

## ***Distribution Sub-Group (2022) Paper 06 – RO data for the 2023-24 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.***

### **Updating the RO data for the 2022-23 Settlement**

#### **Summary**

1. This paper considers the potential impact on the 2023-24 Settlement of updating the Revenue Outturn (RO) data from 2020-21 to 2021-22, by reviewing the previous year's changes in Indicator Based Assessments (IBA's).
2. The paper recognises the continued impact of Covid-19 on certain services, asking the group to continue with an alternative approach should the group wish not to update the data in its current format.
3. The 2021-22 RO data is not yet available but it is expected that the financial implications of updating using this data is likely to have a similar effect to updating using the previous year's 2020-21 RO data. A previous illustration ran these figures against the *2021-22 Final Total SSA* settlement distribution for the purposes of exemplification.

#### **Views sought**

4. For DSG to consider the potential change in IBA's between years as illustrated previously.
5. To consider whether to freeze the data as per last year or update the data when 2021-2022 RO data becomes available.

#### **Related paper**

Distribution Sub Group (DSG) - Paper 21 - Updating the (20-21) RO Data for the 2022-23 Settlement

#### **Options**

6. Members are asked to consider two options:
  - a) freezing last year's values i.e. using the 2019-20 RO data again;
  - b) artificially refining the 2021-22 RO data when it becomes available.

#### Option A: Continue to freeze the data and use 2019-2020 RO data

7. The limitation of freezing this dataset for another year is that it increases the risk that when the data is next updated the changes are larger resulting in a greater re-distribution of funding. Alongside this, changes, if any, in behaviour and therefore spend as a result of the pandemic, would not be reflected in this option.
8. However, this option would be appropriate if members had concerns over using the updated data completely.

#### Option B: Refining the 2021-22 RO data when it becomes available

9. This option would look to artificially manipulate the latest RO data. The details of how this could be carried out were set out in DSG Paper 21 last year – relevant parts of that paper are appended below for ease.

The issues / disadvantages set out in that paper still apply though arguably to a lesser extent (as shown in the lower claims / payments made for covid hardship grant in 2021-2022 though this was still in excess of £70m in 2021-2022 compared to almost £200m in 2020-2021). All decisions, validation and further exploratory work would be required to be completed by the end of November at the latest. Members may wish to consider this when agreeing the treatment for the 2023-24 settlement.

#### **Conclusion**

10. Members are asked to consider the 2020-21 RO data as previously shared in paper 21 and set out below in Annex B and whether this data reflects the current financial environment. Members are asked to consider the alternative options provided in this paper for the 2023-24 settlement.

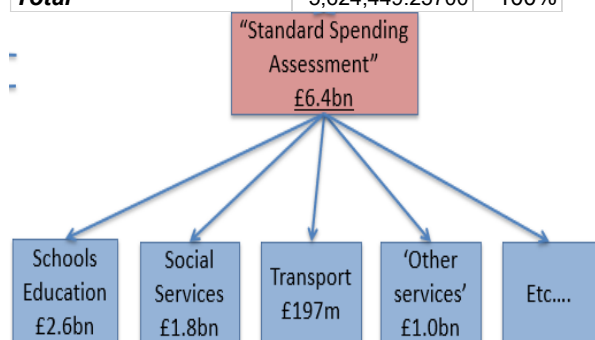
The detail in this annex has been taken from the DSG paper 21 referenced above and is repeated here for ease of reference.

### Background

11. The Revenue Account (RA) and Revenue Outturn (RO) are financial data collected and validated by Knowledge and Analytical services (KAS) within Welsh government. These data are used in the settlement to distribute Standard Spending Assessment (SSA) at a Wales level.
12. The RA data is used to apportion SSA between each high-level sector (i.e. schools, social services etc.). For example, we assign each service line within the RA data collection form to a settlement sector. In Figure 1, we derive the total budgeted net expenditure for each settlement sector and calculate the percentage share from all sectors. This percentage is multiplied out by the total SSA (after removing sector actuals i.e. CTRS, debt financing).

**Figure 1: Example use of the Revenue account data in the settlement (21-22 values)**

Non-Actual Sector Total Calcs		
	Budget Requirement	% Share
Schools Education	2,474,305.9710	44.0%
Non-Schools Education	37,445.4630	0.7%
PSS	1,782,496.6590	31.7%
Transport	192,287.2980	3.4%
Fire	148,741.6160	2.6%
Other services	989,172.2500	17.6%
<b>Total</b>	<b>5,624,449.25700</b>	<b>100%</b>



13. The RO data is used to apportion the SSA values from each sector to each Indicator Based Assessment (IBA). Again, we assign each service line within the RO form to an IBA and therefore each service line in the RO form is uniquely mapped to an IBA. Using this data, we aggregate the total net current expenditure (less specific grant funding) at a Wales level for each IBA. The percentage shares of each IBA are calculated and multiplied out by the sector

total (from figure 1) to produce Wales level SSA values. The same process is done for all IBA's in the different sectors.

14. For further reference, the isolated impact of updating the RA data can be found in tables 2 and 3 in Annex B.

### **Changes to the RO data collection**

15. Since the 2019-20 RO expenditure data was last used in the SSA build, additional lines were included in the form to capture expenditure, income and grant funding from Covid-19. These Covid lines are currently excluded from the IBA analysis.
16. Additional guidance was provided to local authorities on the completion on the Covid-19 section but was included within the very detailed and technical guidance document, therefore not all authorities may have picked this up.

### **Updating the RO data**

17. Table 4 shows the change in net current expenditure (less grant funding) between 2019-20 and 2020-21 by IBA. We see large changes in monetary and percentage terms ranging from a £58.6m increase in *secondary school teaching* IBA to a £7.8m decrease in the *secondary school transport services*.
18. In percentage terms the changes ranged from a 99% increase in the *cemeteries and crematory* IBA (SSA decreased - as this is a negative IBA) to a 47.6% decrease in *education administration*.
19. Some of the changes shown are intuitive, for example a decrease in the school transport related services is to be expected, given the Covid-19 pandemic resulting in school closures at several points during the financial year.

**Table 4: Changes in RO net current expenditure (less grant funding)**

£000s

ServiceID	DescriptionEnglish	2019-20	2020-21	Difference	
				£	%
3	Nursery and Primary school teaching and other services	1,064,275	1,115,811	51,535	4.8%
4	Secondary school teaching and other services	850,994	909,556	58,563	6.9%
5	Nursery and Primary school transport services	32,355	28,003	-4,352	-13.4%
8	Adult and continuing education	5,139	5,949	810	15.8%
9	Adult and continuing education transport	8,584	6,505	-2,079	-24.2%
10	School meals	55,583	71,175	15,592	28.1%
11	Special education	262,781	266,931	4,149	1.6%
13	Youth services	15,652	13,856	-1,796	-11.5%
15	Education administration	2,419	1,268	-1,151	-47.6%
17	Children and young persons	520,533	544,159	23,626	4.5%
20	Older adults' residential and domiciliary care	610,794	630,317	19,523	3.2%
21	Younger adults' personal social services	571,584	576,391	4,808	0.8%
27	PSS administration	4,960	5,209	249	5.0%
35	Concessionary fares	10,168	9,925	-243	-2.4%
36	Street lighting	32,325	31,032	-1,293	-4.0%
37	Road maintenance	131,612	128,370	-3,242	-2.5%
38	Public transport revenue support	16,728	12,451	-4,277	-25.6%
40	Electoral registration	5,195	4,985	-210	-4.0%
44	Road safety education and safe routes	4,207	4,301	93	2.2%
45	Cemeteries and crematoria	-2,001	-3,982	-1,981	99.0%
46	Coast protection	1,352	1,245	-107	-7.9%
47	Other environmental health and port health	31,271	32,818	1,547	4.9%
48	Planning	22,501	22,354	-147	-0.7%
49	Refuse collection	157,213	166,351	9,138	5.8%
51	Cultural services	26,485	31,589	5,104	19.3%
52	Economic development	17,025	19,365	2,341	13.7%
53	Library services	40,726	39,425	-1,301	-3.2%
54	Other services	67,254	64,585	-2,669	-4.0%
55	Recreation	107,939	131,937	23,999	22.2%
57	General administration	72,862	91,786	18,924	26.0%
58	Council tax administration	36,535	40,937	4,402	12.0%
59	Non HRA housing	45,453	48,981	3,528	7.8%
259	Street Cleansing	51,924	51,636	-289	-0.6%
260	Food safety	10,239	10,269	30	0.3%
261	Refuse disposal	73,418	72,301	-1,117	-1.5%
262	Consumer protection	11,141	10,486	-655	-5.9%
263	Secondary school transport services	57,450	49,616	-7,834	-13.6%

20. The service lines included in the IBAs shown in table 4 show that many of these services were likely impacted by the Covid-19 pandemic. The increase in expenditure of these IBAs could therefore be reflecting the loss of income from lockdowns for example from attendance at theatres/public entertainment, sports centres & parking.
21. To understand the increases, we can breakdown the data by expenditure, income and grant for each service lines within the RO form. As an example, Table 5 in Annex C looks at the change of the parking of vehicles information for illustration purposes.
22. Table 5 shows large changes in the income columns between years. This ranges from a 95% decrease in Flintshire to no change in Blaenau Gwent. From

this we can see that the increase in the general admin IBA is as a result of loss of income for this service. Similar analysis corroborates this for the other IBA's.

23. Additional grant funding was provided to compensate local authorities for the loss of income for certain services. These are likely to have been recorded on the Covid-19 lines for many authorities. Through investigating the *parking* data, it does suggest some inconsistent reporting between local authorities, such as Conwy, Denbighshire and Caerphilly all have large grants included in their returns for this service which are likely to be their loss of income grants.
24. This example suggests that some of the changes in IBAs are as a result of the Covid-19 pandemic and different reporting practices rather than a complete change in spending patterns. Due to this we would not recommend updating the RO data as it is, as it could distort the settlement IBAs. For information on the financial impact of this change, Table 6 in Annex D demonstrates the magnitude of change.

**Table 2: Change in the revenue account data**

Service Sector	2019-20	2020-21	Difference		2019-20 % share	2020-21 % share
			£000s	%		
Schools	2,474,298	2,559,408	85,110	3.4%	43.99%	43.58%
Non-Schools	37,445	38,734	1,288	3.4%	0.67%	0.66%
PSS	1,782,497	1,866,099	83,602	4.7%	31.69%	31.78%
Transport	192,287	194,739	2,452	1.3%	3.42%	3.32%
Fire	148,742	154,304	5,563	3.7%	2.64%	2.63%
Other	989,172	1,059,456	70,283	7.1%	17.59%	18.04%
<b>Total</b>	<b>5,624,441</b>	<b>5,872,740</b>	<b>248,298</b>	<b>4.4%</b>	<b>100.00%</b>	<b>100.00%</b>

**Table 3: Exemplifying the 2021-22 RA data on the 2021-22 Settlement**

	£000s			
	2021-22 Settlement	Updated RA	Difference £	Difference %
Isle of Anglesey	104,825	104,790	-35	0.0%
Gwynedd	194,793	194,736	-58	0.0%
Conwy	166,906	166,947	41	0.0%
Denbighshire	158,632	158,547	-85	-0.1%
Flintshire	206,778	206,695	-83	0.0%
Wrexham	188,856	188,879	23	0.0%
Powys	191,897	191,770	-127	-0.1%
Ceredigion	109,658	109,615	-43	0.0%
Pembrokeshire	179,387	179,340	-47	0.0%
Carmarthenshire	284,820	284,713	-108	0.0%
Swansea	352,642	352,902	261	0.1%
Neath Port Talbot	236,680	236,697	17	0.0%
Bridgend	212,192	212,176	-16	0.0%
The Vale Of Glamorgan	168,316	168,241	-75	0.0%
Rhondda Cynon Taf	404,375	404,329	-46	0.0%
Merthyr Tydfil	101,476	101,503	27	0.0%
Caerphilly	292,367	292,289	-78	0.0%
Blaenau Gwent	120,361	120,402	41	0.0%
Torfaen	146,340	146,345	5	0.0%
Monmouthshire	101,483	101,498	15	0.0%
Newport	240,796	240,814	17	0.0%
Cardiff	487,913	488,265	353	0.1%

Table 5: Change in parking expenditure, income and grant funding by LA (Form ref: RO2, line reference: 24 - £000s).

	2019-20				2020-21				Change							
	Exp	Income	Grant	Net Current expenditure (less grant)	Exp	Income	Grant	Net Current expenditure (less grant)	Exp	Income	Grant	Net Current expenditure (less grant)	Exp	Income	Grant	Net Current expenditure (less grant)
Isle of Anglesey	326	- 599	- -	273	355	- 263	-	92	29	336	-	365	9%	-56%	0%	-134%
Gwynedd	1,310	- 2,699	- -	1,389	1,209	- 1,507	- -	298	- 101	1,192	-	1,091	-8%	-44%	0%	-79%
Conwy	1,158	- 2,391	- 0 -	1,233	1,067	- 1,015	- 1,583 -	1,531 -	92	1,376	- 1,582 -	298	-8%	-58%	2260713%	24%
Denbighshire	1,178	- 1,585	- -	407	1,042	- 652 -	886 -	497 -	136	933	- 886 -	90	-12%	-59%	0%	22%
Flintshire	564	- 925	- -	361	631	- 46	-	585	67	880	-	947	12%	-95%	0%	-262%
Wrexham	647	- 1,092	- -	445	694	- 113	-	581	48	978	-	1,026	7%	-90%	0%	-231%
Powys	858	- 1,741	- -	883	873	- 721	-	153	15	1,020	-	1,035	2%	-59%	0%	-117%
Ceredigion	639	- 1,259	- -	619	641	- 152	-	489	2	1,107	-	1,109	0%	-88%	0%	-179%
Pembrokeshire	1,306	- 2,065	- -	759	1,302	- 1,120	-	182 -	4	945	-	941	0%	-46%	0%	-124%
Carmarthenshire	1,948	- 2,709	- -	761	2,143	- 971	-	1,172	194	1,738	-	1,933	10%	-64%	0%	-254%
Swansea	3,833	- 6,441	- -	2,608	2,705	- 2,715	- -	10 -	1,129	3,726	-	2,598	-29%	-58%	0%	-100%
Neath Port Talbot	1,459	- 1,722	- -	263	1,503	- 411	-	1,092	44	1,310	-	1,355	3%	-76%	0%	-516%
Bridgend	1,388	- 1,712	- -	324	1,108	- 673	-	435 -	280	1,039	-	759	-20%	-61%	0%	-234%
Vale of Glamorgan	630	- 738	- 2 -	110	701	- 628	-	73	71	110	2	183	11%	-15%	-100%	-166%
Rhondda Cynon Taf	1,389	- 1,764	- -	375	1,362	- 936	-	426 -	27	828	-	801	-2%	-47%	0%	-214%
Merthyr Tydfil	417	- 697	- -	279	392	- 292	-	100 -	25	405	-	379	-6%	-58%	0%	-136%
Caerphilly	1,024	- 1,041	- -	17	809	- 170 -	291	348 -	215	871 -	291	366	-21%	-84%	0%	-2095%
Blaenau Gwent	409	- 30	- -	379	346	- 30	-	316 -	63	-	- -	63	-15%	0%	0%	-17%
Torfaen	410	- 108	- -	302	316	- 75	-	241 -	94	33	- -	61	-23%	-31%	0%	-20%
Monmouthshire	816	- 1,492	- -	676	733	- 617	-	116 -	83	875	-	792	-10%	-59%	0%	-117%
Newport	325	- 637	- -	312	629	- 502	-	127	304	135	-	439	94%	-21%	0%	-141%
Cardiff	5,559	- 9,551	- -	3,991	5,688	- 3,421	0	2,267	129	6,130	0	6,259	2%	-64%	0%	-157%
<b>Wales</b>	<b>27,595</b>	<b>- 42,997</b>	<b>- 2 -</b>	<b>15,404</b>	<b>26,250</b>	<b>- 17,030</b>	<b>- 2,760</b>	<b>6,461</b>	<b>- 1,345</b>	<b>25,967</b>	<b>- 2,758</b>	<b>21,865</b>	<b>-5%</b>	<b>-60%</b>	<b>133233%</b>	<b>-142%</b>



**Table 6: Exemplifying the 2020-21 RO data on the 2021-22 Settlement**

	<i>£000s</i>			
	<b>2021-22</b>	<b>2020-21</b>	<b>Difference</b>	
	<b>AEF</b>	<b>RO data</b>	<b>£</b>	<b>%</b>
Isle of Anglesey	104,825	104,613	-212	-0.2%
Gwynedd	194,793	193,865	-928	-0.5%
Conwy	166,906	166,372	-534	-0.3%
Denbighshire	158,632	158,587	-44	0.0%
Flintshire	206,778	206,572	-207	-0.1%
Wrexham	188,856	188,604	-252	-0.1%
Powys	191,897	190,581	-1,317	-0.7%
Ceredigion	109,658	108,994	-664	-0.6%
Pembrokeshire	179,387	178,947	-440	-0.2%
Carmarthenshire	284,820	284,274	-546	-0.2%
Swansea	352,642	353,425	783	0.2%
Neath Port Talbot	236,680	237,038	358	0.2%
Bridgend	212,192	212,347	156	0.1%
The Vale Of Glamorgan	168,316	168,325	9	0.0%
Rhondda Cynon Taf	404,375	405,158	783	0.2%
Merthyr Tydfil	101,476	101,567	91	0.1%
Caerphilly	292,367	293,034	666	0.2%
Blaenau Gwent	120,361	120,613	252	0.2%
Torfaen	146,340	146,548	208	0.1%
Monmouthshire	101,483	101,026	-457	-0.5%
Newport	240,796	241,481	685	0.3%
Cardiff	487,913	489,525	1,612	0.3%
<b>Total Unitary Authorities</b>	<b>4,651,494</b>	<b>4,651,494</b>		