

THE HIGHLAND COUNCIL

Lochaber Area Committee

22 May 2014

Agenda Item	5
Report No	LA/16/14

Rural Poverty– Research Briefing

Report by Head of Policy and Reform

Summary

In 2013 two papers considering rural poverty were published; *A Minimum Income Standard for Remote Rural Scotland* and *Local Incomes and Poverty in Scotland*. This paper provides Members with a summary of the methodology and findings of both these research studies.

1. Background

- 1.1 The Council has a commitment in its Programme that ‘..working with the Scottish Government and other agencies we will undertake a review of service delivery to remote and rural communities and identify a sustainable level of support necessary for the provision of services. We will develop new approaches to service delivery and community resilience in our most remote and rural communities, and pilot these in North and West Sutherland.’ As part of this commitment the Council contributed to two research projects in 2013 on rural poverty.
- 1.2 In 2013, the two pieces of published research which had a focus on rural poverty were; *A Minimum Income Standard for Remote Rural Scotland* and *Local Incomes and Poverty in Scotland*. The former considered the increased costs of living in rural areas and the latter the difficulties in measuring poverty and deprivation in these areas.
- 1.3 This report provides Members with a summary of the methodology and findings of both research studies and discusses the use of the information to support our planning for rural areas in the future.

2. A Minimum Income Standard for Remote Rural Scotland¹

- 2.1 This study was undertaken by Loughborough University on behalf of a partnership of organisations including the Highland Council², and builds on work undertaken elsewhere in the UK on the Minimum Income Standard

¹ www.hie.co.uk/regional-information/economic-reports-and-research/archive/a-minimum-income-standard-for-remote-rural-scotland.html

² **Other Partner Organisations:** Highland and Islands Enterprise (lead partner), Argyll and Bute Council, Chartered Institute of Housing, Comhairle nan Eilean Siar, Moray Council, Rural and Island Housing Association Forum, Scottish Enterprise, Scottish Federation of Housing Associations, Shetland Islands Council

(MIS). The Minimum Income Standard is:

“...the income people need in order to reach a minimum socially acceptable standard of living in the UK, based on what members of the public think.”

2.2 **Methodology**

The MIS is calculated by specifying a basket of goods and services required by different types of households; from food, clothes and housing to transport, social activities and holidays. Members of the public were brought together in groups to look in detail at what goods and services would be required to achieve a minimum standard of living³. It is important to note that this is not about luxuries and covers needs and not wants – the items people need in order to participate in society.

2.3 Research was carried out in the Highlands , islands and remote southern Scotland to take account of the different needs of these differing rural settlements. This allowed for indicative figures to be generated as well as highlighting specific issues. In each area the research was carried out in rural towns (two in each area) and remote rural settlements (two in each area). The specific locations have not been published to ensure anonymity.

2.4 **Key findings**

In most respects, the range of goods and services that people in remote rural Scotland consider necessary for a minimum standard of living are similar or equivalent to those living elsewhere in the UK. However, the costs of achieving this minimum standard are different. No single factor raises the overall costs of living but the combination of many of these factors leads to a higher minimum income requirement than other parts of the UK.

2.5 The research found that the minimum cost of living in remote rural Scotland ranges between 10-40% more than the equivalent in urban UK and by up to 25% more than a rural town in England. This varies across the different household groups. Further key findings are:

- **Food shopping:** costs between 10% and 14% more due to higher prices in local stores
- **Durable goods:** costs between 19% and 21% more due to limited choice, delivery costs and the need for additional goods, such as a chest freezer and warmer outdoor clothing
- **Transport:** for working age groups, costs around £37 more per week due to longer commute and higher petrol prices
- **Home energy:** in social housing, costs *up to* 156% more and in private housing up to a further 46% more, due to a variety of reasons. These include limited access to mains gas supply, the severe climate and limited competition between suppliers.
- **Lower costs:** Lower rent, council tax and water charges save between £15 and £25 a week

³ **Household types:** Pensioner households, working age households with children and single working age households

- 2.6 The increased cost of living was associated with different factors for different groups in the population.
- For working age adults, the largest additional cost was attributed to transport, due to the need to commute. Working age adults without children also faced additional heating costs in comparison to English rural towns, as they were more likely to need to heat a larger home due to the lack of flats available in rural Scotland.
 - For pensioner groups, there was an increased cost associated with buying durable goods and clothing. This age group is more likely to buy clothes in local shops and catalogues rather than buying things online, which tend to be cheaper.
 - For households with children, there were additional costs due to the need to purchase a tumble drier, the increased cost of school trips and the need to run more than one car. Also, a family renting a private home in a remote Scottish settlement can pay up to two and a half times as much for fuel compared to a family in a similar sized, socially rented home in rural England.

In the main UK MIS study it was highlighted that neither the minimum wage nor working age benefits are high enough to provide families with an acceptable standard of living. This study has highlighted that the gap is even larger for individuals living within remote rural Scotland.

3. Local Incomes and Poverty in Scotland⁴

3.1 In 2012, the Improvement Service, acting on behalf of four Scottish Local Authorities⁵ and the Scottish Government carried out a research project to improve measures of local incomes and poverty in Scotland. Although the Scottish Index of Multiple Deprivation (SIMD) has provided valuable information, the way in which SIMD is measured⁶ – by area and at times very large rural areas – means there has been a lack of local level data on income and poverty.

3.2 **Methodology**

The study used existing national survey information to estimate income patterns in the four study local authority areas. Three national datasets⁷ were used as well as other sources. There were three steps to estimating income and poverty:

- Statistical modelling to predict individual household incomes in sample surveys
- Use these relationships to predict values for small area populations, given their characteristics
- Control for consistency at the level of groups of similar areas

3.3 The income measures used included the proportion of households at risk of

⁴ www.improvementservice.org.uk/income-modelling-project/

⁵ Edinburgh Council, Falkirk Council, Fife Council and Highland Council

⁶ SIMD measures concentrations of deprivation which generally appears more in urban areas. This means that poverty and deprivation may be 'hidden' by more affluent households in rural datazones

⁷ Family Resource Survey, Scottish Household Survey and Understanding Society

poverty through earning less than 60% of the national median income before and after housing costs and the proportion of households with significant material deprivations.

3.4 **Key findings**

There were differences between the SIMD measure of low income and the survey-based measures, particularly in rural areas. Groups who receive income related benefits were found to be concentrated in the most deprived SIMD areas. However individuals on low incomes but *not* receiving income related benefits are found across all SIMD datazones. Particularly in rural areas, people were more likely to be on low incomes but not receiving low income benefits. This would confirm the thinking locally that individuals in rural areas are less likely to claim benefits despite entitlement.

Given that the SIMD income domain is based largely on benefit uptake, these survey-based measures are more useful in highlighting poverty in rural areas.

3.5 The study also showed that different measures of income and poverty produce different levels of 'poor' households in an area. Specifically:

- Older households tend to have low income before housing costs and do not receive low income benefits. However, this group do not tend to be on low income after housing costs and do not tend to be materially deprived. This could be because older households are more likely to own their homes and so housing costs are relatively low.
- Younger households, single adults, larger families, private renters and non-white ethnic groups are more likely to have a low income or appear materially deprived. However, they are less likely to receive income-related benefits.

3.6 The SIMD is useful for ranking neighbourhoods where poverty is concentrated but other measures appear to be more reliable for measuring poverty and the degree of variation in poverty between areas and where poverty is dispersed. Also, another difficulty in relying on SIMD for measuring poverty is that it uses information on welfare benefits being claimed as a proxy for low income; but not everyone entitled to benefits claims them and with anecdotal evidence that take up tends to be lower in rural areas. In addition, with the recent welfare reforms it could be misleading to rely solely on the uptake of benefits as a measure of poverty, especially in measuring changes in poverty over time.

3.7 The study also measured average incomes at Local Authority level and within a Local Authority using a variety of measures. This found that in Glasgow and Edinburgh there tended to be both extremely poor and extremely affluent areas, whereas the variability in income in Highland areas was lower. Further information on average incomes and comparisons between Local Authority areas can be found in the full report.

4 **Next Steps**

4.1 These studies have provided valuable insight and published evidence regarding the costs of living in remote rural Scotland and demonstrate the

importance of using a variety of indicators when measuring income and poverty. It can be seen as a balance to the use of SIMD in identifying priorities for intervention. This work has been brought to the attention of the Scottish Government team currently reviewing SIMD, along with a suggestion that a complementary measure to understand rural poverty should be revisited in light of this evidence.

- 4.2 This research is important as it assists our understanding of the needs of our population and for developing policies and plans, e.g. the fuel poverty strategy, concessionary pricing and charging policies. Local level data on income and poverty is important also for Community Planning partners and for the targeted action to reduce health inequalities as set out in the Single Outcome Agreement.
- 4.3 Following the publication of these studies, a rural proofing tool for Highland has been drafted. A rural proofing tool operates in a similar way to an Equalities Impact Assessment in providing key questions to policy makers on areas to think about when developing a new policy or service. These questions prompt the officer to consider the potential impacts of the new policy or service on rural areas.
- 4.4 The introduction of rural proofing should ensure that rural communities are not adversely affected by new policies and that, if needed, adjustments to these policies are made to reflect rural needs. Adjustments may include delivering services differently in rural areas, or offering affordable transport options if services are centralised in order to minimise the impact.
- 4.5 The tool in draft form includes consideration of the following issues:
 - How might people in rural communities be affected by the policy change? – consider: accessibility of service - travel time, new costs, public access to internet; impact on seasonal or part-time workers, self-employed people and people on low wages; impact on land based business and on tourism business; any concerns about sustainability of new provider because of small scale?
 - Are any other public services changing locally as well? Is there cumulative impact from changes among partners' services?
 - Have other options or adjustments been considered? Consider e.g. co-location, mobile services, telephone/internet access, new transport links, re-location of some centralised functions to off-set local impact.

5. Implications

- 5.1 Resource – The Council contributed £10k to both studies during the 2012/13 period.
- 5.2 Legal – There are no legal implications.

- 5.3 Equalities – The studies highlight the increased costs of living in rural areas along with low incomes and lower update of income related benefits. Further work is required to consider the individuals affected by this, but we know that people with some protected characteristics are more likely to have lower incomes e.g. people with disabilities.
- 5.4 Climate Change/Carbon Clever – The MIS study highlights the increased costs of living in rural areas due to increased fuel, travel and heating costs. The carbon clever programme will include action in all of these areas.
- 5.5 Risk – By being aware of the reasons for, and issues around, higher costs and lower incomes in rural areas and developing rural proofing for policies the Council can reduce the risk of exacerbating poorer living standards in the Highlands and take steps to reduce health inequalities.

Recommendation

Members are asked to:-

- i. note the findings of both research papers.
- ii. note that a rural proofing tool has been drafted, assisted by the findings of these research studies. There will be opportunities to use the tool in 2014, for whose use there will be opportunities in 2014.

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