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ST/SJ

15 December 2015  
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WLGA • CLILC

Jane Hutt AM  
Minister for Finance & Government Business  
Welsh Government  
Cardiff Bay  
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Dear Minister

### **Rural Stabilisation Grant**

The WLGA's Rural Forum met yesterday and considered the case for a Rural Stabilisation Grant. They have tasked me to write to you setting out a proposal for consideration. During the discussion, members wanted to highlight the position in rural authorities which are consistently receiving the lowest average RSG settlements. They also highlighted additional pressures that are faced in providing community-based social services for older people over large geographic and sparse areas. As a result they are seeking a mechanism to address this.

Annexed to this letter is a paper for your consideration which is self-explanatory. The Rural Forum respectfully request that you give due consideration to this case set out and thank you for examining this issue.

Yours sincerely

**Steve Thomas CBE**  
Chief Executive / Prif Weithredwr

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# WLGA Paper

## Proposal for a Rural Stabilisation Grant

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### Proposal

Following the publication of the WLGA Manifesto “Localism 2016” there is an acceptance across all councils that the funding formula which underpins the distribution of the Revenue Support Grant (RSG) is becoming outdated and requires overhaul. The WLGA has commissioned the leading academic Professor Tony Travers to chair an Independent Commission for Local Government Finance which is taking evidence on this along with examining other issues around the sustainability of the system. This will report in 2016.

Equally in 2012 WLGA’s Rural Forum commissioned a report from the Oxford Consultants for Social Inclusion (OCSI) “Getting the Measure of Rural Deprivation Wales”. This found clear evidence that many rural issues are underplayed in the Welsh Index of Multiple Deprivation which impacts on the formula and leads to concerns on a lack of indicators to identify specific rural issues, such as sparsity, employment access and quality, housing affordability, access to services, and cost of living. There is also a formula “squeeze” occurring as population growth in urban areas outstrips that in rural Wales in turn impacting on revenue distributions to education and other key functions. The disparities in the provisional settlement for 2016/17 see these issues becoming further pronounced.

### Summary

This paper sets out a two option proposal for a Rural Stabilisation Grant that would in effect limit the reductions in the local government revenue settlement at 2.5% and 3.0% respectively. The two options would:

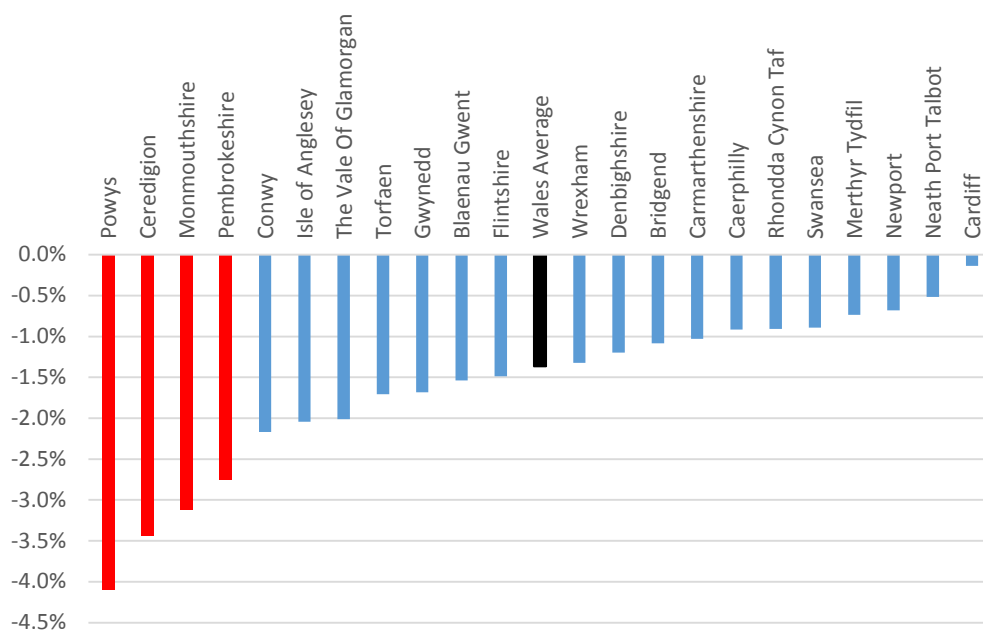
- limit the reduction in Aggregate External Finance (AEF) for **4 rural authorities to 2.5% and would cost £4.74m**, or
- limit the reduction in AEF for **3 rural authorities to 3.0% and would cost £2.48m**

### Background

The local government settlement announced on 9 December produced a range of reductions in core funding (AEF) that varied between -0.1% in Cardiff to -4.1% in Powys. The overall reduction was less than the local government community had anticipated.

WLGA has worked in advance with Welsh Government to examine key pressures notably in social care which the latter has recognised. The settlement outcome is therefore one which has been welcomed by a majority of councils, but as stated the disparity between settlements in urban and rural areas is widening.

**Figure 1: Range of reductions in AEF 2016-17**



However, the settlement left 7 rural authorities with reductions greater than the Welsh average. Figure 1, above, shows 4 rural authorities clearly clustered at the bottom of the range: Powys, Ceredigion, Monmouthshire and Pembrokeshire. Three further rural based authorities namely Conwy, the Vale of Glamorgan and Ynys Mon are slightly better placed although their presence confirms the main thesis of this paper around rurality and the formula.

WLGA Leaders across the political spectrum, representing both rural and urban areas, are concerned about the impact on local public services in the effected authorities. The WLGA is proposing the creation of a **Rural Stabilisation Grant** that would limit the reductions to more manageable levels.

Table 1 below presents two options for a Rural Stabilisation Grant. The first option would, in effect, limit the reduction to 2.5% and would cost £4.74m. The penultimate column shows Powys as the main beneficiary at £2.81m, and the remaining £1.93m shared between Ceredigion, Pembrokeshire and Monmouthshire.

The second option limits the reduction to 3.0% and would cost £2.48m. Raising the threshold lowers the cost. The last column shows Powys would benefit by £1.93m, and the remaining £0.55m shared between Ceredigion and Monmouthshire.

**Table 1: Aggregate External Finance for 2015-16, 2016-17 and costings for two options.**

<b>Unitary authority</b>	<b>2015-16</b>	<b>2016-17</b>	<b>Amount req'd to limit AEF reductions to:</b>	
	<b>final AEF*</b>	<b>provisional AEF</b>	<b>2.5%</b>	<b>3.0%</b>
Powys	175,692	168,488	<b>2,812</b>	<b>1,933</b>
Ceredigion	100,010	96,570	<b>939</b>	<b>439</b>
Pembrokeshire	161,375	156,932	<b>409</b>	<b>0</b>
Monmouthshire	94,379	91,439	<b>580</b>	<b>109</b>
<b>Amount required for Rural Stabilisation Grant</b>			<b>4,740</b>	<b>2,481</b>

\* Based on table 1a of the LGF settlement tables, 15-16 base adjusted for OA Grant

## Proposal and Limit of Grant Funding

It is proposed that the WLGA Rural Forum debate these options and may wish to submit both options to Welsh Government for consideration. The absence of a floor funding mechanism in the provisional settlement does provide an opportunity to examine these issues without recourse to affecting the settlements of other authorities all of whom are seeking budget reductions. If Ministers are persuaded by this proposal it may require some further detailed work in terms of its impact on future settlements. As such we are proposing that this proposal is for 2016-17 only and further discussions would be required about its status as a small specific grant of becoming part of the RSG.

In any case the work of the Distribution Sub Group (DSG) is addressing a potential systematic deficiency in the funding formula. This is linked to the additional costs of providing domiciliary and community-based social services in relation to those travelling over a large geographic area. The successful conclusion of this work would largely address this issue for 2017-18 and beyond, subject to the validation of the method by the WG's Local Government Finance team.

## Recommendation

Members' views are sought on the options in this paper. (If approved by the Rural Forum the paper should also be reported to the WLGA Management and Audit Sub-committee)