

Distribution Sub-Group (2023) Paper 09 – Deprivation Indicators within the Settlement Formula

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.

Deprivation Indicators within the Settlement Formula

Summary

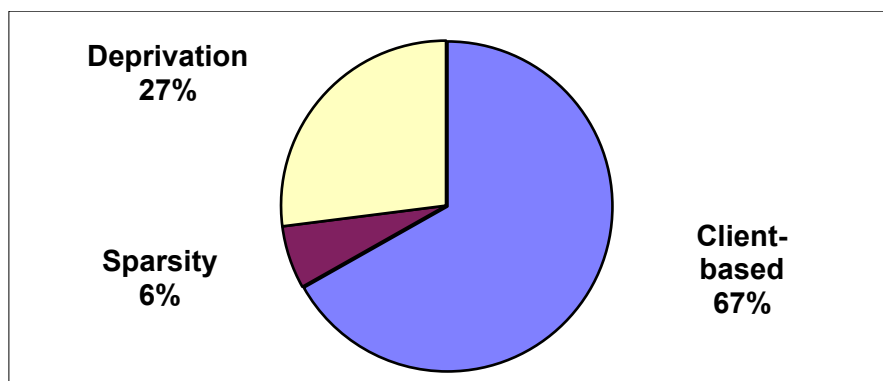
1. This paper summarises the current situation regarding deprivation indicators within the Settlement; identifying the source of the indicator and the date last updated.

Views sought:

2. **None** – this paper is for information only.

Section 1: Background and Current Situation

3. The formula for calculating the Local Government Revenue Settlement contains indicators of **deprivation** that are designed to reflect the additional cost of providing services to populations with higher levels of deprivation, e.g. income support recipients, people with long-term illness etc.
4. In 2023-24, 27% of the total SSA was attributed to deprivation indicators, with 67% based on client-based indicators and the remaining 6% on Sparsity indicators:



5. A breakdown of the 2023-24 per capita SSA, by Indicator Type and Unitary Authority is shown in Table 1 in Annex A.
6. Currently, the Settlement includes 20 indicators that measure deprivation (see **Table 2 in Annex A** for full list). These indicators were designed and developed by Pion Economics.

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7. **Table 2** also shows the total 2023-24 SSA share relating to each deprivation indicator – ranging from 0.1% for **Adults aged 18 to 64 in non-white ethnic groups** to 7.3% for **Dependent children in out of work families**.
8. **Table 3** in **Annex A** illustrates which formula-based IBAs use the deprivation indicators and, for each of these IBAs, how much SSA is distributed on each indicator within each IBA (based on the 2023-24 Settlement).
9. The amount of SSA distributed on the deprivation indicators is around £1.994 billion (27% of the total SSA), almost £1.6 billion of which is distributed within *Personal and Social Services* (PSS) sector IBA (which equates to 21% of the total SSA).

Data Sources

10. Some of these indicators are census-based whilst others are updated annually. There are also a small number of indicators that are currently frozen due to the roll-out of Universal Credit.

Census-based indicators

11. At present, the following 9 deprivation indicators used in the Settlement are based on the 2001 Census:
 - Dependent children in households where head is in a low occupational classification;
 - Dependent children in lone adult households;
 - Dependent children in social rented housing;
 - Dependent children in overcrowded housing;
 - Pensioners living alone in households;
 - Pensioners with a limiting long-term illness;
 - Households where head is aged 18 to 64 with no carer;
 - Adults aged 18 to 64 in non-white ethnic groups; and
 - Population aged under 18 in wards with weighted density greater than the Welsh average.
12. These census data indicators currently account for 11.4% of the total SSA distribution and mainly impact the distribution of the PSS Sector IBA.
13. The relevant data from the 2021 census is now available. However, in previous DSG meetings (in discussion about inclusion of the 2011 census indicators) it was determined that in-depth multi-level analysis should be undertaken to properly investigate the drivers of need within each IBA containing census data.
14. The group recognised this would require a large amount of resource and this should be considered in the context of wider priorities for the DSG going forward.

Other data sources:

15. The following 7 deprivation indicators have various sources and are updated annually. Combined, these currently account for 5.8% of the total SSA:
 - Income support, job seekers allowance, pension credit or universal credit (not in employment) claimants, aged 18-64;

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- Index-weighted working age population;
 - Pension credit claimants aged 65 and over;
 - Secondary pupils eligible for free school meals;
 - Primary pupils eligible for free school meals;
 - Severe disablement allowance or disability living allowance claimants or personal independent payments, aged 18-64; and
 - Total income support, job seekers allowance, pension credit or universal credit (not in employment) claimants.
16. Those deprivation indicators that relate to **Benefit claimants** i.e. Income Support, JSA, Pension Credit, Universal Credit (not in employment) and disability related benefits (PIP, SDA, DLA) are currently used to distribute 4.2% of the total SSA.
17. The 2023 DSG Workplan recognises that benefits related data are key components of the Settlement, with continued need for DSG to monitor the emerging impact of welfare reform on the data used in the formula.
18. This approach will also apply to the treatment of the '*Dependent children in out of work families*' and '*Housing Benefit Recipients*' indicators which are currently **fixed** due the roll out of Universal Credit. These 2 indicators are currently used to distribute 6.5% of the total SSA.
19. The '*Dependent children in out of work families*' dataset carries 68.5% of the weighting towards the 'Children and young persons' IBA. It is also the deprivation indicator that distributes the largest share of the total SSA (7.3%). As Universal Credit was having a negative distributional effect on this dataset, DSG agreed to freeze it for the 2019-20 settlement onwards using the 2016-17 data.
20. The *Homelessness* indicator is also frozen – this currently distributes 0.3% of the total SSA. For the 2016-17 settlement onwards DSG decided to freeze the data using a 3-year average of 2012-13 to 2014-15. This was because the data was no longer published and different datasets would be investigated.
21. The Non HRA Housing service IBA uses both the total homelessness decisions (31.3% weighting) and housing benefits recipients (16.3% weighting) datasets.

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Table 1: SSA Per Capita, by Indicator Type and Unitary Authority, 2023-24

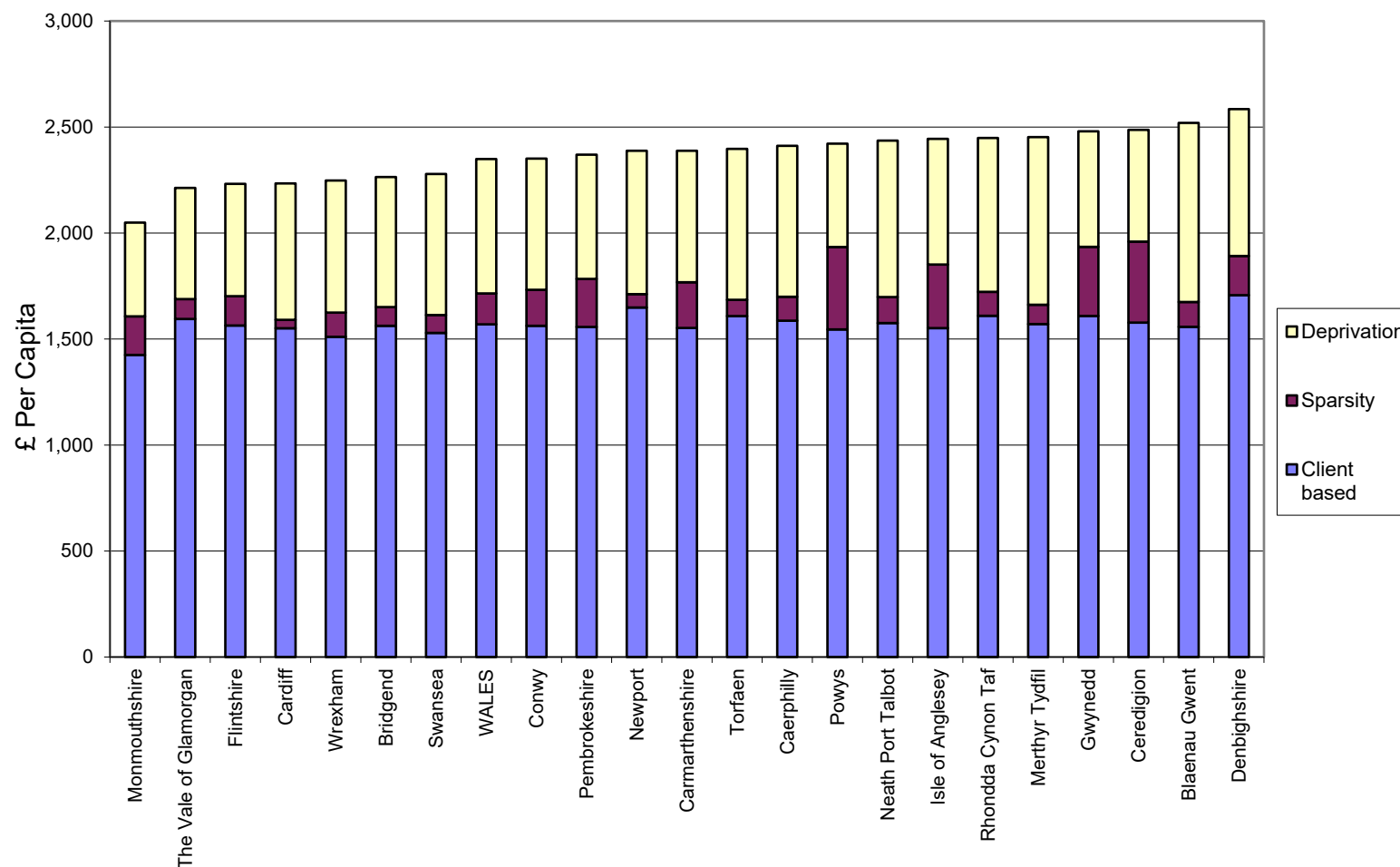


Table 2: Breakdown of Deprivation Indicators currently used in the Formula-Based service IBAs, 2023-24

Need indicator	Indicator	SSA unit (£)	SSA element (£)	Data Year	Data Note	SSA Share
Adults aged 18 to 64 in non-white ethnic groups	36,385	267.27	9,724,566	2001	Census - fixed	0.1%
Dependent children in households where head is in a low occupational classification	205,580	53.52	11,003,546	2001	Census - fixed	0.1%
Dependent children in lone adult households	141,102	77.98	11,003,546	2001	Census - fixed	0.1%
Dependent children in out of work families	126,900	4,249.14	539,216,187	2017	Frozen - UC rollout	7.3%
Dependent children in overcrowded housing	56,064	1,178.64	66,079,477	2001	Census - fixed	0.9%
Dependent children in social rented housing	146,568	613.52	89,922,588	2001	Census - fixed	1.2%
Deprivation Grant	22,000	1,000.00	22,000,000	2000	Fixed	0.3%
Households where head is aged 18 to 64 with no carer	954,274	123.07	117,442,837	2001	Census - fixed	1.6%
Housing Benefit Recipients	231,125	53.70	12,412,449	2016-2018	Frozen - UC rollout	0.2%
Income support, job seekers allowance, pension credit or universal credit (not in employment) claimants, aged 18-64	164,738	181.63	29,921,742	2022	Updated annually	0.4%
Index-weighted working age population	1,397,079	20.42	28,522,928	2004 & 2023	Updated annually	0.4%
Pension credit claimants aged 65 and over	89,975	1,299.31	116,904,661	2022	Updated annually	1.6%
Pensioners living alone in households	171,110	1,417.90	242,617,207	2001	Census - fixed	3.3%
Pensioners with a limiting long-term illness	296,925	862.94	256,229,394	2001	Census - fixed	3.5%
Population aged under 18 in wards with weighted density greater than the Welsh average	286,017	128.62	36,786,513	2001	Census - fixed	0.5%
Primary school pupils eligible for free school meals	51,329	2,266.07	116,314,976	2022, 2021, 2018 & 2017	Updated annually	1.6%
Secondary school pupils eligible for free school meals	31,234	3,183.02	99,418,357	2022, 2021, 2018 & 2017	Updated annually	1.3%
Severe disablement allowance or disability living allowance claimants or personal independence payments, aged 18-64	152,851	841.76	128,663,490	2022	Updated annually	1.7%
Total homelessness decisions	15,128	1,575.52	23,834,949	2013-14 to 2015-16	Frozen - data issue	0.3%
Total income support, job seekers allowance, pension credit or universal credit (not in employment) claimants	257,854	139.70	36,021,728	2022	Updated annually	0.5%

Table 3: IBAs that use Deprivation Indicators with corresponding weights: 2023-24

Annex A

Sector	Service Area	Deprivation Indicator	Weight	SSA Service IBA (including Admin)	Individual Indicator SSA	% of Total SSA
Education	Nursery and Primary school teaching and other services	Primary school pupils eligible for free school meals	0.087	1,336,953,747	116,314,976	
		Secondary school pupils eligible for free school meals	0.093	1,069,014,591	99,418,357	
	Special Education	Dependent children in lone adult households	0.033	330,106,371	11,003,546	
		Dependent children in out of work families	0.033	330,106,371	11,003,546	
		Dependent children in households where head is in a low occupational classification	0.033	330,106,371	11,003,546	
	School meals	Dependent children in out of work families	0.835	69,823,348	58,302,495	
	Adult and continuing education	Total income support, job seekers allowance, pension credit or universal credit (not in employment) claimants	0.2	7,150,094	1,430,019	
	Youth services	Dependent children in out of work families	0.15	21,776,094	3,266,414	
PSS	Children and young persons	Dependent children in out of work families	0.685	681,231,726	466,643,732	
		Dependent children in social rented housing	0.132	681,231,726	89,922,588	
		Dependent children in overcrowded housing	0.097	681,231,726	66,079,477	
		Population aged under 18 in wards with weighted density greater than the Welsh average	0.054	681,231,726	36,786,513	
	Older adults' residential and domiciliary care	Pensioners with limiting long-term illness	0.32	799,358,993	255,794,878	
		Pensioners living alone in households	0.303	799,358,993	242,205,775	
		Pension credit claimants aged 65 and over	0.146	799,358,993	116,706,413	
	Younger adults' personal social services	Severe disablement allowance or disability living allowance claimants or personal independence payment, aged 18 to 64	0.172	748,043,546	128,663,490	
		Households where head is aged 18 to 64 with no carer	0.157	748,043,546	117,442,837	
		Income support, job seekers allowance, pension credit or universal credit (not in employment) claimants, aged 18 to 64	0.04	748,043,546	29,921,742	
		Adults age 18 to 64 in non-white ethnic groups	0.013	748,043,546	9,724,566	
	NHS Funded Nursing Care	Pensioners with limiting long-term illness	0.32	1,357,863	434,516	
		Pensioners living alone in households	0.303	1,357,863	411,432	
		Pension credit claimants aged 65 and over	0.146	1,357,863	198,248	
Other Services	Economic Development	Index-weighted working age population	1	28,522,928	28,522,928	
	Recreation	Total income support, job seekers allowance, pension credit or universal credit (not in employment) claimants	0.15	180,836,881	27,125,532	
		Total homelessness decisions	0.313	76,149,995	23,834,949	
	Non HRA housing	Housing Benefit Recipients	0.163	76,149,995	12,412,449	
		Total income support, job seekers allowance, pension credit or universal credit (not in employment) claimants	0.4	18,665,444	7,466,177	
	Deprivation Grant	Deprivation Grant	1	22,396,848	22,396,848	
Total SSA based on deprivation indicators					1,994,437,990	27.01%
Total SSA					7,384,154,581	100.00%

Related papers

Homelessness decisions dataset papers:

2015-07-08 - Distribution Sub Group (DSG) - Paper 13 - Homelessness

2016-01-27 - Distribution Sub Group (DSG) - Paper 04 - Non HRA Housing IBA- Homelessness Indicator

2018-05-15 - Distribution Sub Group (DSG) - Paper 10 - Homelessness Indicator and Non-HRA formula

2018-09-13 - Distribution Sub Group (DSG) - Paper 22 - Homelessness Indicator and Non-HRA formula

2019-09-18 - Distribution Sub Group (DSG) - Paper 21 - Homelessness data and Non-HRA formula

Housing benefits recipients

2019-09-18 - Distribution Sub Group (DSG) - Paper 20 - Housing Benefit data

2019-09-18 - Distribution Sub Group (DSG) - Minutes - 18 September 2019

Dependent children in out of work families

2019-09-18 - Distribution Sub Group (DSG) - Paper 18 - Dependent children indicator options

2019-09-18 - Distribution Sub Group (DSG) - Paper 17 - The impact of universal credit on the dependent children indicator