RURAL SERVICES NETWORK

AGENDA
SPARSE RURAL Sub SIG

Venue:- Westminster Suite, Local Government House, Smith Square, London SW1P 3HZ

Date: Monday 11th July 2016

Time: 11.15 am to 12.30pm

AGENDA
MEETING OF THE SPARSE RURAL Sub SIG
11.15am

1. To confirm the minutes of the last meeting (Appendix 'A') held on the 11th April 2016 and to discuss any matters arising.

2. To receive the minutes of the Executive Meeting held on the 20th June 2016 (Appendix 'B') and to discuss any matters arising.

3. **Election of Councillors to fill current vacancies until the AGM**
   Vice Chair – South East
   Vice Chair – Without Portfolio

4. **Pixel CIPFA FAS – FAQ No 1**
   (Attachment 1)

5. **Business Rates Retention – Update**

6. **Rural Fair Share Campaign – Update**

7. **Working with the DCN & CCN**

8. **Any Other Business**

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.

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.

MINUTES OF THE SPARSE RURAL AND RURAL SERVICES NETWORK EXECUTIVE, MONDAY 20TH June, 2016 HELD AT THE LGA, SMITH SQUARE, LONDON

Present:- Cllr Cecilia Motley (Chair), Cllr Robert Heseltine (First Vice Chair), Cllr Peter Stevens, (Vice Chair) Cllr Peter Thornton (Vice Chair), Cllr Janet Duncton (Observer), Cllr Derrick Haley (Vice Chair), Cllr Sue Sanderson (Observer), John Birtwistle RSP (First Group), Rev Richard Kirlew -Community (Sherborne Deanery Rural Chaplaincy)

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

Apologies: - Cllr Gordon Nicolson OBE, Cllr Lewis Strange, Cllr Adam Paynter, Steward Horne, Brian Wilson

1. **Notes of the Main Meeting held on 11th April 2016**
   Apologies from Derrick Haley and Sue Sanderson to be noted. The election for representatives for the South and for the North would be held at the next meeting in July – Councillors Janet Duncton and Sue Sanderson respectively would be recommended by the Executive. The Unitary Vice- Chair position would be considered at the AGM in November.

2. **Notes of the previous Executive held on 18th January 2016**
   Accepted as a correct record.

Buses bill

- John Birtwistle updated the Executive on the current position of the Buses Bill. This includes four key elements: statutory Quality Partnerships, franchising, enhanced Quality Partnerships and improved provision of information.
- The bill has been through 2 readings in the House of Lords and reaches Committee stage in the House of Commons later this month. Legislation is intended to be in place by May 2017 when Manchester is due to take on additional powers to be enabled by the bill.
- There will be a full session on this topic at the RSN Rural Conference in September.

3. **To consider the revised statement as to the Financial Representational Service**
   Document approved to be sent out as a position statement to all Sparse Rural member Authorities.

4. **Pixel Financial Management Report**
   (1) The Report on Business Rates was noted and accepted.
   (2) Four Briefing Notes by Brian Wilson. These were felt to be of great value.They had already been sent out to members and (by Graham Stuart) to the Rural Fair Share MPs.
   (3) The short briefing note on the needs review was duly explained and accepted..
   (4) Graham Biggs madea verbal report on the work undertaken in identifying likely top up and tariff authorities – further work was to be undertaken.

5. **LG Futures Reports**
   The following were presented:-
   (a) A paper on foreseen cost drivers of Sparsity
   (b) A paper on the value of Sparsity and Density (the provision for density in the formula was some four times higher than that for sparsity)

(c) RSDG Distribution Methodology – various options had been evaluated and this work continued. The sums involved were intended to be on top of existing RSDG allowances for super sparse Authorities.

6. **DCLG/LGA Steering Group and Needs Assessment Working Group**
RSN were on the latter group. Work was ongoing from an intended new base. Consideration would also need to be given to new services that would be allocated to Local Government and the delivery cost factors that needed to be applied to them.

It was believed that the Secretary of State intended to use ex Environmental Minister Sir James Paice in a role for part of this process. A meeting (joint RSN/DCN/CCN) had taken place with him to keep him updated. It was thought the intention might be some form of political sounding board which Greg Clark may Chair himself.

7. **Working with DCN and CCN**
Graham detailed how the three Local Government groups were all seeking to work together identifying common issues where they could all commission work and lobby together.

8. **Budget Report 2015/16 and 2016/17**
This was presented and duly noted.

9. **Blue Skies Meeting**
The next Executive would be a Blue Skies meeting. It would be an all day session dedicated to establishing the necessary platform for stronger systems to operate to both identify and represent the rural voice across all English Local Authorities. The officers would prepare introductory papers for the Executive to consider and this important meeting would take place on Monday 26th September. All Executive Members were asked to attend if at all possible.

10. **Rural England CIC Update**

David Inman and Andy Dean detailed the current position setting out the role of the Stakeholders Group (30+ leading national Organisations with a rural interest plus individuals having a strong rural background) and of the Supporter Group some 30 private sector companies paying £500 per annum led by two core supporters First Bus and Calor Ltd contributing material sums of £17k between them. To undertake the full programme identified some 214 further supporters needed to be eventually identified. It was felt necessary that the group benefit for each group of companies participating needed to be indentified category by category. A recent meeting of the current existing infrastructure grouping (Water Companies and Energy Companies) had been successful in this regard.

It was stressed how this group's research, networking and best practice work was of interest to Local Authorities individually but it needed to be entirely separate from RSN's representational work.

The CIC was preparing to release its first report on the Vulnerable Elderly in rural areas.

11. **Rural Health Network**
Graham Biggs detailed work undertaken by a consultant into the establishment of a "refreshed" Rural Health Network. Her report would be circulated to members of the Executive the following day. If no contrary views were received within a week the Network would proceed on the following basis.

- A free network with quarterly bulletins available to all Directors of Health, Health and Wellbeing Boards and Health Watch Groups in member areas together with others interested in rural health. It was hoped to eventually extend this service to CCGs in member areas.
- A Conference to be held in London every January seeking to achieve a break even position on budgeted overall network costs.

12. **Rural Conference 2016**
    The Rural Conference 2016 would be held over a day and a half at the University of Gloucestershire on the 6th and 7th September. Some 20 people had currently booked at this fairly early stage. Around 50 delegates were needed for the event to break even.

13. Andy Dean reminded members of the Rural Housing Conference (this year organised on behalf of the Rural Housing Alliance by the National Housing Federation with support from the RSN rather than the RSN itself) taking place in London on Tuesday 12th July

100% BUSINESS RATES RETENTION: FREQUENTLY ASKED QUESTIONS

No.1 (June 2016)

What services will be devolved to local government in return for 100% retention?

The increase in retention from 50% to 100% will have to be fiscally neutral for the Treasury. To do this, new responsibilities will be transferred to local government.

A range of candidates has been proposed by the Government, which include a transfer of existing services and new responsibilities (the long-list is worth about £14bn). Criteria for assessing transfers of grants and new responsibilities has been agreed.

Potential existing funding streams could be (i.e. would be funded from business rates rather than general taxation):

- Highways maintenance, integrated transport block (*upper tier*).
- Housing benefit admin subsidy and council tax support admin subsidy (*lower tier*).
- Public Health grant (*upper tier*).
- Improved Better Care Fund (*upper tier*).
- Independent Living Fund (*upper tier*).

Potential new responsibilities could be:

- Skills, including adult education, careers and further education.
- Welfare, including benefits that are additional to core national benefits and focussed on helping people back to work.
- Improving communities.
- Youth Justice Boards.
- Bus Services Operator Grant.
- Valuation Services.

Most of the potential new responsibilities would be "upper tier", which suggests the increase in retention will mostly be for upper tier authorities.

Will every authority receive the same new services?

The Government is looking at two alternatives: same devolved services for all and bespoke, particularly for devolution deals. Pilots are being operated in London, Greater Manchester and Liverpool to explore how 100% retention would work with different services.

In making a decision, the Government will need to balance consistency vs local circumstances; complexity vs simplicity and transparency; and whether a system with different devolved services in different areas is possible to operate. Our view is that most services that are devolved will be common across the country, and that there will only be a few bespoke arrangements (such as GLA Capital Grant in London).

Will district councils' share of business rates increase?

District councils currently retain 40% of the rates (with counties 9%, fire 1% and central share 50%). An increase in the retention rate for district councils will depend on:

- Services that are devolved and whether they are for district or upper tier (or another purpose such as infrastructure).
- Whether business rates risk for district councils is already too high and whether it can be increased (already significant for some districts e.g. Uttlesford, Crawley).
- More broadly, Government view about who has responsibility locally for business development, infrastructure etc.

Our view is that there is likely to be some increase in the share for districts but the lion's share of the increase in retention will be for upper tier authorities. A doubling of the retention rate for districts (to 80%) seems very unlikely. There is even a risk that districts' retention rate could reduce if Government decides to match retained rates with new and existing responsibilities.

This would have no effect in single-tier areas (Mets, Unitaries, Boroughs).

Will there be a change in the rules for renewable energy?

Currently local authorities retain 100% of any growth in business rates for renewable energy and for 25 years. The current review is bound to look at this arrangement again. There is no guarantee that the same rules will stay in place in future years, but we would expect any existing growth to be honoured.

How will an authority's business rates baseline be created?

In 2013-14 the baseline for each authority was created by apportioning the Estimate of Business Rates Aggregate (EBRA) based on the two-year average of business rates collected.

If the business rates baseline is reset in 2020-21, then a two-year average would be based on 2017-18 and 2018-19 (i.e. the last two outturns that will be available when the baseline is confirmed in early 2020).

Other alternatives would be to have anywhere between a 5-year average (which would start in 2014-15) or even only a one-year figure, e.g. only 2018-19 itself.

Authorities with growth will want to the average to be taken over a longer period.

What is the Estimate of Business Rates Aggregate (EBRA)?

EBRA was the Government's estimate of the amount of business rates that local government would be able to collect. It was used to create the 2013-14 business rates baseline.

It consisted of:

- Notional local list yield
- Reliefs
- Cost of collection and losses on collection
- City of London offset
- Calibration adjustment
- Transitional protection
- Enterprise Zones
- Appeals adjustment

If you want more information we can send you our briefing from 20 December 2012.

What happens if my authority's business rates baseline is misstated at the reset or following revaluation?

In the operation of the system to date the DCLG has not allowed any retrospective changes to the baseline for specific "errors" or even to correct for administrative changes, such as transfers between the local and central list.

The DCLG appears to be softening this line in the design of the new system. Potentially the baseline will be adjusted for the impact of appeals, and there will be similar adjustments for administrative changes. Other adjustments are unlikely for specific issues that an authority encounters.

What will happen to appeals after revaluation or the reset?

If local authorities continue to be responsible for the cost of successful appeals, then the changes should be limited. Authorities will continue to estimate future losses, and continue to operate a provision. The key issues for authorities will be:

- The adjustment that the Government makes to the baselines in respect of appeals losses (in 2013-14 every authority had their baseline reduced by 3.3% adjusted for the losses since 2010-11).
- Estimating losses on a new rating list with no past trends to use.

It is much less clear what will happen if the Government decides to nationalise losses from appeals. It will considerably reduce the risk that authorities are faced with, with an authority's baseline being adjusted for any appeals (Appeals Risk). But if the Government takes responsibility for all appeals (on both the 2010 and 2017 lists), will they also want the balance on the provision, or a part of it?

Is there a risk that there will be pressure on authorities to reduce the multiplier? Is there any protection from a competitive "race to the bottom" between authorities?

The main constraint on reductions in the multiplier will be cost and affordability. In its latest papers, the DCLG does not appear minded to put in any protections against competitive reductions; any such protections would be very complicated.

In our view, it is more likely that there will be pressure to increase the multiplier in order to pay for investment in infrastructure. Where there are reductions, these are more likely to be selective and to use reliefs. It is arguable that reliefs are a more effective and affordable way of incentivising business rate and economic growth.

What is the future role of the safety net (i.e. will the Government step in)?

Based on the discussion to date in the Review, all parties are agreed that some form of safety net should continue, and that it should be set at a similar level (i.e. 92.5% of Baseline Funding Level).

A number of ways of funding the safety net have been considered; currently it is notionally funded by the levy, which will not exist in the 100% system.

How is the assessment of need undertaken?

A full review of Need is being undertaken, with consideration of each service and the main service drivers. We would expect the review to consider a wide range of detailed technical papers from various representative groups. Some of the key principles to be considered:

- Should unmet need be included in the distribution of resources?
- Should future funding be based on past spending patterns? And if not, what should they be based on?
- Should there be flat per-head or per-client funding for some or all services?

In practice, the assessment of need will be a combination of technical work (led by the civil servants) and a political decision about how resources should be allocated across the country.

Is there likely to be rate-retention at regional or city-region level?

This is certainly a possibility. It would address a number of the issues that are being considered by the review:

- Risk – volatility and reductions in rate income could be pooled across a wider area
- Devolution – it would support the devolution agenda and support the potential for devolved areas to invest in local infrastructure
- Tax flexibilities – decisions about increasing or decreasing the multiplier could be taken (and paid for) at the combined authority level

Operating rate retention at this level would raise a number of other questions, particularly about how resources, growth and costs would be allocated across the devolved area. Strong governance would be required to support these decisions.

What is proposed for the central list – specifically major sources of RV such as power-stations, TATA, major industry and the impact of Government policy decisions on local business rate yields (i.e. steel industry; energy)?

The current split between the local and central list is currently arbitrary (for instance, some power-stations are on and others off the central list). The Government is minded to move towards are more standardised approach with more of the larger hereditaments moved to the central list.

Overall this will reduce the risk that is experienced on local rating lists, where over the past few years changes in the RV for some of these very large hereditaments has had a major impact on local business rate income.

For some authorities, losing their largest hereditament to the central list will also reduce their ability to grow.

What role will Enterprise Zones have in the future retained-rates system?

We would expect the current arrangements for EZs to continue: i.e. for growth to be retained for 25 years. New Development Deals (NDDs) have been enacted through secondary regulation.

Is there a trade-off between land use for businesses (i.e. BRs) and housing (i.e. council tax)?

There is a trade-off between generating tax revenues from residential or business use. The trade-off will have to take into account:

- Additional gross tax revenues from the site (i.e. tax yield per square metre)
- Retention rates and future resets (e.g. how much of the growth in taxation revenues will the council be able to keep, and how often are there resets where any growth is equalised and shared with other councils?)
- Additional services required (there will be more services required for residents than for businesses)

Adrian Jenkins/ Dan Bates

Pixel Financial Management Ltd

Funding Advisory Service (FAS)

June 2016

PIXEL FINANCIAL MANAGEMENT