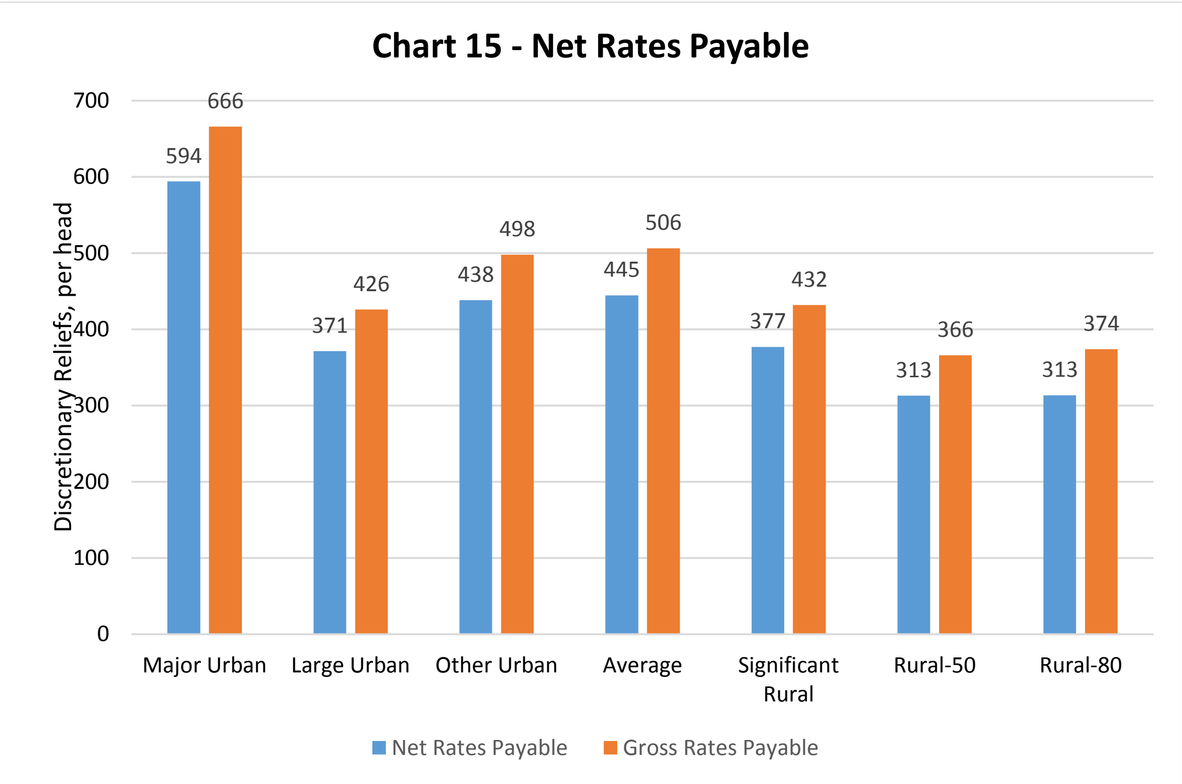


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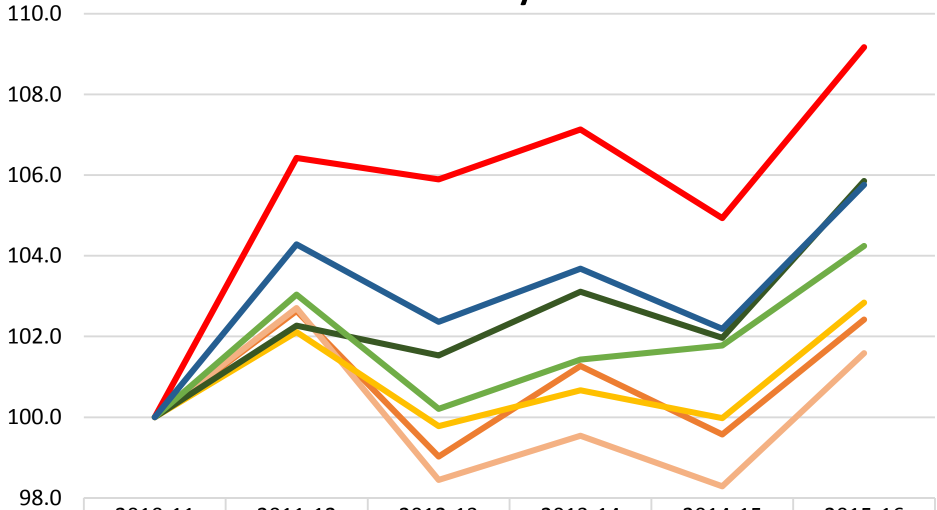
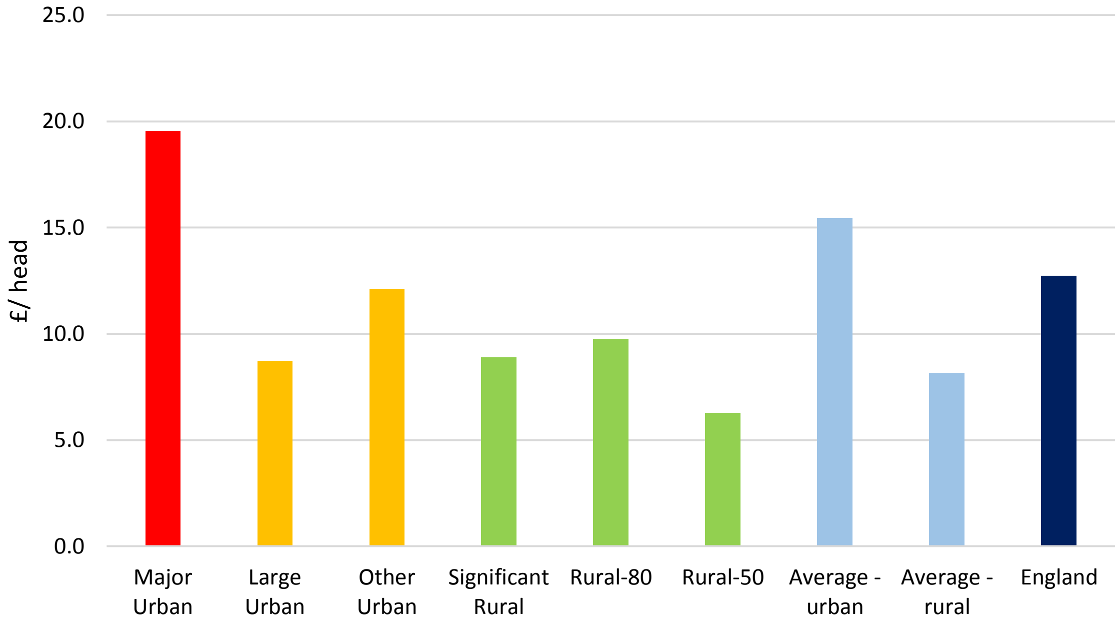
Chart 16 - Net Rates Payable



	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Major Urban	100.0	106.4	105.9	107.1	104.9	109.2
Large Urban	100.0	102.6	99.0	101.3	99.6	102.4
Other Urban	100.0	102.7	98.4	99.5	98.3	101.6
Significant Rural	100.0	102.1	99.8	100.7	100.0	102.8
Rural-80	100.0	102.3	101.5	103.1	102.0	105.9
Rural-50	100.0	103.0	100.2	101.4	101.8	104.2
England	100.0	104.3	102.4	103.7	102.2	105.8

Chart 17 - Net Rates Payable - Additional yield per head (2014-15)



Appeals

73. Businesses can appeal against their Rateable Valuations (RV). It takes time for the VOA to hear the appeal and reach a decision; there are still many outstanding appeals on the 2010 list. The VOA provides lists of outstanding appeals, and authorities use their judgement to ensure that there is a suitable provision for losses from future appeals. There was a big increase in charges to provisions in 2013-14 because local authorities had to take financial responsibility for future losses for the first time rather than them being pooled nationally. Local authorities also had to provide for losses on current year's business rates income and for backdated losses, which could be backdated to April 2010.

74. Crucially the amount charged to appeals is based on the judgement of the authority, within the bounds of proper accounting practices. It is in the financial interests of councils to set their provision for appeals in such a way that maximises their returns from the Retained Rates system; many authorities have done so.

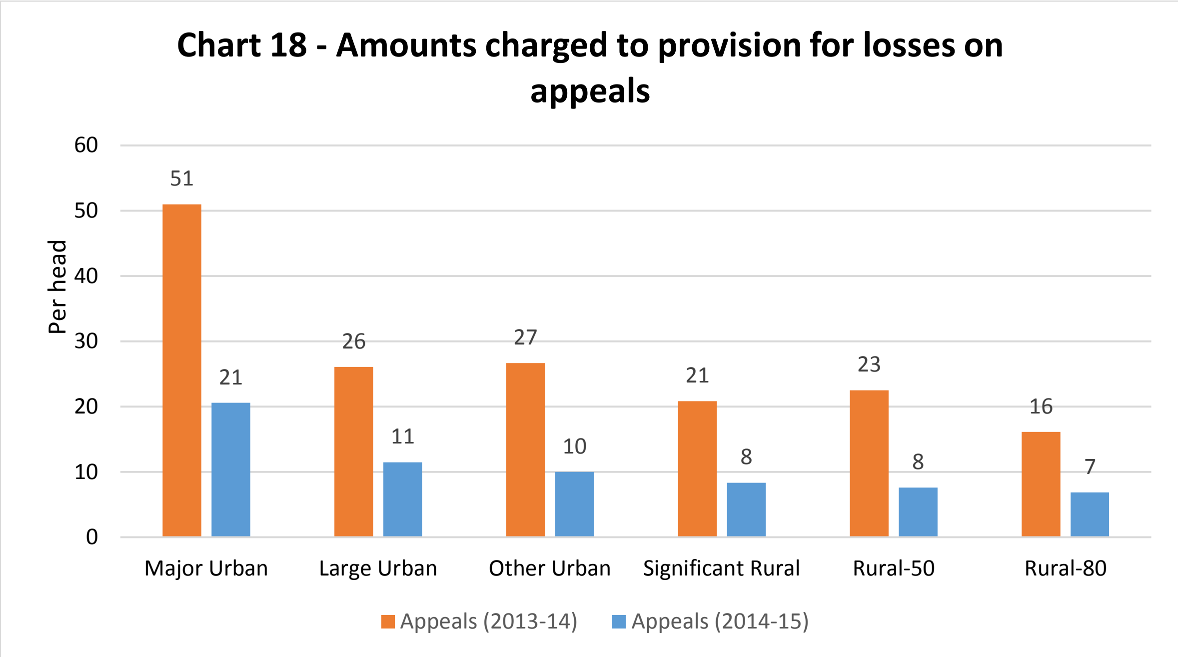
75. For instance, if an authority is expecting to be on or around the safety net threshold it makes financial sense for the authority to maximise its charge to the provision for losses on appeals because it will be recompensed pound-for-pound through the safety net. Alternatively an authority might choose to spread out its charges to the provision to reduce the levies that it pays.

76. Table 4 shows the authorities with the largest increases to the provision for losses on future appeals in both 2013-14 and 2014-15. Most of the largest provisions are in Major Urban authorities, or in Large Urbans (Chart 18). Mostly this reflects the greater potential for appeals and their greater cash value in the largest cities in the country. In some cases, it might also reflect a tactical decision to use the provision to maximise safety net payments. Two Rural 80 authorities are on this list – Suffolk Coastal and Copeland – and we assume that the reason for these very large provisions are closures or expected closures of large power stations or parts of them.

Table 4 – Appeals provision – charge in 2013-14 and 2014-15 (by local authority)

			Provision for Appeals	
Rank	**Rural/ Urban Classification**	**Local Authority**	**2013-14**	**2014-15**
1	Major Urban	Westminster	163,184,686	0
2	Major Urban	City of London	113,704,178	57,742,604
3	Major Urban	Manchester	111,515,442	15,431,698
4	Major Urban	Birmingham	43,419,890	28,743,276
5	Major Urban	Hammersmith & Fulham	39,083,406	10,784,412
6	Major Urban	Southwark	38,939,283	9,363,087
7	Major Urban	Trafford	36,822,880	9,947,864
8	Major Urban	Tower Hamlets	27,500,000	23,465,469
9	Major Urban	Camden	27,120,746	35,544,097
10	Other Urban	Milton Keynes UA	23,200,000	12,937,960
11	Major Urban	Leeds	23,095,265	22,589,093
12	**Rural-80**	**Copeland**	**22,007,680**	**278,027**
13	Major Urban	Ealing	20,569,598	6,372,242
14	**Rural-80**	**Suffolk Coastal**	**18,261,166**	**1,341,929**
15	Major Urban	Newcastle upon Tyne	16,596,525	0
16	Major Urban	Liverpool	15,165,509	16,795,745
17	Large Urban	Southampton UA	15,145,245	5,058,475

			Provision for Appeals	
Rank	Rural/ Urban Classification	Local Authority	2013-14	2014-15
18	Large Urban	Reading UA	15,000,000	3,871,499
19	Large Urban	Bristol	14,082,000	3,581,433
20	Large Urban	Portsmouth UA	13,864,261	4,008,448



77. If appeals are successful, they will then be shown as net reductions to Rateable Value and GRP. Outstanding appeals remain in the appeals provision. In future years we may see the provision unwind and some authorities releasing over-provision back into their Retained Rates (which will increase their Retained Rates). However the position for authorities is still very uncertain, with continued and numerous outstanding appeals, and the revaluation in 2017-18 will make the potential for uncertainty and future appeals even greater.

Retained Rates

78. We have analysed the Retained Rates position for each local authority in 2014-15 using the NNDR3 (outturn) (Table 5). The calculation is based on the Levy and Safety Net Calculator published by the DCLG.

79. Retained Rates is, in simple terms:

- Share of local rates (plus adding back a share of SBRR, section 31 grants, and some other discretionary reliefs)
- Deduct tariff or add top-up
- If more than 9.25% below target: add safety net
- If above target: deduct levy (for tariff authorities)

80. The model shows the Retained Rates, and safety net and levy payments, assuming there are no pools. In practice many authorities, particularly in two-tier areas, are in pools and this reduces the levies that are paid (and in a few isolated cases, reduces safety net payments).

Table 5 – Retained Rates including safety net and levies, by Urban/ Rural Classification

	Retained Rates income		Total safety net due to the authority		Levy due from the authority		Retained income after levy and safety net		Variance between Target and Retained Rates	
		Per head		Per head		Per head		Per head		Per head
Major Urban	5,341.3	288.3	82.9	4.5	8.3	0.4	5,416.0	292.3	-59.8	-3.2
Large Urban	1,409.6	195.2	2.3	0.3	7.2	1.0	1,404.7	194.5	15.0	2.1
Other Urban	1,640.2	200.4	16.2	2.0	11.4	1.4	1,645.0	201.0	15.0	1.8
Significant Rural	1,095.4	151.9	14.0	1.9	12.2	1.7	1,097.2	152.1	10.9	1.5
Rural-50	844.1	113.5	9.4	1.3	10.0	1.3	843.6	113.4	27.4	3.7
Rural-80	734.5	134.0	10.1	1.8	15.8	2.9	728.8	133.0	15.9	2.9

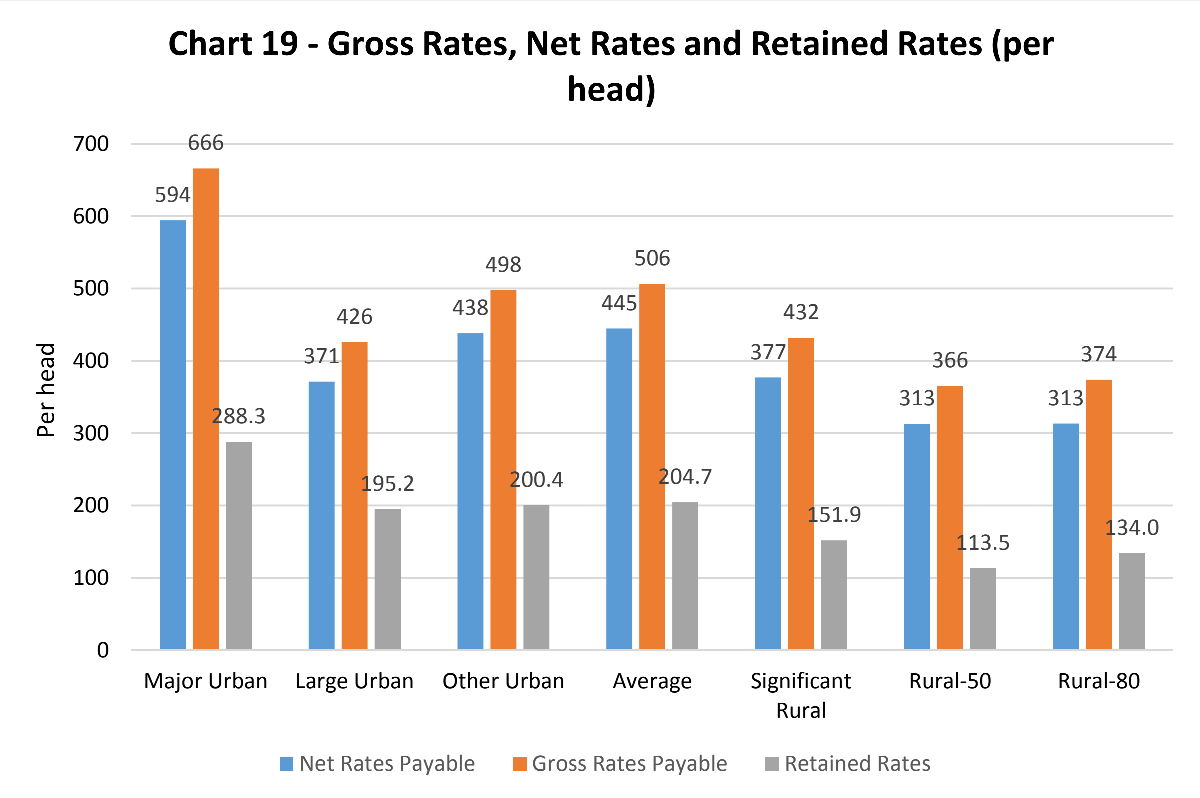
Note: all figures in this table are calculated using the DCLG Levy and Safety Net Calculator for 2014-15; they show the position before business rate pools.

81. Retained Rates before levy/ safety net are much higher in total and per head in urban areas than in rural areas. This reflects the positon we have explored earlier in the report with higher GRP and NRP being higher in urban areas.

82. It should be noted that Retained Rates are calculated differently from both GRP and NRP because they add back the reliefs that are funded by Government through section 31 grants (SBRR, retail relief, etc). They also take account of the top-ups and tariffs for each authority.

83. The result of these adjustments is actually to marginally widen the range between Major Urban and Rural-80 (Chart 19)

84. . For example, the average gross rates per head for the Major Urban authorities is 78% greater than Rural 80s; but the average Retained Rates per head for Major Urban authorities is 115% greater than Rural 80s.



85. The bulk of the safety net payments in 2014-15 have gone to Major Urban authorities, with the overwhelming bulk going to Westminster. Out of a total safety net payment in England of £134.9m, £82.9m went to Major Urban authorities, of which £65.3m went to Westminster. This partly shows the volatility in the rates system and the impact that appeals can have on Retained Rates income, particularly where there are major infrastructure projects, such as Crossrail. However, what is less clear to establish is the extent to which an authority, in this case Westminster, can overstate its potential losses from appeals, and thus benefit from the safety net. If Westminster has indeed overstated its losses from appeals, there is no mechanism for clawing this back.

86. 23 rural 50 and Rural 80 authorities received safety net payments in 2014-15, with the highest being £4m in Tewkesbury. (Note that 9 of these authorities did not receive their safety net

payments because they were in pools, including Tewkesbury.) A full list of those in receipt of safety net at Appendix x.

87. For rural authorities, a safety net will continue to be an important feature of the rates system. It is likely that the majority of payments will go to Major Urban authorities because the volatility in their rates base tends to be much greater. However, it would be in the interests of rural authorities if there was an effective clawback mechanism, which will tend to favour authorities with the greatest volatility.

88. Levies payable on Retained Rates are higher in rural areas than urban areas. This is because rural authorities are more likely to be tariff authorities (top-up authorities do not pay levies) and because district councils (which retain 40% of rates) are all levy-paying tariff authorities. Thus the average levy per head in Rural 80 authorities is £2.90 compared to only £0.40 in Major Urban authorities and £1.00 in Large Urban authorities.

89. Rural districts are able to reduce the levies they pay by creating business rates pools. (This enables levy-paying districts to pool with top-up authorities – usually counties – to reduce the levy rates on income in the pool, usually to zero.) It is difficult to calculate the actual saving on levy payments because each pool has a different levy rate, but if we assume that all pools have a levy rate of zero, then this significantly reduces the levies that rural authorities are paying.

90. List of rural 80 and Rural 50 authorities who are subject to 50% levy and are not in a pool:

    - 47 rural authorities have 50% levy and are not in a pool
    - Of those, only 13 were below the safety net threshold, and 31 paid a levy
    - These 31 authorities paid levies worth £10.4m
    - Only 8 of the Rural 50/Rural 80 authorities are top-up authorities (these are all unitaries, including Cornwall, Northumberland, East Riding of Yorkshire, Durham, North Somerset) (excludes precepting authorities).

91. Additional rates generated by top-up authorities is not subject to the levy, whereas in most rural authorities a levy would be payable (unless a pool can be set up). The system works against vast majority of rural authorities who are tariff authorities, and in most cases largely because they are district councils.

92. One interesting point is that rural authorities are more above their rates target than urban authorities. This could be for two reasons: that growth in retained rates has been higher in rural authorities or rural authorities did better out of the way the original 2013-14 baseline was set. The evidence suggests that rural authorities are above their baselines because of the way the baseline was set rather than from growth in rates. This might have happened because of the way that DCLG treated losses on appeals in the opening baseline. They assumed that average losses were around 5.3% and reduced every authority's baseline accordingly. Actual losses from appeals have actually been very random (e.g. power station) and much higher in Major Urban than rural areas. Rural authorities benefitted at the expenses of urban authorities in this respect.

93. For many authorities (particularly many rural authorities), the only growth they have got out of the system is the underestimate for their baseline in 2013-14. And rural authorities would benefit from the Government taking a similar approach to appeals when setting any future

baseline. However, we would caution against taking such an approach. Firstly there are some rural authorities who have lost out significantly from the appeals process and would have benefitted from having more targeted support (e.g. Suffolk Coastal with the appeal Sizewell B; Tewkesbury with the Virgin Media appeal). Secondly this is a poorly-designed aspect of the scheme and local government as a whole would benefit from an approach that takes into account where appeals have actually been lodged

Rates retention and future budget pressures

94. Determining whether 100% retention is good or bad for local government (and for rural authorities in particular) depends on a number of factors:

    - Is growth in business rates going to be greater or less than future Government funding would have been? This is almost impossible to answer because we do not know how much money a future chancellor would have to spend and how much of that would be spent on local government. If local government is allowed to keep all future growth then this must be better than the cash-terms cuts in funding that have been experienced since 2010.
    - Will growth in new burdens transferred in to local government be greater than the growth in business rates? There is not much logic in using a fairly static property-based tax to fund a service such as Attendance Allowance which is driven by all sorts of factors (demographics, infirmity, etc). It is likely that the growth in something like Attendance Allowance will be greater than the real-terms growth in business rates.
    - What will be the relative impact on rural authorities? Rural authorities are likely to underperform on growth in rates. In terms of services such as Attendance Allowance or with, say, social care more generally, the picture is less clear. High-need authorities (largely in urban areas) are likely to be most exposed to growth pressures in services. But many rural authorities have large populations of older people and are experiencing high levels of service growth. Fairly frequent updates of need in the system are likely to be in rural authorities' favour.

95. Generally local government funding is moving increasingly towards local authorities funding themselves through locally-raised taxation (subject to national equalisation regimes). It puts more pressure on authorities to maximise local tax revenues as far as possible. Rural authorities appear to be able to grow GRP and RV reasonably well (at least in percentage terms), but that growth is more likely to be relief-attracting than in urban areas (or at least MU). This presents a problem for rural authorities in that they will be less able to general real revenues to keep pace with service pressures and to keep pace with urban areas (or at least with Major Urban areas). We address some of the ways that Government could help to "level the playing field" later on in this report.

96. However, the focus is increasingly on getting the best out of the current and future rates retention schemes, putting in place plans that will help to grow the local economy, and investing to attract new businesses (or to encourage existing ones to expand).

Conclusions

97. Gross Rates Payable and Rateable Value give the broadest indications of trends in the ratebase in each council. Levels of both GRP and RV per head are very low in rural areas, with Major

Urban authorities having average GRP of £565 per head compared to £310 in R50 and £317 in R80 authorities.

98. Growth in GRP and RV has been higher in urban areas since 2010 in cash terms but higher in rural areas in percentage terms.

99. The growth in GRP and RV in rural areas is largely offset by higher reliefs, reflecting the type of economy in rural areas. Growth in Net Rates Payable is similar in rural and most urban areas (with the exception of Major Urban authorities, where it is much higher).

100. It is clear that MU authorities are on average very different from the rest of the country. And although there are Large/ Other Urban and rural areas have similar levels of net growth, the reasons for this are different in urban and rural areas.

101. Rural areas have very high levels of reliefs and growth in these reliefs that offset a large proportion of the growth in RV and GRP. Reliefs are equivalent to only 10.9% of GRP in Major Urban areas but as much as 16.2% in Rural 80 areas.

102. Reliefs are important in rural areas because they support local rural businesses and rural organisations. These include a range of reliefs including Charitable and CASC relief, Rural Relief and SBRR. The benefit from these reliefs is to the local rural communities rather than directly to the rural local authorities themselves.

103. Support to rural authorities is actually very low in cash terms at only £10.2m (although very important to rural local businesses and rural local authorities). There is a clear case for RSN to argue that more support is required.

104. Rural authorities will want to ensure that the funding for these reliefs is not jeopardised in the transition to 100% relief or in any future reset. There are a number of options for achieving this but the most effective is almost certainly to continue to fund it through the rates baseline and potentially to ask the Government to continue to fund a 50% share once rates retention is increased to 100%.

105. Rural authorities are at risk of paying higher rates of levy on growth in business rates. Many rural authorities are in two-tier areas where levy rates for districts are typically 50%. Rural authorities can create pools to reduce the levy rate but this creates additional uncertainty and does not cover every authority. As a result, an additional pound of rates generated in many rural authorities might only be worth 50p, but the same increase in most urban areas would be worth £1. The regime ought to be reformed so that there is consistency across the country.

106. In principle, levies and safety nets are sensible features of the Retained Rates system, and rural authorities ought to support their continuation in the future 100% retention system. There are some changes that would benefit rural authorities, in addition to making the levy system consistent across the country.

107. The needs assessment for all authorities has been frozen since at least 2013-14 – and in practice for years before this as well. For rural authorities, it means that the additional funding that was allocated in 2013-14 and damped-away has still not been received.

Recommendations

108. To ensure Major Urban authorities with the greatest opportunities to grow do not take home too high a share of "national growth". Including consideration of the following:

- Levy on growth. This needs to be better balanced so that two-tier areas are less disadvantaged by high levy rates. Levy rates should be set so that there is a uniform levy rate across the country, but with some targets set to take account of an authority's ability to expand.
- Banded targets for authorities with greatest chance of growing. This could be based on past performance, and could be adjusted using knowledge of large sites that will be introduced in future years. A similar system was used for the Local Authority Business Growth Incentive scheme in 2004, and the Government is consulting on using deadweight to "sharpen the incentive" on New Homes Bonus. Such an approach should be based on Net Rates Payable to take into account the higher reliefs in rural areas.

109. **To provide additional or alternative incentives for authorities with the least opportunity to grow.** This could be direct support from Government (investment) or help in providing targeted reliefs to attract new businesses.

110. **More frequent review of needs and equalisation of resources.** Equalisation of income from business rates should take place at set intervals with a maximum of every 5 years. It is also important that the needs assessment is updated a regular intervals. Rural authorities were allocated additional funding in 2013-14, most of which was damped away. There is a strong case for rural authorities to receive funding for the additional need that has been assessed.

111. **To preserve the arrangements for the reliefs that are already included in the baseline, and to ask Government to continue to contribute to growth in reliefs above the baseline level once 100% retention is introduced.**

112. **For Government to continue to fund a share of any growth in reliefs in rural areas.** This could apply to specific reliefs (such as rural relief) or it could apply more generally to reliefs of all types. The latter approach would be more beneficial to rural areas, and would acknowledge that rural business growth can more marginal and as a result require greater support through reliefs.

113. **To increase the support for rural businesses through increased central support for Rural Reliefs, with options including:**

- Transfer funding for Rural Relief to central Government and have it paid to qualifying rural organisations directly. This has the advantage that growth in relief would be paid for by the Treasury, but it would leave the funding at the risk of Government cuts or change.
- Continue to get the Government to fund 50% of any increase in Rural Relief. Allows control to remain with rural local authorities, but requires central Government to make some contribution, even if authorities themselves have to contribute 50%.
- Government to make more central funding available through the rates system, for instance to increase support from the current £10.2m to say £20-30m.

Rural Services Network briefing

Business rates retention
Note 1: Proposed changes to local government finance

This is one of four briefing notes about the Government's proposals radically to overhaul local government finance by introducing 100% Business Rates retention (by the Sector). Their prime purpose is to aid understanding of the proposals and rural issues arising. They are based upon research commissioned from Pixel Financial Management.

The announcement
In its 2015 Spending Review, Government announced that the system for local government revenue funding would change and that local government would be allowed to retain 100% of its business rates income by the end of the current Parliament i.e. by 2020.

Existing rates retention
This is a major departure from the present system where, since 2013/14, local authorities have been able to retain up to 50% of the business rates they collect and also 50% of any growth in business rates collected in their area. (Note that, in practice, there is still significant redistribution of the retained shares – 'equalisation' – to address the fact that some local authority areas have much larger rates bases than others.)

Future proposal
Under the proposed system all business rates income (currently £26 billion per year) will be retained by the local authority sector. It is important to note that this means retained by the sector as a whole and not retained by individual local authorities. Central Government will continue to operate a formula which determines local needs and redistributes the money between local authorities.

Government grants
The Revenue Support Grant (RSG) which central Government currently pays to local authorities (from its share of business rates) would disappear completely under a system of 100% retained business rates. It is possible, though as yet unclear, that the New Homes Bonus would also be dropped. Rural Services Delivery Grant is technically part of RSG so it may disappear too.

New burdens
Under the current system roughly £12 billion per year of business rates income is kept by central Government to fund local authority services not forming part of RSG

funding. When, in future, this sum is retained by local authorities, new burdens of a broadly similar value will be passed across to the sector. So the sector will not initially, at least, have more funding: over the longer term that will depend whether business rates grow faster or slower than local authority service demands and costs.

What is not known?

There are a great many unanswered questions and Government has yet to work out the detail of 100% business rates retention. We don't know, for example, how needs will be calculated, whether they will be regularly recalculated, what the new burdens will be or even when the new system will be implemented. A consultation paper is expected in summer 2016 and there may have to be legislation. It appears that 2018/19 is the earliest possible date for its implementation.

The next three notes look at particular aspects of business rates and the issues that arise for rural local authorities from a funding system dependent on them.

RSN asks of Government

The Rural Service Network view is that Government should consider the following:

- That any assessment of needs on which equalisation is based must be fair and must recognise rural as well as urban needs;
- That there ought to be a frequent review of needs and equalisation (at least every 5 years) to account for changing circumstances.

RURAL SERVICES NETWORK

Version: May 2016

Rural Services Network briefing

Business rates retention
Note 2: Rateable values and gross rates payable

This is one of four briefing notes about the Government's proposals to radically overhaul local government finance by introducing 100% Business Rates retention. Their prime purpose is to aid understanding of the proposals and rural issues arising. They are based upon research commissioned from Pixel Financial Management.

Definitions

Rateable value (RV) is the business rate that is payable annually on any particular business hereditament (usually, though not always, a building or part of a building). Gross rates payable (GRP) is the annual income a billing local authority i.e. a district or unitary council, is forecast to get by collecting business rates in its area.

Levels of GRP

GRP per head of population is much lower in rural than in urban authority areas. Taking the three categories of local authority classified as rural, GRP per head in 2014/15 was: £317 in R80* authorities; £310 in R50* authorities; and £366 in SR* authorities. This compares with an England average of £506. In short, urban authorities have a significantly larger rates base.

[*R80 =80% of Council's area is classified as Rural; R50 =50%; SR (Significant Rural) = less than 50% but a significant amount]

Growing business rates

A reason Government is introducing 100% business rates retention is to incentivise local authorities to support economic growth. The playing field will not be level, though, since local authorities with the highest GRP levels have more opportunities to grow their business rates income. Put another way, a 1% growth in business rates income is worth more (in cash terms) to an urban authority than to a rural one.

This explains why the data shows that GRP has grown fastest since 2010/11 in rural authorities, if it is measured in percentage terms, but has still grown more in urban authorities, if it is measured in straight cash terms.

Levels of RV

Rateable value (RV) per square metre of business hereditament is much higher in urban than in rural local authority areas. In the most urban authorities it is double what it is in the most rural authorities (R80) – £88 and £44 respectively in 2014/15. This is compounded by the average business size being smaller in rural areas.

The result is that economic development activity would be less well rewarded in rural than in urban local authorities. Rural authorities would have to grow roughly twice

the volume of new business space in order to generate the same financial reward for themselves through retained business rates.

RSN asks of Government

To address these issues the Rural Service Network view is that Government should consider the following:

- Providing an additional financial incentive for those local authorities with the least opportunities to grow their business rates income;
- Introducing banded targets* for business rates growth which could be based on past performance and adjusted for any major development sites.

[*Banded Targets would mean that authorities with high levels of business rates growth would have a higher baseline (and therefore more challenging) than those with lower growth. For instance authorities with the highest growth might see their baseline increase by 2% a year, and would, therefore, have to get more than 2% growth before they were able to retain growth. There could be (say) 7 bands. This approach was used for the Local Authority Business Growth Incentive some years ago]

Briefing note number one provides an overview of the proposed business rate changes, whilst notes three and four look at further specific aspects of business rates and the rural issues that arise from a funding system dependent on them.

RURAL SERVICES NETWORK

Version: May 2016

Business rates retention
Note 3: Mandatory and discretionary rate relief

This is one of four briefing notes about the Government's proposals to radically overhaul local government finance by introducing 100% Business Rates retention. Their prime purpose is to aid understanding of the proposals and rural issues arising. They are based upon research commissioned from Pixel Financial Management.

Mandatory reliefs

There are three types of mandatory relief from business rates. They are:

- *Small business rate relief* (SBRR): businesses in one property with a low rateable value (RV) can apply for a 50% discount;
- *Charitable and community organisations*: who can apply for an 80% discount; and
- *Rural rate relief*: in small settlements (less than 3,000 population) businesses which are the only shop, post office, pub or petrol station and have a low rateable value can apply for a 50% discount.

Furthermore, certain categories of building are entirely exempt from business rates, including agricultural land and buildings, parish halls and churches.

Rural-urban comparisons

The extent of mandatory rate relief is particularly high in the most rural local authority areas i.e. those classified as R80. In R80 authorities they cost £45 per head of population in 2015/16. In the other two categories of authority classified as rural – R50 and Significant Rural (SR) – they are cost about £30 per head or much the same as in urban areas.

Similarly, mandatory rate reliefs represent some 12% of gross rates payable (GRP) by businesses in R80 authorities. In contrast they represent half as much (6% of GRP) in the most urban areas. In R50 authorities they represent nearly 10%.

Where the costs and benefits fall

How mandatory rate reliefs are paid for therefore matters a lot to rural authorities. Until 2013 their cost was fully borne by central Government, but it has only funded half the cost of changes since that date (except SBRR, which has its own system). Hence, if mandatory reliefs increase by £60,000 a billing authority is £30,000 worse off: if they decrease by that amount the billing authority is £30,000 better off.

This has implications for a system, as proposed, based on business rates retention. Growth in new businesses would produce less additional income for rural (especially R80) authorities than it would for urban authorities.

Discretionary relief

Local authorities, when billing for business rates, have discretion to agree higher discounts than the mandatory levels. A village shop could, for example, apply for and be given an 80% discount (which is 50% mandatory and 30% discretionary) or even 100% at the discretion of the billing authority.

Discretionary rate relief can be given to any businesses irrespective of whether or not they are eligible for mandatory relief.

The costs of discretionary relief is much less than the value of mandatory reliefs. However, it is still more significant in rural areas. In 2015/16 discretionary rate relief represents 0.7% of GRP in R80 authorities, and 0.5% of GRP in both R50 and SR authorities. This compares with 0.3% in the most urban authorities. Rural authorities give more relief to charitable/community organisations and (especially) to rural retail businesses, both of which may be financially marginal.

Rural rate relief

Rural rate relief can, therefore, be paid both as mandatory and discretionary relief. In 2015/16 these cost almost £11 million. They are valuable for many small rural businesses and, unsurprisingly, are worth much more in rural authority areas. The cost per head of population is 83 pence in R80 authorities; 48p in R50; 28p in SR; and between 1p and 3p in urban authorities.

It is a working assumption that under a system based upon 100% business rates retention any increase in rate relief must be fully funded by local authorities, without any central Government contribution.

Overview

A conclusion from all of the above is that in rural areas growth in the business rates base tends to get eaten away by the cost of funding rate reliefs. It will be harder for rural authorities to convert economic growth into extra business rates income.

RSN asks of Government

To address these issues the Rural Service Network view is that Government should consider the following:

- Retaining rural rate reliefs in something like their current form in the new system;
- As a minimum, taking full account of current levels (in each authority) of rate reliefs within the baseline that is set for the new funding system;

- Continuing some mechanism for centrally funding a share of any growth in rate reliefs, since this is largely outside a local authority's control.

Briefing note number one provides an overview of the proposed business rate changes, whilst notes two and four look at further specific aspects of business rates and the rural issues that arise from a funding system dependent on them.

RURAL SERVICES NETWORK

Version: April 2016

Business rates retention
Note 4: Safety net and levies

This is one of four briefing notes about the Government's proposals to radically overhaul local government finance by introducing 100% Business Rates retention. Their prime purpose is to aid understanding of the proposals and rural issues arising. They are based upon research commissioned from Pixel Financial Management.

Current local authority funding from business rates

In essence the current system has two stages. The first stage is formula driven, where central Government (DCLG) calculates: a) what share of business rates each authority should receive based upon needs; and b) what share of business rates income it expects each to collect given their business base.

With some local authorities the expected income outstrips the assessed need and vice versa. A top-up is paid to an authority where assessed need exceeds rateable income; and a tariff is paid by an authority where income exceeds need. The tariff is re-distributed through a national pool. Across all local authorities these top-ups and tariffs must cancel each other out.

The second stage is based on the actual income collected locally through business rates. For a variety of reasons this will always differ from the predicted (or target) amount, which is where the safety net and levies come in, as further adjustments.

How the safety net and levies work

In practice:

- If the rates collected are more than 7.5 per cent below target the safety net kicks in. One reason for this could be a major economic shock or closure affecting the local rates base. In practice this means an authority receives a safety net payment;
- If rates collected are above the target (by any amount) there is a levy deduction made, which the local authority pays over to central Government but remains in the local government finance system (to fund the safety net). Each authority has its own levy rates, which are calculated by comparing the needs and rates baselines. The maximum levy rate is 50%; top-up authorities do not pay a levy.

One complexity is that the top-up and tariff system is used to help redistribute business rates from billing District Councils to non-billing County Councils. In two tier areas this has the odd effect of making districts subject to levies whilst most counties are not. Many (though not all) shire areas manage to reduce the levies due by operating a ‘pooling arrangement’ for district and county business rates.

Rural authorities and the safety net

The bulk of safety net payments go to urban authorities (indeed the picture is distorted by central London, where business rates income appears to be volatile and affected by rating appeals).

Nonetheless, there were twenty-three rural local authorities (classified as R80 or R50) that qualified for a safety net payment in 2014/15. The safety net remains a useful feature for rural (as well as urban) authorities.

Rural authorities and levies

Levies are greater in rural than in urban local authorities. This is partly because many are in two tier areas, with tariff district councils that are subject to levies. The average levy in the most rural (R80) authority areas costs the authorities £2.90 per head of population, compared with £0.40 per head in the most urban areas. In practice, though, the difference is reduced by pooling arrangements in many shire areas.

In all, thirty-one rural local authorities (classified as R80 or R50) paid levies in 2014/15, which collectively cost them £10.4 million.

Overall, then, the operation of the safety net and levies slightly widens the gap between rural and urban authorities in terms of the income they derive from business rates (known as ‘retained rates’). Levies are another reason why shire district councils do not benefit as much as they ought to financially from local economic growth.

RSN asks of Government

To address these issues the Rural Service Network view is that Government should consider the following:

- If levies are to feature in the new system, they should be reforming so it does not penalise certain types of areas (most obviously shire district councils);
- As mentioned in note 2, introducing banded targets for business rates growth, which could be based on past performance and adjusted for any major development sites.

Briefing note number one provides an overview of the proposed business rate changes, whilst notes two and three look at further specific aspects of business rates and the rural issues that arise from a funding system dependent on them.

Version: April 2016

Needs Review

Short Briefing Note

1. The Government is reviewing the needs allocation within the overall local government finance system. It is not clear how any changes in needs allocations will be handled within the fixed settlements, which are expected to last until at least 2018-19.

2. RSN's objective will be to increase the weighting of the sparsity elements within the current funding formulae, and to defend what is already there. Our judgement is that funding for super-sparsity is possibly most at risk – it is funded within the formula itself and now through the Rural Services Delivery Grant, which is very highly geared to super-sparsity.

3. Although RSG has almost disappeared by 2019-20, needs allocations still matter. Top-ups and tariffs are calculated using both funding and needs targets, and changes in one or both result in changes to top-ups and tariffs. This moves money between local authorities and around the country.

4. RSN will need to make a strong technical case for the additional and higher costs for service provision in the forthcoming needs review. Much of the groundwork has already been done but the evidence for higher rural costs is broad rather than deep: in other words, there are lots of examples of higher costs in rural areas, but not a lot of robust financial data proving that those costs are significant.

5. There are services where the case has been made for additional funding for sparsely-populated areas:

    - Waste collection and disposal. Activity data suggests additional costs but not sufficient financial data to draw robust conclusions.
    - Domiciliary care and residential care.
    - Parking and other income generating services.
    - Regulatory services, including trading standards, environmental protection and licensing.
    - Fire and rescue operations.

6. There is scope for further work and research which could bolster the case for funding for sparsity:

    - Increased sample sizes in future research, including more participation from urban authorities. More opportunity with independent or government-led needs assessment. Will take time.
    - Detailed work at individual authorities, particularly case studies with specific costing and "time and motion"-type studies.
    - Activity levels at sub-authority level. E.g. lower-super output layer – comparing costs and activities for small areas. The idea is to eliminate the authority-level policy choices and see how resources are consumed within an authority area. Used to create the current personal social services formulae.

7. Other indicators could be developed in addition to the existing sparsity measures, which are based on population density (i.e. population per hectare). These could look at population

dispersal and peripherality. The danger for RSN is that these measures tend to favour the most sparsely populated areas, so there might be winners and losers from within the SPARSE membership from this approach.

8. RSN ought also to be thinking about the overall structure of the funding system and how this could benefit rural authorities. RSN should be arguing that funding allocations should be not be based on past spending patterns because this simply continues any unfairness in past funding allocations. Flat funding with top-ups, for instance, will tend to favour rural authorities. This is an approach that is being taken in the review of schools funding.

SPARSE-RURAL

Evidence Review of Additional Service Costs in Rural Areas

April 2016

FINANCE WITH VISION

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1. Introduction

1.1 This paper summarises recent literature identifying the additional costs facing rural and sparsely-populated local authorities in England. The key drivers of these additional costs include:

(i) Lack of economies of scale
(ii) Travel distances, with associated mileage and unproductive staff time
(iii) Absence of public transport and transport networks
(iv) Poor internet connectivity
(v) Additional recruitment and training costs
(vi) Higher living costs in rural areas
(vii) Less availability of private sector and voluntary service providers
(viii) Barriers to service delivery
(ix) Hidden poverty and deprivation
(x) Additional costs associated with governance and communication

1.2 While a large number of studies provide anecdotal evidence for these drivers of higher costs in rural areas, relatively little has been able to be quantified in financial terms. However, a number of studies do quantify the 'rural cost premium' in services such as social care (including both domiciliary and residential care); waste collection, recycling and disposal; housing and council tax benefit administration; regulatory services; and library services, as well as reduced potential for fees and charges from parking services, a major source of local authority revenue.

2. Evidence base for drivers of higher service costs in rural areas

(i) Lack of economies of scale

2.1 Service costs per resident tend to be significantly higher in smaller communities than in larger ones. Dispersed populations, and a need to maintain minimum levels of coverage across all geographical areas, result in higher fixed costs per residents – for example, the costs of maintaining buildings and minimum staffing levels at each contact point required. The number of contact points required are likely to be higher in rural areas to ensure sufficient access to services. Examples of such services include libraries, leisure centres, contact hubs, depots, waste transfer and fire stations.

2.2 Research by LG Futures for SPARSE-RURAL in 2011 identified examples of lack of economies of scale in Fire and Rescue Services and in Education:[1]

- *Fire & Rescue* – predominantly rural authorities held over twice as many operational appliances than those in urban authorities. The predominantly rural authorities maintained 4.8 fire stations per 100,000 residents, compared to 1.9 fire stations for predominantly urban authorities.
- *Schools* – small schools, with fewer than 100 pupils, were more prevalent in rural areas (34% of schools) than urban areas (3% of schools).This implies a higher fixed cost per pupil in rural areas; for example, higher building costs for a given number of pupils. It was also evident that rural schools were operating at less efficient levels of capacity, with more surplus places: the average surplus capacity in predominantly rural areas was 15%, compared to 10% in predominantly urban areas.

2.3 In interviews carried out by LG Futures, a number of rural authorities reported that population dispersal imposed additional costs on commissioning social care services, by preventing them from efficiently 'clustering' services at a central location.[2]

(ii) Travel distances, mileage and unproductive time

2.4 Increased travel time, with associated unproductive staff time, is a second major driver of additional costs in rural areas. For example, a review of social care services in Northumberland found that *"rural mental health services' staff spent between 25 and 33 percent of their time travelling, compared to between 7 and 10 percent for urban staff."* This reduces the time that staff can spend on productive activities; for example, the Welsh Assembly Government's Rural Health Plan found that *"travelling distances for health and social care staff limits time spent engaged in direct patient contact."*[3]

(iii) Absence of public transport and transport networks

2.5 In interviews with local authorities conducted by LG Futures on behalf of DCLG/DEFRA in 2014 (Research into Drivers of Service Costs in Rural Areas), rural bus routes were frequently identified as a service particularly affected by rurality.[4] Bus routes in the most rural areas were not commercially viable in their own right, and required significant subsidies from local authorities. For example, in one rural authority interviewed, subsidies per passenger ranged from 42p for urban routes to around £4 for rural routes.

2.6 While expenditure on subsidies was decreasing, the potential for savings was limited by the need to maintain minimal levels of access. There were also concerns regarding knock-on costs: for example, loss of access to primary care services and early intervention could mean that individuals present later with more complex social care needs due to difficulties in undertaking independent living.

2.7 Reducing public transport can also undermine the economic viability of existing services. For example, schools in rural areas are unable to offer as wide a range of after school activities, as many pupils rely on public transport travelling to and from schools, making it economically unviable to offer these activities to fewer pupils.[5] A report by the National Research and Development Centre for adult literacy and numeracy in 2005 found that "*transport, access and childcare are major barriers to learning in rural areas, along with the issue of attracting a viable number of learners*".[6]

(iv) Poor internet connectivity

2.8 The internet and associated technologies present a range of opportunities for increasing the accessibility of services in rural areas and driving down costs. The government's Rural Statement 2012 noted that access to effective broadband has the potential to make services more accessible to rural areas.[7] Age UK identifies a number of advantages for older adults, such as enabling clinicians and carers to remotely support older people in their homes, reducing the need for referrals to acute centres for routine care.[8]

2.9 However, the lack of broadband infrastructure in rural areas prevents these opportunities from being fully exploited. Age UK reported that 23% of households in rural areas had no or only a slow broadband connection in 2010, compared with 5% of urban households.[9] The government has established a Rural Broadband Programme to improve internet access; however, the National Audit Office report in 2013 that there had been significant delays in implementing the programme and that some targets for rural access may not be met.[10]

(v) Recruitment and training costs

2.10 Recruitment and training costs have been identified in some studies as being higher in rural areas. A study on homelessness services in Scotland found that working in rural and remote localities "*poses specific challenges in terms of finding, training and retraining staff".*

Some of the issues identified included lower salary potential, lack of affordable housing, worker isolation, staff safety and distance from support staff.[11]

2.11 Recruitment challenges also mean that rural communities face difficulties in benefiting from the personalisation of care. For example, research summarised by the Social Care Institute for Excellence highlighted the difficulties in the recruitment and retention of personal assistants in rural areas.[12] Research from Northern Ireland found that difficulties recruiting care assistants and a lack of choice of care assistants were among the main challenges associated with care provision in rural areas.[13]

(vi) Higher living costs in rural areas

2.12 Rural residents can face higher living costs than their urban counterparts. This means that material deprivation is likely to be higher than that suggested by income alone, with increased financial hardship increasing the demand for public services.

2.13 Evidence presented in a report on rural communities for the Environment, Food and Rural Affairs Committee in 2013/14 identified rural communities as paying higher council tax bills per dwelling; people working in rural areas earning less on average than their urban counterparts, but rural homes being more expensive; the cost of living rising faster in rural areas; fuel poverty having a greater impact in rural in areas; and transport costs accounting for a greater proportion of household expenditure.[14]

2.14 Work undertaken for the Joseph Rowntree Foundation (JRF) and the Commission for Rural Communities suggests that *"the minimum cost of living in rural areas is greater than living in urban areas"*, with transport being the largest element of extra costs. The difference between rural and urban areas was estimated at between 10% and 20% in 2010.[15]

2.15 Older people, in particular, face higher living costs. A greater proportion of older people in rural areas experience fuel poverty, mostly due to the poor insulation of many homes and the fact that fewer homes have mains gas, thereby requiring more expensive forms of heating.[16]

(vii) Less availability of private sector and voluntary providers

2.16 Unlike urban authorities, rural authorities cannot rely as heavily on alternative provision from the independent and voluntary sectors. For example, in relation to dementia services in rural areas, *"third and private sector organisations tend to be fewer and more fragile, making it difficult to develop a mixed economy of care and build capacity for involvement of communities".*[17]

2.17 Interviews carried out by LG Futures for DCLG/DEFRA identified a number of market factors that had the potential to penalise sparsely populated authorities.[18] There were perceived to be fewer contractors operating across all services in rural areas, with reduced levels of competition leading to higher prices. Authorities sometimes sought to 'influence' the market – for example, by packaging contracts in such a way that providers need to tender for a mixture of rural and urban areas – though for certain services providers were still able to 'cherry pick' the areas they wished to operate in.

2.18 In instances where rural location were not economically viable for private sector providers, the local authority often needed to act as a provider of last report. Examples of services where this had taken place included commercial waste collection; pest control; broadband provision; activities for older people formerly run by charities; school meals; and leisure centres.

(viii) Stigmatism, lack of anonymity and isolation

2.19 Fear of stigmatism and lack of anonymity impose additional barriers of delivering services to rural areas. Reluctance to take up public services "*may be caused by a range of factors, including the traditional 'self-sufficiency' of rural communities, the fear of stigmatisation associated with accepting health and problems of confidentiality.*"[19] This suggests that rural authorities face additional outreach costs associated with overcoming these 'cultural' barriers to service delivery.

2.20 They may present particular obstacles in social care or public health. Research by MIND, a mental health charity, found that access to help, support and services can be particularly challenges for residents of rural communities with mental health concerns. For example, "*farmers who develop mental health problems rarely approach mental health services, because of the perceived stigma and the shame of being seen as 'not coping'*".[20] The Department of Health noted that sexual health services in rural and remote areas were regarded by young people as "*too visible*", as well as inaccessible.[21]

(ix) Hidden poverty and deprivation

2.21 Poverty and deprivation levels may be underestimated in rural areas, meaning that rural authorities do not receive funding commensurate with the needs of their residents.

2.22 The Young Foundation suggests that "*the close proximity of affluent and deprived households in rural areas makes it harder to identify social exclusion in statistical data*".[22] An assessment of rural deprivation by Norfolk Rural Community Council similarly identified rural deprivation as "*spread out and hidden, making it harder to identify and address*".[23]

2.23 Lower benefit-take up rates in rural areas (possibly linked to concerns over stigmatism, described above) is one reason why poverty and deprivation may be underestimated. Research by LG Futures cited evidence of lower benefit take up rates for Pensions Credits, where 42% of rural pensioners are eligible non-recipients of Pension Credit compared with 35% of pensioners in urban areas.[24] They also cite evidence of lower take-up of free school meals for rural school children compared to pupils in urban areas.

2.24 Benefit rates are important for ensuring that rural residents receive the support they need. They also play a crucial role in allocating funding to local authorities across England. For example, the proportion of adults receiving Pension Credits is used by the Department for Communities and Local Government to allocate local authority funding. The proportion of pupils receiving free school meals is used by the Department for Education to allocate funding for disadvantaged pupils.

(x) Governance and communication costs

2.25 In interviews carried out by LG Futures' with rural authorities in 2014, rural authorities identified additional costs associated with providing services in two-tier areas (i.e. at both shire district and county level), with greater levels of engagement required for consultation and service design.[25] Communication costs were also reported as being higher, given the need to reach and engage with a more dispersed population.

3. Quantified costs

3.1 There is a significant amount of research identifying potential reasons for higher costs in rural areas. However, little of this evidence has been quantified in financial terms and much of the evidence is anecdotal. Nevertheless, the following are examples of a 'rural cost premium' that applies across a range of services provided by local authorities in England.

3.2 Research by LG Futures for SPARSE-RURAL in 2011 identified 'rural cost premiums' in a number of service areas.[26] This identified the additional costs of providing services in the most sparsely population or remote areas – villages, hamlets and isolated dwellings – compared to urban areas:

- *Waste Collection & Recycling* – The cost of waste collection and recycling was between 2.2 and 3.2 times higher than for urban areas. This was due to longer distances travelled per property and to disposal sites, resulting in additional fuel and employee costs.
- *Housing Benefits/Council Tax Benefits* – The cost of typical Council Tax visits to villages, hamlets and isolated dwellings were found to be 2.4 times higher than visiting urban areas. For Housing Benefits, the costs were 2.5 times higher.
- *Nuisance pollution visits* – Typical nuisance pollution visit costs were found to be 2.7 times higher than in urban areas.
- *Premise inspection visits* – Costs of non-Health and Safety Executive (HSE) visits and food business visits were 2.0 times higher than in urban areas.

3.3 Additional analysis carried out by SPARSE found that waste collection costs in West Devon were between 1.6 and 2.8 times higher in the most rural areas (villages, hamlets and isolated dwellings) than they were in urban areas.[27]

3.4 A small-scale study undertaken by East Sussex in 2003 calculated rural premiums for a number of services, including district nursing (53% higher), domiciliary care (18%) and lunch clubs (40%).[28]

3.5 Although less recent, a report from 2000 contained evidence from several rural authorities in relation to cost differences in social care:[29]

- Within Dorset, staff travel costs were about four times as high in rural areas than in urban centres, and domiciliary care providers were 10% more expensive;
- For Wiltshire County Council, residential care costs were 15% higher in rural areas, primarily linked to services being provided in smaller homes.

3.6 Finally, LG Futures carried out research for the Department for Communities and Local Government (DCLG) and Defra to assess whether there was a statistical relationship between the costs of service provision and various measures of rurality and remoteness.[30] Overall, sparsity was found to be significant in explaining higher costs for 11 services. These services accounted for £7.0 billion of local authority expenditure across England in 2012/13.

3.7 A potential caveat to this statistical approach is that it assumes that *expenditure* is a suitable proxy for the *costs* facing local authorities. However, if rural or sparse authorities are 'underfunded' – and therefore provide a lower level of services than their urban counterparts – then relative expenditure would underestimate the additional service delivery costs in sparse authorities.

3.8 In addition to the statistical modelling described above, the study also surveyed 27 authorities of varying sparsity. These were categorised as 'sparse', 'less sparse' or 'non sparse', based on the percentage of residents living in urban areas versus hamlets and isolated dwellings (as categorised by Defra). Differences between sparse and non-sparse authorities are as follows:

- *Regulatory Services* – travel claims were 117% higher and travel downtime was 180% higher for sparse authorities than for non-sparse authorities;
- *Building & Development Control* – travel claims were 25% higher and travel downtime was 38% higher for sparse authorities compared to non-sparse authorities;
- *Parking* – net parking income was 25% lower in sparse authorities than in non-sparse authorities. Within these authorities, income from urban areas was 6 to 9 times higher than income from villages and dispersed areas;
- *Libraries* – for sparse authorities, premises costs (as a proportion of total expenditure) was twice that of less sparse authorities.
- *Adult social care* - for domiciliary care, hourly rates were 11% higher in sparse authorities than in non-sparse authorities. For day care; travel costs represented a

17% higher proportion of total expenditure in sparse authorities compared to non-sparse authorities.

- *Waste collection* – within the authorities surveyed, urban councils were able to serve two to seven times more properties per waste collection round than in villages and dispersed areas, while the average distance for each collection round was 1.9 times higher in village and dispersed areas than in urban ones.

3.9 Additional statistical analysis also took place for fire services, identifying that every 10% increase in the proportion of residents in sparse or rural areas was associated with:

- An additional 1.6 fire stations per 1,000 incidents;
- An additional 4.6 operational appliances per 1,000 incidents; and
- An additional 17 firefighters (FTE) per 1,000 incidents.

3.10 There is also likely to be a *continuous* relationship between sparsity and additional costs facing local authorities. That is, costs increase on a continuum moving away from densely populated areas, rather than applying exclusively to very sparsely populated areas.

4. Potential unmet need

4.1 A comprehensive review by Secta, commissioned by the Department for Environment, Food and Rural Affairs (Defra) in 2004, concluded that there was *"a clear cost premium in order to achieve a similar standard of service to that in urban areas"* and *"even where there were uplifts in rural funding, these were often insufficient to cover the actual costs of services."*[31]

4.2 Research by the Social Care Institute for Excellence found that older people in rural areas are likely to be receiving "*lower levels of supportive services such as domiciliary care and meals and wheels than those living in urban areas"*.[32] They concluded that overall, people living in rural areas are "*less likely to receive services comparable with their urban counterparts".*

4.3 In many cases, unmet need takes the form of lack of accessibility for rural residents. Research summarised by LG Futures found examples of inaccessibility in adult social care; adult education; childcare; children's centres; legal and financial advice and support; support for carers; homelessness; and support for black and minority ethnic groups.[33]

4.4 In a separate study, LG Futures interviewed sparsely-populated authorities and found evidence of unmet need for Council Tax and Housing Benefit services: "*face to face service provision was identified in many cases as being too expensive and impractical to provide to claimants in rural areas… The provision of help and support to vulnerable and elderly people with benefit claims, was identified as a particular issue".*[34]

4.5 Unmet need has been compounded by recent austerity measures. For example, the UK Home Care Association reported that rural care home services were becoming unviable due to a combination of cuts and journey time between visits. The survey of decisions by 111 councils showed that one-fifth of councils had reduced rural premium payments to carers making home visits, with cuts leading to shorter visit times.[35] They survey also found examples of providers withdrawing from work in rural areas due to cost pressures.

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SPARSE-Rural

Estimating the Value of Sparsity and Density in the Funding System

May 2016

FINANCE WITH VISION

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1. Summary of Key Points

- This report assesses the value of local authority funding which is allocated on the basis of sparsity and density indicators.
- The analysis focuses on funding delivered as part of the Settlement Funding Assessment (SFA), the primary source of funding for local authorities.
- Within the SFA, two key funding streams are allocated using sparsity and density indicators. These are Formula Funding (worth £4,349m to SPARSE members in 2013/14) and Early Intervention Funding (worth £525m).
- The allocations for these grants were last updated in 2013/14. The distribution has since been ‘frozen’, with uniform cuts applied in subsequent local government finance settlements.
- Within Formula Funding, LG Futures estimates that sparsity indicators accounted for 1.9% of total assessed needs (at the England level) in 2013/14. Density indicators accounted for 5.4% of assessed needs.
- For Early Intervention Funding, the sparsity indicator accounted for 4.0% of assessed needs in 2013/14.
- Across both these grants, LG Futures’ estimates that the amount of notional funding attributable to sparsity indicators was £360m in 2013/14. The amount attributable to density indicators was three times as much, at £1,073m.
- By 2016/17, following ongoing cuts to central government funding, it is estimated that these amounts had fallen to £233m for sparsity indicators and £722m for density indicators.

3. Report

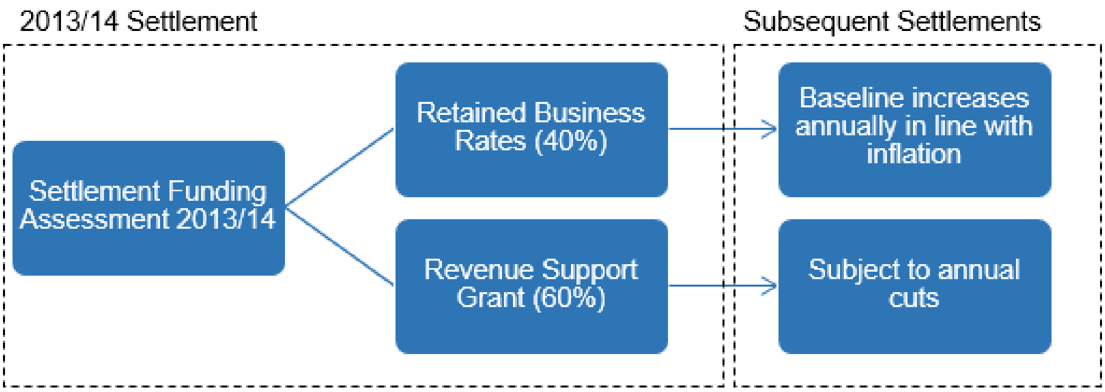
Background

2.1 The starting point for the analysis is the 2013/14 Local Government Finance Settlement. This was the final year in which each council's relative funding requirement was estimated by the Department for Communities and Local Government (DCLG). In subsequent years, the distribution of funding was effectively frozen, with uniform cuts being applied to each component of local authorities' funding. DCLG is not intending to update the underlying funding distribution until 2020/21 at the earliest.

2.2 The majority of local authorities' funding in 2013/14 is reflected in the **Settlement Funding Assessment** (SFA).[1] This is comprised of most major grants received by local authorities, but excludes council tax revenue.

2.3 The SFA is delivered to local authorities in the form of (i) retained business rates, as part of the Business Rates Retention Scheme, and (ii) grants paid directly from central government in the form of Revenue Support Grant (RSG). This was based on a 40/60 split. In subsequent years, retained business rates increased annually in line with inflation (though actual revenue received also depends on growth in individual councils' business tax bases), while the RSG component was subject to cuts as part of the government's austerity agenda. This is illustrated in Figure 1.

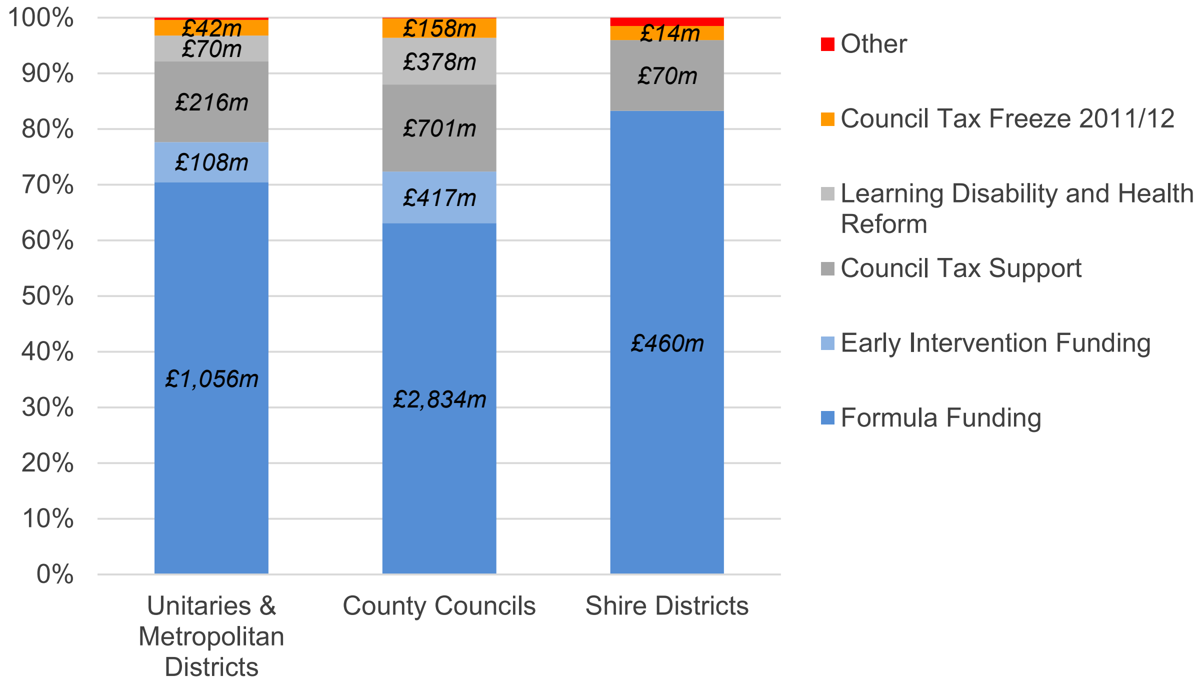
Figure 1 – Settlement Funding Assessments 2013/14 and beyond



2.4 The majority of the SFA in 2013/14 was comprised of Formula Funding. The chart below illustrates the composition of the SFA for the 130 members of SPARSE. As can be seen, Formula Funding accounts for over 60% of funding for county councils, around 70% of funding for unitaries and metropolitan districts, and over 80% of funding for shire districts. This was followed by Council Tax Support (a grant provided to help pay for the localisation of council tax support) and Early Intervention Funding.

[1] In 2013/14, this was referred to as the Start-up Funding Assessment (SUFA), and in subsequent years became the Settlement Funding Assessment (SFA). For simplicity, we only refer to the latter throughout this report.

Figure 2 – Composition of the SFA for SPARSE members in 2013/14



2.5 Of the funding streams above, only two were allocated (at least partly) on the basis of sparsity and/or density. These were Formula Funding and Early Intervention Funding. The remainder of this report identifies the role of sparsity/density indicators in the allocation of these funding streams, focusing primarily on Formula Funding, given its importance to overall funding.

Share of Sparsity/Density

(A) Formula Funding

2.6 In its simplest form, 2013/14 Formula Funding was made up of the following components:[2]

- **Needs Amount.** A positive amount of funding allocated to authorities across England on the basis of their relative need. This was estimated by DCLG using the Relative Needs Formula (RNF). This formula assessed each authority's relative needs based on a range of indicators, such as population, deprivation, sparsity and density. The relationship between these indicators and relative needs was estimated based on the statistical relationship between the indicators and past expenditure, though in some cases judgement was also used.

- **Tailored Grants.** These were pre-existing grants that were rolled into Formula Funding and distributed using their own allocation criteria, as opposed to the Relative Needs Formula. These were relatively small, accounting for 7% of final funding.

[2] Formula Funding is often presented as including a Central Amount, being a fixed amount of funding per resident. It can be shown mathematically that this is actually comprised of the Needs Amount and Resource Amount. For simplicity, we exclude reference to the Central Amount in this report.

- **A Resource Amount.** This is a negative amount, representing the assumed share of local authority expenditure that could be financed locally through council tax revenue. This was allocated across local authorities based on the relative size of their council tax base (i.e. taxable properties).

- **A Damping Block.** Finally, damping was used to minimise year-on-year fluctuations in local authorities' funding. A 'floor' was applied, imposing a maximum annual reduction in funding. Authorities who would otherwise be below this floor received additional funding in the form of damping. This was financed by 'scaling' back funding to those authorities whose change in annual funding was above the floor.

2.7 LG Futures carried out analysis to estimate the share of the Relative Needs Formula that was attributable to sparsity and density (out of more than 40 indicators used by DCLG). This involved replicating DLCG's RNF calculation model and, for each service, estimating the contribution of each indicator to the total units of assessed need for that service.[3]

2.8 Based on this analysis, it was estimated that:

- **Sparsity** indicators accounted for 1.9% of total assessed needs in 2013/14;and
- **Density** indicators accounted for 5.4% of total assessed needs.

2.9 The table below provides a breakdown of these estimates by service. Sparsity indicators were used in the needs formulae for five services: Children's Social Care, Older Adults' Social Care, Fire & Rescue, and Environmental, Protective & Cultural Services (EPCS) at both the shire district and county council level. Density indicators were used in the same services, except for social care.

Table 1 – Estimated share of sparsity / density indicators in total England RNF[4]

Service	Sparsity Indicators	Density Indicators
Social Care – Children	0.7%	N/A
Social Care – Older Adults	0.2%	N/A
Fire & Rescue	0.0%	0.7%
EPCS – District Level	0.9%	3.9%
EPCS – County Level	0.1%	0.8%
Estimated Share of Total Relative Needs Formula	**1.9%**	**5.4%**

2.10 The derivation of the figures above, and the sparsity/density indicators used for each of these services, is explained in more detail in Annex A. The estimated share of sparsity and density indicators for each SPARSE member is presented in Annex B.

[3] DCLG's Relative Needs Formula model for 2013/14 can be downloaded here: https://www.dropbox.com/s/axnp4vdx0hvsxca/RNF%20Model%202013-14%20%28Latest%29.xls?dl=0
[4] Excluding Police, but including Fire & Rescue Services.

2.11 Note that the shares shown in the table above relate to total needs at the *England level*. Shares will vary considerably from council to council, depending on the services they provide. For example, the shares tend to be higher for shire districts than other types of authorities, as these authorities derive the majority of their assessed needs from EPCS – District Level services, where sparsity and density indicators carry more weight compared to other services.

2.12 Overall, the results presented in this report may be a concern for SPARSE members for two reasons. First, sparsity accounts for only a small share of DCLG's needs assessment formula, which is used to allocate the majority of local authority funding. Secondly, density indicators carry almost three times more weight in the formula than sparsity indicators. Sparsity and density are obviously negatively correlated, so the additional funding awarded to sparsely populated authorities is likely to be outweighed by the amount of funding foregone due to their lower levels of density.

(B) Early Intervention Funding

2.13 Within Early Intervention Funding, it is estimated that the sparsity indicator accounted for 4.0% of total assessed needs. This calculation was relatively straightforward, as sparsity was assigned an explicit weighting in the overall allocation of this funding stream.[5]

Estimated monetary values

2.14 This section provides estimates of the monetary value of sparsity and density indicators in the Settlement Funding Assessment. It considers both Formula Funding and Early Intervention Funding.

2.15 LG Futures estimates that the value of notional funding attributable to sparsity indicators was £360m in 2013/14, of which £292m was within Formula Funding and £68m was within Early Intervention Funding. The estimated value of notional funding attributable to density indicators was three times higher, at £1,073m. By 2016/17, following cuts to central government funding, the value of funding attributable to sparsity indicators was estimated to be £233m, compared to £722m for density indicators. These values are presented in the table below.

Table 2 – Notional monetary values of sparsity / density indicators

Indicator and funding stream	2013/14	2016/17
Sparsity in Formula Funding	£292m	£186m
Sparsity in Early Intervention Funding	£68m	£48m
Total Sparsity	**£360m**	**£233m**
Density in Formula Funding	£1,073m	£722m
Density in Early Intervention Funding	N/A	N/A
Total Density	**£1,073m**	**£722m**

[5] Specifically, sparsity was assigned a weighting of 5% to allocate the Early Years Services component of the grant, which in turn accounted for 79.4% of total Early Intervention Funding. This means sparsity accounted for 4.0% of the total (i.e. 5% x 79.4%).

2.16 The figures presented above refer to notional or **undamped** funding, i.e. based on the notional shares of funding implied by the underlying needs assessment formulae. Both the Formula Funding and Early Intervention Funding streams had floor or damping systems in place in 2013/14.

2.17 These estimates were calculated at the local authority level, based on the estimated share of each local authority's total needs that were attributable to sparsity and density (these estimates, for SPARSE members, are presented in Annex B).

2.18 These shares were then applied to each authority's undamped funding in 2013/14 to estimate the funding attributable to the indicators. For example, if sparsity accounted for 5% of an authority's RNF, and that authority had undamped Formula Funding of £100m in 2013/14, then the estimated value of sparsity would be £5m.

2.19 To derive estimates for 2016/17, each authority's estimated funding was then split between Revenue Support Grant and Retained Business Rates (approximately 60/40). The former was cut in line with funding reductions in 2014/15 to 2016/17, consistent with the methodology used by DCLG in each settlement, while the latter was increased in line with the business rate multiplier.

2.20 Finally, while estimates of monetary value were calculated at the *local authority* level, we have only presented results at the *national* level. This is because a number of simplifying assumptions were needed when estimating the monetary values of the sparsity/density indicators for each local authority; fully replicating the dynamics of DCLG's funding model for every authority would have been prohibitively complex. We believe that this provides more robust estimates when the results are aggregated at the national level, even if the assumptions may not hold for every individual authority.

Annex A – Density & sparsity indicators used in the Relative Needs Formula (2013/14)

This table presents LG Futures' estimates of the share of total RNF attributable to sparsity and density indicators. For example, the Children's Social Care control total accounts for 17.8% of total RNF. For this service, we estimated that 3.5% of needs are attributable to sparsity. This means that sparsity in Children's Social Care accounts for an estimated 0.7% of total RNF (i.e. 17.8% x 3.5%).

Service	Sparsity/density indicator used	LG Futures' Estimates		
		Service's RNF as a share of total RNF *(A)*	Share of service's RNF attributable to sparsity/ density *(B)*	Share of sparsity/ density in total RNF *(A x B)*
SPARSITY				
Social Care – Children	Proportion of residents living in wards with (i) between 0.5 to 4 people per hectare and (ii) fewer than 0.5 people per hectare, with the latter multiplied by 3.5. Data is taken from the 2001 Census.	17.8%	3.5%	0.7%
Social Care – Older Adults	Based on the proportion of older residents (aged 65 and over) living in Output Areas with (i) between 0.08 and 0.64 older people per hectare, and (ii) fewer than 0.08 older people per hectare, with the latter multiplied by 3. Data is taken from the 2001 Census.	21.7%	0.7%	0.2%
Fire & Rescue	The proportion of residents living in Output Areas with (i) between 0.5 and 4 people per hectare, and (ii) fewer than 0.5 people per hectare, with the latter multiplied by 3. Data is taken from the 2001 Census.	4.9%	1.0%	0.0%
EPCS – District Level		17.1%	5.4%	0.9%
EPCS – County Level		10.2%	1.2%	0.1%
Estimated Share of Total Relative Needs Formula:				**1.9%**
DENSITY				
Fire & Rescue	Based on the number of residents per hectare for each Output Area at the 2001 Census.	4.9%	14.9%	0.7%
EPCS – District Level		17.1%	22.5%	3.9%
EPCS – County Level		10.2%	8.1%	0.8%
Estimated Share of Total Relative Needs Formula:				**5.4%**

Annex B - Share of assessed needs due to sparsity and density indicators

Based on LG Futures' estimates for SPARSE members

Authority Name	Authority functions*	Formula Funding (Relative Needs Formula)		Early Intervention Funding**
		Sparsity Indicators	Density Indicators	Sparsity Indicator
Allerdale	L	17.6%	9.4%	N/A
Ashford	L	15.7%	13.4%	N/A
Aylesbury Vale	L	14.4%	13.3%	N/A
Babergh	L	20.0%	9.2%	N/A
Bassetlaw	L	12.6%	11.1%	N/A
Bath & North East Somerset	UL	2.0%	4.2%	3.3%
Boston	L	13.1%	8.8%	N/A
Braintree	L	12.8%	14.2%	N/A
Breckland	L	22.9%	8.5%	N/A
Broadland	L	12.8%	11.1%	N/A
Cherwell	L	12.4%	16.1%	N/A
Cheshire East	UL	3.3%	3.6%	6.0%
Cheshire West and Chester	UL	2.9%	3.4%	6.2%
Chichester	L	18.3%	9.2%	N/A
Cornwall	ULF	5.6%	2.3%	12.0%
Cotswold	L	28.5%	6.8%	N/A
Craven	L	22.1%	8.8%	N/A
Cumbria	UF	4.4%	1.1%	14.5%
Daventry	L	22.2%	9.0%	N/A
Derbyshire	U	2.1%	0.7%	7.0%
Derbyshire Dales	L	26.8%	4.9%	N/A
Devon	U	4.4%	0.6%	14.9%
Dorset	U	3.6%	0.6%	11.8%
Dover	L	8.8%	15.3%	N/A
Durham	UL	2.6%	2.8%	6.6%
East Cambridgeshire	L	21.0%	8.1%	N/A
East Devon	L	16.9%	11.5%	N/A
East Hampshire	L	13.6%	12.1%	N/A
East Hertfordshire	L	10.3%	14.2%	N/A
East Lindsey	L	20.4%	5.3%	N/A
East Northamptonshire	L	14.2%	14.1%	N/A
East Riding of Yorkshire	UL	6.2%	2.9%	13.0%
East Sussex	U	1.5%	0.8%	5.2%
Eden	L	34.9%	4.5%	N/A
Essex	U	1.7%	0.9%	5.5%
Fenland	L	11.3%	10.5%	N/A
Forest Heath	L	13.1%	11.9%	N/A
Forest of Dean	L	18.8%	7.1%	N/A
Hambleton	L	28.6%	7.1%	N/A
Hampshire	U	1.9%	1.0%	6.2%
Harborough	L	20.2%	11.0%	N/A
Harrogate	L	15.2%	13.7%	N/A
Herefordshire	UL	9.6%	2.0%	19.6%
Hinckley and Bosworth	L	10.1%	14.8%	N/A
Horsham	L	13.8%	13.8%	N/A
Huntingdonshire	L	13.4%	13.7%	N/A
Isle of Wight Council	ULF	2.3%	2.8%	5.0%
Kings Lynn and West Norfolk	L	19.3%	6.7%	N/A

Annex B - Share of assessed needs due to sparsity and density indicators

Based on LG Futures' estimates for SPARSE members

Authority Name	Authority functions*	Formula Funding (Relative Needs Formula)		Early Intervention Funding**
		Sparsity Indicators	Density Indicators	Sparsity Indicator
Lancashire	U	1.4%	0.9%	4.7%
Leicestershire	U	2.2%	0.8%	6.3%
Lewes	L	8.6%	15.5%	N/A
Lichfield	L	10.1%	15.1%	N/A
Lincolnshire	UF	4.5%	0.9%	14.2%
Maldon	L	15.3%	10.9%	N/A
Malvern Hills	L	22.4%	6.9%	N/A
Melton	L	22.5%	9.8%	N/A
Mendip	L	17.9%	10.4%	N/A
Mid Devon	L	26.2%	8.3%	N/A
Mid Suffolk	L	27.1%	6.4%	N/A
Mid Sussex	L	9.1%	16.1%	N/A
New Forest	L	9.4%	12.5%	N/A
Newark and Sherwood	L	13.6%	11.4%	N/A
Norfolk	UF	3.6%	1.0%	12.8%
North Devon	L	18.4%	11.1%	N/A
North Dorset	L	24.7%	8.5%	N/A
North Kesteven	L	22.7%	8.5%	N/A
North Lincolnshire	UL	4.4%	2.9%	9.0%
North Norfolk	L	21.9%	5.9%	N/A
North Somerset	UL	2.4%	3.7%	5.8%
North Warwickshire*	L	12.3%	10.1%	N/A
North West Leicestershire	L	10.0%	11.8%	N/A
North Yorkshire	U	6.1%	0.6%	19.2%
Northamptonshire	UF	2.4%	1.6%	7.5%
Northumberland	ULF	5.5%	2.9%	12.8%
Nottinghamshire	U	1.6%	0.8%	5.3%
Oxfordshire	UF	2.6%	1.6%	8.6%
Purbeck	L	16.7%	9.0%	N/A
Ribble Valley	L	19.0%	9.9%	N/A
Richmondshire	L	29.0%	5.6%	N/A
Rother	L	16.4%	9.3%	N/A
Rugby	L	9.7%	17.1%	N/A
Rutland	UL	10.7%	1.6%	19.4%
Ryedale	L	33.5%	4.4%	N/A
Scarborough	L	9.9%	13.9%	N/A
Sedgemoor	L	12.8%	12.2%	N/A
Selby	L	17.1%	8.0%	N/A
Sevenoaks	L	11.1%	12.1%	N/A
Shepway	L	7.1%	16.3%	N/A
Shropshire	UL	8.2%	2.1%	17.0%
Somerset	U	3.5%	0.6%	11.6%
South Cambridgeshire	L	20.2%	8.6%	N/A
South Derbyshire	L	13.1%	13.3%	N/A
South Hams	L	22.1%	8.0%	N/A
South Holland	L	17.2%	6.2%	N/A
South Kesteven	L	15.8%	12.5%	N/A
South Lakeland	L	21.8%	8.8%	N/A

Annex B - Share of assessed needs due to sparsity and density indicators

Based on LG Futures' estimates for SPARSE members

Authority Name	Authority functions*	Formula Funding (Relative Needs Formula)		Early Intervention Funding**
		Sparsity Indicators	Density Indicators	Sparsity Indicator
South Norfolk	L	22.5%	7.1%	N/A
South Northamptonshire	L	22.7%	8.6%	N/A
South Oxfordshire	L	14.8%	12.0%	N/A
South Somerset	L	17.6%	10.7%	N/A
South Staffordshire	L	11.2%	13.6%	N/A
St Edmundsbury	L	17.0%	12.6%	N/A
Stafford	L	12.4%	13.5%	N/A
Staffordshire	U	1.9%	0.8%	5.9%
Stratford-on-Avon	L	21.1%	8.5%	N/A
Stroud	L	13.4%	10.7%	N/A
Suffolk	UF	3.3%	1.2%	11.0%
Suffolk Coastal	L	18.8%	9.5%	N/A
Tandridge	L	9.7%	10.5%	N/A
Taunton Deane	L	11.8%	14.0%	N/A
Teignbridge	L	12.5%	12.5%	N/A
Tewkesbury	L	14.7%	12.7%	N/A
Torridge	L	26.9%	7.9%	N/A
Tunbridge Wells	L	10.2%	17.2%	N/A
Uttlesford	L	26.3%	8.3%	N/A
Vale of White Horse	L	14.0%	12.9%	N/A
Warwickshire	UF	2.4%	1.5%	8.0%
Waveney	L	7.7%	14.3%	N/A
Wealden	L	17.4%	9.8%	N/A
West Berkshire	UL	5.4%	3.5%	10.6%
West Devon	L	28.7%	5.3%	N/A
West Dorset	L	23.4%	7.8%	N/A
West Lindsey	L	25.4%	6.8%	N/A
West Oxfordshire	L	17.9%	11.6%	N/A
West Somerset	L	23.5%	5.9%	N/A
West Sussex	UF	1.6%	1.7%	5.2%
Winchester	L	14.6%	11.5%	N/A
Worcestershire	U	2.0%	0.8%	6.1%
Wychavon	L	17.5%	10.3%	N/A
Wyre Forest	L	5.5%	16.0%	N/A

Note:

** L = lower-tier services, U = upper-tier services, F = fire and rescue services.*

*** Not applicable in the case of shire districts*

RSN (INCOME & EXPENDITURE) 2016/17 WITH				
ACTUAL TO END APRIL				
2016/17 ESTIMATE NO PROVISION MADE FOR INFLATION				
	ACTUAL TO	**ESTIMATE**	**ACTUAL TO**	
	END	**2016/17**	**END**	
	2015/16	**(March 2016)**	**MAY**	
<u>INCOME</u>	**£**	**£**	**£**	
Balances at Bank B/Fwd net of o/s cheques	**19388**	**12304**		
DEBTORS FROM PREVIOUS YEAR (NET OF VAT)				
Seminar Fees	205			
Rural Crime Network		8012	8012	
Infrastructure Group	500			
Rural Health Network		150		
Housing Group Related		1100	1100	
Coastal Communities Alliance (Gross)		1037	1037	
Fire Group		100	100	
RHA Websire Development Contributions		1300	1300	
<u>Subscriptions</u>				
SPARSE Rural/Rural Assembly	241414	251755	131400	
SPARSE Fighting Fund Levy	4150			
SPARSE Rura/RA held by NKDC at Year End	5250			
SPARSE Rural/Rur Assbly/ held by NKDC at Month end			59306	
VOL CONTRIBS held by NKDC at Month end			8549	
Contribs to Business Rates Campaign	1000			
2016 VOLUNTARY CONTRIBS re BUSINESS RATES		37549	24500	
Extra Income From Parishes		5000		
<u>RSP</u>	17166	14246	6220	
Commercial Partner First Group Buses	10000	10000		

	ACTUAL TO END 2015/16 £	ESTIMATE 2016/17 (March 2016) £	ACTUAL TO END MAY £	
Subscriptions from Rural Health Group	1975	2150		
Income from Rural Housing Group	5134	6895	6895	
Income from Infrastructure Group		0		
Income from Fire & Rescue Group	1390	2930	1785	
OTHER INCOME				
Conferences/Seminars				
Rural Conference Income	13304			
Rural Conference Surplus		4500		
Rural Health Conference	3959	4500		
Rural Housing Conference Income	1710	0		
Service Level Agreements				
Recharges ro Rural Crime Network@	19500	25000		
Contras re RCN@	32484	12500		
Recharges to Rural England CIC (Back Office Support)	600	1200		
Coastal Communities Alliance Gross)	3113	4149		
Contributions to costs of Parish Guide to Affordable Housing	500			
Contributions to RHA Website Development	1700			
Miscellaneous				
Contra phones	215		3	
CALLS FOR EVIDENCE/RURAL PANEL SURVEYS		1500		
VAT				
VAT Refund	13240		2959	
VAT Received	12870		3688	
TOTAL INCOME	**410767**	**407877**	**256854**	

		ACTUAL TO END 2015/16 £	ESTIMATE 2016/17 (March 2016) £	ACTUAL TO END MAY £	
EXPENDITURE					
VAT Paid on Goods & Services		27421		7189	
CONTRACTS FOR SERVICES ACTIVITY BREAKDOWN (EST)					
Corporate Management	DI,GCB, & AD1 100%. KB 40%	55662	72074	9542	
Finance/Performance and Data Analy	, DW, 100%, KB 20%	29508	28897	4770	
Communications (incl Seminars)	Rose Regen,JT, AD3 100%	6831	8500	250	
Administrative and Technical Support	RI, WI,WC,BA,MB 100%	46694	49627	6656	
Research and Monitoring	BW, JH, 100%	14990	11837	210	
Service Group Networking	KB40%	3100	8305	1292	
Economic Development Service	AD5 100%	5000	5000	833	
Coastal Communities Contract		3650	3650		
Rural Health Network		3000	3030		
Rural Crime Network	NP 100%	17000	20200	3367	
Rural Communities Housing Group	AD2 100%	6500	6500	1083	
Rural Transport Group	AD6 100%	2000	2000	333	
Rural England/Vulnarability Service	AD4 100%+ JT £6000	6750	3000		
OTHER EXPENDITURE					
Rural Fair Shares/Business Rates "Campaigns"					
Rural Fair Shares Campaign etc.		22376	18000	12639	
Fair Shares Campaign Media Relations		1868	2245		
SPEND FROM VOLUNTARY CONTRIBS (BUSINESS RATES)			37549		
Conferences/Seminars					
Rural Conference		9394		250	
Rural Health Network & Conference		1388	1900		
Rural Housing National Conference		1262	0		
Seminar Costs		662	1000		

	ACTUAL TO END 2015/16	ESTIMATE 2016/17 (March 2016)	ACTUAL TO END MAY	
Service Level Agreements				
Rural Crime Network Refund of overpayment@	20082			
RCN Re-Charges@	23340		12500	
RCN Travel & Subsistence	825	825	74	
Rural Housing Group (RHG)	169	3000	115	
RHG Website Development	1000			
Rural England CIC to re-charge)	10786		219	
Rural Ingland CIC transfer of part of First Group Support		7000		
APPG Costs	620	650		
Business Expenses				
RSN Online	24180	24180		
Travel and Subsistence	16797	18000	1517	
Print, Stat,e mail, phone & Broadband@	4116	6000	529	
Meeting Room Hire	2810	2000		
Website and Data Base software etc	4267	4300	182	
Rent of Devon Office & Associated Costs	4959	9000	413	
Accountancy Fees	710	720	165	
NKDC Services		2145		
Companies House Fees	13	13		
Bank Charges	101	110	10	
IT Equipment &Support & Other Capital	1110	850		
Insurance	549	600		
Phd in Rural Crime Contribution	1000			
Training	50			
Corporation Tax	674	340		
Membership of Rural Coalition	200	200		
Refunds of Overpayments@		2380		

	ACTUAL TO END 2015/16	ESTIMATE 2016/17 (March 2016)	ACTUAL TO END MAY	
	£	£	£	
ARREARS - PREVIOUS FINANCIAL YEAR				
Rural Housing Alliance	1000	1182		
Business Rates Campaign arrears		1600		
Contract for Service (ADMIN)	1395	1649	1349	
Contracts for Service (CORP MAN)		2427	2427	
Rose Regeneration	2057	2000	2000	
Seminar Costs		324	324	
B Wilson Arrears	4750	3525	3525	
RSN Online arrears	4840	4840	4840	
Travel and Subsistence arrears		768	768	
Printing, Phone and Stationery (arrears)	204	199	199	
Data base etc (arrears)	344	355	355	
Bank Charges		9	9	
Rural England	100			
TOTAL EXPENDITURE	**398104**	**384505**	**79934**	
BALANCE CARRIED FORWARD	**12304**	**23372**		

RSN Rural Conference 2016

6 & 7 September 2016 - Cheltenham

"Survival of the Fittest - Making the Most of the Rural Productivity Plan"

Held by kind permission of the University of Gloucestershire this year's events feature:

- The key note speaker Professor Tony Travis (LSE)
- Drinks reception and Pixel Local Government Finance presentation held at the Queens Hotel, Cheltenham
- Speakers' Corner for direct interaction with the presenters

RURAL SERVICES NETWORK

For more information visit our website at www.rsnonline.org.uk or call 01822 851370