

DP 545/03-07

Sue Essex AM

*Minister for Finance, Local Government and Public Services
Y Gweinidog dros Gyllid, Llywodraeth Leol a Gwasanaethau Cyhoeddus*



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Response to WAQ31480 and 31481

Dear

In my reply to the above Written Assembly Questions on the 22 January I promised to write back to you on the issue of sparsity; both in terms of research and its use in funding formulae.

Research

The use of sparsity measures in funding formulae was researched jointly by the Economic department at the University of Wales Swansea and Pion Economics. Their findings were published in a report for the then Welsh Office titled 'A Review of the Approach to Calculating Standard Spending Assessments in Wales' in 1999.

The University of York has carried out research into the impact of density and sparsity in the formulae used for Personal Social Services. This research set out to answer three questions:

Does density act as a need driver;
Does density have an impact on the cost of delivering services; and
How best to measure density if it has one or both of the previous impacts.

Work to develop any relevant formulae is still ongoing. I would point out however that we are not bound to adopt any formulae arrived at by this work. It is the responsibility of the Assembly Government to ensure that the specific needs of Wales are addressed, adjusting any formula resulting from this study to better meet our needs may be necessary.

The use of sparsity in funding formulae

Measures of sparsity are applied in the following funding formulae:

Rural and Small Schools Grant



70% (approximately £3.5 million) of this grant is distributed on the basis of a sparsity factor. The settlement indicators from the Primary and Secondary Standard Spending Assessment are used.

GEST

The GEST allocation formula includes a measure for sparsity and has done for a number of years. The measure that is used in the GEST formula is termed as 'Settlement' i.e. a factor which represents the number of people in each Local Education Authority area who live outside population centres of a certain size.

Post Office Development Fund

This fund is available to post offices located within the one hundred and twenty five most isolated and deprived electoral divisions in Wales. The eligible communities were identified according to the Welsh Index of Multiple Deprivation.

Substance misuse.

£400k of substance misuse resources in 2004-05 will be distributed using a funding formula. This formula consists of five indicators: substance misuse prevalence; alcohol prevalence; multiple deprivation; educational under-achievement; and sparsity. The sparsity indicator is applied to 10% of the funding formula and uses density per sq km and notional distance between individuals if the population was homogeneously distributed across the area.

Revenue Support Grant

The Revenue Support Grant totals some £3 billion in 2003-04. This sum is distributed via a formula which takes into account many factors but also both measures of sparsity and rurality. The formula utilises measures of the population of settlements within local authority boundaries and also the proportion of the population that lives outside of major settlements.

Health

The issue of sparsity is addressed in the direct needs formula for calculating hospital and community health services formula shares, these shares are used to make adjustments to the allocations for Local Health Boards.

The formula has a rural costs adjustment that is applied to 7.5% of expenditure, which corresponds to the travel intensive elements of community health services. The rural costs adjustment is based on a modification for Wales of a model estimating extra costs developed for the Scottish review of resource allocation (*Fair Shares for All*, Final Report, Scottish Executive Health Department, 2000).

Yours sincerely



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