



**Cynulliad Cenedlaethol Cymru
The National Assembly for Wales**

**Yr Is-bwyllgor Datblygu Gwledig
The Rural Development Sub-Committee**

**Dydd Iau, 22 Mai 2008
Thursday, 22 May 2008**

Cynnwys
Contents

- 3 Cyflwyniad, Ymddiheuriadau a Dirprwyon
Introduction, Apologies and Substitutions
- 4 Ymchwiliad i Dlodi ac Amddifadedd yn y Gymru Wledig
Inquiry into Poverty and Deprivation in Rural Wales

Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynddi yn y pwyllgor. Yn ogystal,
cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.
These proceedings are reported in the language in which they were spoken in the committee.
In addition, an English translation of Welsh speeches is included.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Alun Davies	Llafur (Cadeirydd yr Is-bwyllgor) Labour (Sub-committee Chair)
Nerys Evans	Plaid Cymru (yn dirprwyo ar ran Alun Ffred Jones) The Party of Wales (substitute for Alun Ffred Jones)
Michael German	Democratiaid Rhyddfrydol Cymru (yn dirprwyo ar ran Mick Bates) Welsh Liberal Democrats (substitute for Mick Bates)
Darren Millar	Ceidwadwyr Cymreig (yn dirprwyo ar ran Brynle Williams) Welsh Conservatives (substitute for Brynle Williams)

Eraill yn bresennol
Others in attendance

Brian Gibbons	Aelod Cynulliad, Llafur (Y Gweinidog dros Gyfiawnder Cymdeithasol a Llywodraeth Leol) Assembly Member, Labour (The Minister for Social Justice and Local Government)
Dr Steven Marshall	Pennaeth yr Uned Ystadegau Craidd, Llywodraeth Cynulliad Cymru Head of Core Statistics Unit, Welsh Assembly Government
David Powell	Pennaeth yr Is-adran Cyllid Llywodraeth Leol, Llywodraeth Cynulliad Cymru Head of Local Government Finance Division, Welsh Assembly Government
Dr Emyr Roberts	Cyfarwyddwr, yr Adran Cyfiawnder Cymdeithasol a Llywodraeth Leol, Llywodraeth Cynulliad Cymru Director, Department for Social Justice and Local Government, Welsh Assembly Government

Swyddogion Gwasanaeth Seneddol y Cynulliad yn bresennol
Assembly Parliamentary Service officials in attendance

Claire Morris	Clerc Clerk
Annette Stafford	Dirprwy Glerc Deputy Clerk

Dechreuodd y cyfarfod am 2.17 p.m.
The meeting began at 2.17 p.m.

Cyflwyniad, Ymddiheuriadau a Dirprwyon
Introduction, Apologies and Substitutions

[1] **Alun Davies:** Hoffwn ddiolch ichi i gyd am eich presenoldeb y prynhawn yma. Gobeithio bod pob ffon symudol wedi ei ddiffodd. Os ydych eisiau clywed y cyfieithiad neu'r trafodaethau yn yr iaith wreiddiol, defnyddiwch y clustffonau. Mae **Alun Davies:** I wish to thank you all for your presence here this afternoon. I hope that every mobile phone has been switched off. If you wish to hear the translation or the discussions in the original language, please use the headsets. We have a few apologies

gennym rai ymddiheuriadau ar gyfer y sesiwn hon. Mae Darren Millar yn dirprwyo ar ran Brynle Williams, mae Nerys Evans yn dirprwyo ar ran Alun Ffred Jones, ac mae Michael German yn dirprwyo ar ran Mick Bates. Gwn fod y pwyllgor eisiau anfon ei ddymuniadau gorau at Mick ac yr ydym yn mawr obeithio y bydd yn gwella cyn bo hir yn dilyn ei lawdriniaeth.

for this session. Darren Millar is substituting on behalf of Brynle Williams, Nerys Evans is substituting on behalf of Alun Ffred Jones, and Michael German is substituting on behalf of Mick Bates. I know that the committee wishes to send its best wishes to Mick and we very much hope that he will make a quick recovery following his operation.

2.18 p.m.

Ymchwiliad i Dlodi ac Amddifadedd yn y Gymru Wledig Inquiry into Poverty and Deprivation in Rural Wales

[2] **Alun Davies:** Pwrpas y sesiwn y prynhawn yma yw holi'r Gweinidog dros Gyfiawnder Cymdeithasol a Llywodraeth Leol ar y dystiolaeth yr ydym wedi ei chael yn ystod y misoedd diwethaf ar gyfer ein hymchwiliad i dlodi yng nghefn gwlad Cymru. Hoffwn groesawu Dr Brian Gibbons i'r cyfarfod. Diolch yn fawr am y dystiolaeth ysgrifenedig yr ydym wedi ei chael gan eich adran chi, Dr Gibbons, a'r Adran Materion Gwledig. Yr ydym yn gwerthfawrogi'n fawr iawn y wybodaeth yr ydych wedi ei chynnig i ni, a'ch presenoldeb heddiw.

Alun Davies: The purpose of the session this afternoon is to question the Minister for Social Justice and Local Government on the evidence that we have received over the past months for our inquiry into poverty in rural Wales. I wish to welcome Dr Brian Gibbons to the meeting. Thank you for the written evidence that your department, Dr Gibbons, and the Rural Affairs Department have provided to us. We very much appreciate the information that you have provided, and your presence today.

[3] Hoffwn eich gwahodd, Dr Gibbons, i wneud cyflwyniad byr ar eich tystiolaeth. Byddaf wedyn yn gofyn i aelodau'r pwyllgor holi cwestiynau sy'n seiliedig ar eich sylwadau agoriadol a'r papur ysgrifenedig gan Elin Jones. Deallaf eich bod yma i ateb cwestiynnau ar ran eich adran eich hun ac nid ar ran pob un adran sydd yn gweithredu yng nghefn gwlad—yr ydym yn deall hynny'n iawn. Fe'ch gwahoddaf i wneud sylwadau agoriadol.

I wish to invite you, Dr Gibbons, to make a brief presentation on your evidence. I will then invite committee members to ask questions that are based on your opening remarks and the written paper by Elin Jones. I understand that you are here to answer questions on behalf of your department and not every department that operates in rural Wales—we understand that fully. I invite you to make your opening remarks.

[4] **The Minister for Social Justice and Local Government (Brian Gibbons):** The Department of Social Justice and Local Government has an overall responsibility for poverty in a holistic sense in the Welsh Assembly Government, particularly in relation to the social exclusion aspects. However, as you said in your opening remarks, a number of specific policy areas lie elsewhere and other Ministers will be able to answer for those specific elements that are within their portfolios.

2.20 p.m.

[5] On poverty in Wales, there are two big areas for social justice and local government, one of which is the allocations to local government as a key deliverer of public services in Wales. Members will know from the enclosed papers that the resource allocation is, first of all, essentially decided on the basis of the sums that are available to local government. Then that money is distributed according to a formula that is agreed between the Welsh Assembly

Government and the Welsh Local Government Association. The purpose of the allocation formula is to try to identify need and the drivers of local authority expenditure. Most of the money that is spent is driven by capitation—numbers, effectively—in a sort of unqualified way, but almost a quarter is driven by what is called deprivation. The final 6 per cent or so is driven by sparsity factors. The relevance of the sparsity factors obviously varies according to local authorities, and for some authorities, such as Powys, up to 10 per cent of their allocation will be driven by sparsity factors.

[6] On the wider poverty and social justice agenda, there are three big areas that my portfolio is responsible for. First, there is the Communities First programme and the community regeneration related to that. The consultation has just ended and the areas that are included within Communities First are predominantly, but not exclusively, identified by the Wales index of multiple deprivation, which has 10 areas of special interest linked to it. Those include four community-based areas. In what would be regarded as rural parts of Wales, there are two or three areas that are based on black and ethnic minorities, and there is a cross-border one that covers three local authorities in upper Swansea, Carmarthen and lower Powys, I think. The third is on domestic violence, which is located predominantly in Neath Port Talbot. However, overwhelmingly, the Wales index of multiple deprivation is responsible for identifying which areas are included in the Communities First programme.

[7] The second strand targets and addresses child poverty in Wales. We have made progress in reducing child poverty to the extent that the level in Wales is now lower than that in Great Britain, after being higher than it previously. I think that is a good achievement that has been delivered by the Welsh Assembly Government.

[8] The third strand is the wider financial inclusion programme, which includes things that would be beneficial, such as the child trust fund that will be available. There is also a differential for lower income families. The issue of improving financial literacy has been included in the school curriculum and links credit unions with schools. We are providing more funds to spread credit unions across Wales, and there are programmes on benefit uptake, for example. We have provided an extra £1 million in the current budget over the next three years to improve benefit uptake in terms of housing and council tax benefit, for example. Those are the main strands of activity that go on within the Social Justice and Local Government Department. I think that all those programmes are of direct benefit to rural communities across Wales.

[9] **Alun Davies:** Thank you for that introduction, Minister, which was extremely helpful and informative. Before I bring Darren Millar in, I wish to ask you whether you see the nature of poverty in rural Wales as being different in any way to that of poverty in a more urban environment.

[10] **Brian Gibbons:** No. I think that a person who is living in deprivation is deprived, regardless of whether he or she lives in a town or a valley, or in what would be typically rural Wales. A number of the programmes and funding mechanisms are driven by capitation, which reflects the level of social disadvantage in individual communities.

[11] **Alun Davies:** Do you agree with the claim that poverty or deprivation would express itself in a different way in a rural environment? For example, several witnesses have given evidence that suggests that one issue that would affect someone in a rural context that might not have the same impact in an urban context is that of access to transport. Isolation is a very real issue for people—particularly young people and old people—in a rural context, but you would not face the same issues of access and isolation in an urban context.

[12] **Brian Gibbons:** It is probably fair to say that public transport would be more readily available in urban areas. However, in a number of peripheral council estates and certainly

some peripheral Valleys communities, the problem of transport is ubiquitous. Indeed, if you go to any of our disadvantaged communities, No. 1 on the list of problems that people face is transport. So, whether you go to a council estate in Wales, a peripheral Valleys community, or rural Wales, transport will almost certainly feature high on the list of the problems that need to be addressed. If you were to sit three people down and ask for their hierarchy of problems, you would consistently find that transport is high up on that list. It would be difficult, through asking only one or two questions, to distinguish spatially where that person came from.

[13] **Alun Davies:** Thank you for that, Minister.

[14] **Darren Millar:** Thank you, Minister, for your opening remarks. We have taken a lot of evidence as a committee over a significant period of time. One thing that consistently crops up is the comment from almost everyone who arrives here that there is a lack of recognition within the Welsh Assembly Government of the nature of rural poverty. While the papers that accompanied our meeting today indicated that the Welsh Assembly Government is taking some measures to address rural poverty, your response, for example, on the transport issue gives me the impression that you are perhaps not taking it as seriously as you ought to. I would like to ask all of the panellists what they would say to that accusation from the people who have given evidence to us so far about the Welsh Assembly Government not really understanding the nature of rural poverty and failing to recognise it?

[15] **Brian Gibbons:** I know from my own constituency and the village in which I live, which is a Valleys community, that, without doubt, our access to transport is fairly limited in terms of the start and finish times of the transport and when the transport is available over weekends and bank holidays. There is also an issue in terms of affordability in disadvantaged communities. So, transport is a shared concern of all communities. The specific elements of transport that might be relevant in one community could differ from those of another. For example, if you live in the Rhondda, where there is a railway line through the valley, the character or challenges of meeting the transport needs in that community would obviously be different from the valley communities in my constituency, because there is no train but there is a modest public transport system. I would accept that, in other communities, there may be a different set of problems in relation to transport.

2.30 p.m.

[16] However, I would not accept that the defining characteristic distinguishing deprivation across Wales is that some parts of Wales do not have transport problems. I do not believe that transport is the distinguishing feature. People's access to transport, how they use it and how they afford it will certainly vary, in my view.

[17] **Darren Millar:** We have been using transport as one of the examples of rural deprivation—

[18] **Brian Gibbons:** It was the question that the Chair led on, I think.

[19] **Darren Millar:** We have had lots of evidence to suggest, for example, that access to services is a problem in rural areas and that there is social exclusion and isolation, which is more difficult to overcome and is more costly to provide services for, and I am sure that there will be some questions on that later on. I do not know what the feelings of the other panellists are in response to that question, but there has been some suggestion in the evidence that we have gathered that there is a lack of ownership in the Welsh Assembly Government with regard to addressing rural poverty issues and that some departments perhaps take it less seriously than others and feel that it is the responsibility of other departments. What is your response to that?

[20] **Brian Gibbons:** The Communities First programme is different in the sense that it is intended to address areas of concentrated deprivation but, taking that out of the equation, every other deprivation factor is always governed by capitation, so individuals are counted up in terms of the deprivation and in terms of allocating resources to it. Therefore, the formula for allocation is person-sensitive. So, if there are x number of people who are disadvantaged, however you want to define it, each of those individuals is given equal weight in the formula to allocate resources in a certain way. It is true that certain parts of Wales have much higher concentrations of deprivation and, in those circumstances, one would expect deprivation resources to be directed to the areas where the greatest concentration is. However, that is a reflection of the numbers in a particular area; it is not a characteristic that is defined by an area being rural or not rural. It is defined by the number of individuals in that set of circumstances. So it is about the number of individuals rather than some spatial categorisation of an area being rural or urban, a Valleys area or a council estate and so on. There is no discrimination or characterisation like that.

[21] **Darren Millar:** I appreciate that you can speak only for your department but, given your experience in previous Assembly Governments, I know that you will be able to help us with this: how does the Welsh Assembly Government across the piece measure the impact of policy on rural areas? Do you, for example, have a rural poverty impact assessment that you undertake? I can see Emyr on the end there nodding. Perhaps you can help us with that.

[22] **Brian Gibbons:** There is rural engagement as part of the gateway and there are rural impact assessments, through which all policies have to go through. Emyr may be able to add to that. There is a rural-proofing of the policies, just as there is proofing of the policies around child deprivation and equalities. The policies are proofed in several areas, but one of the areas that policies are specifically proofed for is relevance to rural Wales.

[23] **Darren Millar:** And that is true of every policy area across Government?

[24] **Brian Gibbons:** Yes.

[25] **Dr Roberts:** All the new policies and strategies that come through the Assembly Government go through the policy gateway. There are specific questions there on the impact of the policy on rural areas, so, as the Minister says, it is rural-proofed. Incidentally, it is also child poverty-proofed. We have specific questions on that.

[26] To go back to your earlier question about whether we recognise rural poverty, some of the policies that we have developed in terms of service provision very much take account of the nature of rural areas. For instance, under the previous post office development fund, specifically for rural areas, we funded projects relating to the outreach of post offices to rural areas. On credit unions, we are working on the possibility of a credit union bus, for instance, specifically to pick up the needs of rural areas. So, within our policies we are conscious of the more dispersed nature of rural areas and we are trying to take account of that.

[27] **Brian Gibbons:** The four rural areas of interest in Communities First are again a recognition that, even though those communities did not fit the concentration of deprivation, we were sufficiently flexible to recognise that there was an opportunity to address certain aspects of deprivation, and we built that flexibility into the programme to be able to respond to that particular challenge.

[28] **Alun Davies:** Can I ask you for a note, Minister, on how you rural-proof policies, because it would be interesting to see that? We have already heard comments in evidence on how it works in England and it would be interesting to see how your policies work in practice. I am interested in what you say about using the post office development fund, as an example, because it is fair to say that the current policy on post office closures is an absolute disaster

for rural areas. From representing Mid and West Wales, I have seen the impact that it is having on vulnerable people in fragile communities, because, as you know, when you close post offices, you quite often also lose many other services, resulting in people having to reach major settlements. Not so long ago, I heard from a constituent that the closure of the local post office will probably lead to a closure of a local shop, which will mean that she will have to travel a round trip of two hours into Brecon in order to buy a pint of milk. For an old-age pensioner in her 80s, that is an unacceptable impact on her quality of life and her ability to live a life in that area. Do you appreciate that a policy implemented in a part of central Cardiff, which would have a significant impact on a deprived community there, would have a far greater impact on an albeit smaller rural community, which does not have the transport links that are available in a major urban centre?

[29] **Brian Gibbons:** There is no doubt about that. Without any doubt, a person on a modest income who had to travel in a rural part of Wales, and who did not have access to his or her own transport in an area where bus services were fragmentary, would have a unique set of problems in accessing that service.

[30] **Dr Roberts:** Another issue in this is that the population characteristics for rural areas differ from those for urban areas. For example, there is a high proportion of elderly people in rural areas. So, anything that we can do to help elderly people would go some way towards helping the issues in rural areas. The nature of the problem is slightly different in rural areas, but we try to ensure that our policies take account of that.

[31] **Brian Gibbons:** An interesting side issue in this, which I am sure that you have probably already taken evidence on, is the definition of rural areas and what is officially regarded as a rural area. For example, the post office definition is much wider than the seven or eight classic rural counties of Wales, and a considerable number of Valleys communities are classified as rural and potentially come within this three-mile access criterion that applies for rural areas. When we talk of rural, we could also use the terms 'geographically peripheral' or 'geographically isolated'—although I rarely use them, except when I have to—whether that be in rural Wales, poorly supported council estates or in upper Valley communities. All of those communities suffer from the shared problem of geographical peripherality or isolation, which is a big problem that prevents them from partaking in mainstream society in Wales.

2.40 p.m.

[32] **Alun Davies:** As a committee, we want to avoid this sort of grotesque competition, if you like, or auction, that sometimes occurs when we discuss these issues. The impact of poverty on a person's position and experience of life is great, no matter where they live. What we are trying to tease out are those issues that affect people in a rural context that might be different to, or substantially add to, those issues that impact people in a more urban setting. Do you have another question on this, Darren?

[33] **Darren Millar:** I have a question on peripherality. One criticism that we have heard from some of the people whom we have taken evidence from is that the index of multiple deprivation does not capture the essence of the problems in rural Wales, or does not properly reflect them. When the Welsh Local Government Association gave evidence, it suggested that a peripherality index should also sit alongside it, to see whether that was able to affect the allocation of resources. Would you support something like that?

[34] **Brian Gibbons:** There is an element of access in the index of multiple deprivation—

[35] **Darren Millar:** It is a small amount—about 6 per cent.

[36] **Brian Gibbons:** No, that is under local government. The index of multiple deprivation is about measuring the concentration of deprivation. Therefore, that is the criterion; we are trying to identify concentrations of deprivation in Wales. If that is the policy intent, then diluting that policy intent will undermine the objective for which the policy is being introduced. The issue is whether we are trying to address deprivation. If we are, we must concentrate our efforts in the areas where the concentration of deprivation is greatest.

[37] **Darren Millar:** So how is rural sparsity captured in the index? You seem to suggest that it is in some way.

[38] **Brian Gibbon:** It is in the access element of it, and, as I say, in Communities First, there is the inclusion of the access criteria. There can be a legitimate debate as to whether those access criteria are the best access criteria, and whether they are sufficiently sensitive to pick up the problems caused by distance. If you have two people in a rural community who have access to a private car, and they are sufficiently well off not to be too worried about the price of petrol, or diesel, then their access will be considerably different to that of someone who does not have access to a car and is living on a modest income.

[39] Therefore, distance in itself does not tell us much about a differential access to a particular service due to deprivation. It might be useful for the committee, in its deliberations, to consider whether there is a better way of defining this; distance in itself does not tell us anything—the issue is the means that you have of covering the distance. In certain parts of Wales, where deprivation is not heavily concentrated, if you are travelling on a rural road, it is probably easier for you to travel three miles than it is in an urban situation, where you have to change the bus three times, and stand in a bus station for half an hour until the connecting bus comes along.

[40] **Darren Millar:** You seem to be saying that you would welcome any suggestions from the committee on improving the quality of the information in the index.

[41] **Brian Gibbons:** Yes. The challenge would be to try to see whether the issue of distance could be made more sensitive to the disadvantage of people living in a rural community. I do not believe that distance in itself tells you anything—the issue is the means that you have of covering that distance. We all know that travelling two miles in London could take you two hours, whereas if you walk it, or you are in a rural community, you would get there in 10 minutes, if the roads are not congested.

[42] **Lorraine Barrett:** Thank you, Minister. Looking at the local government settlement, the WLGA submitted evidence stating that rural local authorities believe that the various funding formulas used by the Assembly Government take insufficient account of the extra costs of delivering services in their areas. Your paper states that sparsity or rurality is recognised in the formula through settlement and dispersion indicators. They tend to capture the additional travel costs associated with rural areas, and you just mentioned travel and access. I wonder whether you could explain what these indicators are, and how they work.

[43] **Brian Gibbons:** I will not attempt to give you the detail, but it is fair to say that these indicators are subject to constant review by the distribution sub-group. So, they are not set in stone, and are constantly being revisited to see whether they can be made more fit for purpose after input from various groups. I am sure that the committee's deliberations will be something that the distribution sub-group will look at, to see whether the present basket of indicators are as fit for purpose as we would like. However, the indicators themselves are driven, wherever possible, by the best empirical evidence, based on what it costs to deliver the service, and the profile of the people using the service. There are obviously some direct payments for services that do not have that level of sensitivity. Dave, would you like to expand on that?

[44] **Mr Powell:** Essentially, there are two sets of indicators—settlement indicators and dispersion indicators. We use a variety of thresholds in terms of settlement—populations of 1,000, 2,500, 7,500, and so on. That includes people who live outside the settlements, and it is a proxy for taking account of the distance that people have to travel to avail themselves of services. Therefore, the settlement threshold might be smaller for a primary school than a secondary school.

[45] You have mentioned public transport, and the services within settlements are distributed according to two key indicators. The first is a threshold of people living outside settlements of 7,500, which is about three quarters of the distribution value, and the second is population of all ages. The dispersion indicators are also based on population thresholds, but they are intended more to monitor the cost of taking services out to the people who need it—so, the dispersion indicators would be most relevant to services like community care, travelling libraries, school meals, meals on wheels, and so on. They build up to about 28 categories of these settlements. They are applied to individual services through a form of regression analysis; I should say here that I am not a statistician, but it is essentially a matter of interpreting what pressures and factors best explain how all 22 authorities spend their money on a particular service. They are a unitary suite of indicators, because there are pockets of rurality in essentially urban areas, and there is deprivation wherever. We do not make any artificial distinction between rural authorities and deprived authorities, and that, in a sense, is how it has worked.

[46] As the Minister said, this is very much a collaborative project with the Welsh Local Government Association through the distribution sub-group and the consultative forum on finance. We regularly review aspects of the settlement with an agreed agenda every year; from 2008-09 we have three-year settlements, so the formula will remain the same for 2009-10, but the distribution sub-group is still working on changes that may need to be made or considered for 2010-11. So, it is a constant process of trying to refine those to create the best possible indicators.

2.50 p.m.

[47] **Lorraine Barrett:** The Welsh Local Government Association also referred to a weighting that could be applied to recognise rural affairs and dispersed populations, so as to provide additional resources to rural authorities. What do you think of that?

[48] **Brian Gibbons:** The case must be made that the weighting must be proportionate to the dispersal. Distance in itself tells you nothing. The issue is about how easy or difficult it is to get across that distance. If you do not have access to transport, it is much more problematic than if you have access to a car, for example. There are some services for which distance is a key factor, and the formula needs to be able to pick them up. You cannot argue that there has to be a generic rural payment, regardless of its cost driver. If there are specific services that incur a cost because of the distance that you have to travel to access them, it would be worth looking at that, but it would be difficult to justify putting in a premium for rurality if a particular service was in a rural area but did not involve a rural cost element.

[49] **Alun Davies:** To follow that up, if local government is providing a service—and, for argument's sake, let us say domiciliary care—delivering that service in a rural context will involve a greater cost than delivering it in an urban environment, because of the sometimes quite large distances involved. Should that not be recognised to enable local authorities in rural areas to deliver the same levels of care as one would expect in an urban environment?

[50] **Brian Gibbons:** I am sure there are situations in rural areas in which the dispersal of the population needs to be taken into account. Equally, the formula needs to be sufficiently

subtle to recognise that there are settlements in rural communities, so, as Dave said in his contribution, you cannot take a rural dispersal factor and apply it uncritically as a blanket. For example, Newtown has a population of more than 10,000 people, and the cost of providing a service in Newtown is probably considerably less than the cost of providing it in a small, rural and scattered population on the Llŷn peninsula. Both of them are in rural Wales, but the costs will not be similar, because of the specifics. Newtown is a reasonably sized town in rural Wales, and so has the economies that flow from being a town of that size. We need to factor these particular subtleties and complexities into the formula, rather than saying that it is a generic issue.

[51] **Alun Davies:** Thank you, Minister. Sorry, Mike, I interrupted you.

[52] **Michael German:** Those were the questions that I wanted to ask, anyway. It seems to me that there is an amalgamation of sparsity, deprivation and distance. All three marry together, but they will probably be difficult to measure if you take your example. You might find that you could provide more services in Newtown, but you would have to take more services out of the Llŷn peninsula. In some ways, you could say, ‘All right, we will tweak one of those three dials’, but the difficulty is that rurality expresses itself in different ways in different parts of Wales, which is why the WLGA says that it needs the rural premium. It understands what goes into it, and it has made that criticism, although it is aware of the modelling work that the distribution sub-group does. However, do you not think that something must be wrong if the Welsh Local Government Association is telling us that we have not got it right and that there is a rural premium, but that, somehow or other, these three factors are not binding together to recognise circumstances properly on the ground?

[53] **Brian Gibbons:** The WLGA has never made the case to me for a rural premium as you have just described. I would be interested in knowing what areas come within the rural premium. The WLGA has not explained it to me, so I am just asking for clarification. Would the rural premium include the areas that are covered by the rural development plan, or those covered by the eight typically rural counties of Wales?

[54] **Michael German:** I am going to ask you a hard question, although I know the answer to it, Minister. Do we have a definition of ‘rural’?

[55] **Brian Gibbons:** There are different definitions for different purposes, in all honesty.

[56] **Michael German:** So, for the big money—namely, local authority services—what definition are we using?

[57] **Brian Gibbons:** Most Government expenditure, which I tried to emphasise at the beginning, is not driven by distances, but by people and services. You must start off with the premise of it being about people’s needs and the cost of delivering services to those people. That has to be the key issue. You cannot start off by saying that we have to give a premium to rurality per se because that would distort the key elements, namely the number of people and the quality of the service. If we just had a rural premium in the way that you described—and I have to say that I am still not clear about where the rural premium would apply or what precisely it is—and if we did not have a resource allocation system that was firmly based on people and the services that they need, we would find ourselves in trouble. That was one of the challenges for the Assembly Government when it came into being. We had an anomaly in local government in that the local authorities with the highest council tax rate were actually those with the highest level of social and economic deprivation: Blaenau Gwent, Merthyr Tydfil, Rhondda Cynon Taf, and Neath Port Talbot. That suggested that the formula was not working to pick up needs, because deprivation was not recognised as a significant driver of public services.

[58] **Michael German:** I am not here to be an apologist for the WLGA; it is for the WLGA to make its case to you. What I want to know is this: you say that you have a variety of different definitions of ‘rural’, but which one do you use for the local government settlement?

[59] **Brian Gibbons:** I think that Dave answered that question. He said that, where the settlement and dispersal indicators are applied to the formula, it is recognised that there is a cost involved in delivering services there, which is presumably due to the dispersal factors for travel costs and so on. There are aspects of the formula that is in place at the moment that recognise that. Dave may want to add to that.

[60] **Mr Powell:** In a distribution formula, ‘rurality’ is defined by the empirical indicators that we use to assess the costs involved in providing services to rural areas. The whole local government revenue settlement and the distribution mechanism are predicated on the principle that you provide the money to authorities to provide a standard level of service to their citizens, irrespective of where they are or of their demographics and geography. In that sense, you could say that a rural premium comes out of the amount of the settlement that is distributed on the rural indicators, which is the 6 per cent that is noted in the paper.

[61] We will consider anything with the WLGA through the distribution sub-group. The difficulty with the premise of having a rural premium at a particular rate is the absence of empirical evidence or data to justify it. The system that we have at the moment is based on the best indicators and the best expenditure data that we can get and agree on.

3.00 p.m.

[62] **Michael German:** Are you saying that the Welsh Local Government Association has not put a case to you that the sparsity and deprivation indicators should be raised from 6 per cent?

[63] **Mr Powell:** Six per cent is what the current sparsity and dispersion indicators redistribute now. The last time that it was formally reviewed was for the 2008-09 settlement. It was agreed with the Welsh Local Government Association and ratified by the consultative forum on finance—I did not recognise any premium in the proposals that was not based on the amount of money redistributed through the rurality indicators in the formula of around 6 per cent. There was nothing about 7, 8 or 9 per cent, or any other figure.

[64] **Dr Marshall:** The definition of a rural area is an important point. As the Minister said, there are many different ways of defining rural Wales, and they depend on quite why and from what angle you are looking at the issue. The two measures in the local government settlement are there for the particular purpose of picking up the additional costs incurred in either providing services or in helping individuals to access those services. But there are other ways of looking at it, depending on what the particular issue is. When I appeared before the committee on 17 January with Kate Chamberlain, we mentioned some statistical outputs that were to come forward in subsequent months, and they are now published and available. There was a statistical bulletin that looked at precisely the issue of how you define rural Wales, and that covered all the various aspects, including the settlement and dispersion measures. That also used some of the ways within the focus on rural Wales that was published last week. That information is available in considering the issue of just how you define rural Wales, and it very much picks up the point that the Minister made that it really depends on what you want to look at or investigate at any particular time.

[65] **Alun Davies:** That is helpful. Thank you. These are issues that we shall return to.

[66] **Brian Gibbons:** It is important to point out that these indicators are subject to constant review—they are not set in stone. Even with some of the issues concerning the most recent

local government settlement, although much of the turbulence was created by population changes, a significant element of the turbulence was actually created by refinement of the indicators themselves. I only make the point to say that, even in the most recent local government settlement, the indicators were subject to refinement, change and remodelling in the light of the representations made and the evidence presented.

[67] **Mr Powell:** The distribution sub-group is a pretty broad church in that it includes representation from Anglesey, Gwynedd, Denbighshire and Conwy.

[68] **Nerys Evans:** Diolch am y dystiolaeth. O ran y mynegai amddifadedd lluosog, sut mae cynlluniau eich adran yn cyrraedd y bobl hynny sy'n byw y tu allan i'r lleoedd sydd wedi eu dynodi yn y mynegai ond sydd eto'n dioddef anawsterau tebyg? Yr ydych wedi sôn am ddatblygu cymunedau diddordeb, ond nid ydynt yn fwy na phedair o'r 142 o ardaloedd yn Cymunedau'n Gyntaf a Cymunedau Nesaf. Sut mae'r cynlluniau'n cyrraedd pobl y tu allan i'r ardaloedd hyn?

Nerys Evans: Thank you for the evidence. With regard to the index of multiple deprivation, how are your department's schemes reaching those people who live outside the places identified in the index that nonetheless suffer similar difficulties? You mentioned the development of communities of interest, but they account for no more than four of the 142 communities that fall under Communities First and Communities Next. How do the schemes reach those people outside those areas?

[69] **Brian Gibbons:** A wide range of programmes will reach those people who have particular social and economic disadvantage and do not live in Communities First areas. For example, if we were to look at child poverty, the child trust fund goes to everybody. The differential is given to everybody, depending on their level of income; it does not matter where they live. We are in the process of looking at severe poverty with Save the Children. The pilot work is being undertaken in Rhondda Cynon Taf and in Gwynedd. We are trying to develop a tool or an assessment mechanism so that local authorities will be able to monitor their performance in tackling child poverty, and we will be able to use the experience of Rhondda Cynon Taf as a fairly typical post-industrial community with a rural community. Benefit advice programmes are available across Wales, regardless of where you live. It is the same for free school transport; it does not matter if you live in a rural area. We have expanded the Want to Work scheme into Ceredigion, which is outside the original Merthyr and Neath Port Talbot areas where it was developed. So, we are developing a wide range of programmes that are geared towards tackling deprivation where it exists across Wales, although we recognise that those communities where there is a high concentration of deprivation face synergistic problems arising from that, because of the concentration of those problems.

[70] **Nerys Evans:** Mae gennyf un cwestiwn arall. Yr ydych yn sôn am y cymunedau diddordeb; nifer bach iawn o wardiau sy'n derbyn arian drwy Cymunedau'n Gyntaf. Yr ydych yn sôn yn eich papur fod angen iddynt weithio'n agos gyda'r cynllun datblygu gwledig. Pa fath o bethau yr ydych yn disgwyl iddynt ei wneud o dan y cynllun? O ran yr ymgynghoriad ar Cymunedau Nesaf, a oes capasiti i ddatblygu'r arian i'r Gymru wledig dan Cymunedau Nesaf?

Nerys Evans: I have another question. You mentioned the communities of interest; very few wards receive funding through Communities First. You mention in your paper that they need to work closely with the rural development plan. What type of things do you expect them to do under that plan? In terms of the consultation on Communities Next, is there capacity to develop the funding available to rural Wales under Communities Next?

[71] **Brian Gibbons:** On the additional help that goes to rural Wales that is not generally available elsewhere through axis 3 and axis 4 of the rural development plan, which is very spatially targeted on rural Wales, we want Communities First partnerships to link more

closely with the partnerships that are involved in the LEADER programmes. That does not take place at the moment. However, we would like see that type of discussion take place in the future, and my understanding is that some of those discussions in principle have taken place at the level of our officials, to say that this makes sense and that there are synergies to be achieved by the Communities First partnerships and the organisations that underpin axis 3 and axis 4, which I do not know very much about. However, we accept that greater co-operation and partnership should be taking place in that regard.

[72] **Nerys Evans:** Ar yr ail bwynt, a oes capasiti o fewn datblygu Cymunedau Nesaf i ehangu nifer y cymunedau diddordeb sydd ar gael? Mae pedair cymuned o'r fath o dan Cymunedau'n Gyntaf—a fydd cyfle i gael mwy dan Cymunedau Nesaf?

Nerys Evans: On the second point, is there capacity in the development of Communities Next to expand the number of communities of interest? There are four such communities under Communities First—will there be an opportunity for more under Communities Next?

[73] **Brian Gibbons:** There are a few other communities of interest, such as the black and ethnic minority communities and domestic violence communities of interest, and there are also the cross-border communities of interest. However, unless a very strong message comes out of the consultation that there should be more communities of interest, it is unlikely that they will be expanded. There might be one or two potential client area groups, but the view at the moment is that there will not be, unless a strong message comes through the consultation that this should be considered.

[74] **Lorraine Barrett:** You have talked about the child index of deprivation; I will combine my two questions. Can you tell us what domains will be included in that index of deprivation? If the index shows multiple deprivation, how will that capture the deprivation that causes disadvantage to many children in rural area and dispersed communities? Can you also say something about the child wellbeing monitor? What elements will be included in that and what impact that could have on policy?

3.10 p.m.

[75] **Brian Gibbons:** On the last point first, the child wellbeing monitor will, hopefully, cover the seven areas of activity of the children and young people partnership plan. So, aspects such as giving children a flying start to life, living in safe, supportive communities and child poverty will be monitored. We are trying to develop a statistical or quantitative profile of what is going on and then supplement that with a commentary, so that it will give you quantitative data but also some information on interpretation and analysis. We hope to have the first version of that available in September or October. I do not think that anyone else has done this, so it will be an important innovation for Wales. It will be published around two years after the first version is made available, and then at regular intervals to monitor what we are doing to improve the quality of life—

[76] **Lorraine Barrett:** Is it too early to say what the impact would be on policy?

[77] **Brian Gibbons:** It will profoundly influence policy. If we are not delivering against resource in these areas—we are spending hundreds of millions of pounds trying to effectively tackle children's disadvantage—it may be problematic although the money has been spent in a way that delivers the best outcome. In order to better influence it, the child poverty expert group has been established. I am in no doubt that it will be looking at the first returns from the monitor. It has been established within the last month, and the monitor will be available in September or October. So, hopefully, it will tie up there.

[78] I do not know whether Steve can say anything about it. It will essentially be based on

the current index, but some elements will be dropped out to try to make it more focused.

[79] **Dr Marshall:** The domains that we planned for the child index are essentially the same as those in the main index, with the exception of the employment domain. That means that there would be an income, health, education, housing and access to services domains, as well as community safety and physical environment. Our current plan is that that will be available in the autumn, but at the very latest, we will make a definitive statement of when that will be published alongside the main Welsh index of multiple deprivation, which is due to be published on 9 July.

[80] **Lorraine Barrett:** I am trying to establish the difference between the main index of deprivation and the child index of deprivation, because many of the indices or the domains may be the same. Would educational attainment be a part of that, or not? I am not necessarily or wholly linking educational attainment with deprivation, but I would like to look at what the child's index might have that would be different from that of its parents or household.

[81] **Dr Marshall:** I will give a flavour of where the differences are. In the income domain, we will be looking at children living in income benefit households rather than the entire household, as we do for the main index. In the education domain, we will be just using the indicators on attainment relevant to children and not wider educational levels. Again, on housing, it will be children living in households of a certain type in terms of housing issues. Community safety and physical environment will almost certainly stay the same in that they are a classification of the area rather than the individuals in that area. One big difference that will change the overall index is that there will not be an employment domain, which, in the main index, has a 25 per cent weighting, as does income. In this first index that we will produce, we will essentially rescale the weighting so that the relativity between the remaining domains will stay the same, to make up for the fact that we have removed employment. However, once we have produced it, it will fit into the normal index of deprivation development cycle, where we do a lot of consultation on the proposed domains and indicators. In this first instance, we will produce one as something to be discussed and which will then lead to comments for future updates.

[82] **Brian Gibbons:** I believe that it was, but one of the points that flows from Lorraine's question is whether it will provide any more value added over the Welsh index of multiple deprivation and, at some stages, in thinking about this, there was a feeling that there was not much extra to be gained and that you would get very much an overlap of more or less exactly the same areas, although there is probably a slightly fluid view on that. One of the reasons why we are going down this road is because the feeling is that the overlap may not be quite as symmetrical as might previously have been argued. So, the proof of the pudding will be in the eating. If we find that the children's index is absolutely symmetrical with the Wales index, then it is not delivering much value added.

[83] **Lorraine Barrett:** This is interesting. Would childhood illnesses be part of this? Could that be an indicator? Would you drill down that far?

[84] **Dr Marshall:** You have highlighted the one area that we have the most difficulty with in coming up with indicators for the child version. For all other demands, we have the data and we can do equivalents for children from the main index but, with the area of health, we have difficulties with the availability of data down to the super output area level. That is the area that we are concentrating on at present in terms of developing what the indicators would be. The rest is more or less decided on in that it falls out fairly well from the equivalent work done for England as well as from what we have in the main index. For the area of health, we need to do something quite different and investigate what is available in terms of health issues for children.

[85] **Alun Davies:** Thank you. I am aware of the time and I am anxious to draw this session to a conclusion. Before I move on to discuss financial inclusion and before we leave this subject, could you reassure us, Minister, that issues of access will be included and will be given sufficient weight within this monitoring? We heard evidence that a lack of access and participation have quite a profound impact on children and young people in rural Wales—for example, in terms of access to free swimming. If you do not have a swimming pool within reasonable distance and you are unable to access that facility, that right does not exist for you. Another example is after-school clubs, which can be difficult for people to access if they have to travel long distances to get to them. So, you have a sort of poverty of participation for many young people. We are moving into a world where social interaction is changing, and I know from constituents that there are issues, such as access to broadband, which will become an indicator of deprivation very soon. Some children, mostly in rural areas, do not have access to broadband and that has an impact on their ability to do homework and on their social interaction. One of the things that I have learned during the past few months of this inquiry is the impact on a child's growth and maturity that a lack of social interaction can have.

[86] **Brian Gibbons:** The last point that you made is absolutely true. We are social beings and some of the children who have not developed social skills have come from very socially disadvantaged families, and their literacy and communicative skills and social interaction skills are frighteningly poor. That problem exists, sadly, across Wales. Mike used an analogy for there being several factors. The crucial thing is access rather than distance. In the same way as Mike was trying to twiddle his three dials, if you are a single parent with three children going shopping a mile and a half away using a public service bus, your problems are probably infinitely greater in access terms than if you are travelling six miles in your car.

3.20 p.m.

[87] So, it is about tweaking those dials and using the concept of access. Access depends on the money in your pocket, the public infrastructure, the range of choices available to you, and the capacity to put on the services that generally require critical mass of population. Going back to the uncritical premium, it seems difficult to see how you could create a fair premium when, if we are looking at access, there are many factors that are contributing to it, which will vary specifically depending on where you are. The approach that we are taking tries to pick up the components that contribute to the cost, rather than trying to create a generic, uniform compensatory mechanism. It is much better to have a system that picks up the cost rather than an uncritical premium. That has to be the way forward because, as Mike said, there are so many variables, and if you do not pick up the variables, it will probably not result in a fair outcome for everyone.

[88] **Michael German:** I just wanted to pick up on the financial inclusion strategy. We are looking at this with a rural prism to see in what way it would have an impact. Can you give us a clue or some idea as to what exactly you are aiming to do with the strategy in terms of rural areas, and how will you decide where those strategy actions will be delivered? Is there a rural perspective to this that you are going to adopt?

[89] **Brian Gibbons:** The one thing that is probably most relevant to this is the work that we are doing with the Legal Services Commission, in which we are trying to jointly commission, over a period of two, three or four years, a comprehensive advice system across Wales, which is in the 'One Wales' agreement. The first part of that exercise will involve mapping the current level of provision available, which will be the first step in informing a comprehensive advice system available to all citizens across Wales. We will leave a lot of the other specific programmes, such as support for credit unions and for benefit uptake, to the individual credit unions, so that they can tailor things to their local circumstances, or to individual local authorities, given their knowledge of their local circumstances. We are not going to draw a

line around this and say that this is a rural scheme that you can deliver only in a specific way, driven from the centre.

[90] **Michael German:** I presume that you will have to take account of those variables, such as sparsity, deprivation and access or distance—or whatever you want to call that third dial. You will presumably have to look at it as a mapping exercise as to where you are going to provide these services, where they are going to be available to people and whether people are going to be able to access them.

[91] **Brian Gibbons:** The reason why it is important that we will be more involved in working with the Legal Services Commission—and not only with the commission, but also with local government, which also provides many advice services—is because, unless we are directly involved as providers in our own right, a lot of the delivery mechanism is left to the front-line delivery organisations themselves, and the resource allocation is based on that premise. So, for resource allocation, some elements of local government go through certain indicators and types of activity, and, sometimes, but not very often, the Wales index of multiple deprivation might be used to target a particular funding mechanism. However, there would not generally be a diktat from us, because we do not provide the service ourselves.

[92] **Michael German:** You would not apply your access criteria?

[93] **Brian Gibbons:** No, that would predominantly be for the local delivery organisation itself to decide, in the light of its particular circumstances, because we do not directly deliver the services. I do not know whether Dave or Emyr can think of exceptions to that, or even examples of when we directly deliver services ourselves—

[94] **Dr Roberts:** The Minister is right—we would leave it to the local authority or the appropriate delivery organisation. Having said that, I mentioned the possibility of a credit union bus in some areas, for instance, which might be one way of addressing the needs of that particular area. We would probably be guided by what delivery organisations are telling us in terms of specific needs for that area.

[95] **Michael German:** You drive the policy and strategy on this; if you do not give an indication to those delivering it that you want these access criteria to be in their minds, you could end up with a service that does not fully recognise what happens in rural areas, because you may not have funded it correctly.

[96] **Brian Gibbons:** If you take access to credit unions for example, we say that all secondary schools should have access to a credit union by the end of this Assembly. That means every school, full stop, so the criteria are relevant to the policy. If we take the example of the £1 million for promoting council tax and housing benefit uptake, we have not prescribed how that should be allocated by local authorities, but one would expect that local authorities, as part of the evaluation that we would make of that policy, would have to demonstrate that they were targeting it, in line with best practice, in the areas where people would be most likely to benefit from it. So, there are certain policies that have clear outcomes, or clear target client groups, but I do not think that we make the rural population a client group in an unspecified, undefined way. Different groups need different services, and it is for the delivery organisation to deliver to those client groups. Going back to the point that I made early on, we are talking about services and people. Delivery organisations have to target their spend on services and people, rather than an undefined spatial area.

[97] **Dr Roberts:** The obvious point is that the financial inclusion strategy is aimed at poorer members of the community, so we would expect the delivery organisations to address those members of the community wherever they are.

[98] **Alun Davies:** Darren, you have promised us a very succinct question.

[99] **Darren Millar:** I just think that there is a lack of recognition that it costs more to reach such people in rural areas, and perhaps the distribution of money ought to reflect that. For example, from my own experience in Conwy, there are some voluntary and independent organisations that will be used as the vehicle to give benefits, advice and so on. The local authority has a helpline too, and, for many in rural areas, the helpline is effectively providing the service, so there is a big difference in the quality of the service that people are able to access. Face-to-face access is more beneficial and desirable than a helpline, which can be a bit impersonal, especially when you are talking about details of bank accounts or other private details.

[100] So, going back to Mike's point—which I do not think you have answered satisfactorily—how will you ensure that, where the people who need to be targeted are in rural areas, local authorities are properly resourced to be able to deliver the financial inclusion strategy? Otherwise, it will just flop.

3.30 p.m.

[101] **Brian Gibbons:** Let us take that example of targeting people who are financially excluded. We know that the concentration of people in a rural area is lower, so, while the distance that you might have to travel to deal with people who are financially excluded is less in a very deprived community, the amount of work and the human resource that you would have to spend on dealing with the problem would be far greater, simply because there are more people to deal with. Therefore, we are going back to Mike's point that you may have to spend half an hour travelling 12 miles to deal with one person, but if you were in a more disadvantaged community, you could have 100 people who would have to be dealt with in that 12-mile radius. Therefore, there is a trade-off between the distance of travel and the volume of work.

[102] The point that you make is entirely consistent if we can assume that there is an even spread of disadvantage across Wales. However, we know that that is not the case, because there is a concentration. So, while there are travel costs involved, and so on, the number of people or clients—particularly living in social disadvantage—definitely exist, because we know that 50 per cent of the disadvantaged population in Wales lives outside the 30 per cent most disadvantaged areas. So, no-one is saying that there are not disadvantaged people living outside the most disadvantaged areas; of course there are, and that is why so many of our programmes are universally available across Wales. However, there are areas where the concentration is so high that the cost of delivering it in that narrow confined area is as much, if not more, than that of delivering it to a sparser number of deprived people in other parts of Wales.

[103] However, if people do not think that that is correct, we have the distribution sub-group, which can evaluate that, or the Wales index of multiple deprivation, when it has been revised. If the argument is that it is more expensive to deal with deprivation in a dispersed rural community, bearing in mind the number of people who are likely to benefit from it, this is just the sort of empirical evidence that is needed to inform these decisions.

[104] **Alun Davies:** Diolch yn fawr i chi a'ch tîm, Dr Gibbons, am y sesiwn hon y prynhawn yma. Yr ydym yn gwerthfawrogi eich amser a pha mor barod y buoch i ateb ein cwestiynau ac i drafod y materion yr ydym wedi eu codi gyda chi y prynhawn yma. Gobeithiwn adrodd i'r Cynulliad yn **Alun Davies:** I thank you and your team, Dr Gibbons, for this afternoon's session. We appreciate your time and how willing you have been to answer our questions and to discuss the issues that we have raised with you this afternoon. We hope to report to the Assembly during June, or certainly before the

ystod mis Mehefin, neu yn bendant cyn end of the summer term, and we look forward
diwedd tymor yr haf, ac edrychwn ymlaen at to receiving your response to that report.
gael eich ymateb i'r adroddiad hwnnw.

[105] Bydd cyfarfod nesaf yr is-bwyllgor The next meeting of this sub-committee will
hwn ar fore dydd Mercher, 4 Mehefin, pan be held on Wednesday morning, 4 June,
fyddwn yn dechrau cymryd tystiolaeth am yr when we will start to take evidence on the
ymchwiliad i ad-drefnu ysgolion yn y Gymru inquiry into school reorganisation in rural
wledig. Wales.

Daeth y cyfarfod i ben am 3.33 p.m.
The meeting ended at 3.33 p.m.