

Distribution Sub-Group (2020) Paper 4 – Understanding and explaining the 2020-21 settlement

This discussion paper has been written by officials of the Welsh Government. Ministers have not had an opportunity to comment on the contents. Exemplifications of changes are provided simply to inform discussion by DSG members. They are not Welsh Government proposals or statements of Government policy for or against changes.

Understanding and explaining the 2020-21 Settlement Summary

1. This paper attempts to summarise and explain the differences between the direction of travel for funding shown in the DSG report and the provisional settlement published and give authorities further details on the rationale behind some of their changes. The paper also seeks views on the presentation of the Settlement and whether documents can be improved for future settlements.

Views sought

2. Members are asked to consider the paper and assess if it is useful to clarify an authority's settlement and should therefore be more widely circulated.
3. Members are asked to consider the documents accompanying the settlement and whether these are still fit for user need, and what information would be more useful if not.

Background

4. Prior to the publication of the local government settlement one of the best indications of how each authority is settlement direction of travel is taken from the Annex C provided in the DSG report.
5. The table for 2020-21 provided a breakdown of changes to:
 - a. Key dataset changes - Financial data, PLASC data and population;
 - b. Formula changes – WILG distribution;
 - c. Transfers – No explicitly defined transfers;
6. The DSG report specifies that this table should not be mistaken for final allocations as further validations were undergoing, for example the Revenue outturn (RO) data deadline to Welsh Government was on the day the DSG report table was drafted. These changes can sometimes mean that the actual distribution in the provisional Settlement differs from the direction of travel indicated in the DSG report.
7. An updated version of the DSG report table can be found in Annex A of this paper. This exemplifies the individual components used in the settlement to ensure further transparency is provided on allocations.
8. It's important to note that the information in the DSG report and publication will never fully show the exact information due to the interdependencies between some of the

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data sources i.e. population is used to constrain the modelled nursery school data aged 3 and the effect the financial data has on the respective IBAs.

9. Given one of the overarching principles of the settlement is “Clarity”, users and some DSG members this year have not been able to explain why each authority does better or not as well as other authorities. This paper seeks to aid members in explaining how and why some authorities have done better or worse than others.

Analysis

10. Prior to explaining why certain authorities have done better or not as well as other authorities we must first explain the difference between the DSG report and the provisional settlement.

Changes to the DSG report

11. At time of the original DSG report the RO data had not been fully validated. The updated Annex A report demonstrates the change in updating the financial information within the settlement (Note – the phasing of WILG is now included within this).
12. Annex B shows members the change between the RO data used in the 2019-20 settlement, draft DSG report and the provisional settlement. This demonstrates an increase of £10.6m in miscellaneous services, to a decrease of £2.3m in the secondary teaching IBA between the DSG report and the provisional settlement.
13. The financial data in Annex A of this document also includes the impact of phasing the Welsh independent living grant (WILG) into the formula as agreed by DSG (2018- paper 21). This was to ensure that any changes in the underlying data to feed the WILG expenditure through is capture in the phasing.
14. In summary, the DSG report considered updating the RO/RA data in isolation where there was no phasing of WILG, and this explains the large difference between the DSG report and the provisional settlement. Example C provides further detailed information on this.
15. Similarly although the DSG report exemplifies the Pupil level annual school census (PLASC) (and those educated other than at school) data, this does not include children in independent schools which we receive from local authorities through the validation round.
16. Incorporating these data resulted in changes ranging from a decrease of £12k in Pembrokeshire to a £22k increase in Conwy from the DSG report.

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Explaining the changes within the settlement

17. This section does not provide a detailed guide to each authority's settlement, but users can use this information to let us know in future what information is helpful and what they would like to see at time of future publications.

Example A – The intuitive

18. Some authorities find their settlement figures are relatively self-explanatory using the data in Annex A. For example Newport and The Vale of Glamorgan do very well in both updated Population and Pupil indicators. These indicators are used to distribute around 50% of the overall settlement.
19. At the other side, the Wrexham below average settlement is pre-dominantly due to the update in the underlying population data. Similarly Cardiff's can be identified as due to their relative change in the population dataset, but offset marginally due to their relative share increase in pupil numbers.
20. It's also worth noting that the phasing of the population data dampens the financial change of this indicator by around half the value specified in Annex A.

Example B – Explaining the financial data changes

21. The reason Powys does well is due to the underlying financial data in the settlement. To fully explain what this means in practice we need to look further into the data.
22. One of the main reason for the Powys increase in the underlying expenditure is the sustainable waste management grant (SWMG) now included in the model.
23. As a reminder, the financial element of the model works by netting specific grants and income raised from the specific service expenditure, to avoid double funding that service. For the 2020-21 settlement the 2018-19 Revenue Outturn (RO) data is used to apportion funding available to the services (within their sectors).
24. The SWMG was transferred into the 2018-19 settlement at £35m. This IBA was proportionally split between both the *refuse collection* and *refuse disposal* IBAs (53% and 47% in the 2019-20 settlement respectively).
25. Now that the RO data has caught up to the transfer of funding, the £35m is now included in the data. The latest total Wales expenditure data show that the *refuse collection* element has increased by £50.7m (or 54.4%) from the previous year compared to a 1.4% increase in the *refuse disposal* service, which suggests that the SWMG has been spent predominantly in the *refuse collection IBA*.
26. Powys' relative share of the refuse collection IBA is 7.0% compared to 4.5% in the refuse disposal IBA. This means that there is a 2.5 percentage point (p.p.) increase between indicators. This example should explain a large part of the change in the

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authority's underlying financial data. Similarly Gwynedd sees some of its financial increase here with a 1p.p difference in the IBA.

27. One of the reasons Cardiff decreases in this area is because of the decrease in *miscellaneous service IBA* (also known as *other services*) down £19.3m. This indicator is distributed on population all ages, which Cardiff does well in.

Example C - Phasing of the WILG within the RA/RO exemplification

28. As a summary, WILG was transferred into the 2018-19 settlement and it was agreed that the distribution would be phased from historical actuals to formula over 4 years.
29. In the 2020-21 settlement the underlying RO data has caught up with the transfer (similar to SWMG in example B), so it was agreed that we would artificially manipulate the Adults IBA to be able to continue phasing (DSG 2019 - paper 11).
30. Within the RA/RO exemplification in the DSG report the WILG IBA was accidentally removed. Therefore what this column actually showed was the change in the RA/RO data and the change in no longer phasing WILG (moving the distribution from *75% historic expenditure and 25% PSS adults formula* straight to the *Adult PSS formula*), rather than gradually phased across several years.
31. Annex A in the DSG (2018) paper (21) showed the impact of phasing WILG. Using Gwynedd as an example, removing the WILG IBA alongside updating the financial information in RA/RO, resulted in the full impact of moving WILG on to formula being picked up (a position that would not be arrived at until 2022-23).
32. For Gwynedd this, incorrectly, showed an approximate reduction of £840k. This is because removing the WILG IBA means the funding goes straight into the PSS adults formula which Gwynedd does less well than through the historic WILG expenditure.
33. The large decrease that you would have expected to see in the financial element within the DSG report as a result of this error was offset by Gwynedd's large underlying increases through updating the RO/RA data, as outlined above.
34. Annex A now correctly combines the financial update and the WILG phasing in one column which explains the variations in the underlying figures.
35. A best estimate of how much these individual changes (financial or WILG) account for can be found in Annex C.
36. This table now shows similar trends to that in the DSG report for the WILG allocations, and this table should better reflect the change in financial information.

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Example D - distribution of the education grants

37. As explained in Annex A, another reason for the change in funding is the treatment of teachers' pay and pension grant in 2020-21 formula. This year, rather than have individual IBAs for these, the funding was put into the overall schools education sector.
38. This means the distribution of these previous grants have changed slightly, as they were previously distributed on the three main teaching IBAs, whilst now the funding is distributed on the total school sector (including the school transport and school meals IBAs).
39. Although this is included in Annex A it doesn't exemplify all the additional funding put into the schools prioritisation element of £79.3m, which further increases the funding for the *school transport* and *School meals IBAs*.
40. So again the authorities that do better in the schools service rather than all other sectors will be understated in this table.

Conclusion

41. This paper should provide users with more clarity on explaining why certain authorities do better than others through the 2020-21 provisional Local Government settlement formula.
42. The group are also asked to discuss the documents that are currently sent alongside the settlement, and whether they are currently content with the information provided or if they would like to consider alternative accompanying products for the future.
43. The current document provided are:
 - Key briefing tables
 - Individual local authority briefing document and table

**Local Government Finance and Workforce Partnerships Division
Welsh Government**

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ANNEX A

Table 1: The financial impact of changing the 2021 data items within the 2019-20 settlement AEF.

Authority	Funding		Transfers		CT		Indicator Data						Control totals				Actual		£000s
	AEF 19/20 & Floor funding	Adjusted 100% Taxbase	With additional funding (2020-21) Funding	Floor at 2019-20 values	Transfers at 2019-20 values	Change in teaching IBA distributions	Notional council tax ¹	Pupils	Population	Benefits	CTRS + ADMIN	Transport	Other data	RO/RA (including WILG)	Asset and Debt financing	Difference (with floor) change	% change	% change	
Isle of Anglesey	95,791	325	5,594	-269	-1,208	17	-207	-254	-145	-41	-95	-11	1	326	-12	3,695	3.8%	3.8%	-0.1%
Gwynedd	176,552	737	9,926	0	-2,086	47	109	-159	-105	-66	-102	-35	25	723	-24	8,254	4.7%	4.6%	-0.1%
Conwy	154,192	33	8,891	-691	-1,839	12	-477	-164	187	-50	-65	-18	-84	-12	-145	5,544	3.6%	3.4%	-0.2%
Denbighshire	143,637	282	8,004	0	-1,794	6	110	106	-201	-31	-65	0	-19	108	-63	6,162	4.3%	4.3%	0.0%
Flintshire	188,980	564	11,383	-537	-2,668	-41	-614	-250	-68	96	-118	2	2	-306	46	6,930	3.7%	3.7%	0.1%
Wrexham	175,252	621	10,197	0	-2,248	-10	-174	80	-1,106	-114	-191	-21	12	-284	57	6,199	3.5%	3.5%	-0.1%
Powys	174,291	491	10,442	-1,214	-2,159	86	-867	-442	146	-53	143	1	18	1,453	-125	7,430	4.3%	4.2%	-0.1%
Ceredigion	102,091	53	5,845	0	-1,164	79	-147	175	-761	13	59	-15	-1	489	-88	4,486	4.4%	4.2%	-0.2%
Pembrokeshire	162,448	-368	9,677	0	-2,073	27	-579	161	232	51	601	-22	17	73	-24	8,142	5.0%	4.9%	-0.1%
Carmarthenshire	260,388	-1,048	14,718	0	-3,271	1	165	-260	256	-36	-29	-22	15	-18	59	11,576	4.5%	4.4%	-0.1%
Swansea	322,211	-497	18,333	0	-3,983	-57	272	-598	69	55	-72	45	56	-242	27	13,905	4.3%	4.2%	-0.1%
Neath Port Talbot	214,796	-340	11,251	0	-2,635	-17	944	-114	277	-30	-181	19	-30	8	66	9,559	4.5%	4.5%	0.0%
Bridgend	191,807	-300	10,760	0	-2,442	-12	71	327	277	65	104	121	12	-236	27	9,073	4.7%	4.7%	0.0%
Vale of Glamorgan	152,070	-942	9,692	0	-2,325	-19	-1,125	306	878	-11	4	-23	23	-215	125	7,310	4.8%	4.9%	0.1%
Rhondda Cynon Taf	367,339	408	19,127	0	-4,358	-38	2,029	315	117	-156	-117	72	-44	-501	-99	16,345	4.4%	4.5%	0.0%
Merthyr Tydfil	91,304	7	4,690	0	-1,021	4	533	85	303	18	-80	-3	67	-100	-18	4,478	4.9%	4.8%	-0.1%
Caerphilly	268,614	314	14,319	0	-3,283	-49	1,242	-373	-185	-118	-107	-35	-60	-261	-71	11,020	4.1%	4.1%	0.0%
Blaenau Gwent	110,815	-210	5,490	0	-1,121	-4	712	-64	23	-58	-108	-191	-16	-17	-122	4,522	4.1%	3.9%	-0.2%
Torfaen	132,650	59	7,268	0	-1,665	-22	354	-203	158	151	122	22	3	-179	-4	6,007	4.5%	4.5%	0.0%
Monmouthshire	93,229	292	6,351	-759	-1,375	7	-1,417	-664	329	-43	66	99	-9	284	26	2,893	3.1%	3.0%	-0.1%
Newport	214,343	-622	11,966	0	-2,722	15	168	1,152	1,105	200	-2	1	-25	-259	-125	11,473	5.4%	5.4%	0.0%
Cardiff	444,629	142	26,560	0	-5,741	-34	-1,102	837	-1,784	158	233	15	36	-834	487	18,830	4.2%	4.1%	-0.1%
Wales	4,237,431	0	240,483	-3,470	-53,181											183,832	0%	0%	0%

¹ This involves updating the latest: council tax levels, tax-setting tax base, discretionary NNDR relief and the council tax uplift percentage.

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Annex B

£000s

	Final 2019-20 Settlement (A)	2020-21 DSG report (B)	Provisonal 2020-21 Settlement (C)	(C) - (A)	(C) - (B)	(C) / (A) - 1
Primary and nursery education	1,049,784	1,056,162	1,056,044	6,259	-119	0.6%
Secondary teaching and other services	823,993	834,620	832,347	8,354	-2,273	1.0%
Primary school transport	25,084	27,607	27,971	2,887	364	11.5%
Secondary school transport	51,001	51,175	51,781	780	606	1.5%
Special education	236,434	251,425	252,304	15,870	879	6.7%
School meals and milk	39,439	43,235	43,337	3,898	102	9.9%
Youth services	19,246	18,731	18,731	-515	0	-2.7%
Adult and continuing education	7,716	6,264	5,793	-1,923	-471	-24.9%
Adult and continuing education transport	8,995	8,396	9,137	142	741	1.6%
Education administration	3,003	1,985	1,984	-1,018	0	-33.9%
PSS children	463,579	497,953	496,503	32,925	-1,450	7.1%
PSS elderly, residential and domiciliary	539,933	596,937	597,289	57,356	352	10.6%
PSS adult services	517,876	560,880	560,832	42,957	-48	8.3%
PSS administration	7,446	4,996	4,996	-2,449	0	-32.9%
Public transport	13,538	17,076	16,907	3,369	-168	24.9%
Concessionary fares	9,300	10,064	10,019	719	-45	7.7%
Road maintenance	133,854	130,150	130,941	-2,913	791	-2.2%
Street lighting	30,934	31,686	31,417	483	-269	1.6%
Road safety education and safe routes	4,310	4,394	4,408	98	14	2.3%
Non-HRA housing	38,461	42,461	42,399	3,938	-62	10.2%
Electoral registration	9,440	5,569	5,569	-3,871	0	-41.0%
Cemeteries	-2,603	-2,241	-2,241	363	0	-13.9%
Coast protection	1,490	1,261	1,261	-229	0	-15.4%
Other environmental health	32,943	31,838	31,724	-1,219	-114	-3.7%
Street cleansing	51,445	52,973	52,973	1,527	0	3.0%
Food safety	10,018	9,797	9,797	-221	0	-2.2%
General administration	79,474	63,525	64,323	-15,152	798	-19.1%
Refuse collection	93,303	144,042	144,042	50,739	0	54.4%
Refuse disposal	82,250	83,431	83,431	1,182	0	1.4%
Cultural services	29,159	27,960	28,142	-1,016	182	-3.5%
Planning	21,815	21,045	21,354	-461	309	-2.1%
Libraries	42,163	41,342	41,342	-820	0	-1.9%
Economic development	21,343	18,169	18,169	-3,174	0	-14.9%
Recreation	117,158	113,286	113,348	-3,809	62	-3.3%
Miscellaneous	81,791	51,859	62,530	-19,261	10,671	-23.5%
Consumer protection	11,489	10,785	10,785	-703	0	-6.1%
Council tax administration	27,446	33,769	33,741	6,295	-28	22.9%

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Annex C

	Updating the financial data and WILG	<i>of which</i>	
		WILG	Financial
Isle of Anglesey	326	-51	378
Gwynedd	723	-266	989
Conwy	-12	-78	66
Denbighshire	108	13	95
Flintshire	-306	-86	-220
Wrexham	-284	-186	-98
Powys	1,453	-43	1,496
Ceredigion	489	23	466
Pembrokeshire	73	-87	160
Carmarthenshire	-18	-402	384
Swansea	-242	237	-479
Neath Port Talbot	8	7	1
Bridgend	-236	9	-245
Vale of Glamorgan	-215	88	-303
Rhondda Cynon Taf	-501	-91	-411
Merthyr Tydfil	-100	-4	-97
Caerphilly	-261	154	-415
Blaenau Gwent	-17	62	-79
Torfaen	-179	-22	-156
Monmouthshire	284	94	191
Newport	-259	105	-365
Cardiff	-834	522	-1,356