

Transition grant and rural services delivery grant¹

Overview of the work

- 1 In February 2016, the Department for Communities and Local Government (the Department) published the final local government finance settlement for 2016-17. This set out the Department's plans for local authorities' main unringfenced sources of revenue income from government up to 2019-20. Compared with the provisional settlement, which the Department had consulted on in December 2015 and January 2016, the final settlement included £210.5 million in additional government funding for 2016-17: £150 million in a new transition grant and a £60.5 million uplift to the rural services delivery grant (rural grant).
- 2 The scale of the changes between the provisional and final settlements was unusual and there was substantial media interest in the new funding. Much of the focus was on the equity of its distribution. There was similar interest in Parliament, particularly in relation to transition grant, where the equity of the distribution and the basis of the allocation model were raised in debates and Parliamentary questions. A specific concern was that the new funding was allocated on the basis of political lobbying rather than demonstrable need or any other transparent funding criteria. The Department did not publish the allocation methodology for transition grant until six weeks after the new funding was announced.
- 3 Parliamentary concern culminated in the Comptroller and Auditor General receiving correspondence from Helen Goodman MP on behalf of 11 other MPs. She questioned the purpose of the new funding and the equity of its distribution. The Comptroller and Auditor General agreed to examine the purpose of the grants and the methods used to distribute them.
- 4 The purpose of our investigation is to set out the facts surrounding the allocation of transition grant and the additional uplift in rural services delivery grant in 2016-17. We focused on:
 - the purpose of, and need for, the additional funding;
 - the design of the allocation models; and
 - the source of the additional funding.
- 5 In examining these issues, we drew on a variety of evidence sources. We:
 - conducted a small number of interviews with Departmental staff involved in managing the 2016-17 local government finance settlement;
 - reviewed the Department's analysis of responses to the consultation on the 2016-17 provisional settlement;
 - reviewed the Department's allocation models and the allocations themselves for the two grants;
 - examined other Departmental documents on the settlement, the consultation and the grants; and
 - reviewed Parliamentary material such as Hansard and trade and national media material on the settlement and the grants.
- 6 We undertook our work between May and October 2016.

¹ The material in this document was originally provided as an annex to correspondence from the Comptroller and Auditor General to Helen Goodman MP sent in February 2017.

The provisional local government settlement 2016-17

- 7 The Department publishes a provisional local government finance settlement annually. This sets out the planned funding available for the following year for individual local authorities through revenue support grant, the Department's main funding stream for authorities. It also provides information on other grants, and sets out details on other significant changes in the local government finance system.
- 8 There is an immediate consultation on the provisional settlement's proposals. The Department published the 2016-17 provisional settlement on 17 December 2015. The consultation closed on 15 January 2016.

Changes to the calculation of revenue support grant

Purpose and nature of the change

- 9 The 2016-17 settlement used a different approach from previous years to allocate revenue support grant. The government's objective in making the change was intended to ensure that authorities delivering the same set of services received the same percentage change in funding for those sets of services. The new model did this by taking account of the main resources available to an authority, rather than focusing only on revenue support grant.
- 10 The main change was the creation of 'settlement core funding', which included revenue support grant, baseline funding from retained business rates and council tax.² Authorities of the same type would receive reductions in revenue support grant that represented equal percentage reductions across this body of core funding, rather than only across revenue support grant as before.³
- 11 The previous approach was to calculate the distribution of revenue support grant to individual authorities by a 'scaling method'. Under this approach, each authority's grant was reduced by an equal proportion for each type of local authority.⁴ This provided equal reductions in the grant for similar types of authority, but did not account for the significance of the grant to an authority's overall spending power (government grant plus council tax). So, equal reductions in grant could have different impacts on spending power in authorities depending on whether they were more or less dependent on the grant.

Outcomes

Impact on revenue support grant

- 12 The new allocation model for revenue support grant had a marked impact on its distribution. It benefited authorities that depended more on the grant as a share of settlement core funding. Metropolitan districts, for instance, are more reliant on revenue support grant; it represented a median of 27.3% of settlement core funding for these authorities in 2015-16. For county councils the median was 18.9%.
- 13 This difference meant that metropolitan districts saw lower reductions under the new model. These authorities saw median reductions in their revenue support grant of 24.7%, whereas under the old model the median reduction would have been 30.4% (**Figure 1**). In contrast, county councils now received a median reduction of 34.5%, compared with the 24.7% reduction they would have had under the old model.

2 The settlement core funding methodology uses the 2015-16 council tax requirement only so that authorities that grow their tax bases are not penalised.

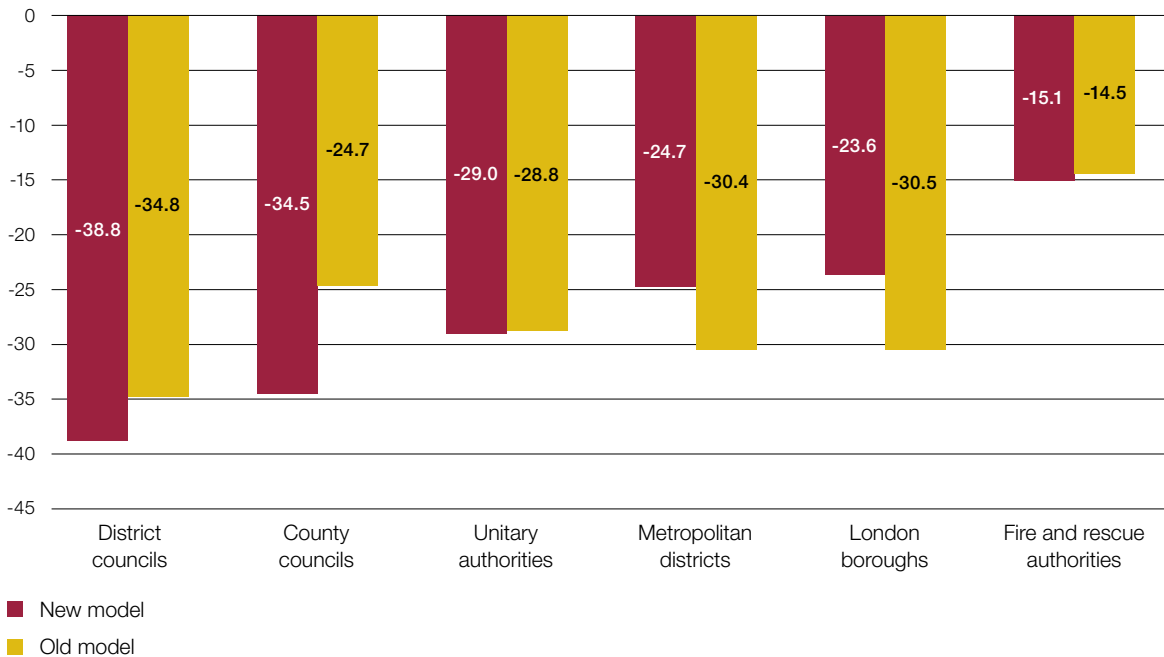
3 Department for Communities and Local Government, *The local government finance report (England) 2016-17*, HC 789. Authorities received equal reductions in relation to several sets of services.

4 Under the previous model there were several separate funding lines within revenue support grant. Similar types of authority received equal reductions in each funding line. Differences in the balance of funding lines between individual authorities in fact meant that relative reductions in revenue support grant were not always equal by type of authority.

Figure 1

Change in revenue support grant under new and old allocation models – 2015-16 to 2016-17

Median change (%) (cash terms)



Source: National Audit Office analysis of Department for Communities and Local Government data

Impact on core spending power

14 Revenue support grant is only one element of authorities' overall spending power. Once other elements including retained business rates, council tax, and other grants such as New Homes Bonus are included, it is clear that while the new method has re-balanced changes in spending power to a degree, it has not significantly altered the overall balance in funding reductions between authority types.

15 For instance, the lower reduction in revenue support grant experienced by metropolitan districts under the new model means that the median reduction in spending power for these authorities fell from 5.3% to 3.8% (**Figure 2**). In contrast, the greater reductions in revenue support grant for county councils from the new model pushed up their median reduction in spending power from 1.1% to 2.9%. These differences reflect the fact that although county councils now receive a larger reduction in revenue support grant than metropolitan districts, revenue support grant represents a smaller share of their overall spending power.

'Technical' consultation

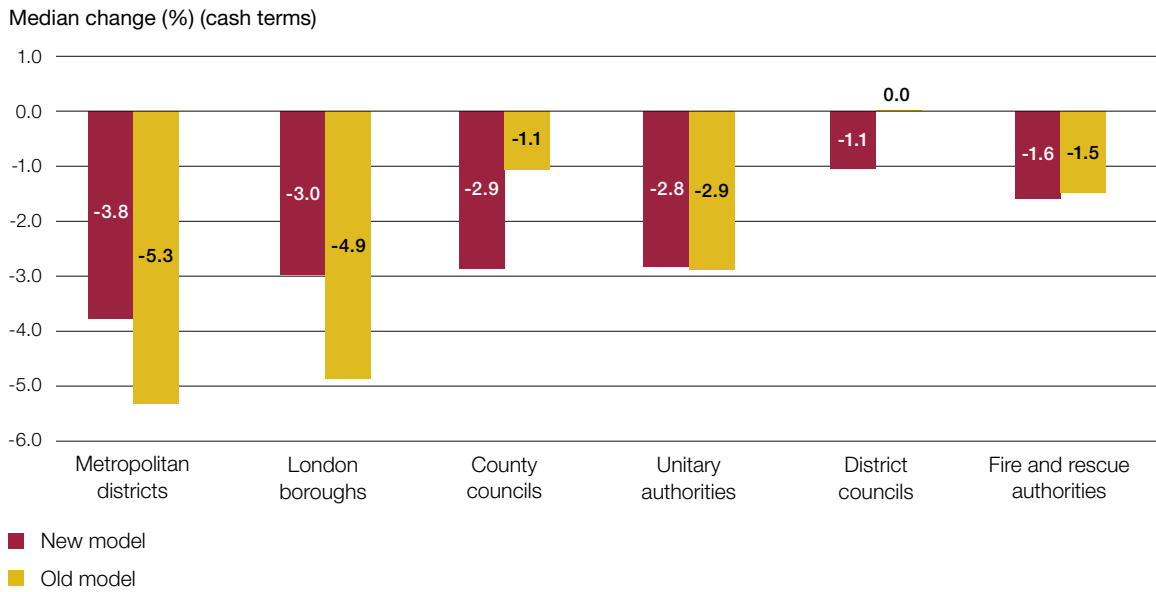
16 The Department can hold technical consultations when it proposes to make significant changes to the local government finance system. These focus on specific proposals for changes to the system and are usually held in the summer or autumn. They feed into the design of the provisional settlement generally announced in December. There is a mandatory consultation on the provisional settlement usually of around four weeks finishing in mid-January. Authorities tend to complete their budgets, including setting council tax, in February. Legally, budgets must be set by 11 March for billing authorities and 1 March for precepting authorities.⁵

17 The Department recognised that its plans to revise the calculation of revenue support grant for 2016-17 represented a significant change and that some authorities would have concerns. Although the Department had made no public commitment to maintaining the previous system, it anticipated that some authorities may have based their financial planning for 2016-17 on the assumption that the old system would continue.

⁵ Precepting authorities in this instance include county councils, fire and rescue authorities and the Greater London Authority. Billing authorities include metropolitan district councils, London borough councils, unitary authorities and district councils.

Figure 2

Change in provisional core spending power under new and old allocation models – 2015-16 to 2016-17



Note

1 Data shows comparison between provisional core spending power calculated under the new and old models. It therefore excludes transition grant and the additional uplift in rural services delivery grant.

Source: National Audit Office analysis of Department for Communities and Local Government data

18 The Department proposed that a technical consultation should be held on the planned changes. Ministers supported the proposal but were unable to secure cross-departmental collective agreement before the conclusion of the 2015 Spending Review to proceed with the consultation.⁶

19 Ministers decided not to postpone the implementation to the following year. This would have allowed for a technical consultation to take place in summer and autumn of 2016. Ministers decided that it was necessary to introduce the change for 2016-17 in order to support the move to a system in which local authorities are financially self-sustaining.⁷

20 The Department also told us that ministers wanted to test the need for transitional funding as part of the consultation on the provisional settlement rather than building it into the new model from the outset. The Department had not designed an allocation method or identified possible sources of funding for transitional funding in advance of the consultation on the provisional settlement.

Proposed increase to rural services delivery grant

21 Rural grant was introduced in 2014-15. Funding was provided in recognition of the possible additional costs of delivering services in sparsely populated areas. The grant is allocated on the basis of population super sparsity. Super sparsity measures the proportion of an authority's population that resides in output areas with fewer than 0.5 persons per hectare.⁸ Authorities in the top quartile receive funding.⁹

6 Cabinet Office, *Consultation principles 2016*. This version of the principles was published in January 2016; the predecessor version available during 2015 states that "the documents supporting formal consultations should be cleared collectively with ministerial colleagues."

7 Although the Department did not hold a technical consultation on the proposed changes there was a brief reference to them in the 2015 Spending Review document. The Spending Review was published on 25 November 2015, just over three weeks before the changes were fully announced in the provisional settlement.

8 Output areas are the lowest form of geographical reporting in England. They are based on post codes and typically include around 125 households.

9 Department for Communities and Local Government, *The local government finance report (England) 2014-15*, HC 1055, February 2014.

22 Two changes to the grant were set out in the 2016-17 provisional settlement:

- Funding would increase by £4.5 million to £20 million for 2016-17. This would increase steadily to £65 million by 2019-20. Increases beyond 2016-17 would be subject to statutory consultation as part of future finance settlements.
- Rural grant, which had previously been incorporated within revenue support grant, was now presented as a standalone grant to ensure that the proposed uplifts were not affected by the new allocation model for revenue support grant.

Consultation on the provisional settlement

Scale of the consultation

23 The Department consulted on the provisional settlement between 17 December 2015 and 15 January 2016. The consultation received 278 written responses. These included 215 from local authorities, 21 from local authority representative groups, 21 from other representative groups and 12 from MPs. There was a very high response rate from county councils with 26 out of 27 (96%) responding. Some 78% of metropolitan districts, 76% of London boroughs, 64% of unitary authorities and 44% of district councils also responded. Not all authorities responded to all questions.

24 Departmental ministers met MPs, local authorities and other groups as part of the consultation. This included engagements with eight representative groups, 30 local authorities and 20 MPs, as well as a phone-in with more than 70 local authorities. Ministers also committed to considering representations made during a backbench debate on rural funding for local government on 11 January 2016 as part of the consultation.

Responses to the new calculation method for revenue support grant

Levels of support

25 The consultation asked whether authorities agreed with the new methodology for allocating revenue support grant and whether any transitional measures should be used. At the aggregate level, 73.1% of all respondents (including non-authority respondents) disagreed with the new allocation model for central funding, and 69.7% felt that some form of transitional support should be provided.

Concerns raised

26 The main concern raised by respondents to the proposed changes to the allocation model was that the Department did not provide enough time for consultation ahead of the proposed changes, including failing to undertake a technical consultation. Specifically, the announcement of the changes on 17 December 2015 left too short a period for local authorities to set their budgets on the basis of the new proposals.

27 The Department did not include a specific question on this issue but it was raised voluntarily by authorities repeatedly. Some 75 local authorities (42.6%) out of 176 that responded to the question raised this concern. More than half (52.3%) of authorities that disagreed with the new measures cited lack of consultation time as an issue.

Responses to rural grant proposal

28 The consultation asked whether respondents agreed with the Department's decision to pay £20 million in 2016-17 in rural grant. This was an increase of £4.5 million on the 2015-16 figure. Some 55.9% of respondents to the question supported the proposal.

29 The Department's analysis of the consultation responses identified that many authorities also expressed concerns that the £4.5 million uplift was insufficient to close the 'urban-rural funding gap' or to meet what they viewed as the additional costs of delivering services in rural areas.¹⁰ They also expressed disappointment that larger planned increases in the grant were 'back-loaded' to the end of the four-year settlement period. The Department also noted that similar concerns over the level of funding for rural areas had been raised by MPs, including during the backbench debate on 11 January.

10 Department for Communities and Local Government, *Provisional local government finance settlement 2016-17 and an offer to councils for future years: consultation – Summary of responses*, 10 February 2016.

The final local government settlement 2016-17

- 30** The final local government settlement was announced on 8 February 2016. This took account of the feedback received by the Department during the provisional settlement consultation and set out final allocations for each authority's revenue support grant. It also included a range of other changes compared with the provisional settlement, such as the announcement of an early review of relative needs and resources and the costs of delivering services in different areas.
- 31** The final local government settlement also included some additional funding:
- A transition grant of £150 million in both 2016-17 and 2017-18.
 - Extra uplifts in rural grant of £60.5 million in 2016-17 and £30 million in 2017-18.
- 32** The level of additional funding (£210.5 million) for 2016-17 provided in the final relative to the provisional settlement is unusually large. Net additions to the previous five final settlements sum to a combined total of £99.4 million. The Department told us that previous final settlements tended to see lower levels of change as they had often been preceded by technical consultations. This meant that any issues relating to proposed changes were addressed by the time of the provisional settlement.

The introduction of transition grant

Purpose of, and need for, the funding

- 33** There was no Departmental statement to accompany the introduction of transition grant when the final settlement was announced on 8 February 2016. On 10 February the Secretary of State set out the clearest account of the purpose of the grant saying that it, "... will ease the change from a system based on central government grant to one in which local sources determine a council's revenue. The fund will be applied in direct proportion to the difference in the revenue support grant that would have been experienced".¹¹ An explanatory note from the Department published on 24 March echoed this statement, and set out the allocation method, but provided no more detail on the purpose of the grant.¹²
- 34** The Department told us that authorities that lost out under the new model were compensated via transition grant for the impact of the unforeseen funding reductions on their budget planning, not because their losses or challenges were any worse than other authorities. This reflected responses received during the consultation. The Department told us that a large number of authorities said in response to the consultation that the unexpected changes meant they had little time to take their councils back through their budgetary processes, and that doing so would lead to rushed decision-making and poorer decisions. The additional funding was provided by the Department to smooth the scale of these sudden budget readjustments. The Department told us that ministers felt that authorities should not have assumed that the model would be unchanged. However, as the consultation process progressed, it became clear that authorities had taken this approach, which in turn created an issue the Department thought needed to be addressed.
- 35** The Department was equally clear that factors such as the overall reductions in spending power experienced by authorities either in this or previous settlements were not involved in the design of the grant. The level of need or demand for local services was also not considered.
- 36** Although the grant was to mitigate the impact on the financial planning process for authorities that received unexpected reductions, the Department provided funding for two years. Although authorities would now be aware of the new arrangements ahead of setting their 2017-18 budgets, the Department felt that they would have started planning for 2017-18 already and therefore compensation was warranted to address disruption to that process.

¹¹ Hansard, *Local Government Finance (England)*, HC Deb, 10 February 2016, column 1645.

¹² Department for Communities and Local Government, *Explanatory note on method of calculation of the transition grant*, 24 March 2016.

The design of the allocation method for transition grant

The allocation model

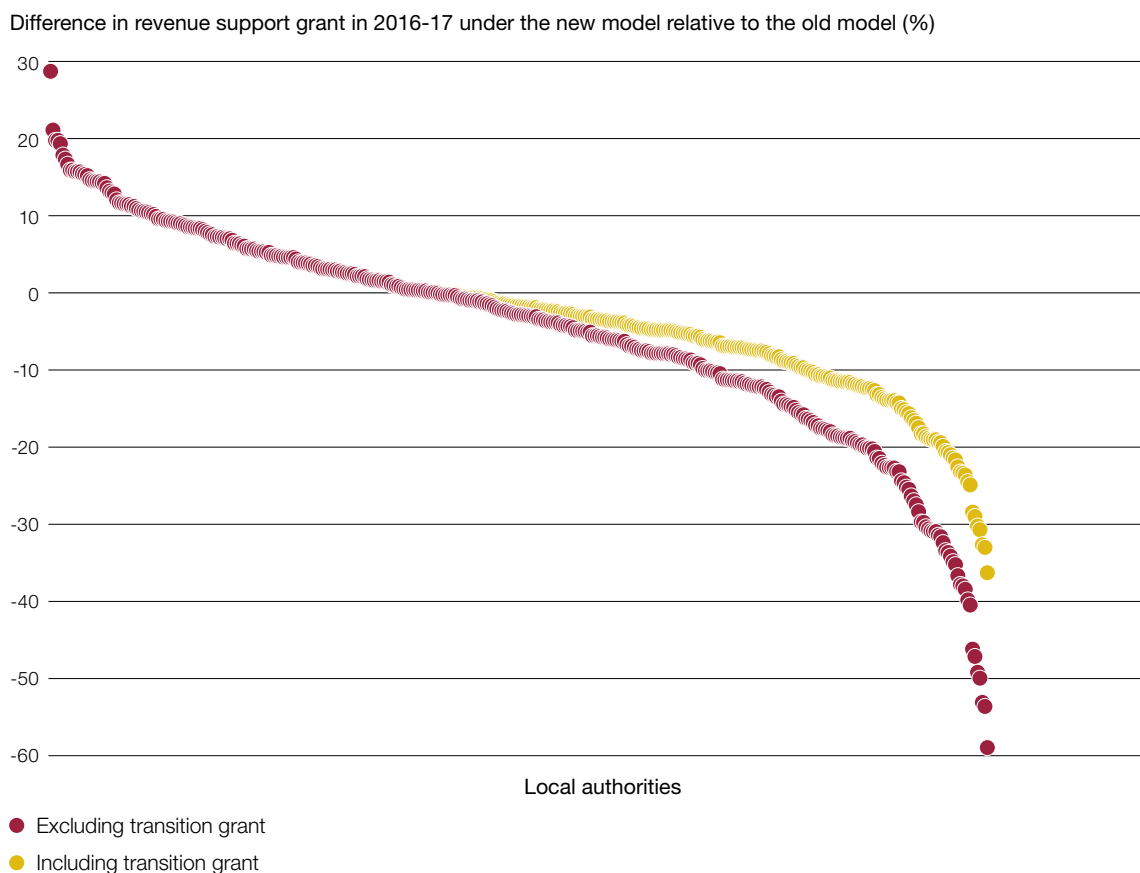
37 The allocation method for transition grant is set out in the Department's note of 24 March 2016. The model calculates a notional figure for revenue support grant in 2016-17 based on the old methodology used in 2015-16, but using control totals set at 2016-17 levels. The difference in outcomes under the old and new models is then calculated to identify authorities that lost out under the new method. Where authorities lost out they then receive a proportionately equal share of the national total of the grant.

38 A consequence of this is that all authorities that lost out under the new methodology compared with the old model received compensation at exactly the same rate on their losses. Authorities that benefited from the new model did not have any changes made to their allocation announced in the provisional settlement (**Figure 3**). The Department considered other models but felt that this was the fairest to achieve its objective, as it compensated equally all authorities that had received unexpected reductions.

39 The allocation of the grant for 2017-18 is calculated on the same basis but using control totals for 2017-18 to estimate a notional distribution for that year based on the old method.

Figure 3

Difference in revenue support grant in 2016-17 under the new allocation model with and without transition grant



Source: National Audit Office analysis of Department for Communities and Local Government data

Publishing the allocation model

- 40 The Department did not publish the calculation methodology for the allocation of transition grant at the announcement of the final settlement on 8 February. The Secretary of State sought to explain to Parliament the basis on which transition grant was allocated in the debate on the local government finance report on 10 February. However, in the absence of a full technical explanation of the method there was no way of understanding the precise basis of the allocations at that time.
- 41 The Department published an explanatory note on the calculation methodology on 24 March 2016, six weeks after the original announcement. The note set out the necessary steps to calculate transition grant allocations for 2016-17. It did not provide all the information required to calculate the allocations for 2017-18 as it did not include the relevant control totals. The Department has since provided them to us, and published them as part of the provisional 2017-18 settlement.
- 42 The Department did not publish a worksheet with each stage of the allocation process worked through for individual authorities. The Department was happy that its published information was sufficient for authorities to calculate their allocation. However, it was not possible to calculate transition grant allocations from the data published solely with the 2016-17 settlement. In order to replicate the figures, some data published as part of the 2015-16 settlement had to be added to the calculations. This was not set out clearly in the Department's explanatory note on the grant allocation. Once the 2015-16 data are included, it is possible to use the Department's formula and data published with the 2016-17 settlement to calculate the allocations.

Source of the funding for transition grant

Source of funding

- 43 The Department told us that the quantum for transition grant was the outcome of the amount of compensation that ministers felt would be appropriate alongside the resources available to the Department. The Department also modelled the figures against its plans for rural grant.
- 44 The Department has made no public statement setting out the source of the funds. The Secretary of State stated, "that it will not come from the local government financial settlement".¹³ Subsequently, a ministerial response to a written question on the source of the funds indicated that the Department had "... reprioritised existing spending in addition to using unallocated and contingency budgets to fund the transitional grant".¹⁴
- 45 The Department confirmed to us that £50 million for transition grant was secured by changing the purpose of a £50 million top-slice from the 2016-17 revenue support grant that had been intended for the business rates safety net.¹⁵ It also told us that it anticipates that it will re-assign the safety net top-slice to transition grant in 2017-18 as well. Some £31 million for 2016-17 has also been transferred from the Communities and Local Government DEL to part-fund the grant, although the original purpose for this funding is unclear.¹⁶
- 46 In the course of our investigation the Department has not given us further details on the source of the funds. Its view is that it "... considers these sums affordable within its existing control totals, given the levels of unallocated provision, contingency budgets, efficiencies and reprioritised existing spending". The level of transition grant funding is small relative to the overall resources under the control of the Department; £23.8 billion in its resource budget at the 2016-17 main estimate.

Business rates safety net¹⁷

- 47 Despite the decision to reassign the £50 million revenue support grant top-slice from the safety net to transition grant, the Secretary of State has confirmed that the safety net policy remains in place. He stated that, "all councils that qualify for safety net payments will continue to receive them. As in previous years, these payments will be funded from a combination of levy receipts and transfers into the safety net account".¹⁸ The Department also confirmed to us the government has no intention to change authorities' entitlements in respect of the safety net.

13 Hansard, *Local Government Finance*, HC Deb, 8 February 2016, column 1337.

14 Local government finance: written question HC 27177, asked on 11 February 2016 and answered on 22 February 2016.

15 This funding is clearly from within the settlement. We therefore understand the Secretary of State's statement that the grant was not from the settlement to mean that other payments to local government determined through the settlement would not be reduced due to transition grant.

16 Department for Communities and Local Government, *Explanatory memorandum: main estimate 2016-17*, submitted to the House of Commons Communities and Local Government Committee on 14 May 2016.

17 The safety net ensures, through compensatory payments, that no authority will see its business rates income fall more than 7.5% below its baseline funding level in any single year. The primary source of funding for the safety net is a levy on disproportionate growth in business rates income in other authorities, charged in line with a fixed formula.

18 Correspondence between the Secretary of State for Communities and Local Government and the chair of the Communities and Local Government select committee, 11 April 2016. Available on the committee's website.

- 48 In previous years the safety net top-slice from revenue support grant has been used to settle in-year claims on the safety net.¹⁹ In the absence of the top-slice being available for this purpose, the Department will have to provide cover for in-year safety-net payments in 2016-17 from elsewhere within its DELs. In response to our queries for further detail, the Department told us that it is "... not necessary to clarify [...] how the safety net funding will be 'replaced'".
- 49 Had the £50 million top-slice been used to fund in-year safety net payments, any balance would have remained in the levy account under the statutory framework.²⁰ The implications for the levy account of the re-assignment of the top-slice to transition grant are not clear.

The increase to rural services delivery grant

The purpose of, and need for, the additional funding

- 50 Ministers chose to provide an additional £60.5 million in rural grant in 2016-17, on top of the £4.5 million uplift set out in the provisional settlement. An additional £30 million was also earmarked for provision in 2017-18 on top of the existing uplift for that year.
- 51 The Department told us that the additional uplift to the grant for 2016-17 was a ministerial decision driven by the strength of responses to the consultation. Many respondents argued that there were additional costs to delivering services in rural areas and that these were not recognised sufficiently in current funding. Although a review of levels of relative needs and resources and the costs of delivering services in different areas was announced by ministers in the final settlement, an additional uplift was introduced nonetheless in recognition of "... the particular costs of providing services in sparse rural areas".²¹
- 52 The Department had commissioned independent research into the costs of service delivery in rural areas in 2014 in order to provide a richer evidence basis on the costs of providing services in rural areas.²² This work identified that there were some additional costs, such as travel, in delivering rural services but was unable to quantify the scale of these. Furthermore, the research found that while population sparsity was positively correlated to unit costs in 11 services comprising 15% of local authority service spending, it was negatively correlated to unit costs in 15 services which comprise 31% of service costs.
- 53 The Department told us that overall this work on the additional costs of service delivery in rural areas was "inconclusive".

The allocation of rural services delivery grant

- 54 Although the level of funding available through the grant increased significantly in the final settlement, the allocation method was unchanged. The allocation is based on sparsity rather than other measures of rurality. There are many areas that are classed as rural on other national classifications but nonetheless lack sufficient areas with 'super sparse' populations to qualify for funding.
- 55 Only those in the top quartile on the indicator receive this grant. The indicator is also included in the needs assessment which underlies revenue support grant, but is not restricted to authorities in the top quartile in that instance.

Scale and source of the additional funding for rural grant

Scale of funding

- 56 The Department told us that the key feature in fixing the quantum of the additional uplift in the grant for 2016-17 was a wish to ensure that rural authorities did not receive a greater reduction in government funding relative to urban areas. The Secretary of State announced that the uplift in rural grant and the introduction of transition grant ensured that there was "... no deterioration in government funding for rural areas compared with urban areas for the year of this statutory settlement".²³

19 'Reconciliation' payments made after the end of the financial year are met by annually managed expenditure (AME) payments from HM Treasury.

20 The levy account was £41.2 million in deficit in 2015-16. If in-year safety net payments exceeded the £50 million top-slice in 2016-17 the levy account would have been pushed further into deficit. However, only £7.9 million and £1.4 million in in-year safety-net payments were made in 2014-15 and 2015-16 respectively. If the levy account moves into credit the Secretary of State has the option to return none, some or all of the surplus to the sector.

21 Secretary of State's statement on the final local government finance settlement, 8 February 2016, as published on the Department for Communities and Local Government's website.

22 LG Futures, *Research into drivers of service costs in rural areas: summary report*, December 2014.

23 Hansard, *Local Government Finance*, HC Deb, 8 February 2016, column 1334.

- 57** To make sure the gap between urban and rural areas did not grow, the Department replicated a methodology developed by a rural authorities interest group. This measures change in per capita government funded spending power, defined as core spending power minus council tax:
- The methodology defines urban authorities as those with no more than 26% of their population in rural areas or hub towns. Authorities with 50% or more of their population in rural areas or hub towns are classed as rural. Remaining authorities are classified as neither urban nor rural.
 - Each authority, including precepting authorities, is assigned to a single class rather than having its funding pro-rated to the population of its billing authorities.²⁴ Total spending power in urban and rural areas is calculated by summing income from authorities in the urban and rural classes separately.
 - Spending power figures are divided by their populations to create per capita figures for urban and rural areas. To avoid double counting, only the population of billing authorities is used. Rural areas had per capita government funded spending power of £292 in 2015-16 compared with £434 in urban areas (**Figure 4**). Areas that are neither urban nor rural had a per capita figure of £488.
 - The calculation to establish the gap between rural and urban funding focuses on the relative difference between the two per capita figures. In 2015-16 the rural figure was 48.2% lower than for urban areas. The addition of the £60.5 million additional uplift in rural grant ensured this gap remained stable in 2016-17. In its absence the gap would have grown to 51.2% (Figure 4).
- 58** The approach used by the Department allocates all of a precepting authority's government spending power to a single class – urban, rural or neither. This means that where the class of a precepting authority does not match all its billing authorities there will be a mismatch between spend and population in a per capita calculation. For instance, areas that are neither urban nor rural contain a large number of county councils but relatively few district councils. This group contains the spending power for 13 county councils, but only the population for 27 of their 98 constituent district councils. This inflates per capita spending power figures in these areas and lowers it in others.
- 59** The Department told us that while it did use this method to calculate the rural–urban funding gap to determine the level of rural grant in 2016-17, the government does not accept that this is the best measure of the gap. It considers core spending power to be the appropriate measure of general revenue funding available to local authorities.

Figure 4

Government funded spending power in urban and rural areas

	2015-16 per capita	2016-17 per capita (without additional rural grant)	2016-17 per capita (with additional rural grant)	Change from 2015-16 to 2016-17 (with additional rural grant)
Rural	£292	£259	£264	-£28.4
Urban	£434	£391	£391	-£42.1
Neither urban nor rural	£488	£424	£424	-£64.1
Difference between urban and rural	48.2%	51.2%	48.2%	

Source: National Audit Office analysis of Department for Communities and Local Government data

²⁴ Council tax precepting authorities in this instance include county councils, fire and rescue authorities and the Greater London Authority. Precepting authorities provide services for the populations of the multiple billing authorities within their geographical areas, and receive a council tax precept from billing authorities. Billing authorities include metropolitan district councils, London borough councils, unitary authorities and district councils.

Source of the additional funding for rural grant

- 60** The Department has not made public the source of the funding for the additional uplift in rural grant. However, the Department told us that funding for the additional £60.5 million in rural grant for 2016-17 was provided via a claim on reserve by the Department to HM Treasury.
- 61** This means that if the Department is unable to fund the additional spending through underspends then HM Treasury will provide the balance. This is a planned request for reserves. Consequently, the Department anticipates that if funding from HM Treasury is required in 2016-17 then this will not be deducted from the Department's 2017-18 funding.
- 62** The Department anticipates that the additional £30 million for the grant in 2017-18 will be funded on the same basis.