

# Closing the Funding Gap between Rural and Urban England

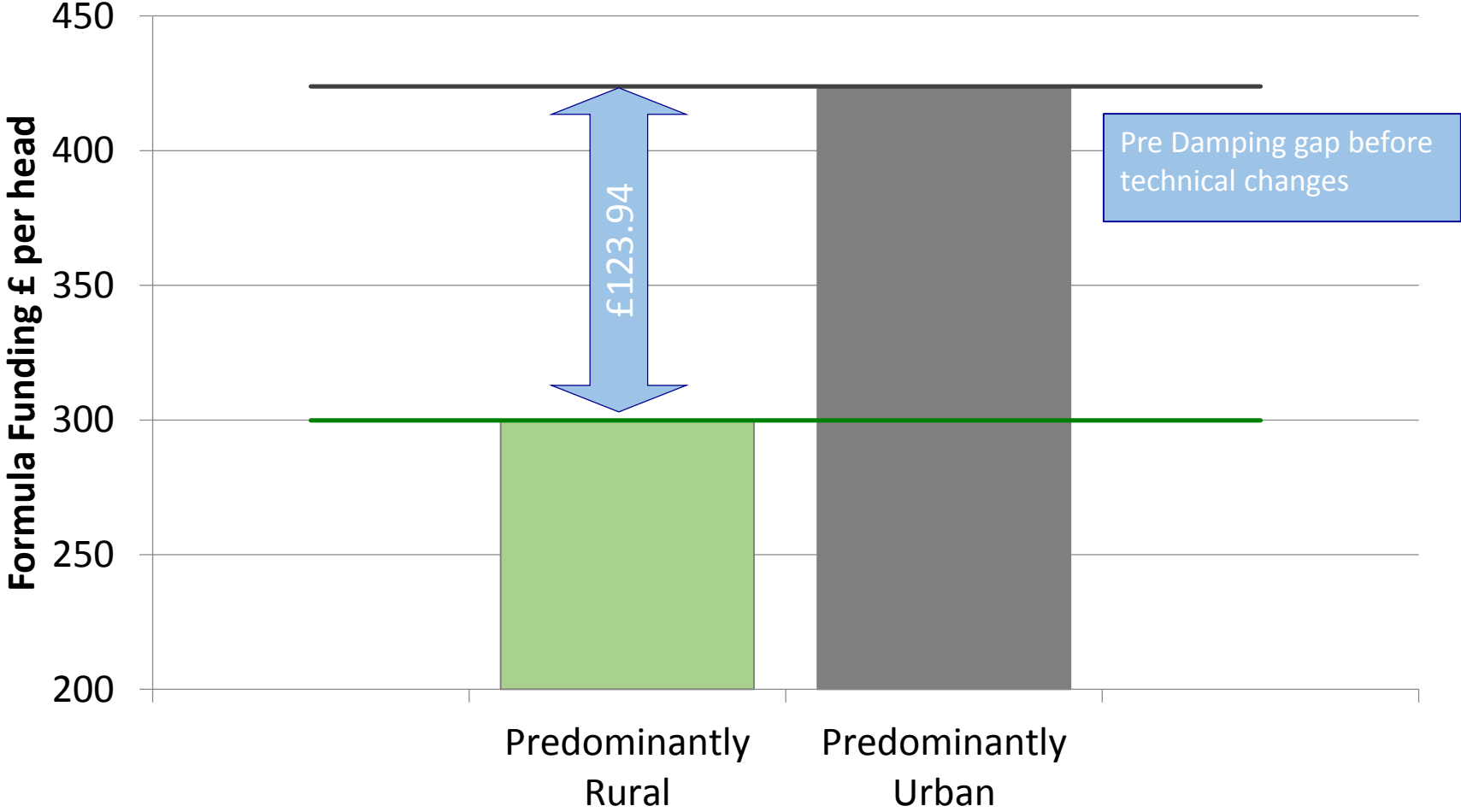
# Closing the Funding Gap between Rural and Urban England

- Past: Timeline of the Fairer Funding Campaign
- Present: Where are we today? Analysis of 2015/16 position
- Future: Where to go from here?

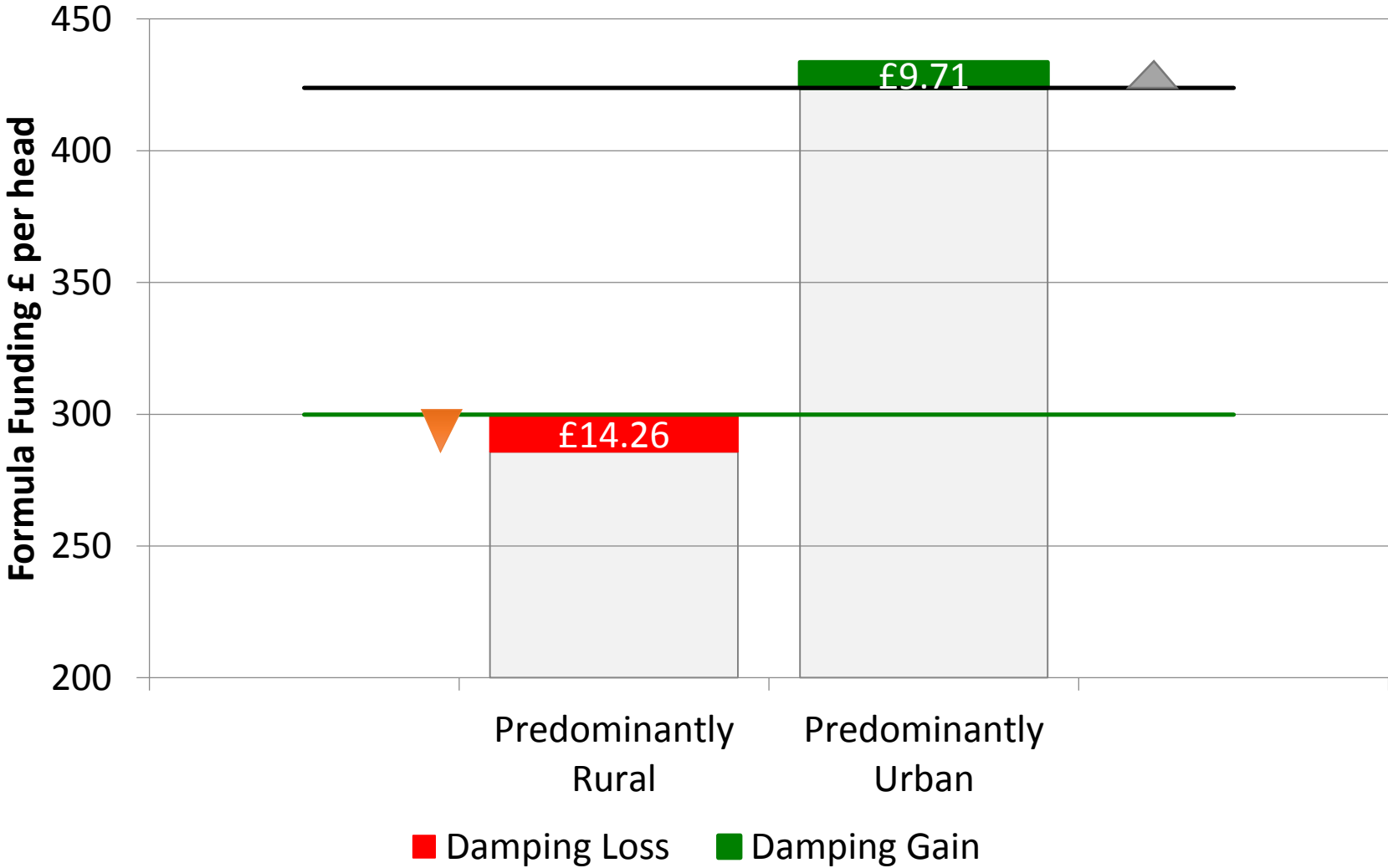
# Once upon a time ...

- May 2010 – New ‘rural friendly’ coalition government!
- July 2011 – Technical consultation on Localised Business Rates issued
- ✓ For perhaps first time, massive response from rural authorities
- January 2012 – First coalition settlement shows extent of the problem

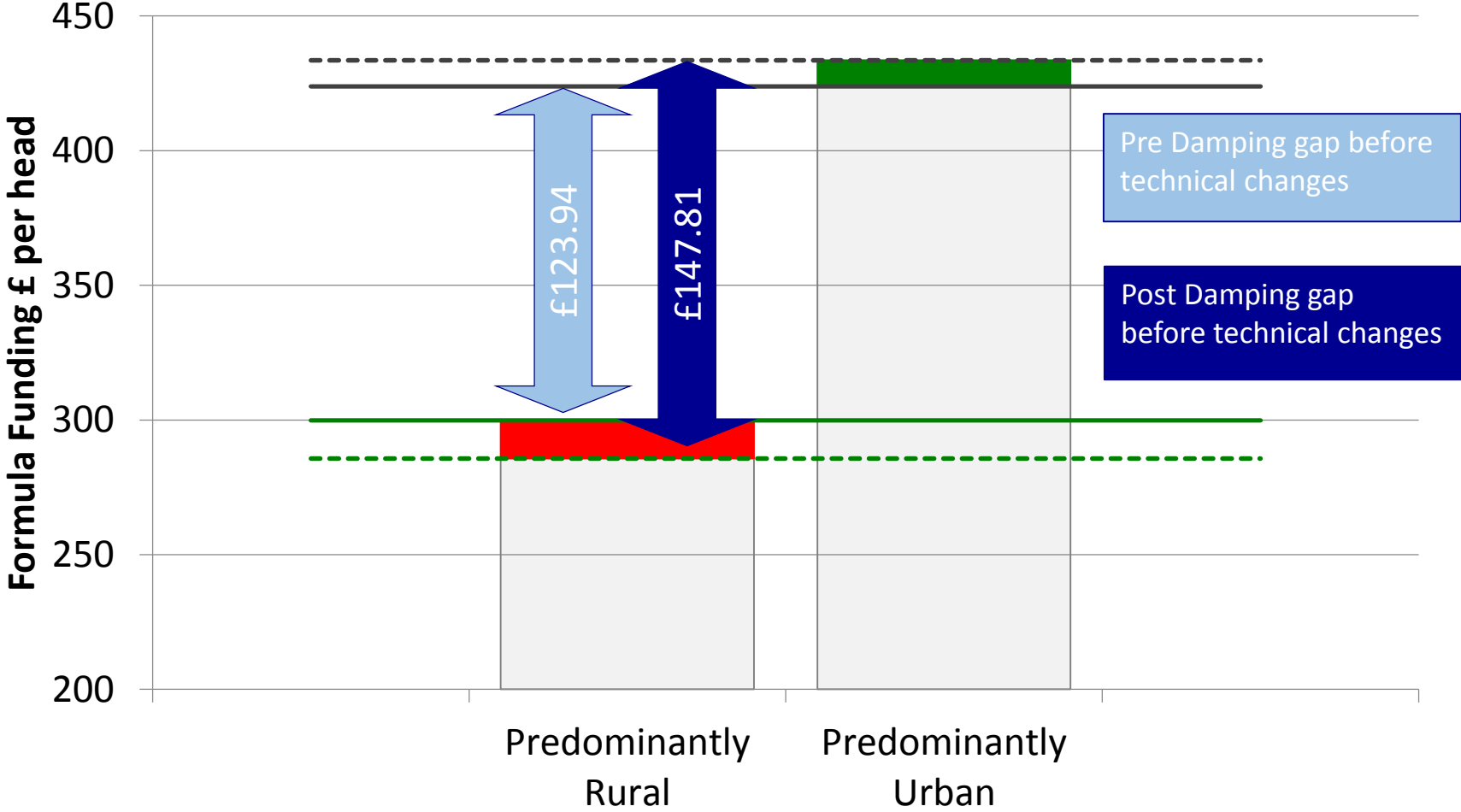
# Formula Funding 2012/13 – pre-damping



# Formula Funding 2012/13 – the impact of damping



# Formula Funding 2012/13 – the impact of damping



# The Case for Fairer Rural Funding

- ✗ Large gap between funding per head in rural and urban areas
- ✗ Due to massively higher weights given to density factors over sparsity factors in the needs assessment
- ✗ Made worse by damping

But

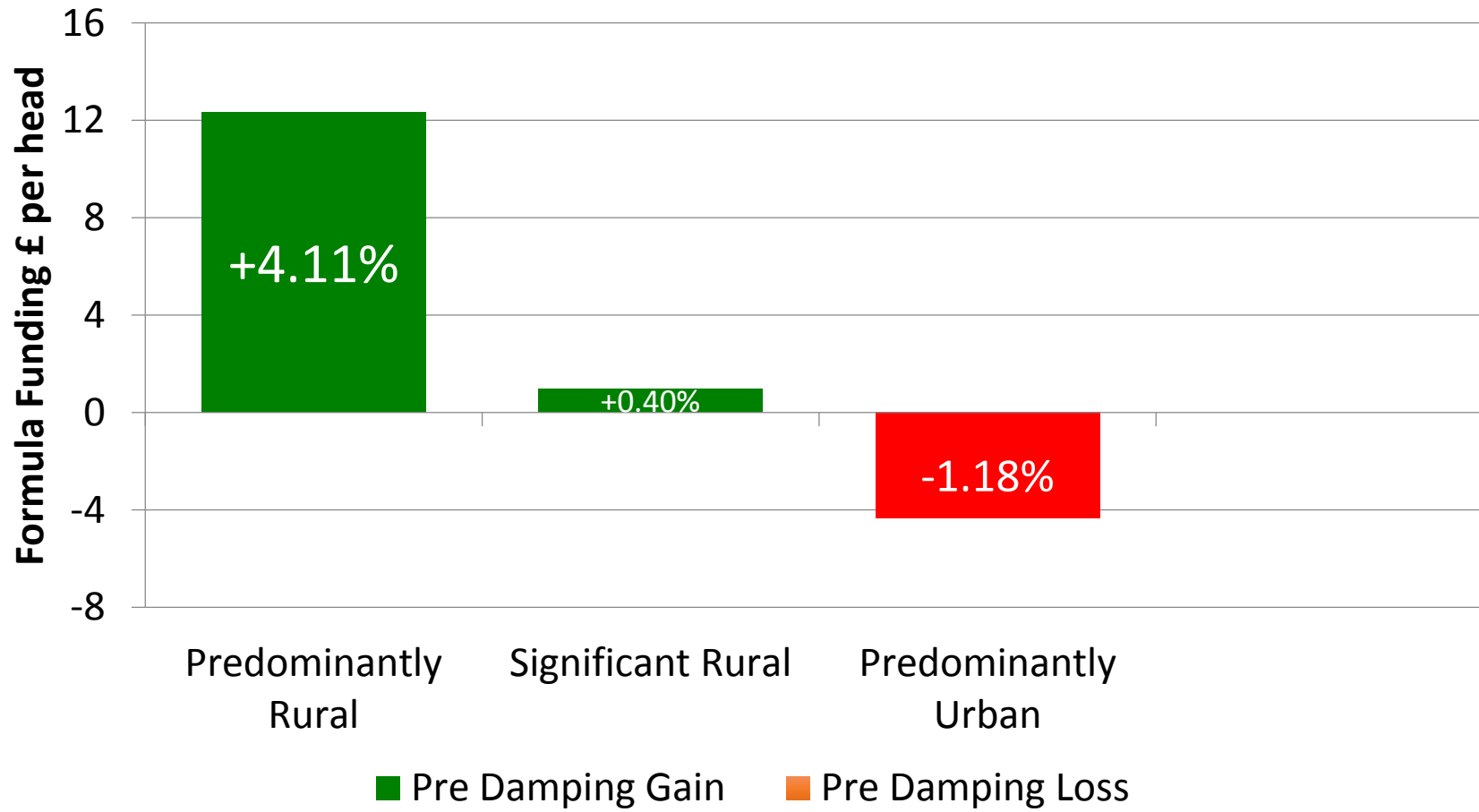
- ✓ For perhaps first time, massive response from rural authorities
- ✓ In July 2012, the Government acknowledged 'cost of rural service' for the first time

# The story so far...

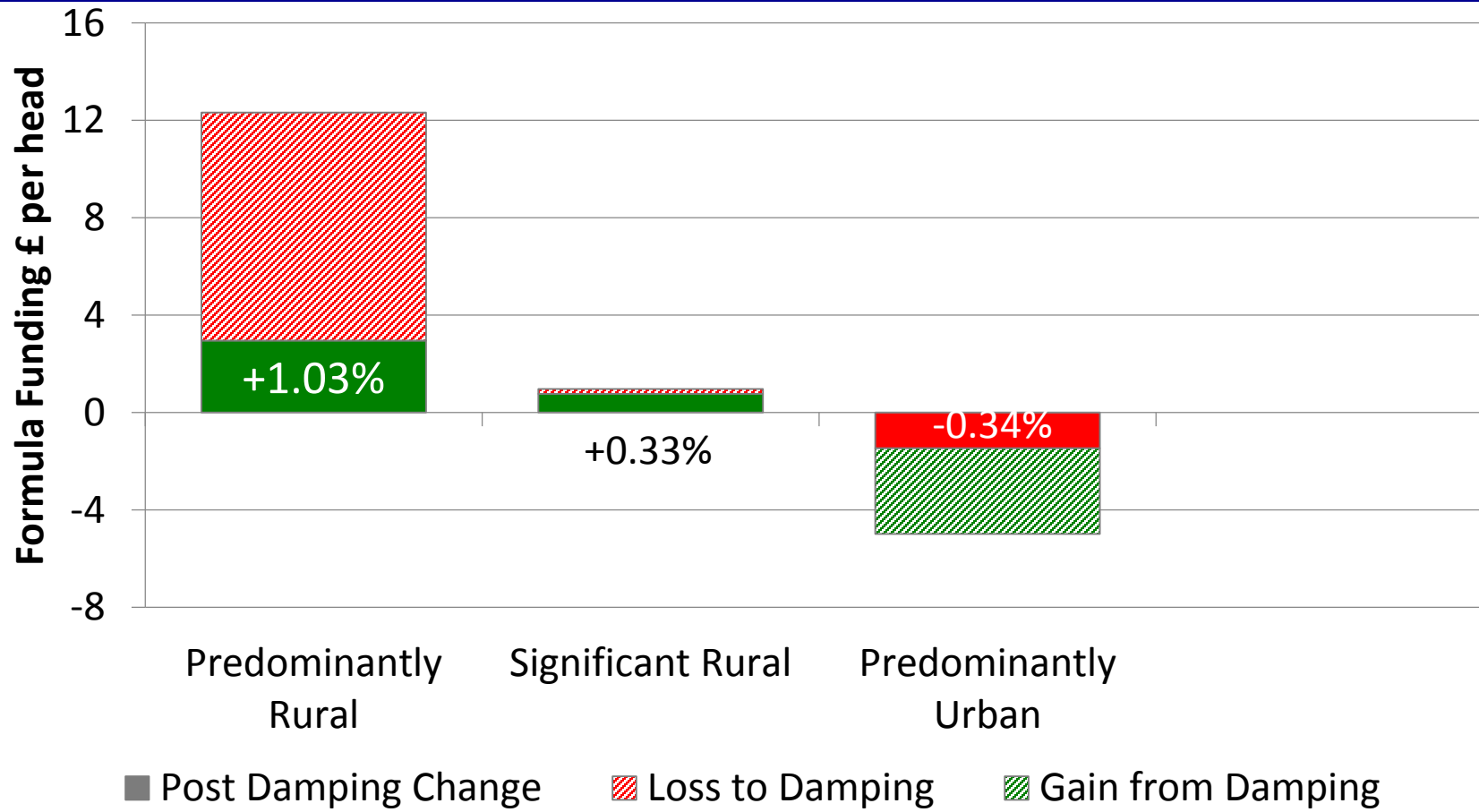
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Average £12.32 (4.11%) gain for predominantly rural areas compares with £4.99 (-1.18%) loss in predominantly urban areas



About ¾ of technical changes gain is damped away in order to pay for reducing the impact on urban areas



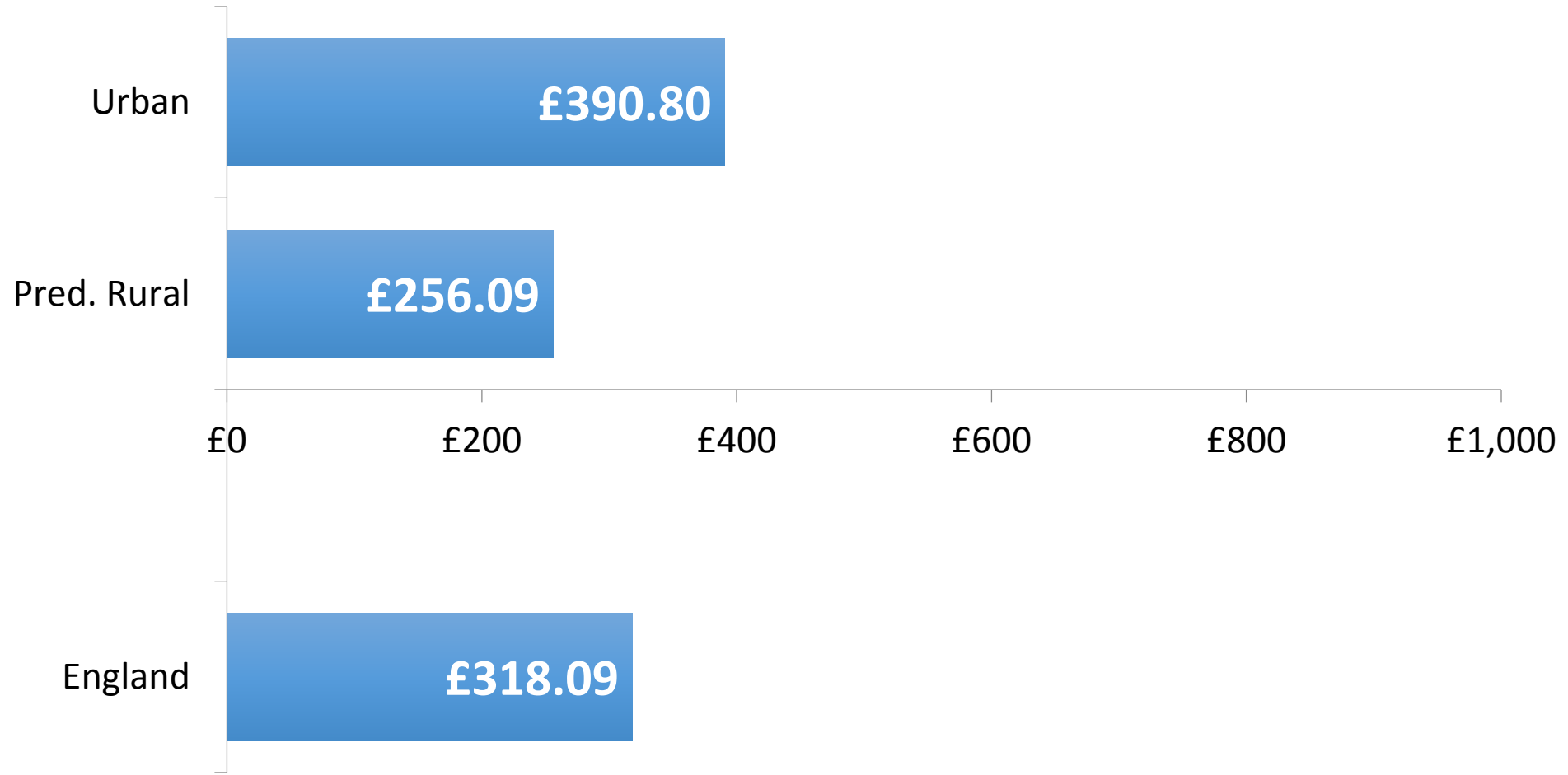
About  $\frac{3}{4}$  of technical changes gain is damped away in order to pay for reducing the impact on urban areas

- £255m of pre damping rural gains
- £68.5m of post damping rural gains

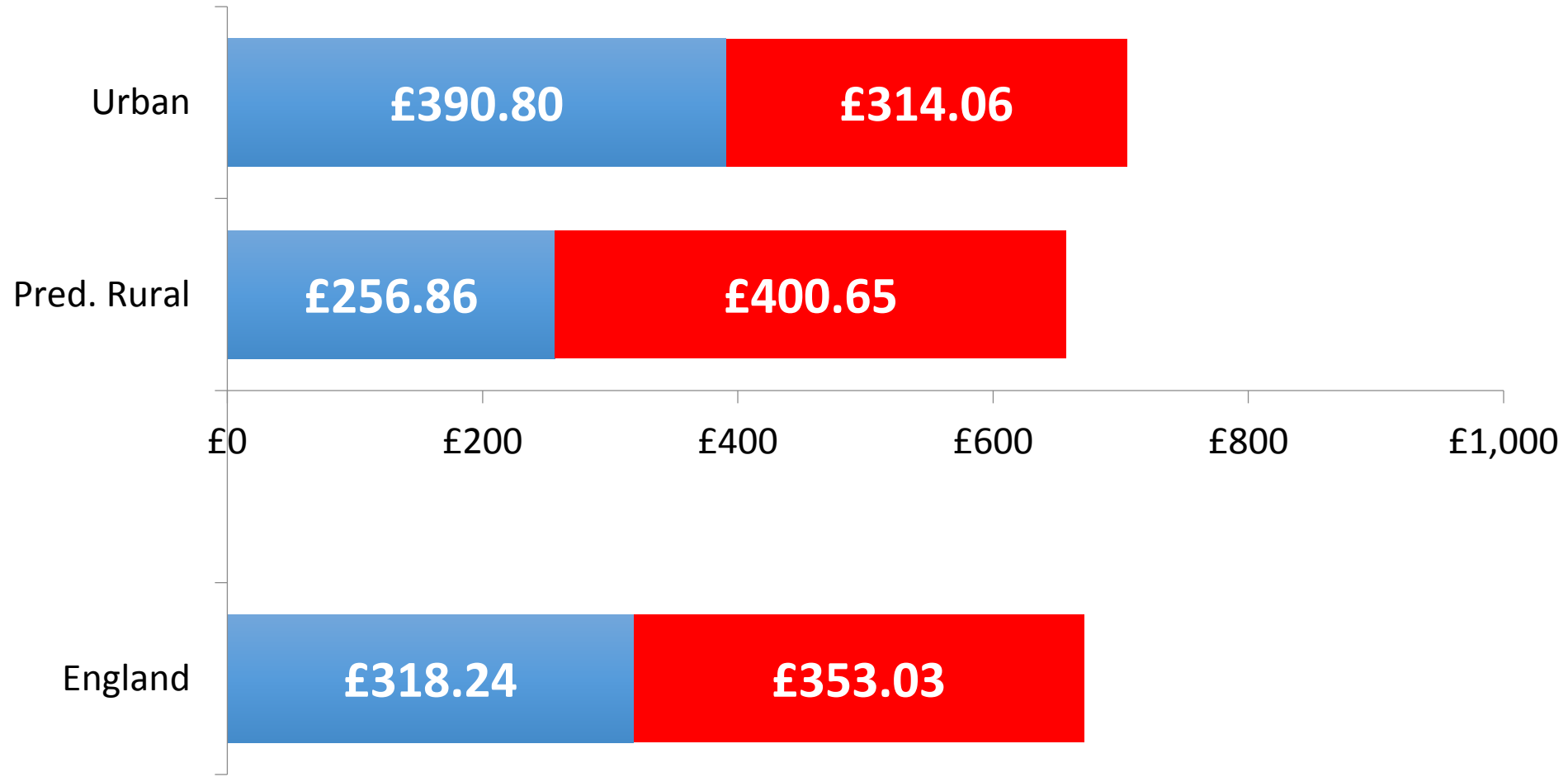
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- July 2012 – Technical consultation includes changes to sparsity weightings as main proposed changes
- December 2012 - 13/14 provisional settlement released with rural gains but as with consultation, damping significantly wipes out gains
- ✓ Significant involvement of MPs and Graham Stuart’s Rural Fair Shares Campaign

# 13/14 Final Settlement: Formula Grant is considerably lower per head in rural areas than urban areas (by about £135)



# 13/14 Final Settlement: Council Tax is significantly higher per head in rural areas (by about £85)



# The story so far...

- January 2013 – 13/14 Final Settlement
  - ✓ Significant political pressure from coalition MPs and Daily Telegraph article
  - ✓ Government introduces £8.5m ESSSA grant (Efficiency Support for Services in Sparse Areas)
  - ✗ Despite this, rural authorities received a larger cash reduction in Government funding than their urban counterparts

# Fast forward one year...

- January 2014 – 14/15 Final Settlement
  - ✓ Government increases ESSSA to £9.5m at the December provisional settlement
  - ✓ More political pressure results in this increasing to £11.5m by the time the final settlement is announced
  - ✓ But by now the large cuts in SFA are shared equally between all authorities, locking in the 13/14 rural damping losses and effectively maintaining the urban / rural inequality
- Commitment to DCLG/Defra study on costs of providing services in rural areas



# Defra / DCLG Study

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

- Frustrating conclusion that rural penalty exists but that insufficiently consistent and robust data to credibly quantify and model this
- Limited commitment by outgoing Minister to pick this up in next Parliament
- We need to build on this commitment early in the new parliament

# The Present – 2015/16

- January 2015 – 15/16 Final Settlement
  - ✓ Government increases RSDG (formerly known as ESSSA) to £15.5m at the December provisional settlement
  - ✗ But by now the large cuts in SFA are shared equally between all authorities, locking in the 13/14 rural damping losses and effectively maintaining the urban / rural inequality
  - ✗ Urban receives £130 per head more SFA than rural in 15/16
  - ✗ Council Tax £81 pre head more in rural areas

# The Present – 2015/16

- January 2015 – 15/16 Final Settlement
  - ✘ The Gap has narrowed but not by much! It is still 45%
  - ✘  $\frac{3}{4}$  of rural gains still locked up in damping
  - ✘ Council Tax remains higher in rural areas
  - ✘ RSDG, as welcome, as it is accounts for about a quarter percentage point of Spending Power
  - ✘ Business rates retention unlikely to improve the position
  - ✘ Equal cuts + lower starting points = burning platform in rural areas

# The Future – 2016/17 onwards – success factors

- ✓ Rural Authorities are now engaged and active in the process
- ✓ Very strong political representation
- ✓ Reasonably (!) open door from the Government – possible future research into rural cost drivers
- ✓ Unprecedented acknowledgement of cost of rural services (if very little action yet to address this)
- ✓ Successful media campaign
- ✓ RSDG exists – its small but capable of growing!

# The Future – 2016/17 onwards

- Issues
- Reset due in 20/21 – this is when the old four block model will be recalibrated (including needs and damping)
- 10% reductions in main SFA funding throughout next parliament
- RSG is fast disappearing ... and
- ... being replaced by localised business rates targets

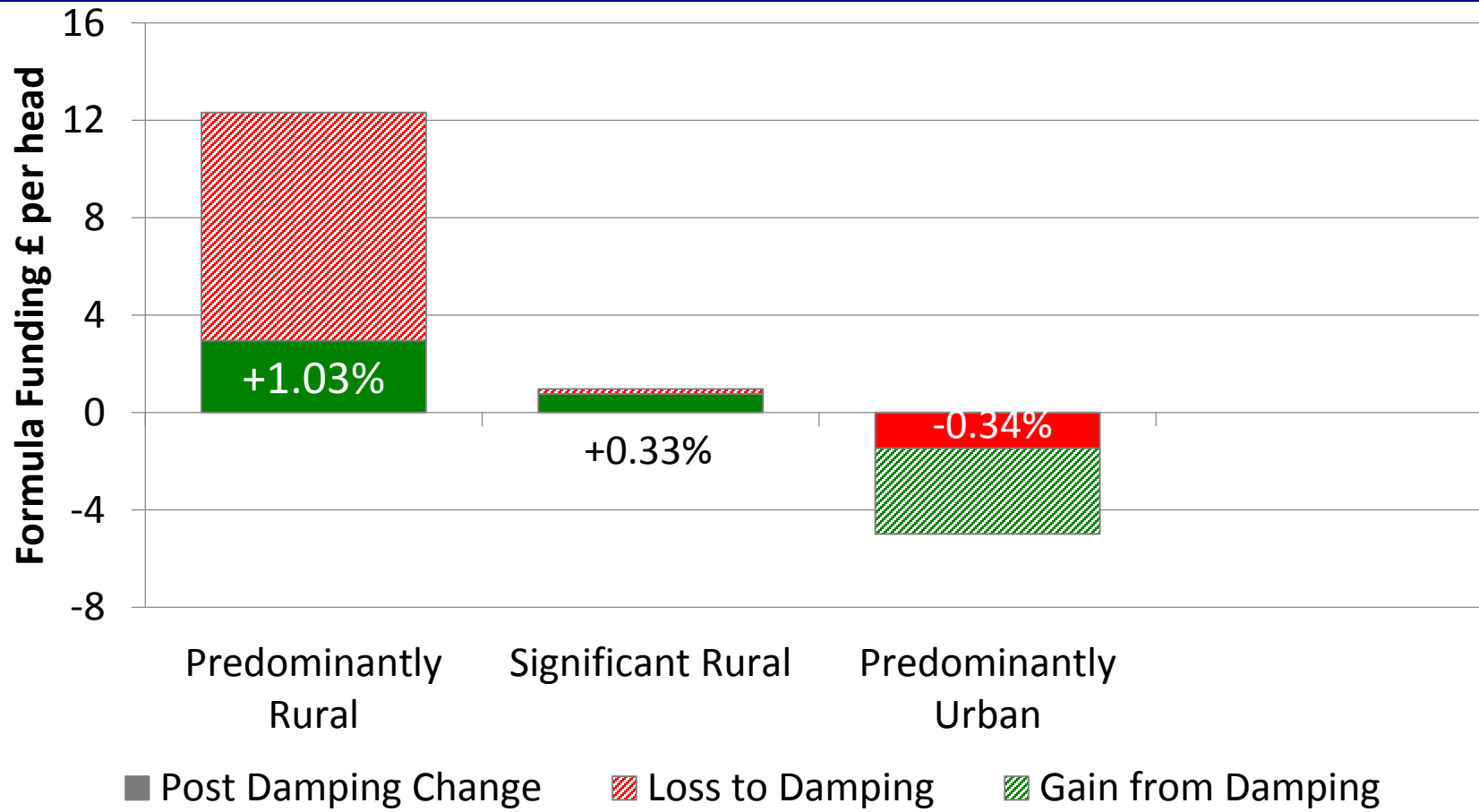
# The Ask

- The residual amount of Revenue Support Grant (**estimated by us to be £130m**) left to be allocated in cash terms based on the (pre-damped) amount of £255m exemplified by the Government in 2012 (through DCLG) as being due to authorities as a result of increases made in the sparsity adjustments to the formulae be paid now through a Rural Service Delivery Grant mechanism.
- The amount of the £130m to be allocated to individual **rural** Local Authorities and Fire and Rescue Services be in direct proportion to that shown in the exemplified distribution of the £255m in the Summer 2012 Consultation to all the **rural** authorities/services listed in that consultation document.

# The Ask

- Greater share of any growth in business rates taxbase for rural authorities
- **GIVE US WHAT YOU OWE US!**

About ¾ of technical changes gain is damped away in order to pay for reducing the impact on urban areas





# Will the campaign be successful?

- Direction of travel – momentum
- Look at past success factors
- Needs a continued focus
- It's a numbers game
  
- Over to you!