



Jude Ranasinghe  
Director

E.jude.ranasinghe@lgfutures.co.uk  
T.01908 410 811

# DCLG/DEFRA Research into Drivers of Service Costs in Rural Areas

## Summary Report

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## 1. Background and methodology

- 1.1 In July 2014, LG Futures was commissioned by DCLG/DEFRA to undertake Research into Drivers of Service Costs in Rural Areas. The overall objective of the research was to establish whether and, if so, to what extent, rural authorities face additional and unavoidable costs in delivering services, compared to urban authorities. In addition to DCLG/DEFRA, the Advisory Group for the research also involved the Local Government Association and the Rural Services Network.
- 1.2 The data, evidence and conclusions from the research are intended to assist DCLG and DEFRA in developing a better understanding of the current relative pressures experienced by rural local authorities and form part of the evidence base for future decisions on rural funding.
- 1.3 The specific aims of the research were to:
  - Review the evidence for costs and cost drivers for rural and non-rural service delivery
  - Measure and attribute the unit costs of local authority services as accurately as possible, given the evidence
  - Determine the differences between rural and non-rural costs, and any unavoidable costs for rural areas, which are additional to those for non-rural areas
- 1.4 In order to address these aims, the research involved a number of individual workstreams, as follows:

### **Rapid Evidence Assessment - literature review**

- 1.5 The intention of the literature review was to draw together and report on the evidence already in existence in relation to rural costs from a range of different sources and publications. The literature review sought to identify whether previous research had documented additional costs associated with rurality for local government services; the types of services that research had taken place on; the extent to which any such costs were quantified; whether detailed statistical evidence existed; and funding methodologies in place to take account of rurality factors. The literature review also informed the selection of services for survey with local authorities (see below).

### **Desktop analysis of administrative/statistical datasets**

- 1.6 The purpose of this analysis was to use the most recent expenditure and activity data at a more detailed level than currently used for regressions within the Relative Needs Formulae (RNF) in the local government finance settlement, to compare unit costs for all authorities nationally. The analysis aimed to identify whether, and to what extent, there were potential relationships between the unit costs of local government services and rurality factors.
- 1.7 This took place through a preliminary regression analysis of unit costs for local authority services, derived from national local authority level actual data (Revenue Outturn 2012/13 forms), with relevant service-based denominators for individual services. The regression analysis was not intended to provide detailed or comprehensive models of the drivers of spending, and the findings should be considered indicative results only. In addition to the national analysis, separate follow-up analysis took place of national Fire and Rescue

Statistics, as it was identified that this service was likely to be more suited to desktop analysis, rather than survey.

### **Quantitative survey with authorities**

- 1.8 Whilst the national unit costs analysis above enabled all authorities to be compared nationally, there were limitations to this analysis, in that the data was only available at individual local authority level, rather than areas of differing rurality within local authorities, and did not have detailed breakdowns of subjective costs e.g. transport, premises. In addition, the research sought to identify specific views from authorities on potential additional costs within individual services, whether geographical premia existed and more detailed activity information on factors likely to affect rural authorities, such as downtime i.e. unproductive time arising from travelling to deliver services, rather than the actual performance of the service itself.
- 1.9 To take account of these additional areas, an online survey was developed and data collection took place on actual local authority expenditure and activity for 2013/14, including within differing geographical areas of individual authorities. The survey covered ten local authority services where it was initially identified in discussions with DCLG/DEFRA that there could potentially be additional costs associated with rurality. 27 local authorities returned data from the survey and authorities were classified into groups of differing rurality in order to allow comparisons to take place.

### **Qualitative fieldwork with authorities**

- 1.10 It was recognised that, in addition to the ten local authority services surveyed above, there were likely to be further services and ‘cross-cutting’ aspects of service delivery e.g. community engagement, channel shift (e.g. moving services from face to face/telephone contact to web-enabled), for which it would be more difficult to directly quantify costs. Semi-structured interviews therefore took place with a range of local authority stakeholders, focusing upon broader questions relating to rurality and costs, with 15 authorities (a sub-set of the 27 authorities above), taking part in the qualitative fieldwork.

### **Scope of this report**

- 1.11 Separate standalone reports have been produced which provide detailed findings on each of the above workstreams. This summary report sets out the overall findings from the research and draws together the main conclusions from each of the above workstreams.

### **Acknowledgements**

- 1.12 The research team would like to thank all local authorities that volunteered to take part in the research, particularly those who participated in the survey and interview fieldwork, in addition to the members of the Advisory Group, who provided input throughout the course of the research. We would also like to thank CIPFA for providing the research team with access to their Fire and Rescue Statistics.



## 2. Research constraints

- 2.1 In considering the original research aims and the implications of the research findings as to whether additional unavoidable service costs exist as a result of rurality, a number of factors need to be borne in mind. These factors are discussed in turn below.

### Unavoidable costs

- 2.2 Precisely defining what is represented by an ‘unavoidable’ cost is difficult, given that there is differing scope for interpretation. Unavoidable costs might generally be taken to mean those which arise as a result of factors beyond an authority’s control, such as the geographical size of an authority. However, even so, there are clearly a number of different ways in which policy/service choices can be made to address such factors, and so authorities might feel that most of their costs are unavoidable.
- 2.3 In addition, a measure of service quality would also need to be considered in order to identify whether a significantly higher quality or volume of service was being provided as a deliberate policy choice; however, given that there is often no defined ‘standard’ level of service, this is difficult to determine. There is also scope for alternative views as to measures of service quality e.g. which performance indicators/outcomes best define this.
- 2.4 For these reasons, data was requested on aspects of services which were considered most likely to result in unavoidable costs; for example, downtime or fixed costs, rather than assessing whether or not costs could be ‘avoided’, given that this would involve subjective judgement. In some cases, where identified in this report, adjustments to costs were made to take account of regional cost variations, using the Area Cost Adjustment (ACA). However, with the exception of the national unit costs analysis, where sufficient data existed to undertake more detailed statistical analysis, further controls/adjustments for other factors giving rise to potential cost differences e.g. deprivation, were not applied.

### Interaction between funding levels and expenditure

- 2.5 When considering the outcome of the national unit costs analysis and local authority survey, there is an implicit assumption that patterns of current expenditure are at least a reasonable proxy for underlying need. In other words, differences in expenditure between local authorities are assumed to reflect differences in the real costs associated with providing those services. There is the risk, however, that differences between predominantly rural/sparse authorities and densely populated/urban authorities reflect current funding patterns, not just differences in costs.
- 2.6 This is a particular issue given that the local authority funding system is relatively centralised in nature and constrained in terms of council tax increases. Authorities will therefore only be able to spend at the level of resources that they are provided with centrally and can generate locally, rather than spending on a ‘bottom-up’ need basis. So, for instance, if sparse authorities were to be relatively ‘underfunded’, this could result in lower expenditure patterns, but may not necessarily mean that such authorities need to spend less to deliver the same services.

### Comparisons between authorities of differing rurality

- 2.7 The research sought to involve authorities across all types of ruralities, from the most rural to the most urban and all authorities nationally were invited to take part in the research. However, there was considerably greater interest from authorities from more rural areas, despite the research team contacting a number of representative urban authority groupings to seek participation.
- 2.8 The national unit costs analysis allows for comparison across all authorities (subject to the caveats above), but the quantitative survey and qualitative interviews with authorities were based on a sample of authorities that volunteered (27 and 15 respectively). Although, for the purposes of sampling and the survey analysis, authorities were divided into groupings based on relative rurality ('sparse', 'less sparse' and 'non-sparse'), and all of the more urban authorities that volunteered were included in the research, there could be scope for the survey analysis and comparisons to be affected by the nature of authorities volunteering/participating.

### Availability of cost and activity data

- 2.9 There were relatively few instances where authorities were able to provide specific quantitative information on the direct additional unavoidable costs associated with delivering services as a result of their authority's geography; although factors which were perceived to influence costs (with both a rural and urban focus) were identified as part of the narrative. This applied to both rural and urban authorities. This issue is likely to equally apply to other factors; for example, if authorities were asked to identify the direct additional costs associated with, say, deprivation.
- 2.10 For services which are delivered externally, specific geographical premia were not generally built into contracts. This does not necessarily mean that rurality is not an additional cost represented within contracts, but rather that contractors are likely to average the costs of rurality, along with any other cost weightings, over the contract for the whole authority.
- 2.11 The survey asked authorities to provide best estimates for a range of geographical factors, such as the proportion of visits to different geographical areas within their authority and the amount of non-productive 'downtime' for visits to these differing areas. However, authorities do not generally manage their services on a geographical basis, and so, whilst this data is useful for providing indications and to reach general conclusions, it was not robust enough to provide a detailed costed analysis. This is because, unless authorities have undertaken specific detailed work to investigate geographical costs, authorities do not hold cost data in a format that allows them to readily identify the costs of provision in differing geographical areas within their authority.
- 2.12 For some questions within the survey, response rates were relatively low, which could influence averages. For example, in some cases, 'less sparse' authorities may have identified greater travel time/costs than 'sparse' authorities. This could partly be influenced by response rates and also by factors such as the relative geographical size of authorities e.g. if a much larger authority was within the 'less sparse' grouping.

### Funding baseline

- 2.13 The caveats above generally apply to data on expenditure and the difficulties associated with defining ‘unavoidable’ costs. However, even where information gathered suggests that there are likely to be additional costs associated with service provision in rural areas, there remains a wider question in terms of to what extent these costs are (or are not) already funded within the local authority funding system.
- 2.14 Specific rural funding is directly identifiable for the Rural Services Delivery Grant (£9.5m nationally in 2014/15) and the subsequent Section 31 ‘top-up’ grant (£2m nationally in 2014/15). However, although certain Relative Needs Formulae include sparsity indicators, it is not possible to directly associate the inclusion of such indicators with actual funding levels.
- 2.15 This is a result of a number of factors, including there being no direct link between needs and funding amounts, as the four block model expresses need in RNF rather than funding terms; damping within the system, meaning that further funding adjustments take place to support authorities below the funding floor; and, most recently, the introduction of the business rates retention system, with authorities’ funding levels therefore also being dependent upon the level of business rates generated, compared to assumptions.
- 2.16 Even where additional costs can be identified and are considered ‘unavoidable’, there is, therefore, still scope for debate as to whether and the extent to which existing funding takes these costs into account. This is clearly not just an issue associated with rurality, but could be applied to other factors affecting service costs and which are included within the local government funding system, such as deprivation, for example.

### Service quality

- 2.17 For the quantitative analysis undertaken in national unit costs work, it was not possible to adjust the spending data for the quality of the service provided. Therefore, differences in unit costs may actually reflect differences in the quality of the service provided by local authorities. While issues of service quality are discussed in the qualitative report, this caveat should be borne in mind while interpreting the regression results presented.



### 3. Summary of research findings

3.1 In overall terms, synthesising the results from all of the individual workstreams, the main conclusions from the Research into Drivers of Service Costs in Rural Areas are:

- When considering costs, it is not possible to readily separate out those which are 'avoidable', given the range of ways in which policy choices over service delivery can be made.
- There are limitations in the availability of cost and activity data at geographical level within authorities, which makes it difficult to explicitly identify direct additional costs.
- However, where services involve a significant degree of travel, there is a general tendency for more rural authorities to have greater costs associated with travel claims and for more rural areas of authorities to have greater associated travel downtime. Although estimates can be made of these effects, data is not sufficiently robust to allow detailed costings.
- Subject to several assumptions and limitations laid out more fully below, national unit costs analysis identified that sparsity measures (which were used as a proxy for rurality), were found to be positively and significantly related to unit costs in 11 services. These services accounted for a relatively small proportion of overall local authority spending - £7.0bn (or 15.0%) nationally in 2012/13. Sparsity was significantly and negatively associated with unit costs in 15 services. These expenditure groups accounted for £14.6bn (or 31.1%) of total expenditure, with there being no statistically significant relationship between sparsity and unit costs for the remaining services.
- From the survey of local authorities, the services where rural premia could most readily be identified by authorities were domiciliary care and residential care; however, no statistically significant relationship with sparsity was identified in the national unit costs analysis.
- Within waste collection, activity levels (e.g. numbers of properties serviced, round length), imply additional costs of delivery in rural areas; however, cost data was not available to support this, with the exception of one rural authority that had undertaken previous detailed work in this area.
- For fire and rescue services, total expenditure was not significantly related to sparsity for sparse authorities. Further analysis undertaken identified higher fixed costs; lower employee costs; higher proportions of primary fires; and longer response times in more rural authorities.
- Service levels were not identified as being different for needs-based services e.g. social care. Service levels were also generally not identified as being significantly different in rural areas of authorities compared to urban areas for universal services i.e. those that are provided to all residents, such as waste collection, for example, although some authorities believed that there were lower expectations amongst some rural communities.
- Wider issues were also identified through interviews with authorities, in terms of less

tangible costs associated with rural service delivery. These included, for example, barriers in relation to reducing service costs through channel shift, due to lack of or prohibitively high costs of broadband access, and the need for greater community engagement to reduce social isolation and reduce future demand. Such costs were not, however, possible to quantify.

- There was no clear view from authorities of a particular indicator perceived to be preferable to the current 'sparsity' indicator used in the local government finance settlement.

3.2 The key findings from the individual research workstreams are as follows:

### Literature review

3.3 This highlighted the difficulties identified above, in that, although there is a significant amount of research relating to rural areas, very little of this evidence has been quantified in financial terms and much of the evidence on costs is anecdotal in nature. Higher costs within the literature review were generally identified as being related to longer travel times, higher travel costs, diseconomies of scale and lack of alternative services, with these factors also being investigated and raised in this research, through the quantitative survey and qualitative interviews with authorities.

3.4 The literature review also identified a number of alternative definitions of 'sparsity/rurality' used in allocating additional resources to rural areas, which are dependent upon the service in question and the population served. It was also identified that allocation bases for rurality-related factors were not necessarily able to be determined based on detailed representative statistical analysis.

### National analysis of unit costs

3.5 This analysis attempted to identify the extent to which there was a statistically significant<sup>1</sup> positive or negative relationship between measures of sparsity (as a proxy for rurality) and unit costs. It is subject to several limitations and assumptions:

- It is assumed that patterns of current expenditure are a reasonable proxy for underlying need.
- The spending data is not adjusted for the quality of the service provided – lower unit costs may reflect a lower quality of service.
- The number of control variables used was limited, and, as such, the analysis provides only a partial explanation of the drivers of spending. There may be additional factors not considered which drive the observed variation in unit costs.
- The statistical methods used have not been fully tested for robustness. The results presented should not be considered comprehensive or complete.

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<sup>1</sup> Results were deemed statistically significant where the P-value is less than 0.05.

- 3.6 With these caveats noted, of the 51 local authority service expenditure groups, sparsity was found to be positively and significantly related to unit costs in 11 cases. These services accounted for £7.0bn (or 15.0%) of local authorities' total expenditure in 2012/13. The services where a positive relationship was identified (in order of the magnitude of the change in unit costs following a change in sparsity) were: parking; coroners' courts; winter service; homelessness; tourism; regulatory services (e.g. trading standards, licensing, environmental protection etc.); waste collection; other environmental/regulatory services; waste disposal/recycling; corporate & democratic core; and economic research & development.
- 3.7 Sparsity was significantly and negatively associated with unit costs in 15 cases. These expenditure groups accounted for £14.6bn (or 31.1%) of total expenditure in 2012/13. The services where a negative relationship was identified (in order of the magnitude of the change in unit costs following a change in sparsity) were: public transport; street lighting; libraries; open spaces; traffic management & road safety; community fire safety; adults under 65 with learning disabilities; transport planning, policy & strategy; environmental safety & routine maintenance; other children and family services; development control; community safety; street cleansing; housing strategy, advice, advances; and culture & heritage.
- 3.8 In the remaining 25 cases, sparsity was not found to have a statistically significant effect on unit costs. These groups accounted for £25.3bn (or 53.9%) of total expenditure.

### Fire and rescue statistics analysis

- 3.9 Although the national unit costs analysis found a positive relationship between sparsity and unit costs for Fire & Rescue Operations, this relationship was not statistically significant, despite being close to the significance threshold. Further analysis of national fire and rescue statistics subsequently took place, which identified:
- **Stations, Appliances and Staff** – Fire and Rescue Authorities (FRAs) in sparse areas were found to have a higher number of stations, operational appliances and staff relative to the number of incidents responded to, meaning that sparse authorities could face diseconomies of scale in comparison to urban authorities.
  - **Differences in Staffing Structures** – Sparse FRAs were found to have a significantly higher proportion of retained vs. wholetime fire fighters. This appears to translate to lower wage and salary costs, with sparse authorities having significantly lower employment costs per FTE member of staff.
  - **Differences in Incidents Attended** – The number of incidents per resident was only weakly related to sparsity, with rural FRAs attending fewer incidents per resident. This was mostly due to a lower rate of fire incidents, offset by a higher rate of non-fire incidents, mostly traffic-related. Of the fire incidents that did occur, the proportion of primary fires was higher in rural authorities (47%) than urban ones (36%).
  - **Differences in Service Levels** – Service levels were assessed based on (i) casualty rates and (ii) emergency response times. There did not appear to be significant differences in casualty rates between rural and urban areas, although response times were systematically higher in sparse authorities.

## Quantitative survey of local authorities

3.10 The key messages from the quantitative survey were as follows:

- *Travel claims.* Where services involve a significant degree of travel e.g. to undertake visits, inspections, assessments etc., there is a general tendency for sparse and less sparse authorities to have greater costs associated with travel claims.
- *Travel downtime.* There is a general trend across authorities of all types of rurality for downtime associated with travel to be highest in more rural locations of the authority i.e. village & dispersed, compared to town & fringe, compared to urban areas. The costs of downtime per officer varied according to a wider range of factors e.g. the proportion of visits carried out in these geographical areas, but were generally higher for sparse and less sparse authorities.
- *Agency costs and out of area placements.* Within social care, there was a tendency for more rural authorities to have a lower proportion of agency staff costs and a lower proportion of expenditure on out of area placements.
- *Scope for income generation.* Parking was the main service where it was identified that there was significantly more scope for income generation from more urban areas for authorities of all types of rurality, with non-sparse authorities generating the greatest net income levels.
- *Quantification of costs.* Authorities were able to identify a range of geographical factors that they believed influenced costs (both rural and urban), but, as identified previously, quantifying such factors was more difficult. There are services where evidence suggested that costs should intuitively be greater in rural areas compared to urban areas; for example, waste collection, as a result of fewer numbers of properties being collected from and greater round lengths identified. However, only one authority was able to cost these differences. For other services, such as Highways Maintenance, although potential additional geographical cost drivers were identified, authorities were not able to quantify these explicitly. The 'averaging out' of costs between all areas of an authority in external contracts also limits the identification of such geographical costs. Rural premia were, however, able to be identified for residential care and domiciliary care for a number of authorities, although these premia varied significantly, depending upon assumptions made by authorities in deriving these premia.

## Qualitative interviews with authorities

3.11 The main themes which rural authorities associated with additional costs were: communicating/engaging with large numbers of communities and neighbourhoods; lack of 'clusters' for commissioning purposes; lack of broadband availability/connectivity; increased travel time and costs due to geographical area and transport networks; supply and market factors; and greater numbers of contact/access/delivery points being required

3.12 Although the authorities involved in the qualitative interviews reflected the greater numbers of volunteers from rural areas, a range of 'geographical' cost issues were also considered from authorities with coastal deprived, wider coastal and urban/London characteristics. Some of these factors are similar in nature to those for rural authorities, but for different

reasons e.g. supply factors as a result of lack of geographical capacity for facilities, travel time as a result of congestion, whereas other factors were more unique to non-rural authorities; for example, population transience/churn; diversity; migration; increased daytime/overnight visitors; lack of informal care networks.

- 3.13 Authorities identified that almost all services were potentially affected by rurality to some extent. In terms of the services most affected by rurality, a number of these services were more prevalently provided in rural areas e.g. home to school transport; rural bus subsidies; tourism; countryside services. Other services were identified as being affected as a result of distance and travel costs/downtime e.g. waste collection/disposal; domiciliary care; regulatory services. Supply factors were perceived to affect services such as residential and domiciliary care. Greater numbers of fixed access/contact points were seen to affect services such as libraries/hubs and lack of income generating opportunities were identified in relation to parking services.
- 3.14 In terms of access to services/service levels, for 'universal services', although differences in levels of provision were identified as taking place, this was generally seen to be linked to need/risk; for example, more frequent street cleaning taking place in towns compared to villages or it being more likely that potholes will be addressed/gritting will take place in areas where traffic volume is greatest. For 'needs-based services' e.g. social care, differential provision was not considered to exist.
- 3.15 In relation to service delivery models, channel shift and asset rationalisation were particular models that both rural and urban authorities were implementing, given the need to make significant cost savings. Many rural authorities had focused upon building community capacity and exploiting technology to reduce social isolation. Although difficult to directly evidence, the intention was that these types of initiatives would lead to cost savings in terms of prevention/demand management further down the line e.g. through allowing individuals to live more independently, improve health etc. Libraries were highlighted as a particular service area which acted as community hubs and where wider service provision/advice/co-location took place.
- 3.16 Given the differences in the nature of local authorities interviewed, different views were expressed in relation to funding to take into account rural factors, and there was no clear view of a particular indicator perceived to be preferable to the current 'sparsity' indicator.

### Implications for further future research

- 3.17 LG Futures was also asked to consider the learning from the research in terms of potential further future work, given that this research took place over a relatively short (three month) time period. The main issues identified are:
- Increasing sample sizes would improve the potential robustness of any survey-type analysis and potentially allow authorities to be separated into a broader range of sparsity groupings.
  - Greater involvement from more urban authorities would assist comparisons, although this is difficult to achieve in practice.
  - However, even with increased sample sizes and participation levels, cost and activity data at geographical area level will still not exist in a common format for many services or would need to be estimated.

- To overcome this, detailed work would be required from individual authorities, to cost individual activities of exactly the same type in areas of differing rurality, where the only differing factor relates to the location of the activity. This could imply studies which are more ‘time and motion’ based, but which would be much more time consuming for authorities.
- Analysis of activity levels could be carried out at more detailed sub-authority classifications; for example, Lower Layer Super Output Area, providing that the data exists to undertake such analysis, matching this data with expenditure on the specific service and modelling to identify whether there are statistically significant relationships. This type of approach has been used in developing adult social care funding formulae, but would involve significant input from both local authorities and researchers.
- Specific services could be focused upon in greater depth; for example, waste collection and disposal, where activity data more clearly suggests additional costs, but where cost data is not currently available at a sufficient level of detail.

## 4 Sampling

- 4.1 All local authorities nationally were invited to participate in the research, with LG Futures being commissioned to collect quantitative data from a minimum of 25 authorities and undertake qualitative fieldwork with 15 authorities. The research team were keen that the sample of authorities was as representative as possible and involved both urban and rural authorities.
- 4.2 Over 90 authorities volunteered to take part in the research, although more authorities volunteered from rural areas, despite the research team contacting a number of representative urban authority groupings to request participation.
- 4.3 A stratified sampling approach was used to identify different local authority groupings. Two levels of stratification were used, these being (i) authorities' relative level of rurality, and (ii) authorities' functions or responsibilities. The first of these was intended to ensure that the sample is broadly representative of authorities on a continuum from very rural and sparse, at one extreme, to urban and densely populated, at the other. The second was intended to ensure that the sample is broadly representative of all services that fall within the scope of the research.
- 4.4 DEFRA's 2011 small area Rural-Urban Classification was used to stratify the sample frame on the basis of rurality. For the smallest geography areas (Census Output Areas), this classification assigns them to one of ten settlement types, four of which are urban and six of which are rural.
- 4.5 To simplify the sample selection process, LG Futures further simplified the DEFRA categories into three categories: Urban, Town & Fringe, and Village & Dispersed. When selecting the final sample, it was proposed that authorities be divided into three groups: 'sparse', 'less sparse' and 'non-sparse', based on the proportion of their population falling within each Rural-Urban Classification, using these simplified categories. It should be noted that these categories were based on LG Futures' own definitions, rather than ONS rural-urban classifications. 'Cut-offs' were based upon the percentage of residents living in areas classed as village & dispersed or urban, with these being adjusted to ensure that there were a sufficient number of authorities in each category.
- 4.6 For non-shire districts, the thresholds between the three rurality groups were co-terminus, meaning that every authority would fall into one of these three categories (and therefore could potentially be included in the final sample). For shire districts, on the other hand, a 'gap' was introduced between the thresholds, so that some authorities did not fall into any category (and would therefore be excluded from the sample).
- 4.7 This was undertaken to ensure that the shire districts in each rurality group were sufficiently different from one another, in terms of their relative level of rurality. This avoids the situation whereby two authorities may be assigned to different rurality groupings, despite having very similar characteristics (i.e. where they fall just either side of the threshold). This method also reduces the number of local authorities who could be surveyed, and so was only proposed for shire districts, given the relatively large number of shire districts who had volunteered to participate in the study.
- 4.8 Based upon surveying a minimum of 25 authorities, the numbers of authorities that the sample sought to include, by rurality level and authority function is shown in Table 4.1 below.

**Table 4.1: Numbers of authorities identified for sampling by rurality and function**

2.1 Function(s)	Sparse	Less Sparse	Non Sparse	Total
L	2	1	2	5
UL/ULF	5	5	5	15
U/UF	2	2	1	5
<b>Total</b>	<b>9</b>	<b>8</b>	<b>8</b>	<b>25</b>

L = lower tier

UL = upper and lower tier functions

ULF = upper and lower tier functions and fire

U = upper tier functions

UF = upper tier functions and fire

- 4.9 Further purposive selection subsequently took place, in order to ensure as representative a spread of regions as possible, and taking into account authority characteristics e.g. coastal. The final list of authorities selected for inclusion in the fieldwork that returned data (27 in total) are shown in Table 4.2 below. In addition, the sub-set of 15 authorities also selected for qualitative interview are highlighted with an asterisk. The terms ‘sparse’, ‘less sparse’ and ‘non-sparse’ are clearly relative in nature.

**Table 4.2: Sample authorities selected by rurality, function and region**

Function(s)	‘Sparse’	‘Less Sparse’	‘Non-Sparse’
<b>L</b> (Shire Districts)	Ryedale (YH) West Devon (SW) West Lindsey (EM)*  Required = 2	Broadland (E)* Shepway (SE)  Required = 1	East Staffordshire (WM)* Pendle (NW)  Required = 2
<b>UL/ULF</b> (Unitaries, Met Districts, London Boroughs)	East Riding (YH) Herefordshire (WM)* Shropshire (WM) Wiltshire (SW) Cornwall (SW)*  Required = 5	Bath & NE Somerset (SW) Cheshire East (NW)* Cheshire West & Chester (NW) North Somerset (SW) Wakefield (YH)* Isle of Wight (SE)  Required = 5	Blackpool (NW)* Bournemouth (SW)* Lambeth (L)*  Required = 5
<b>U/UF</b> (County Councils)	North Yorkshire (YH)* Worcestershire (WM) Cumbria (NW)* Warwickshire (WM)  Required = 2	Essex (E)* Northamptonshire (EM)*  Required = 2	Hampshire (SE)*  Required = 1

- 4.10 As the table shows, minimum numbers of authorities were achieved within each category, with the exception of non-sparse UL/ULF authorities, where two authorities dropped out after



initially volunteering, although all authorities within this category that volunteered to take part were included in the sample.

## 5. Rapid Evidence Assessment – literature review

- 5.1 A Rapid Evidence Assessment (REA) of the published literature on local authority service delivery costs was undertaken, focusing in particular on areas where there is evidence that rurality is a driver of additional unavoidable costs for rural authorities, compared to their non-rural counterparts. A separate standalone report on the literature review has also been produced as part of the research.
- 5.2 The REA was carried out according to the guidance issued in the Government Magenta Book and Toolkit. LG Futures' adopted the principles of a literature review to examine evidence and information relating to costs and delivery issues in rural areas in comparison with urban areas.
- 5.3 The intention of the literature review was to draw together and report on the evidence already in existence in relation to rural costs from a range of different sources and publications. The literature review sought to identify whether previous research had documented additional costs associated with rurality for local government services; the types of services that research had taken place on; the extent to which any such costs were quantified; whether detailed statistical evidence existed; and funding methodologies in place to take account of rurality factors. The literature review also informed the selection of services for survey with local authorities.
- 5.4 The key findings from the literature review were:
- There are a variety of different ways in which rural areas receive additional funding to compensate for higher costs of service delivery in rural areas in funding formulae in England and elsewhere. These methods include, for example, using indicators of sparsity, dispersion (to reflect additional time and distance costs) and settlement size. Not all of these methods have been determined based on detailed representative statistical analysis;
  - There are numerous differing definitions of rurality and sparsity which are used in allocating additional resources to rural areas e.g. population density, remoteness from population centres, geographical features (e.g. small islands);
  - There is a significant amount of research relating to potential reasons for higher costs in rural areas, although very little of this evidence has been quantified in financial terms and much of the evidence is anecdotal;
  - Higher costs are generally identified as being related to longer travel times, higher travel costs, diseconomies of scale and lack of alternative services; and
  - Recent research on delivering public sector services in rural areas has tended to focus on other aspects of rurality, including unmet need, alternative service delivery models to overcome issues of rurality, rural deprivation and the impact of cost pressures.

## 6. Desktop analysis of administrative/statistical datasets

### National analysis for all local authority services in scope

- 6.1 The aim of this desktop analysis was to assess whether there were statistically significant relationships between the costs of service provision and various measures of sparsity, rurality and remoteness, with the intention being to use the most recent expenditure and activity data at a more detailed level than currently used for regressions within the Relative Needs Formulae (RNF) in the local government finance settlement, to compare unit costs for all authorities nationally. The analysis aimed to identify whether, and to what extent, there were potential relationships between the unit costs of local government services and rurality factors.
- 6.2 The general methodology used was to (i) calculate unit costs for local authority services, based on actual expenditure data and appropriate service-based denominators, and (ii) test for statistical relationships between these unit costs (the dependent variable) and various measures of sparsity and rurality, while, in some cases, controlling for relative levels of deprivation (the independent variables). A separate standalone report on the national unit costs analysis has also been produced as part of the research.
- 6.3 This study was intended to be a preliminary investigation into possible statistical relationships between sparsity and service unit costs. As such, it does not aim to develop detailed models for each service area, and full regression diagnostics have not been carried out to test that the assumptions of linear regression have been met. This should be borne in mind when interpreting the results, which should not be considered complete or comprehensive.
- 6.4 The approach used in this study is similar to the first stage of CLG's methodology for calculating the Relative Needs Formula, in which possible independent variables are assessed individually, to determine whether their distribution is related to that of costs. Those with the strongest relationship are then further tested to establish firstly, whether their distribution is too similar to that of other independent variables (since this can give misleading results), and, secondly, which independent variables together explain the greatest variation in costs.
- 6.5 However there are a number of key differences, as follows:
- The analysis is carried out at individual service level. For example, rather than examining the relationship between sparsity and expenditure on Environmental, Protective and Cultural Services (EPCS), the analysis considered relationships between sparsity and specific services within EPCS; for instance, between sparsity and waste collection, between sparsity and libraries, and so on.
  - The analysis can therefore use unit costs specific to the service in question. When CLG estimates the Relative Needs Formula for EPCS, for example, the variable being explained is expenditure per resident, which is the most appropriate denominator for such a broad service group. This analysis, on the other hand, is able to use unit costs

specific to each service. For example, for waste collection, unit costs can be expressed in terms of expenditure per domestic property.

- The analysis focuses on the relationship between unit costs and sparsity, incorporating a range of variables. It specifically investigates the relationship between sparsity and unit costs by including sparsity in every model from the outset, and relatively limited control variables.

- 6.6 CLG has not found a statistically significant relationship between sparsity and service expenditure in the past. If such a relationship exists, our approach may be more likely to identify it due to the three differences noted above - for example, sparsity may be a significant variable explaining the variation in local authorities' waste collection costs, but this significance may be lost when explaining the variation in overall EPCS costs.
- 6.7 A key assumption underpinning these studies is that differences between authorities reflect unavoidable costs, rather than differences in the quality and efficiency of service delivery. In other words, it is assumed that patterns of current expenditure are a reasonable proxy for underlying need. There are therefore limitations to any such regression analysis; for example, given the close relationship between funding and expenditure, lower unit costs could also potentially be a reflection of lower levels of funding.
- 6.8 Local authorities' expenditure in 2012/13 (based on the latest available Revenue Outturn returns) was organised into 51 service groupings. Unit costs were then calculated for each of these categories. Separate statistical models were then estimated for each of these 51 service groupings, using multiple linear regression analysis.
- 6.9 When developing the 'best' statistical model for each service, it was necessary to include other variables that explain (or control for) differences in unit costs between authorities, in addition to sparsity. In this analysis, the control variables were restricted to a set of deprivation indicators. Deprivation indicators were chosen as the main control variables, as they are one of the main determinants of need in CLG's Relative Needs Formula.
- 6.10 A summary of the results is as follows:
- Of the 51 expenditure groups considered, sparsity was found to be positively and significantly<sup>2</sup> related to unit costs in 11 cases. These services accounted for £7.0bn (or 15.0%) of local authorities' total expenditure in 2012/13.
  - Sparsity was significantly and negatively associated with unit costs in 15 cases. These expenditure groups accounted for £14.6bn (or 31.1%) of total expenditure in 2012/13.
  - In the remaining 25 cases, sparsity was not found to have a statistically significant effect on unit costs. These groups accounted for £25.3bn (or 53.9%) of total expenditure.
- 6.11 When interpreting these results, a number of caveats must be borne in mind:

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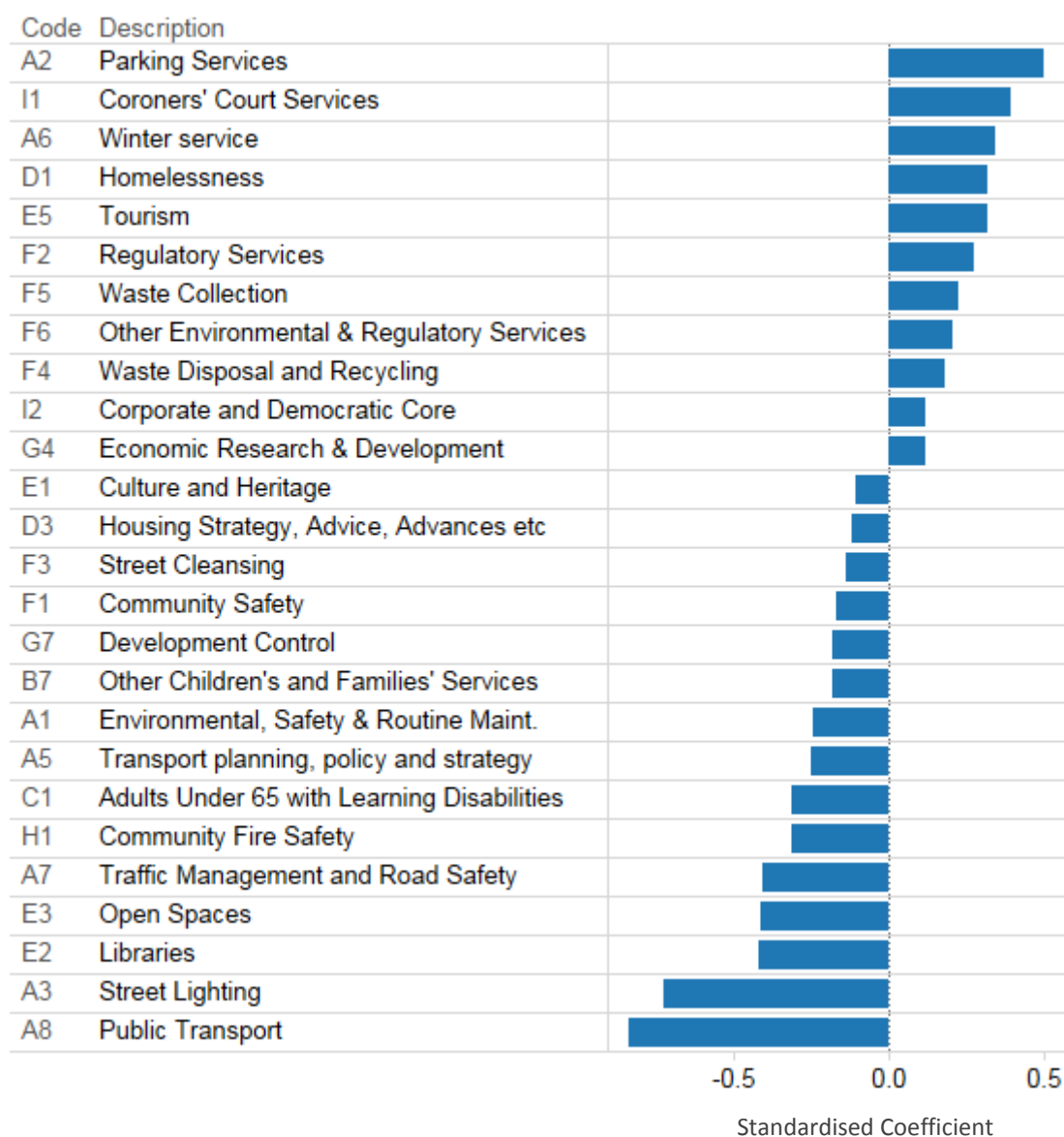
<sup>2</sup> Throughout this report, results are deemed statistically significant where the P-value is less than 0.05.

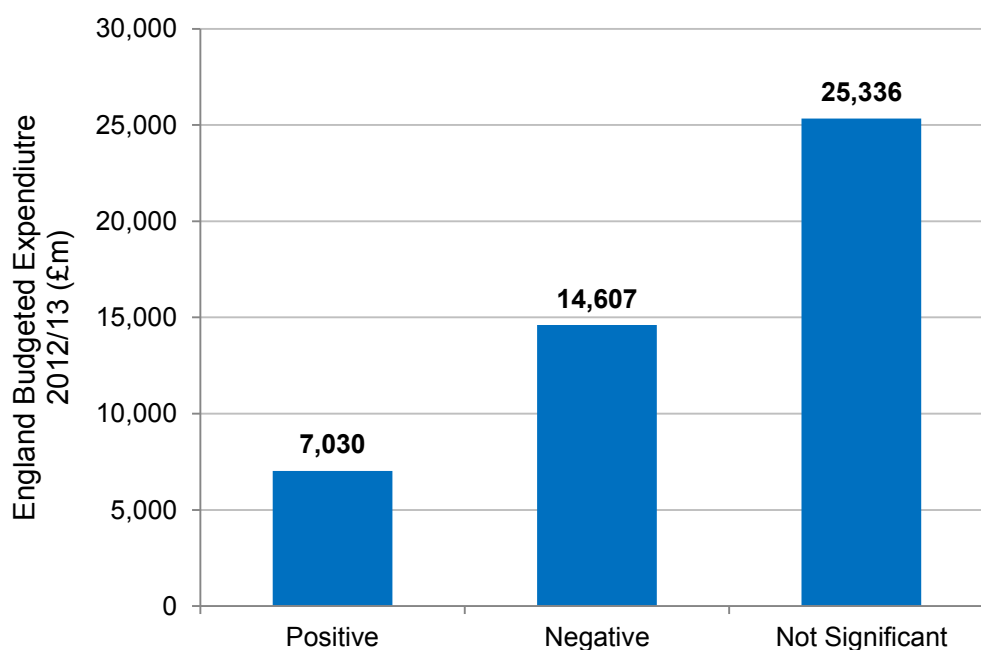
- It has been assumed that that relative expenditure is an adequate proxy for relative need, and that differences in expenditure do not reflect differences in funding, service quality or efficiency.
- It is assumed that any differences in unit costs between rural and non-rural areas are additional and unavoidable; or at least that avoidable costs are randomly distributed across rural and non-rural authorities.
- Full regression diagnostics have not been carried out, and it is possible that the models specified do not meet the basic assumptions of linear regression analysis.
- The focus on sparsity alone means it is possible that important explanatory variables have been excluded. This may mean the relationship between sparsity and service costs is over or under stated in the analysis.

6.12 Figure 1 illustrates those services for which sparsity was found to be statistically significant, and whether this was positively or negatively related to unit costs. The results are expressed in terms of standardised coefficients; that is, the change in unit costs, in standard deviations, following a one standard deviation change in sparsity.

6.13 Figure 2 illustrates the relative size of each expenditure grouping in terms of total spending in 2012/13. As can be seen, those services for which the relationship between sparsity and unit costs was positive and statistically significant made up the smallest share of expenditure.

**Figure 1 – Services affected significantly (P < 0.05) by sparsity and the magnitude and direction of the relationship**



**Figure 2 – Expenditure share of services grouped by their relationship with sparsity**

### Fire and rescue statistics analysis

- 6.14 No requests to participate in the research were received from single purpose Fire Authorities and initial discussions with CLG's Fire Research Team also suggested that national analysis of fire statistics may be more useful than a survey. Controlling for deprivation, the report found a positive relationship between sparsity and unit costs for Fire & Rescue Operations; however, this relationship was not statistically significant, despite being close to the significance threshold. The report also found a negative and statistically significant relationship for Community Fire Safety. The former category accounted for 88% local authorities' spending in 2012/13.
- 6.15 Regression analysis was again carried out, this time using total fire and rescue expenditure from 2013/14, to supplement the previous analysis, focusing on nationally available fire statistics and the research team would like to thank CIPFA for providing us with access to their Fire and Rescue Statistics 2014 and acknowledge the source of this data. A separate standalone report on the fire and rescue statistics analysis has also been produced as part of the research.
- 6.16 The analysis was carried out to identify possible explanations for the difference in unit costs between sparse and non-sparse authorities. Four key differences were examined: (i) differences in the number of stations, appliances and staff, (ii) differences in staffing structures which could affect employee costs, (iii) differences in the number and type of incidents responded to, and (iv) differences in the level of services provided, measured by casualty rates and response times. The summary results of the analysis are as follows:
- **Differences in Stations, Appliances and Staff** – Fire and Rescue Authorities (FRAs) in sparse areas were found to have a higher number of stations, operational appliances and staff relative to the number of incidents responded to. This supports the

argument that sparse authorities face diseconomies of scale in comparison to urban authorities, as they incur the same fixed costs necessary to provide emergency coverage to all areas, regardless of the number of residents living in those areas.

- **Differences in Staffing Structures** – Sparse FRAs were found to have a significantly higher proportion of retained vs. wholetime fire fighters. This appears to translate to lower wage and salary costs, with sparse authorities having significantly lower employment costs per FTE member of staff.
- **Differences in Incidents Attended** – The number of incidents per resident was only weakly related to sparsity. In 2013/14, rural FRAs attended fewer incidents per resident. This was mostly due to a lower rate of fire incidents, offset by a higher rate of non-fire incidents, mostly traffic-related. Of the fire incidents that did occur, the proportion of primary fires was higher in rural authorities (47%) than urban ones (36%), suggesting higher unit costs.
- **Differences in Service Levels** – Service levels were assessed based on (i) casualty rates and (ii) emergency response times. There did not appear to be significant differences in casualty rates between rural and urban areas, although response times were systematically higher in sparse authorities.



## 7. Quantitative survey with authorities

- 7.1 The quantitative survey of a sample of 27 authorities took place during August/September 2014. The aim of the survey was to consider more detailed data on costs and activity levels, which would be available at sub-local authority level, to identify whether there was evidence of any potential unavoidable cost differences in providing services in areas of differing rurality, as a result of geographical factors. A separate standalone report on the quantitative survey has also been produced as part of this research.
- 7.2 The services for survey were agreed following discussion with DCLG/DEFRA and covered the following service areas:
- Regulatory Services
  - Waste Collection
  - Economic Development and Community Development
  - Building Control and Development Control
  - Temporary Accommodation
  - Parking
  - Libraries
  - Highways Maintenance
  - Adult Social Care
  - Children's Social Care
- 7.3 Where possible, the survey requested that authorities provide 2013/14 actual outturn data in response to the financial questions, using service definitions and subjective classifications based on the Revenue Outturn forms. Service/activity data was also requested for 2013/14.
- 7.4 In overall terms, the key messages from the quantitative survey are as follows:
- *Travel claims.* Where services involve a significant degree of travel e.g. to undertake visits, inspections, assessments etc., there is a general tendency for sparse and less sparse authorities to have greater costs associated with travel claims.
  - *Travel downtime.* There is a general trend across authorities of all types of rurality for downtime associated with travel to be highest in more rural locations of the authority i.e. village & dispersed, compared to town & fringe, compared to urban areas. The costs of downtime per officer varied according to a wider range of factors e.g. the proportion of visits carried out in these geographical areas, but were generally higher for sparse and less sparse authorities.
  - *Agency costs and out of area placements.* Within social care, there was a tendency for more rural authorities to have a lower proportion of agency staff costs and a lower proportion of expenditure on out of area placements.
  - *Scope for income generation.* Parking was the main service where it was identified that there was significantly more scope for income generation from more urban areas for authorities of all types of rurality, with non-sparse authorities generating the greatest net income levels.

- **Quantification of costs.** Authorities were able to identify a range of geographical factors that they believed influenced costs (both rural and urban), but quantifying such factors was more difficult. There are services where evidence suggested that costs should intuitively be greater in rural areas compared to urban areas; for example, waste collection, as a result of fewer numbers of properties being collected from and greater round lengths identified. However, only one authority was able to cost these differences. For other services, such as Highways Maintenance, although potential additional geographical cost drivers were identified, authorities were not able to quantify these explicitly. The ‘averaging out’ of costs between all areas of an authority in external contracts also limits the identification of such geographical costs. Rural premia were, however, able to be identified for residential care and domiciliary care for a number of authorities, although these premia varied significantly, depending upon assumptions made by authorities in deriving these premia.

7.5 The main conclusions drawn from each of the service surveys have been summarised below.

### Regulatory Services

- **Subjective costs.** In terms of the proportion of income to expenditure, non-sparse authorities reported a higher proportion of income generation for regulatory services (around 50% higher than sparse and less sparse authorities). This could indicate greater potential to generate income for this service area or could reflect lower overall costs.
- **Travel claims.** There were higher average annual travel claims per officer in sparse authorities, 117% higher than in less sparse authorities and 69% higher than in non-sparse authorities.
- **Travel downtime.** Less sparse authorities had the highest notional cost of downtime (3.3 times that of non-sparse authorities) from travel, followed by sparse authorities (2.8 times that of non-sparse authorities). The results need to be caveated by the low response rates here, however.

### Waste collection

- **Properties per round.** There were considerably lower numbers of properties per round across all types of authority in more rural areas. These ranged from there being between 1.2 to 4.2 times more properties in an urban compared to a town & fringe area and between 2 to 7 times more properties in an urban compared to a village & dispersed area, per round.
- **Distance per round.** There were also consistently longer distances per round across all types of authority in more rural areas. Overall, on average, distances were 1.2 times greater in a town & fringe area compared to an urban area and 1.9 times greater in a village & dispersed area compared to an urban area, per round.
- **Costs per round.** Authorities were not generally able to provide costs for individual example rounds. However, one sparse district had previously undertaken detailed analysis into the additional costs of providing waste collection in rural areas. The conclusions drawn from this detailed analysis were that, on average, village properties were 1.64 times more costly to collect from than town properties, and, on average, properties in hamlets and isolated rural dwellings were 2.78 times more

costly to collect from than town properties. This was identified as being related to the additional length of the round and greater distance between properties in more rural areas, given that the same vehicle and crew were used in the comparisons.

### **Building and Development Control**

- *Travel claims.* Average travel claims per officer in sparse authorities were 25% higher than non-sparse authorities and 46% higher than in less sparse authorities.
- *Travel downtime.* There were higher levels of downtime in sparse authorities - 60% higher than in less sparse authorities and 38% higher than in non-sparse authorities. Less sparse authorities, however, had the highest cost of downtime, around 1.4 times that of sparse authorities and around 1.3 times that of non-sparse authorities.

### **Temporary Accommodation**

- The survey investigated what types of solutions to homelessness are used by different types of authority and the degree to which costs vary between the different categories. Non-sparse authorities reported less usage of lower cost options, such as accommodation within their own stock, although this is linked to the level of availability of such stock. Overall, weekly rates were significantly higher in non-sparse areas, particularly in relation to bed and breakfast accommodation. Response rates were, however, relatively low for this area.

### **Parking**

- *Total net parking income.* Non-sparse authorities reported the highest average net surplus in the survey (24% higher than less sparse authorities and 34% higher than sparse authorities), although for this survey question, the data has potential to be skewed by the nature and size of authorities responding to the question.
- *Net parking income by geographical area.* As might be expected, by far the largest proportion of parking income is generated in urban areas of authorities. For sparse authorities, income from their urban areas was 2.5 times that of income from their town & fringe areas and nearly 6 times higher than income from their village & dispersed areas. For less sparse authorities, urban income was 7.5 times that in town & fringe areas and 9 times higher than in village & dispersed areas. Non-sparse authorities responding did not have income in town & fringe or village & dispersed areas of their authority.

## Economic development and community development

- *Quantification of costs.* A number of authorities were able to quantify the additional costs associated with geographical factors, all of which related to more rural factors, such as outreach, travel, accessibility and bringing providers to locations.

## Libraries

- *Subjective costs.* Sparse authorities generated the highest proportion of income to expenditure, more than double that of non-sparse authorities. Non-sparse authorities had the highest proportion of employee costs, which could be linked to the larger proportion of full time employees. Sparse authorities' premises costs as a proportion of expenditure were double those of non-sparse and less-sparse authorities.
- *Premises costs for a typical library.* Based upon data for a typical single library in different geographical locations, premises costs as a proportion of total expenditure increased in relation to rurality. These increased by 17% between urban and village & dispersed areas in sparse authorities and by 30% between urban and village & dispersed areas in less sparse authorities (non-sparse authorities did not have libraries in non-urban areas). This is likely to indicate the higher fixed costs of premises associated with service provision in more rural areas, although could also be linked to proportionally lower employee costs in more rural areas e.g. due to less full time staff and/or use of volunteers.
- *Cost per visit.* The cost per visit data was mixed, identifying that, whilst for sparse authorities, costs per visit were lowest in urban areas of the authority, for less sparse authorities, costs per visit were lowest in village & dispersed areas of the authority (non-sparse authorities did not have libraries in non-urban areas). This is likely to reflect the means of service provision in those authorities responding to the survey, in terms of potentially higher visit numbers in urban locations, set against potentially lower employee costs in more rural locations.

## Highways

- Authorities were able to describe a range of factors that influenced the costs of highways and bridge maintenance, most of which related to geographical factors, although 'topography' rather than 'rurality' per se was often seen to have the greatest influence on costs. However, authorities were unable to support the qualitative information with relevant cost data, which will, in some cases, be linked to the averaging out of contracts, where the service is delivered externally. Sparse authorities, on average, were identified as having capitalised a far greater proportion of expenditure (66% for sparse compared to 57% for less sparse and 39% for non-sparse authorities). Authorities also provided a range of views on the factors used in the current Highways Maintenance Relative Needs Formula.

## Adult Social Care

- *Subjective costs.* The proportion of expenditure covered by income is highest in sparse areas. This may indicate a greater potential to generate income or it could indicate lower overall costs.

- *Agency staff.* The proportion of agency staff was highest in less sparse and non-sparse authorities (around double that in sparse authorities).
- *Out of area placements.* Sparse authorities reported the lowest proportion of out of area placements (around a third that of non-sparse authorities and a quarter that of less sparse authorities). This could potentially reflect the larger geographic nature of sparse authorities and greater availability of provision within the area.
- *Travel claims.* Although proportion of time spent travelling was lowest in less sparse authorities, these authorities still had the highest average travel claim per officer.
- *Travel downtime.* Less sparse authorities had the highest cost of downtime, around double that of sparse and non-sparse authorities, although this should be caveated, as data for this question was only received from two authorities in each category.
- *Residential care additional premia.* A number of residential care premia were identified, across both rural and urban settings, largely in relation to market factors, location and incidence of self-funders.
- *Domiciliary care rates and premia.* Differential hourly rates were identified, with a premia for the average rate for domiciliary care of 5% between non-sparse and less sparse authorities and 11% between non-sparse and sparse authorities. A range of (largely rural) premia were also able to be quantified by authorities.
- *Day care.* Sparse and less sparse authorities received less income in proportion to expenditure for day care. Sparse authorities had a significantly higher proportion of travel costs (19% higher than less sparse and 17% higher than non-sparse authorities).

### Children's Social Care

- *Subjective costs.* Sparse authorities reported the highest proportion of income to expenditure.
- *Agency staff.* Less sparse and non-sparse authorities reported the highest proportion of agency costs, at almost double those of sparse authorities.
- *Out of area placements.* Non-sparse authorities reported the highest proportion of spend on out of area placements by far (43% compared to 16% for sparse authorities and 10% for less sparse authorities). This could reflect the larger geographic nature of more rural authorities, with greater capacity for in-house provision
- *Travel claims.* Although non-sparse authorities had a significantly higher proportion of staff time spent travelling (possibly linked to greater numbers of out of area placements), travel claims were highest for less sparse authorities.
- *Foster care and adoption.* Payments to foster carers/agencies for the non-sparse authorities were below those for sparse and less-sparse authorities. Payments to adopters were relatively similar. Authorities were asked if there were additional premia paid for foster and adoption; however, these were related to the additional needs of individual children, rather than geographical factors.

## 8 Qualitative interviews with authorities

8.1 As identified previously, 15 authorities were purposively selected, across a range of ruralities, regions and types of authorities, from the total sample of 27 authorities, to take part in qualitative interviews. The purpose of the qualitative interviews was to explore a broader range of issues with local authority stakeholders associated with rurality, the extent to which these and other geographical issues are faced by non-rural authorities and how such issues might result in additional unavoidable costs. A separate standalone report on the qualitative interviews has also been produced as part of this research.

8.2 The key issues identified from the qualitative interviews can be summarised as:

### Types of factors that might result in additional unavoidable rural costs

8.3 The main factors which rural authorities identified as potentially leading to additional costs have been summarised below. As considered previously, precisely defining what is represented by an 'unavoidable' cost is difficult, given that there is differing scope for interpretation. Unavoidable costs might generally be taken to mean those which arise as a result of factors beyond an authority's control, such as the geographical size of an authority. However, even so, there are clearly a number of different ways in which policy/service choices can be made to address such factors, and so authorities might feel that most of their costs are unavoidable.

8.4 In addition, a measure of service quality would also need to be considered in order to identify whether a significantly higher quality or volume of service was being provided as a deliberate policy choice; however, given that there is often no defined 'standard' level of service, this is difficult to determine. There is also scope for alternative views as to measures of service quality e.g. which performance indicators/outcomes best define this. For these reasons, the costs identified below reflect those that are perceived by authorities to be additional and unavoidable, in the context of their providing appropriate services to their residents.

- **Local public service governance:** raised by counties in the context of delivering services in two-tier areas, with the greater levels of engagement required e.g. for consultation and service design;
- **Communicating/engaging with large numbers of communities and neighbourhoods:** in particular, due to population dispersal and settlement sizes, requiring large numbers of groups to be engaged with;

- **Lack of 'clusters' for commissioning purposes:** population dispersal was again identified as a factor, with there being less potential for services to be efficiently 'clustered'. The need for out of area placements and specific individual contract arrangements were raised;
- **Lack of broadband availability/connectivity:** although match funding for rural broadband (with BDUK) is capital funding, revenue costs were also identified e.g. project teams, pump-priming, capital financing costs, in addition to wider cost issues associated with difficulties in achieving channel shift;
- **Increased travel time and costs due to geographical area and transport networks:** the main issues considered here related to the geographical size of an area; levels of population dispersal and therefore greater travel time between undertaking individual service activities; the availability of transport networks/routes, which affects how efficiently services can be provided; congestion e.g. in areas with a high degree of tourism; and higher rural fuel prices;
- **Supply and market factors:** factors identified related to authorities needing to seek to influence the market (e.g. packaging contracts in a way such that providers need to tender for a mixture of rural and urban areas); authorities investing upfront; fewer contractors operating, reducing the level of competition and increasing prices; the need to utilise small, higher cost providers; and the authority acting as a provider of last resort; and
- **Greater numbers of contact/access/delivery points being required:** where more fixed premises were required due to a larger geography/dispersal of population and to ensure that travel times for staff/residents to provide/access services are not excessive.

### The extent to which geographical factors also affect non-rural authorities

- 8.5 Although the authorities involved in the qualitative interviews reflected the greater numbers of volunteers from rural areas, a range of 'geographical' cost issues were also considered from authorities with coastal deprived, wider coastal and urban/London characteristics. Some of these factors are similar in nature to those for rural authorities, but for different reasons e.g. supply factors as a result of lack of geographical capacity for facilities, travel time as a result of congestion, whereas other factors were more unique to non-rural authorities; for example, population transience/churn; diversity; migration; increased daytime/overnight visitors; lack of informal care networks.

### Services particularly affected by rurality

- 8.5 Authorities identified that almost all services were potentially affected by rurality to some extent. In terms of the services most affected by rurality, a number of these services were more prevalently provided in rural areas e.g. home to school transport; rural bus subsidies; tourism; countryside services. Other services were identified as being affected as a result of distance and travel costs/downtime e.g. waste collection/disposal; domiciliary care; regulatory services. Supply factors and out of area placements were perceived to affect services such as residential care and children's social care, although it should be noted that evidence from the quantitative survey of local authorities identified significantly higher levels of out of area placements in more urban authorities, rather than more rural authorities, particularly for children's social care. Greater numbers of fixed access/contact points were

seen to affect services such as libraries/hubs and lack of income generating opportunities were identified in relation to parking services.

### **The extent to which rural 'premia' are built into contracts**

- 8.6 It was generally identified that such premia are not directly identifiable, as costs are 'averaged out' within contracts, although where actual cost contracts were operated, the differing costs associated with undertaking activities in different parts of the authority could, in theory, more explicitly be identified. However, a direct comparison of rural vs. urban costs would require precisely the same activity/job to be costed, with the only difference being the location of the activity, given that a range of other factors could affect costs, such as the complexity of the job, severity of the repair etc.

### **Service levels and access to services**

- 8.7 There was a general view that there were lower expectations in rural areas e.g. for services such as winter maintenance; availability of transport; footways; street lighting etc. For 'needs-based services' e.g. social care, differential provision was not considered to exist. For 'universal services', although differences in levels of provision were identified as taking place, this was, however, seen to be linked to need/risk; for example, more frequent street cleaning taking place in towns compared to villages or it being more likely that potholes will be addressed/gritting will take place in areas where traffic volume is greatest.

### **Service delivery models**

- 8.8 Channel shift and asset rationalisation were particular models that both rural and urban authorities were implementing, given the need to make significant cost savings. Many rural authorities had focused upon building community capacity and exploiting technology to reduce social isolation. Although difficult to directly evidence, the intention was that these types of initiatives would lead to cost savings in terms of prevention/demand management further down the line e.g. through allowing individuals to live more independently, improve health etc. Libraries were highlighted as a particular service area which acted as community hubs and where wider service provision/advice/co-location took place.

### **Funding issues related to rurality**

- 8.9 Given the differences in the nature of local authorities interviewed, different views were expressed in relation to funding, although the main points identified were:
- The Rural Services Delivery Grant was generally welcomed by rural authorities and views were expressed that such grants needed to become a permanent feature of the funding system;
  - Given the complexity of the funding system, damping could limit the effect of potentially positive changes for rural authorities and can have unexpected results;
  - Authorities' ability to benefit from business rates retention was identified as being limited by some authorities e.g. with smaller businesses/broadband/transport access issues;
  - In terms of definitions, 'rurality' refers to a much broader range of issues than 'sparsity' and rural deprivation issues were not perceived to be reflected in funding



formulae;

- Some authorities identified that funding could potentially reflect not just sparsity, but also the level of 'dispersal' and numbers of settlements of certain sizes;
- The relative size of dispersed communities was also identified as a factor, in that a very sparse population may not expect certain services within their locality, whereas dispersed concentrations of population are more likely to;
- Coastal authorities identified that funding could take greater account of the coastline and coastal geographies;
- Authorities with high levels of tourism suggested that overnight visitors should be reflected in the funding formulae to a greater extent in comparison with day visitors;
- Highways funding was specifically mentioned by some authorities, where it was believed that capital allocations worked more effectively than revenue allocations for highways, as capital is more objectively based upon authorities' approaches to asset management;
- Some authorities requested that a separate 'flexible funding pot' should be made available for rural authorities. Authorities were cautious about the increased use of time-limited specific grants, however, where these came to an end, meaning that authorities had to find funding from their base budget; and
- If assets and services are to be devolved to parish/town councils, then views were expressed that referenda levels should be set at an appropriate level for local councils, to enable them to fund such services.