

Fair Funding and Rural Areas

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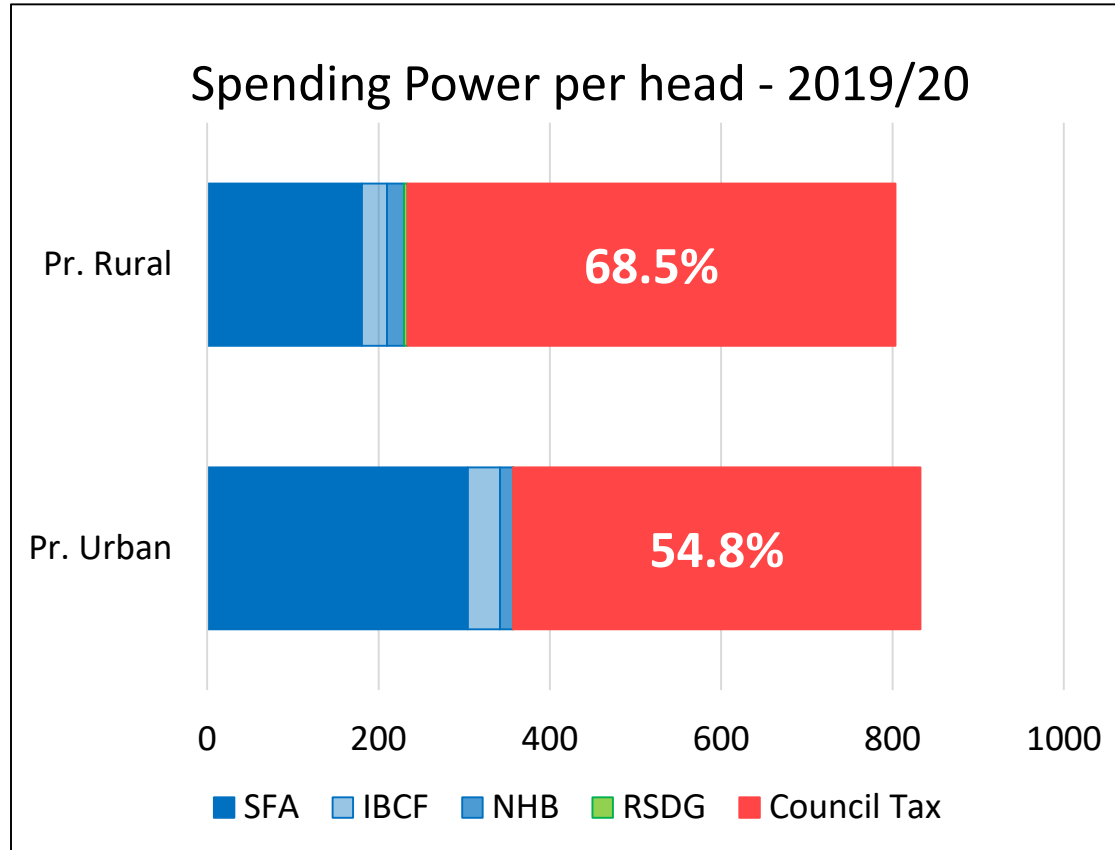
Agenda

- Are rural local authorities fairly funded? – quick look Spending Power, Council Tax and Reserve Levels.
- A look at the 2013/14 Local Government Needs Formula (last time grant levels were set according to need)
- Fair Funding Review
- RSN / CCN research for Fair Funding Review
- What can you do?

Context –last two parliaments

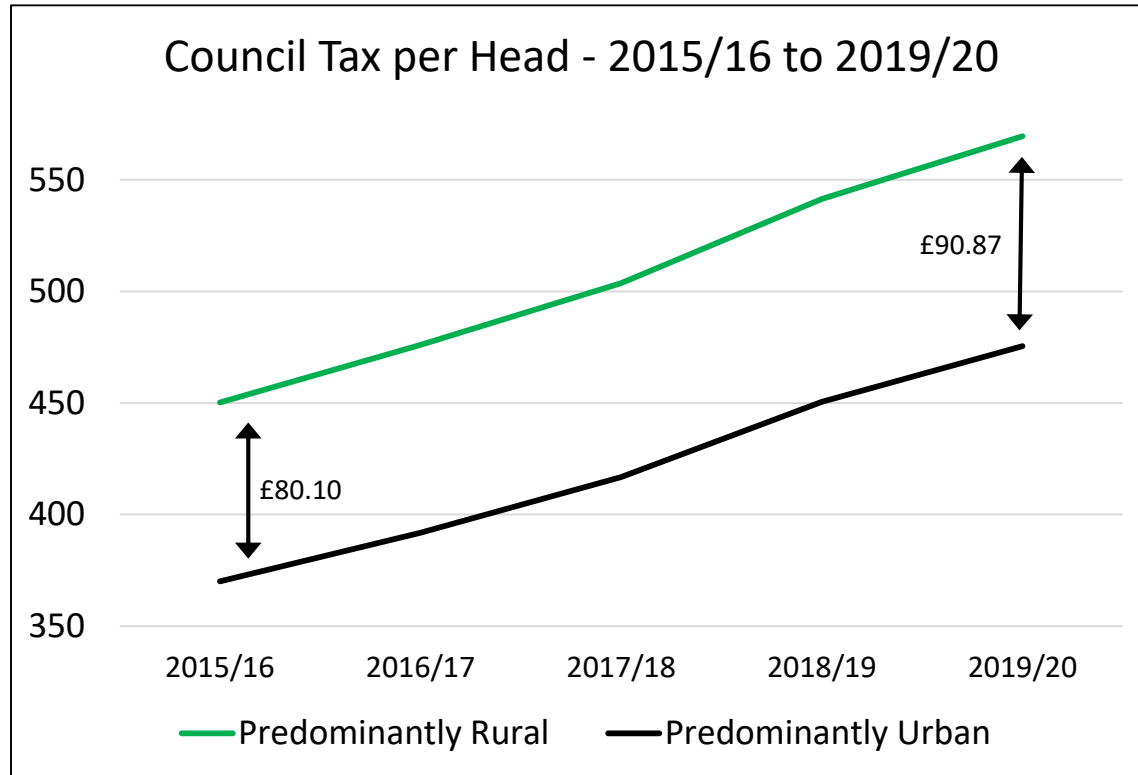
- Historic underfunding for rural authorities from successive Governments
- Partially recognised in 2012 – sparsity weighting increased.
- But three quarters of the gains were damped away and then frozen in the system from 2013/14 until 2019/20
- Rural case recognized by introduction of Rural Services Delivery Grant (RSDG) which has increased steadily over the years.
- However, despite this, Spending Power analysis shows rural authorities no better off

Spending Power per Head – 2019/20



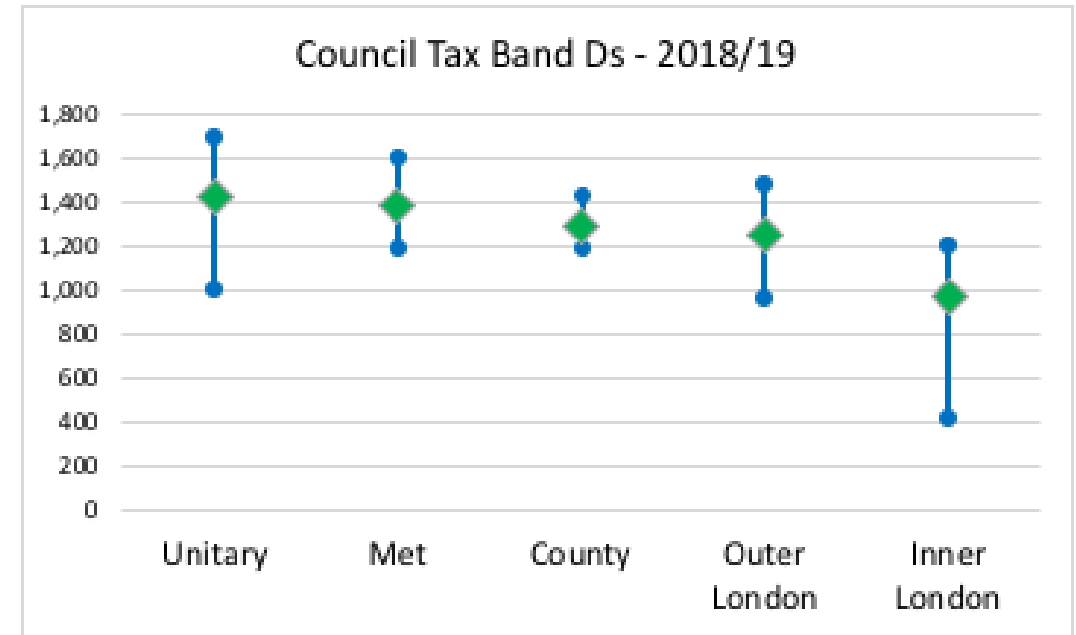
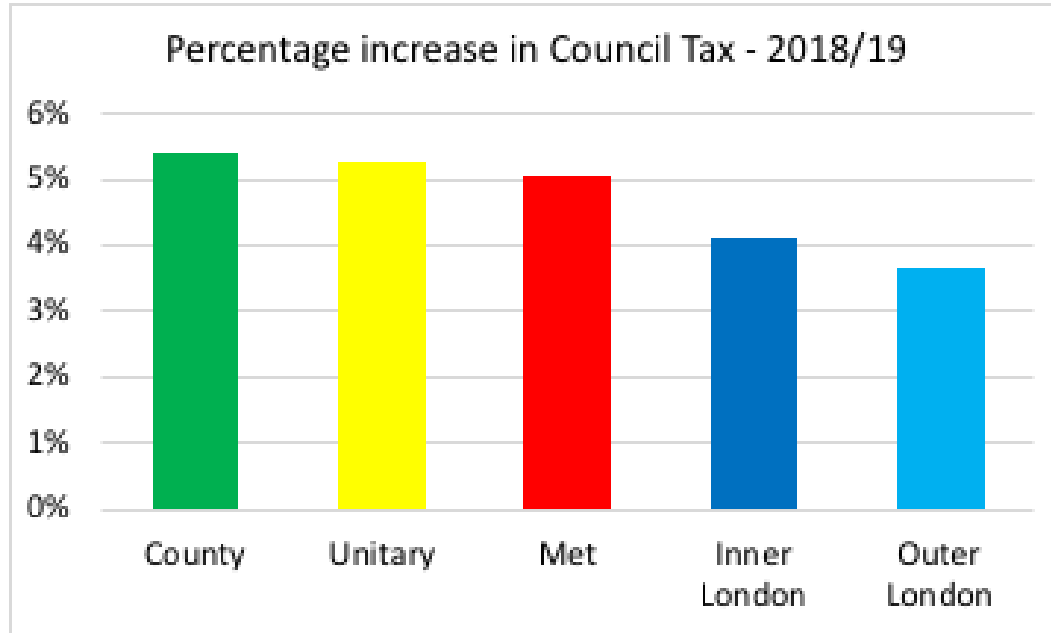
- Urban authorities get half as much again more Settlement Funding Assessment than do rural authorities.
- A much greater proportion of Spending Power in rural authorities is funded by taxpayers.
- Despite this Spending Power remains higher in urban areas.

Council Tax per Head – 2019/20



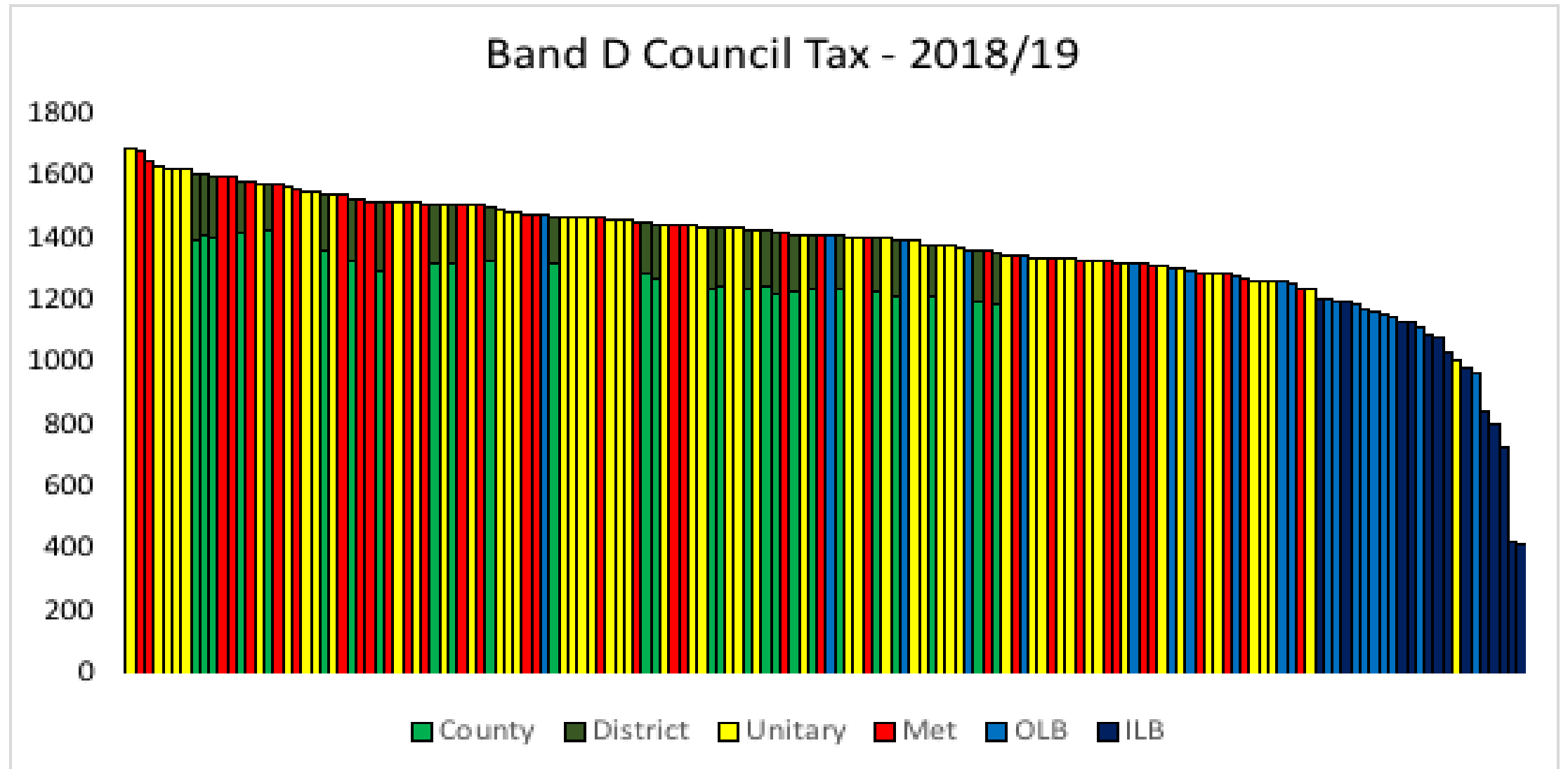
- The amount more per head which rural residents pay in Council Tax has increased from £80.10 in 2015/16 to £90.87 in 2018/19.

Council Tax in 2018/19

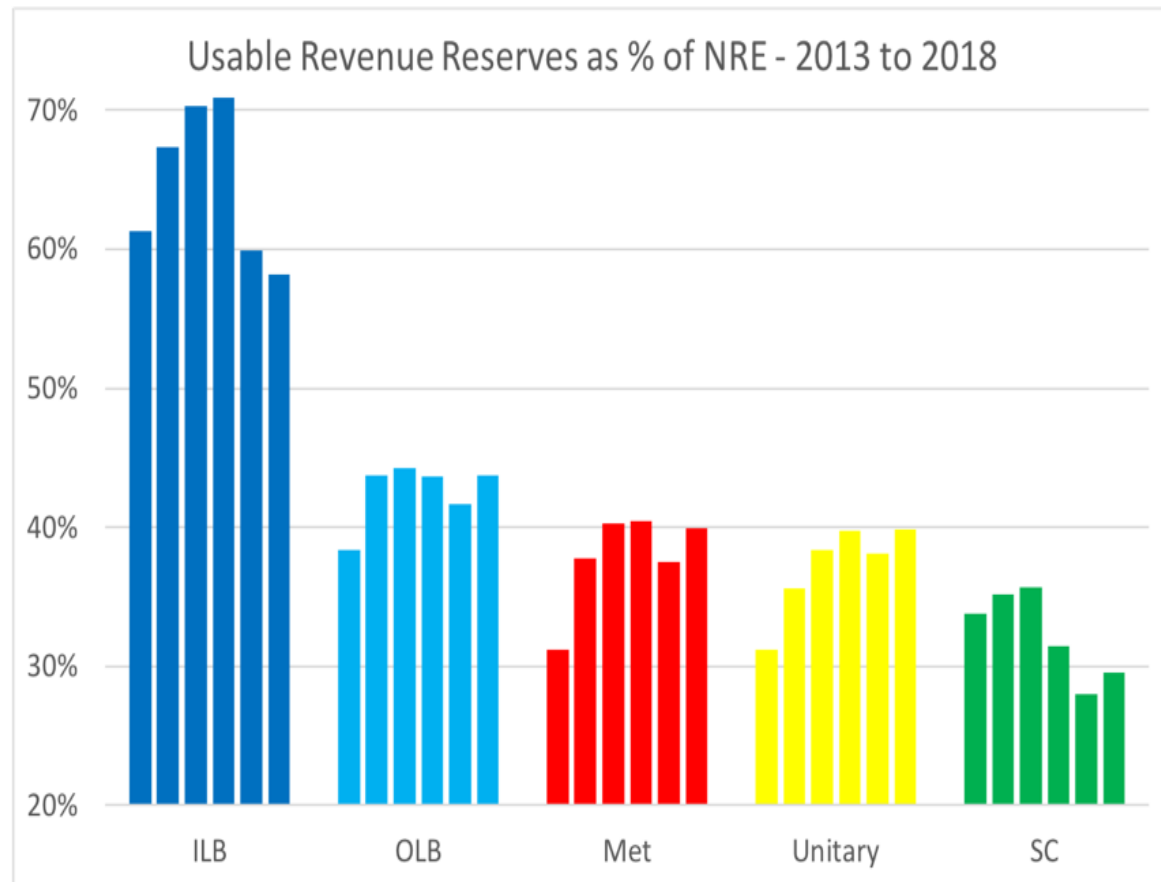


- Newham, Kingston-U-T and Hammersmith and F froze Council Tax in 2018/19. Band D in Westminster is £415.04, Wandsworth £428.42, Average Shire County £1,291.17

Council Tax in 2018/19



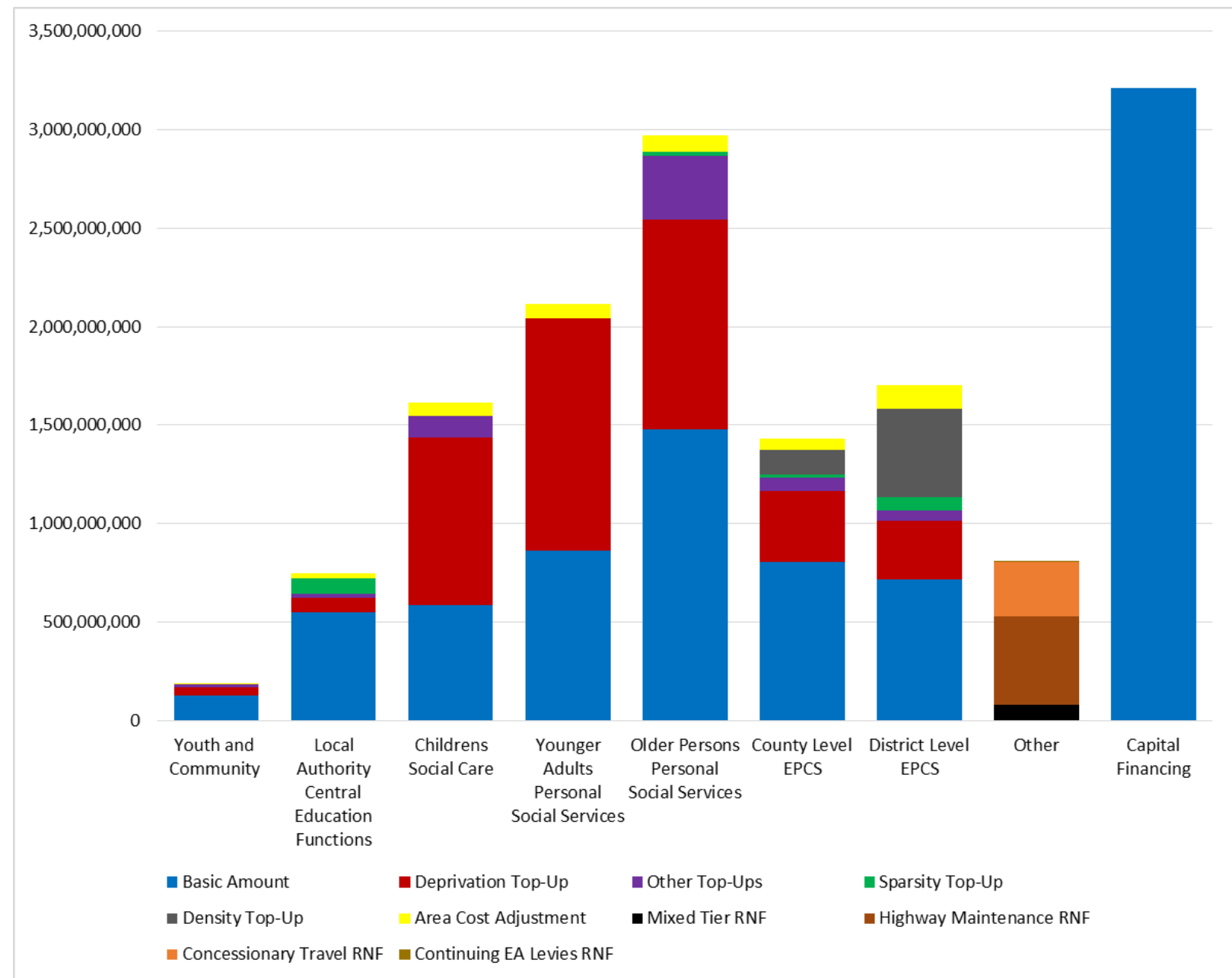
Usable Revenue Reserves



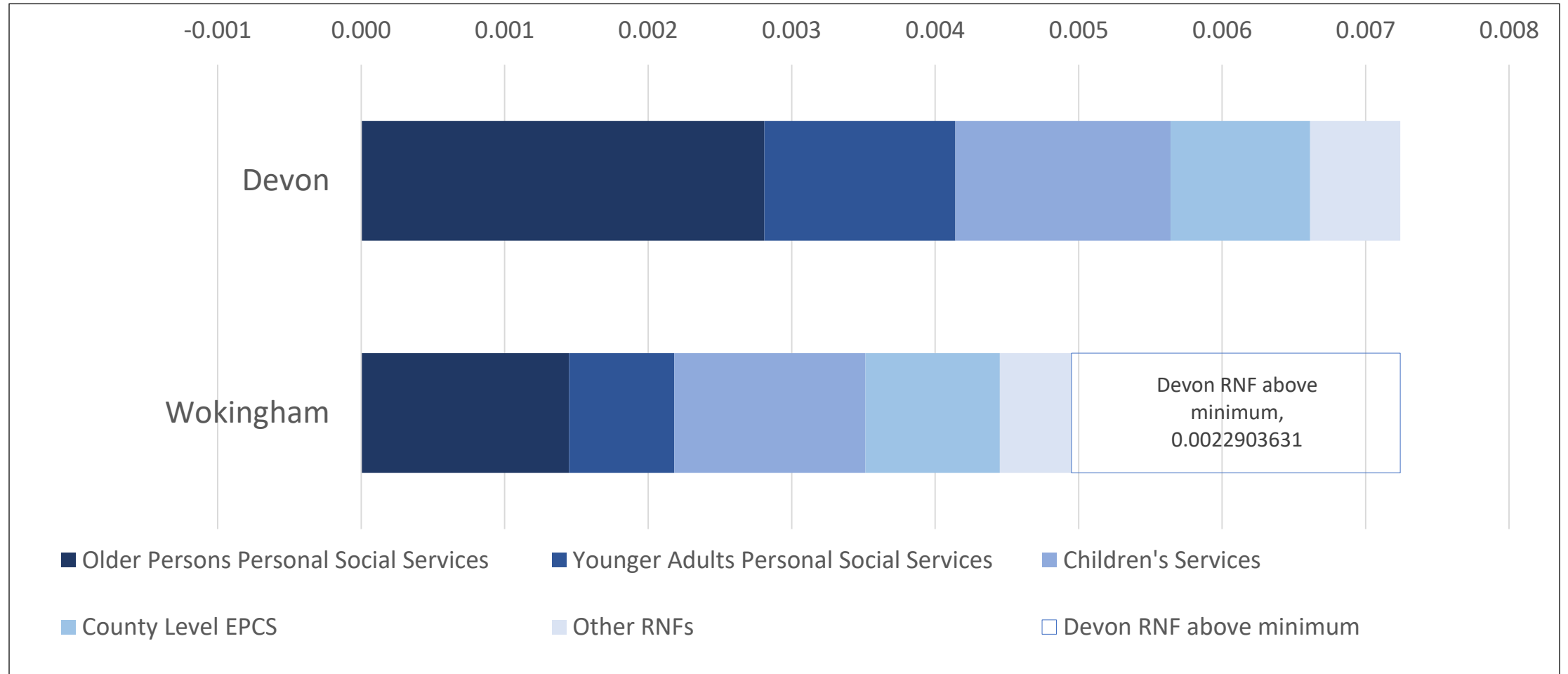
- Usable revenue reserve levels as a percentage of net revenue expenditure are significantly lower and depleting at a faster rate in Shire Counties.

2013 Relative Needs Formula

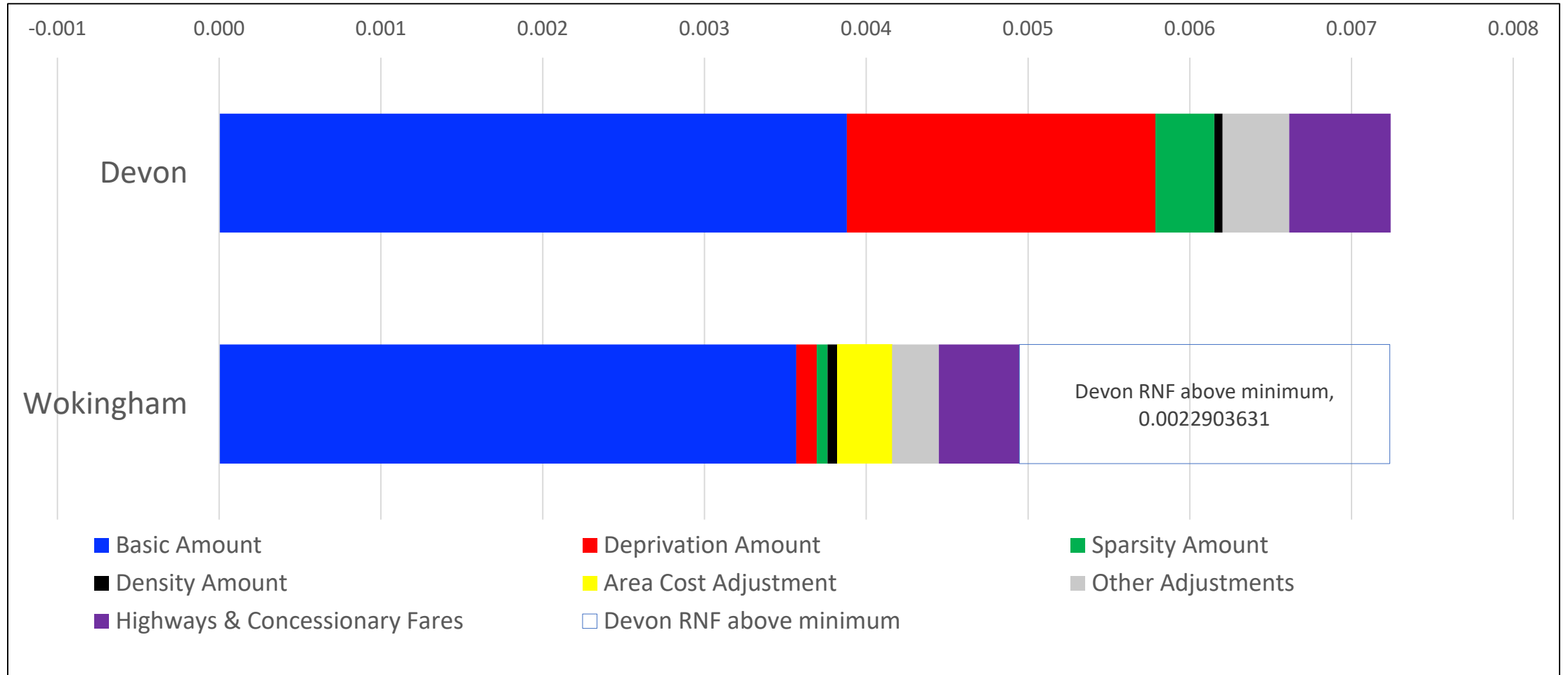
- Last time funding was calculated according to assessed needs
- Fair Funding consultation uses this as a starting point
- So need to understand how the formula works in order to maximise impact of response to Fair Funding consultation



2013 Relative Needs Formula: Devon



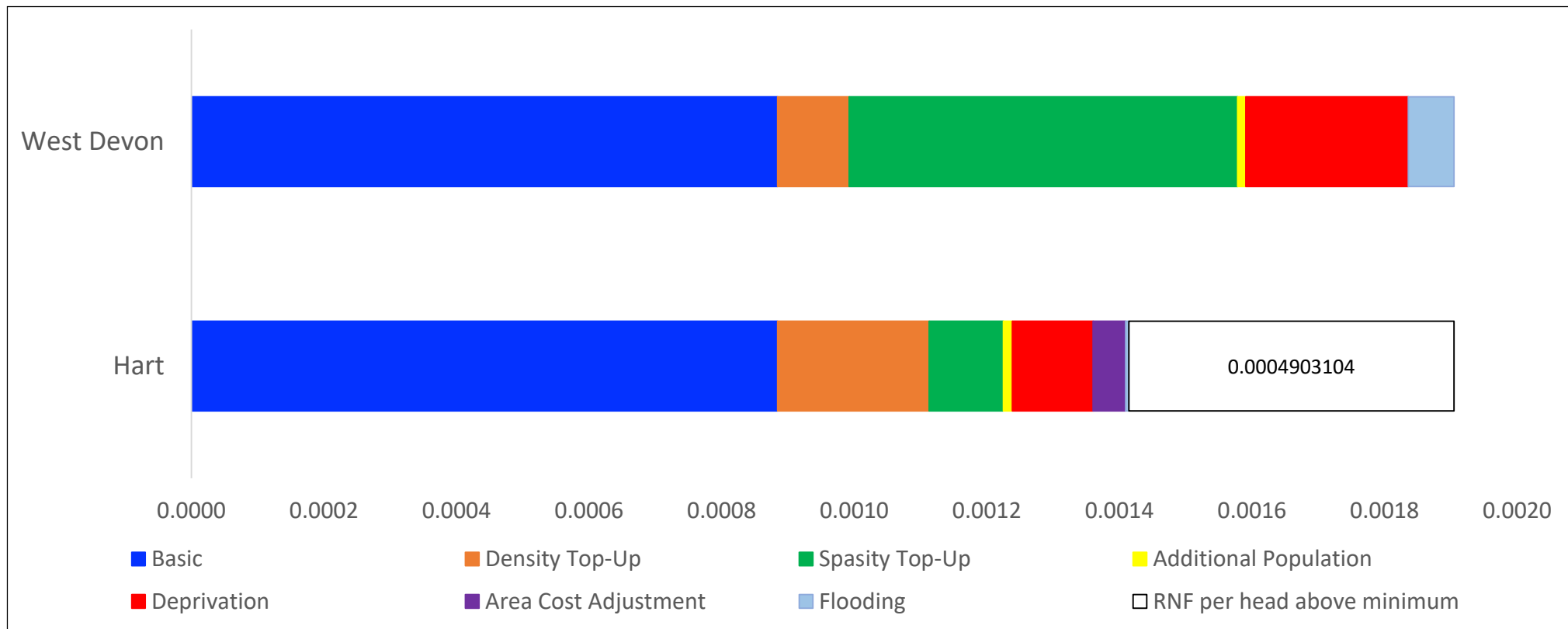
2013 Relative Needs Formula: Devon



2013 Relative Needs Formula: Devon

Calculation of Upper Needs Cash: Devon		
A	Devon RNF above minimum	0.0022903631
B	Devon Population	757868
C (AxB/1000000)	Devon RNF above threshold times by population divided by 1,000,000	0.001735793
D	Total RNF: England	0.233414372
E (C/Dx100)	Devon Upper Tier Share of Total England RNF	0.74%
F	Total Needs Funding: 2013/14	£16,779,276,123
G (ExF)	Devon share of Needs for Upper Tier	£124,779,585

2013 Relative Needs Formula: West Devon



2013 Relative Needs Formula: West Devon

	RNF per head	
	Hart	West Devon
Basic	0.0008843254	0.0008843254
Density Top-Up	0.0002287356	0.0001079034
Sparsity Top-Up	0.0001122090	0.0005864063
Additional Population	0.0000134503	0.0000123203
Deprivation	0.0001216433	0.0002451725
Area Cost Adjustment	0.0000489731	0.0000000000
Flooding	0.0000050847	0.0000686040
RNF per head above minimum	0.0004903104	
	0.0014144215	0.0019047318
less minimum needs (Hart)		0.0014144215
Equals RNF above minimum		0.0004903104
West Devon Population		54,754
West Devon RNF above threshold times by population divided by 1,000,000		0.000026846
Total RNF: England		0.233414372
West Devon Lower Tier Share of Total England RNF		0.01%
Total Needs Funding: 2013/14		£16,779,276,123
West Devon share of Needs for Lower Tier		£1,929,890

RNF calculation

Relative needs values in 2013/14 – by indicator

Indicator / RNF	% of needs
Sparsity Top-Ups	1.19%
Density Top-Ups	3.89%
Basic Amounts	34.61%
Deprivation Top-Ups	26.19%
Other Top-Ups	3.97%
Area Cost Adjustment	2.97%
Capital Financing	21.71%
Other RNFs	5.47%
Total Needs	100.00%

- Main drivers of need are the basic amount which is a fixed sum multiplied by population of needs group and a deprivation top-up which is a proxy for more complex needs
- Capital Financing is significant but diminishing and is a legacy of old system of local government debt

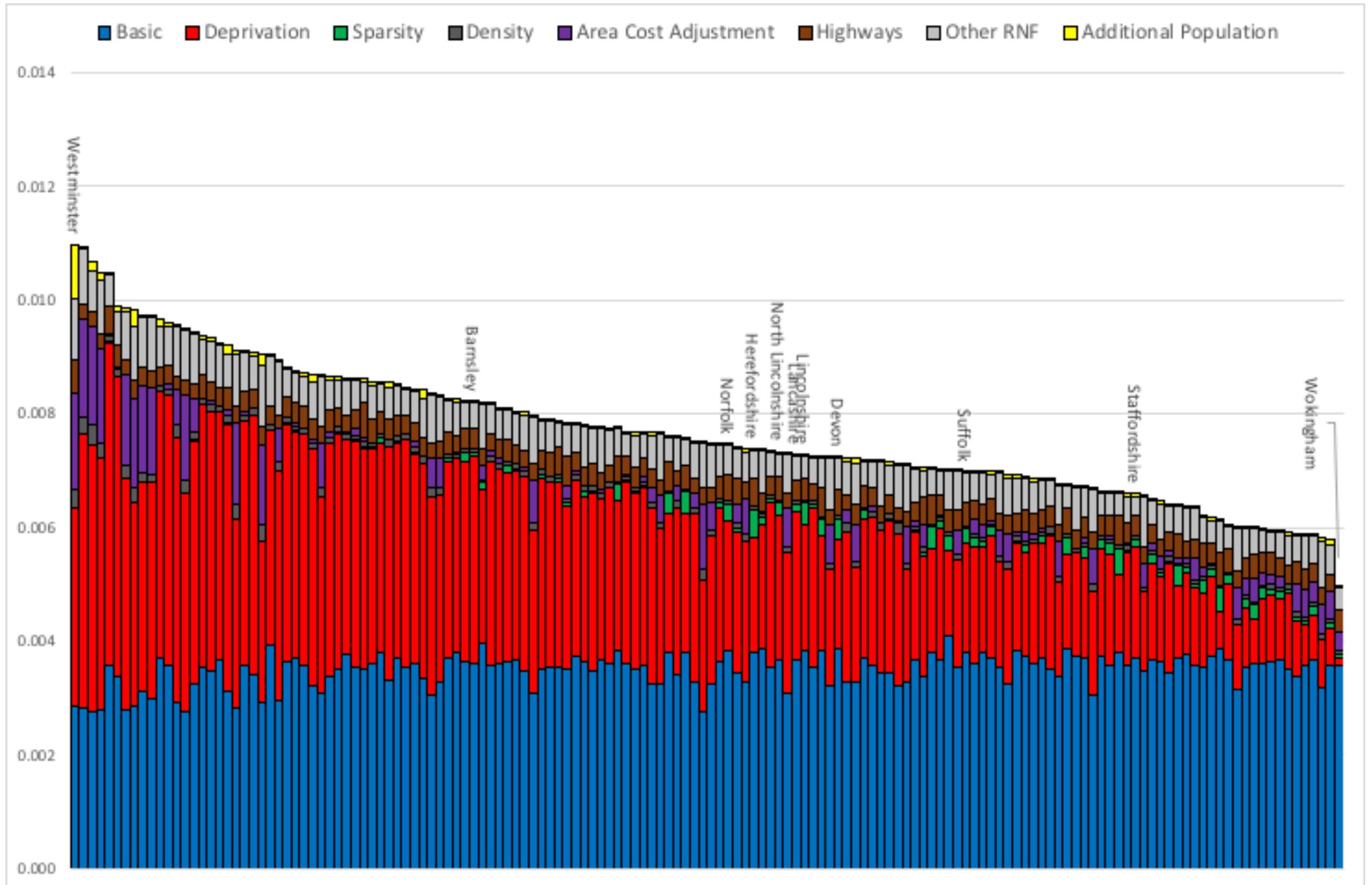
Relative needs values in 2013/14 – by RNF

Indicator / RNF	% of needs
Older Persons (65+) Social Care	20.08%
Younger Adults (18-65) Social Care	14.29%
Childrens Services	17.26%
District Level EPCS	11.50%
County Level EPCS	9.69%
Capital Financing	21.71%
Other RNFs	5.47%
Total Needs	100.00%

- Social care accounts for over half total needs in 2013/14 with Adult Social Care accounting for over a third of total needs
- Spending on Adult Social Care has increased since 2013/14 as spend in all other areas has fallen
- So Adult Social Care likely to be largest formula in needs reset

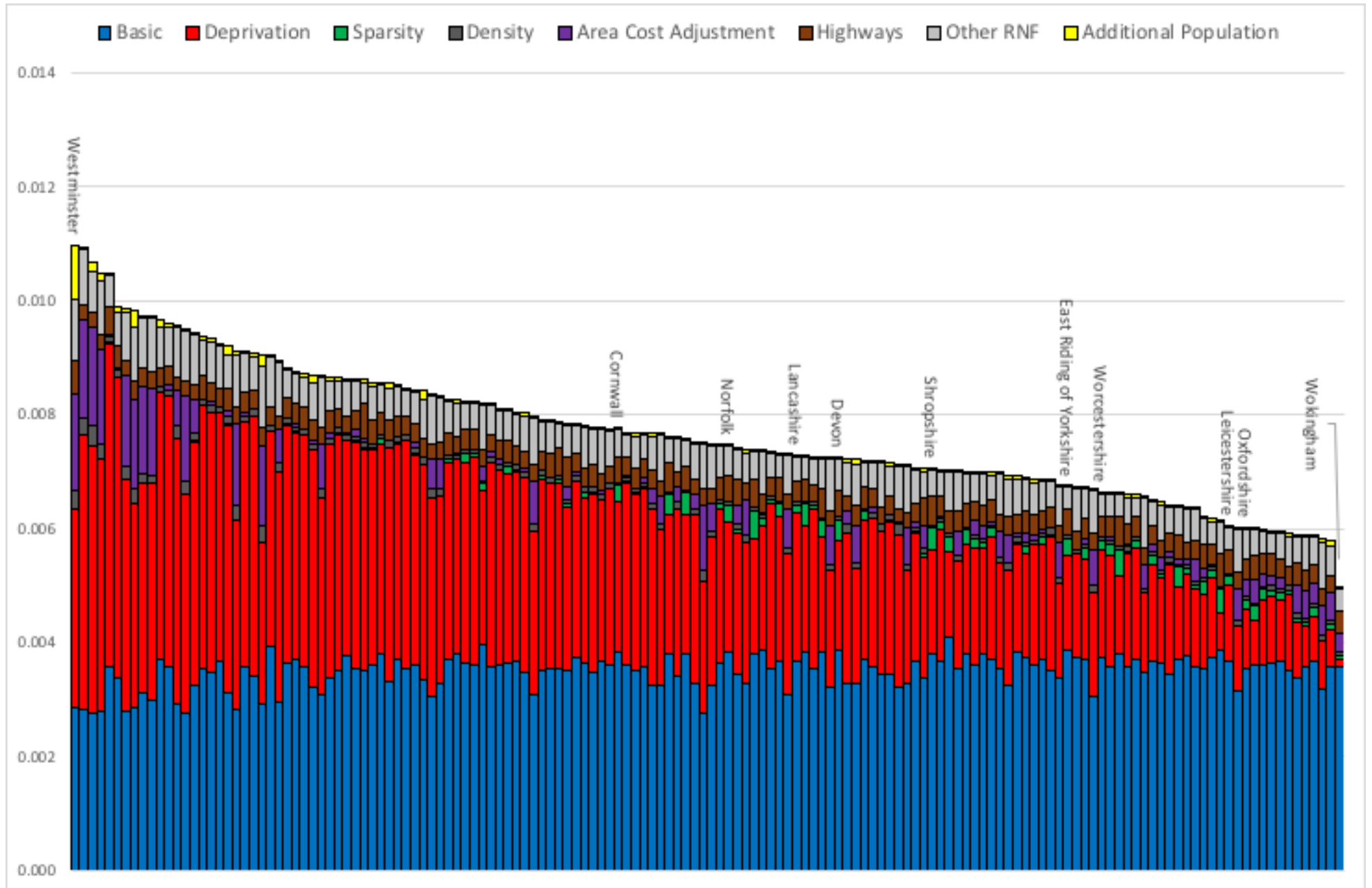
Upper Tier
– RNF per
head by
indicator –
all services
– 2013/14

First
Workshop

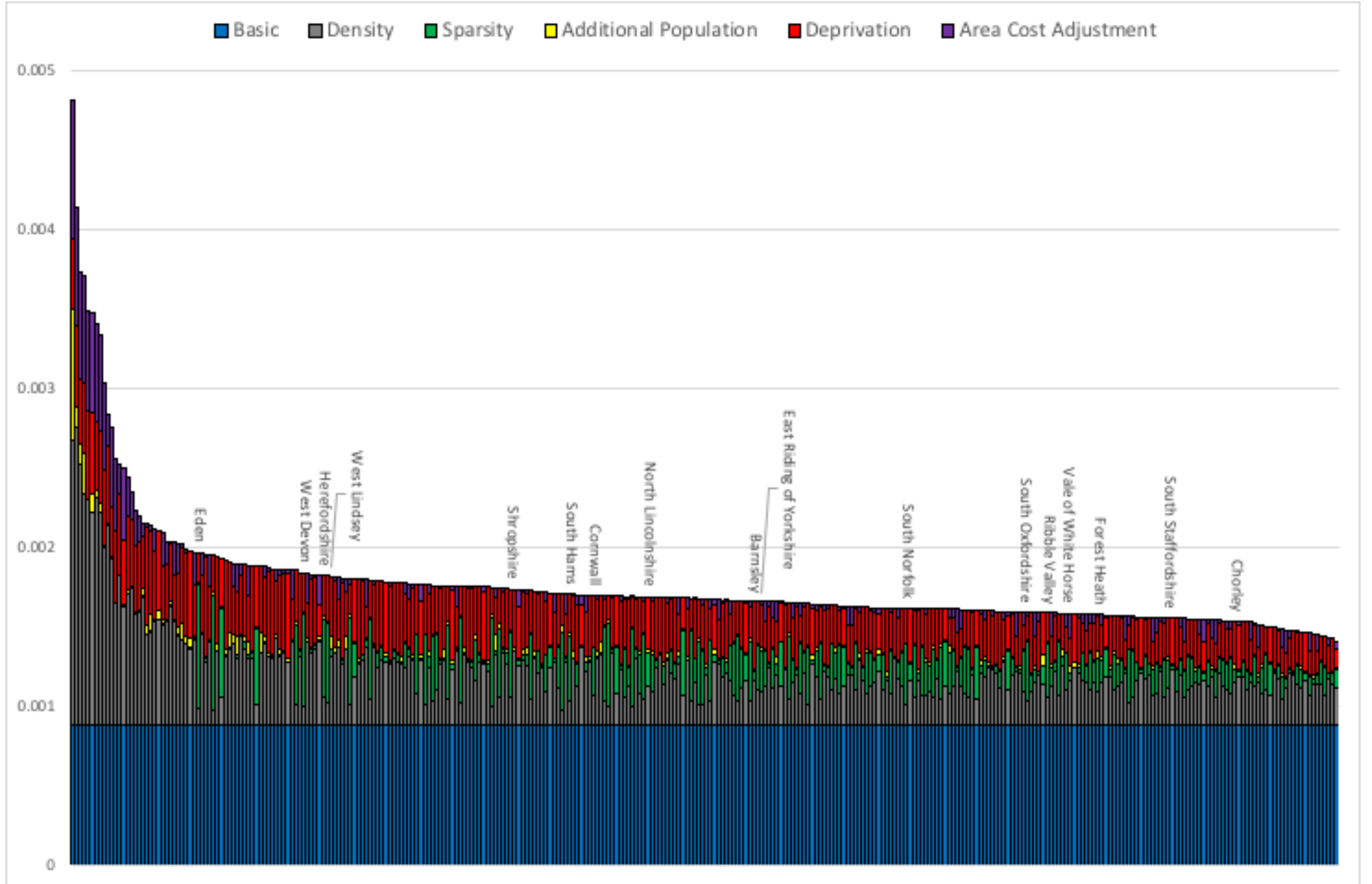


Upper Tier
– RNF per
head by
indicator –
all services
– 2013/14

Second
Workshop



Lower Tier
RNF per
head –
2013/14



Fair Funding Review

- Consultation on 're-boot' of relative needs formula (RNF) from 2020/21 was launched in December 2017
- Consultation was encouraging given that it identified sparsity as one of three key drivers for a Foundation Formula
- Consultation made no mention of density, which in the existing formula drives significantly more funding than does sparsity
- Furthermore in consultation document, Government asserts that in their last needs reset that altered sparsity weighting in 2013/14 'may have only partially reflected the challenges faced in delivering some services in rural areas'.

Fair Funding Review

- Since the consultation, MHCLG appears to have backtracked somewhat as they are now considering density as well as sparsity
- Government has identified Journey Time Statistics as favoured approach for capturing both sparsity and density
- Journey Time Statistics are Department for Transport data
- Three aspects identified:
 - Dispersal
 - Traversal
 - Remoteness

Journey Time Statistics

- ***Dispersal*** – journey times from households to service ‘hubs’, reflecting travel to households for service such as domiciliary social care
- ***Traversal*** – journey times between households, or very small groups of households, to reflect delivery routes for services such as waste collection
- ***Remoteness*** – additional costs incurred due separation from major markets
- MHCLG current position is that these measures would be included as part of the Area Cost Adjustment
- Sparsity and Density, in existing formula, are ‘top-ups’

Journey Time Statistics

- Journey Time Statistics (JTS) appear to provide a better proxy for the additional costs associated with serving a large rural area (as well as the costs associated with traffic congestion in more urban areas)
- As such, rural authorities might cautiously welcome the use of JTS in any new formula subject to:
 - Equal application across all authorities with no differential weighting (as there currently is for density and sparsity)
 - The impact of Journey Time Statistics should not be nullified by other factors in the Area Cost Adjustment
 - We do not agree that Journey Time Statistics adequately reflect 'unmet need' or fully reflect the the additional fixed costs in rural areas to provide more 'hubs' and feel that this should be separately allowed for within the formula

Proving the additional costs of serving rural areas

- Government and non-rural authorities continue to point to lack of quantifiable evidence to support additional costs of service provision in rural areas
- Purpose of this study is to find such evidence
- To date, we have identified two proofs of concept
- We need to develop these proofs of concept and extend across other service areas
- We also need to find a way to quantify 'unmet need'

Proof of Concept: Waste Collection Costs

- Waste collection is a universal service
- By using authority-level activity data and overlaying this with national statistics on rural/urban classification at output area level, we were able to calculate differentials in time taken to collect refuse from different areas within the same authority
- We have received waste collection round information from 4 North Yorkshire authorities and 1 Devon authority

Proof of Concept: Methodology

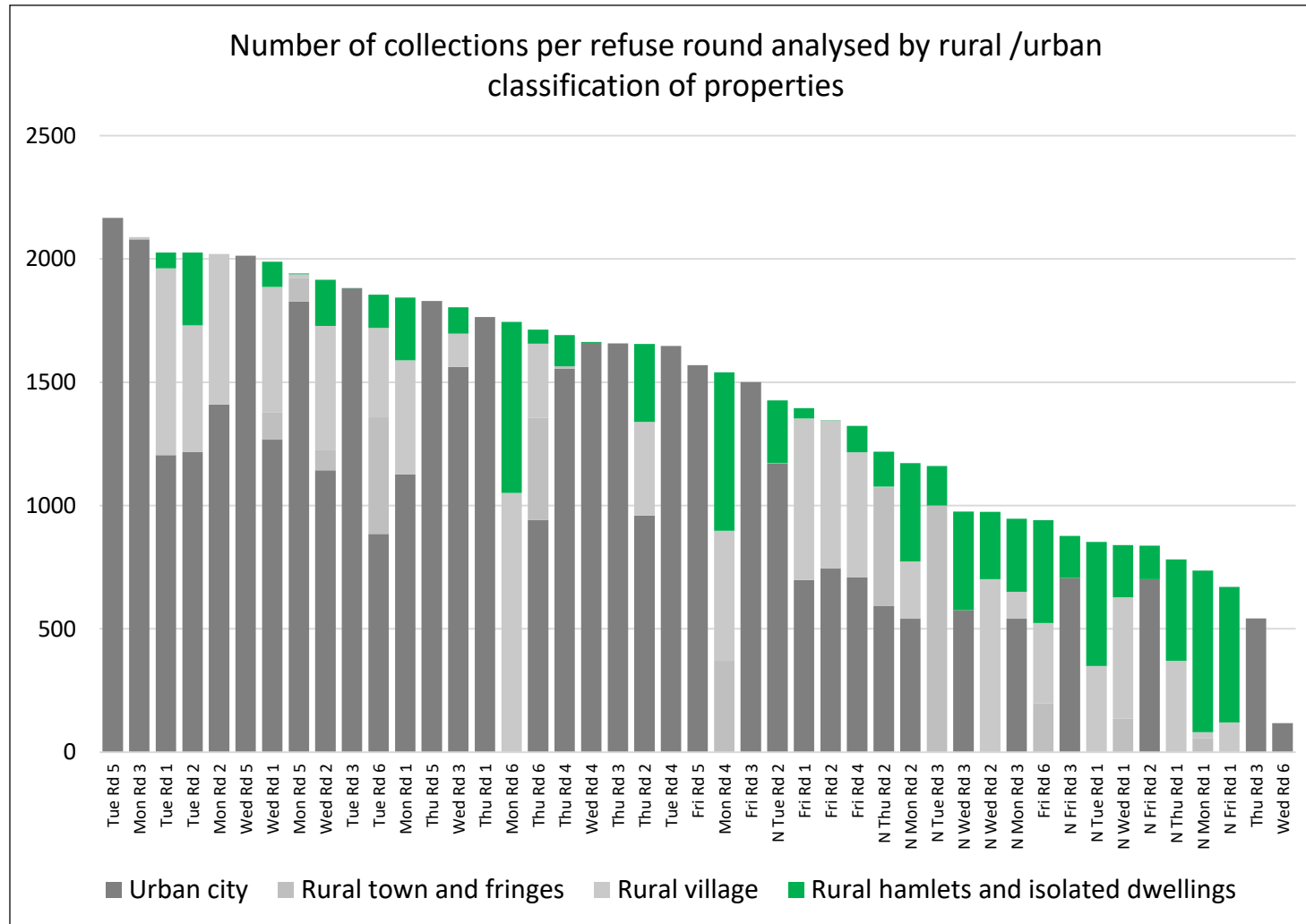
Dataset	Description	Details
Waste Collection Property Details	Local Authority Activity Information	All properties with postcode and details of collection crew and collection day
Postcode to OU lookup	A file linking all England postcodes to Output Area codes	When matched with activity data allows all properties to be assigned to an output area
OU Rural/Urban Classification	A file linking all Output Areas to their rural or urban classification.	Matches each property to one of four rural / urban classifications: <ul style="list-style-type: none">• Urban city• Rural town and fringes• Villages• Rural hamlets and isolated dwellings

- Authorities sent us details of their waste collection rounds with postcode for each property
- We matched this postcode to an output area
- We were then able to designate each property with a rural or urban classification
- For each round we then calculated the number of properties from each rural / urban classification

Refuse Collection: Harrogate Borough Council

- HBC appear to have two types of rounds – three rounds are prefixed ‘narrow’ and these are more rural in nature and use a more narrow vehicle but have same number of personnel than other rounds
- Narrow rounds collect average of 934 properties and other rounds collect average of 1,689 properties
- The following graph shows all rounds – it shows that the rounds which collect the most properties per day tend to be in more urban settings (ie. the towns of Harrogate, Ripon and Knaresborough)

All Harrogate Rounds



Linear Regression Results

Co-efficients using excel LINEST function

- Urban 1
 - Town 1.23
 - Villages 0.73
 - Hamlets 2.65
-
- ie. Hamlet properties take 2.65 times longer than do urban properties to collect

Harrogate Rounds – mileage information

Round	Annual Km	Properties per year	Average distance between properties (metres)	Percentage of hamlets and isolated dwellings properties
Narrow 1	32,124	100,906	318	50%
Narrow 2	26,011	146,354	178	21%
Narrow 3	23,520	133,146	177	20%
Refuse 1	26,196	165,724	158	20%
Refuse 2	27,160	204,516	133	11%
Refuse 3	25,792	234,494	110	5%
Refuse 4	23,071	232,284	99	1%
Refuse 5	21,297	246,740	86	0%
Refuse 6	20,038	233,038	86	9%

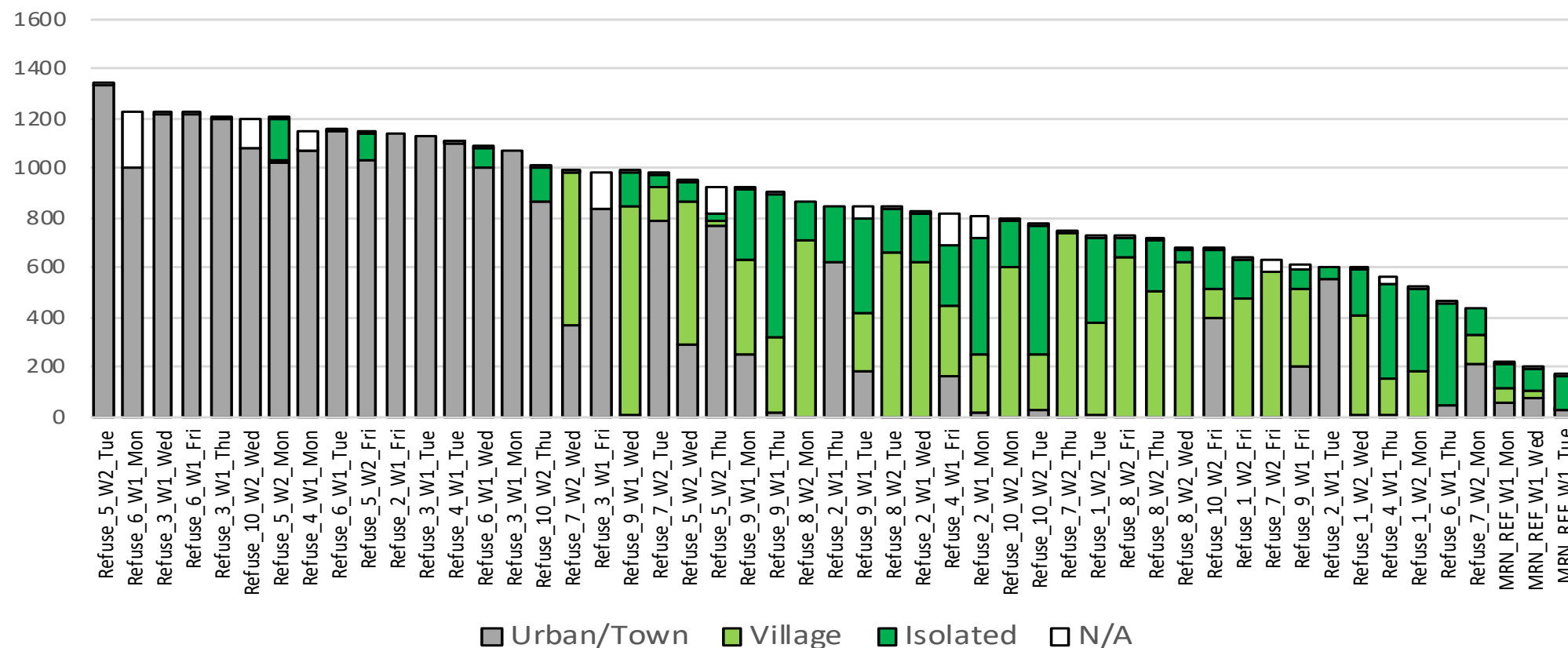
- Mileage data shows that those rounds with a higher proportion of hamlets and isolated dwellings had a greater average distance between properties
- Narrow Round 1 travels almost 4 times the length between properties than do the mainly urban refuse 5 and 6 rounds
- This is not only more expensive in terms of fuel but also in terms of the unproductive travel time of the loaders

Harrogate Rounds – summary

- The Harrogate analysis shows that there is an additional ‘traversal’ cost (ie. unproductive journey time between households) in relation to waste collection for isolated properties and properties in hamlets
- Mileage analysis supports this conclusion highlighting a greater distance travelled between properties on those rounds with a greater proportion of hamlets and isolated dwellings

Hambleton District Council

Hambleton - number of refuse collections for each round analysed by urban / rural setting



Extending the analysis

- The waste collection analysis received so far shows clear additional 'traversal' costs associated with collecting waste from rural areas
- We have developed a methodology, using authority activity data, which matches a post code to a rural/urban classification
- Having developed this methodology, which works effectively, with waste collection, we are looking to apply it to other services where we can show 'traversal' (travelling between properties) and 'dispersal' (travelling from a service hub to a property) costs

Proof of Concept: Fire Stations Analysis

- It is often the case that rural authorities which serve large dispersed areas provide more local 'hubs' in order to provide better access to services
- This results in higher level of fixed costs
- We believe that the provision of additional local hubs reduces 'dispersal' costs as it cuts down the travel required by both service user and provider where services are provided from a hub
- However, MHCLG has looked at this as part of remoteness
- The consultation indicates that the fixed costs allowance, important to smaller authorities, is no longer being considered as part of the formula
- We looked at nationally available data on fire stations to prove the concept

Proof of Concept: Fire Stations Analysis

- From MHCLG paper (July 2018): Remoteness

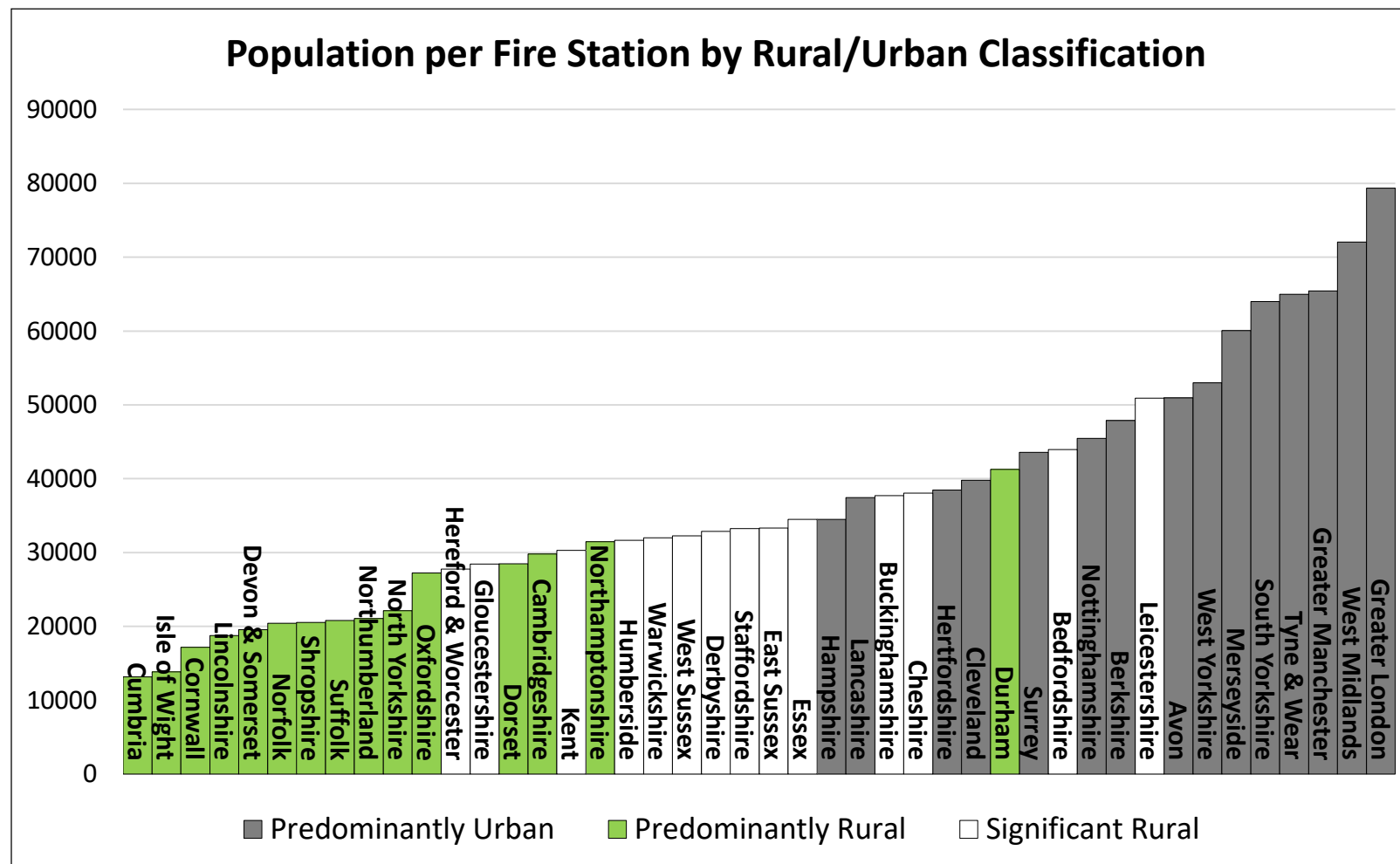
Authorities may choose to support production at a smaller scale, for example if this is less costly than providing transport to or from major markets. Adjusting for remoteness by assuming that journeys are made to or from major markets compensates authorities while maintaining their incentive to deliver services at the lowest possible cost.

Proof of Concept: Fire Stations Analysis

- From national fire statistics covering number of fire stations across 44 fire authorities
- From this information, we calculated the average population served by each fire station
- Calculated this for predominantly rural, predominantly urban and significant rural

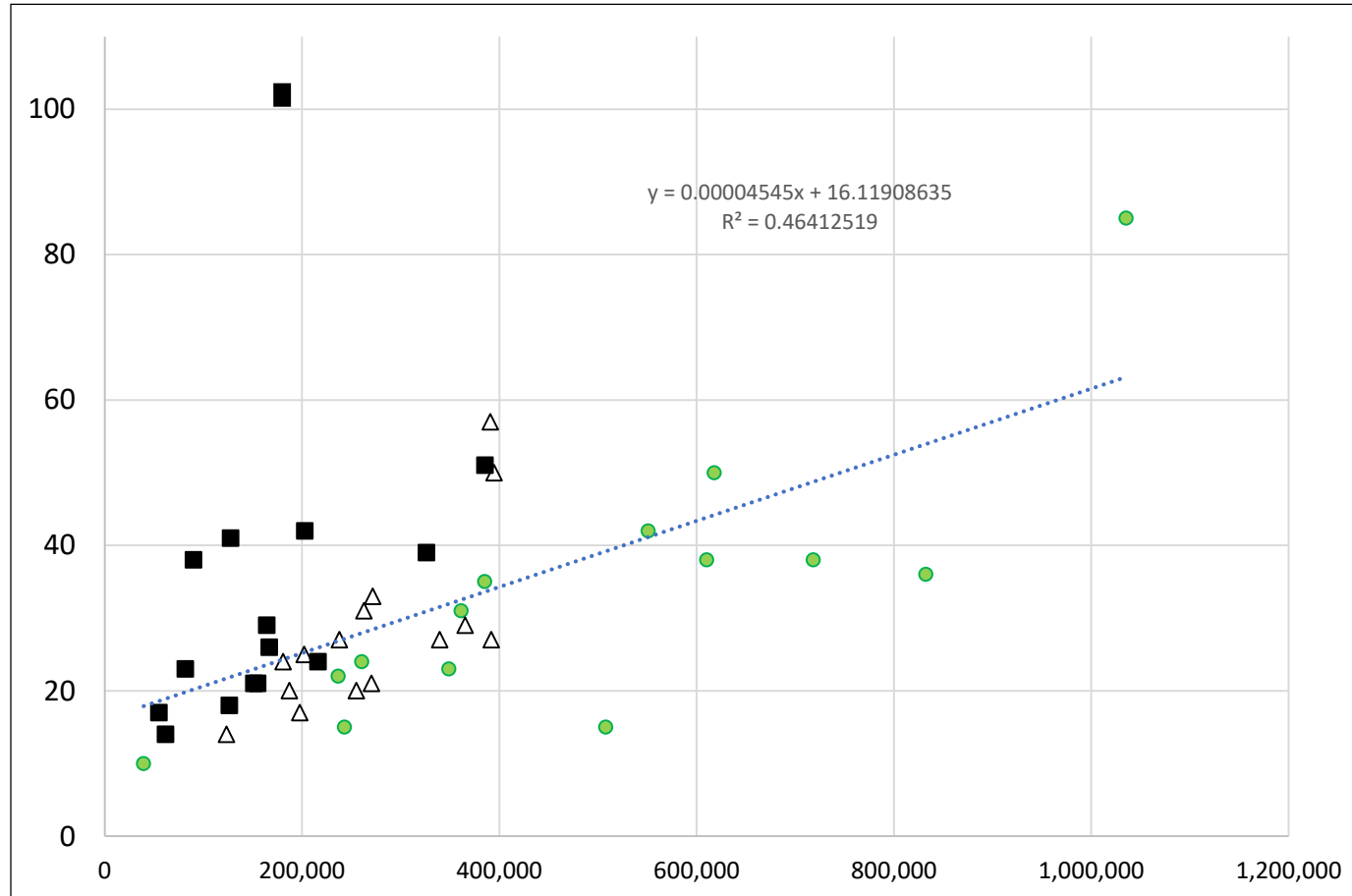
Type of Fire Authority	Average Population per Fire Station
Predominantly Rural	22,226
Significant Rural	33,920
Predominantly Urban	56,607

Proof of Concept: Fire Stations Analysis



- Rural fire authorities provide significantly more fire stations to provide the required coverage

Relationship between number of fire stations and areas served in hectares



Black Square – Urban

Triangle – Significant Rural

Green Circle – Predominantly Rural

The greater the area the more fire station hubs required

What other services might follow this pattern?

- Libraries
- Leisure Centres
- Social Care Homes

Can we get the evidence?

Summary: Fire Stations Analysis

- The analysis supports the assertion that in rural areas, more service hubs are required to serve more sparse and remote areas
- This translates to higher costs associated with those additional hubs
- Which other services does this 'additional hub' concept apply?
 - Council Offices
 - Social Care establishments
 - Libraries
 - Leisure Centres
- Does the data exist at a national level or across a number of authorities or within a single authority?

Unmet Need

- A commonly held view is that 'unmet need' exists more in rural areas
- 'Unmet need' are needs that have never been fulfilled due to little or no funding
- Related to service hubs argument – rural authorities have to provide more local hubs in order to meet need (and therefore avoid unmet need)
- Public transport is the area where unmet need is most clearly demonstrated – very low expenditure on bus travel and concessionary travel due to low funding but clearly there is a need.
- Can we adequately demonstrate 'unmet need' in other areas?

Summary and Next Steps

- We have provided two proofs of concept
- Paper has been written for MHCLG and meeting to take place in September to discuss
- We feel that the evidence to date supports the RSN/CCN case in respect of additional costs for serving rural areas
- But we need to add to the evidence and extend it to other service areas – over next two slides we have looked at the proposed RNFs and services which sit within each to consider whether we can demonstrate the additional costs of sparsity
- We also need to find credible evidence to support ‘unmet need’

Summary and Next Steps

- Can your authority assist?
- With evidence which shows additional costs associated with:
 - Traversal costs
 - Dispersal costs
 - Remoteness costs
 - Unmet need