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Non HRA Formula

Summary

1. This paper summarises the impact of recalibrating the weightings used within the non-HRA IBA formula.

Views sought

2. Members are asked to discuss the options for updating the weightings for the non-HRA housing IBA for the 2026-27 Settlement and beyond.

Related papers

3. Distribution Sub-Group (2024) Paper 9 – Updates on the Non-HRA formula
4. Distribution Sub-Group (2019) Paper 10 – Homelessness Indicator and Non-HRA formula
5. Distribution Sub-Group (2018) Paper 22 – Homelessness Indicator
6. Distribution Sub-Group (2018) Paper 10 – Homelessness Indicator

Background

7. In 2025-26, the **non-HRA housing IBA** distributed nearly **£123.3 million** of Standard Spending Assessment (SSA)
8. For the 2025-26 settlement, DSG agreed to replace two of the indicators used in the non-HRA IBA. The first of these was the 'housing benefits recipients' indicator which had been frozen since 2018 due to the roll out of Universal Credit. The second was the 'homelessness decisions' indicator which had been previously frozen and is now no longer collected.
9. As a condition to amending these indicators, DSG requested that the Settlement team investigate a recalibration of the weightings for this IBA at the earliest opportunity.
10. The current indicators and associated weightings for the non-HRA housing IBA are shown below:

Weight:	Indicator:
0.313	x Households assessed or threatened with homelessness
0.292	x All dwellings
0.232	x Housing General Capital Funding
0.163	x Housing Benefit Recipients (incl total number of households on UC with housing entitlement and receiving payment) *

11. Based on the outcomes of the externally commissioned formula review carried out by Swansea University and Pion Economics, the weights for this IBA have **not** been based on regression analysis but determined using actual expenditure. The current weights were calculated based on a three-year average of Revenue Outturn data for the period from 2006-07 to 2008-09.

Initial Analysis

12. The following section will investigate the financial implications of recalibrating the weights used in the non-HRA IBA on the 2025-26 settlement.

13. Table 1 in Annex A shows the calculation of the IBA weightings using a three-year average of the latest Revenue Outturn (RO) data (i.e. from 21-22 to 23-24). Weights are calculated based on the overall proportion of expenditure associated with each of the following areas:

- Homelessness & Prevention
- Housing Strategy & other housing services
- Housing Renewal
- Housing Benefit Administration

14. Once these weights are determined, relevant data indicators are used in the settlement model as proxies for the 'need to spend'. These are shown in Table A below.

15. Since 2008-09, there has been a significant rise in the relative expenditure for 'Homelessness & Prevention' (RO lines 3+13) which has caused the relevant formula weight to increase from 31.3% to 61.08%. Relative expenditure (and therefore weightings) for all other areas has fallen, with 'Housing Renewal' seeing the largest relative decrease.

16. Table A: Comparison of the current and recalculated IBA weights:

<u>Indicator</u>	<u>Proxy for:</u>	<u>Current weight</u>	<u>Revised weight</u>
Households assessed or threatened with homelessness	Homelessness & Prevention	31.3%	61.08%
All dwellings	Housing Strategy & other housing services	29.2%	18.76%
Housing General Capital Funding	Housing Renewal	23.2%	6.45%
Housing Benefit Recipients (incl total number of households on UC (with housing entitlement and receiving payment)	Housing Benefit Administration	16.3%	13.72%

Re-distributional effect

17. **Table 2** in Annex A analyses and exemplifies the redistributive financial impact on the 2025-26 SSA of using the recalibrated weights.
18. Cardiff, Newport and Swansea have the largest monetary increases of £3.141m, £1.057m and £0.396m respectively. The largest monetary decreases can be seen in Rhondda Cynon Taf, Gwynedd and Ceredigion with decreases of £1.164m, £0.761m and £0.518m respectively.
19. To dampen the redistributive impact of the recalibration, the weights could be gradually adjusted over a two or three-year period. The impact of this is shown in Table 3 (Option 2 and Option 3 respectively).

Future Work

20. We will review the possibility of including the non-HRA IBA in the planned review of the settlement formula to assess whether the current indicators are the most relevant and whether a regression technique might be a more appropriate method for determining the associated weights.

Discussion

21. DSG are asked to consider the effects of applying the recalibrated weights to the 2026-27 Settlement and provisionally agree one of the following options:
 - i) **Option 1:** Update the formula with the recalibrated weights.
 - ii) **Option 2:** Phase in the recalibrated weights over a two-year period.
 - iii) **Option 3:** Phase in the recalibrated weights over a three-year period.
 - iv) **Option 4:** Do not update the formula with recalibrated weights for 2026-27 but include as part of a wider suite of formulae updates planned for 2028-29.

Local Government Finance Policy and Sustainability

Welsh Government

Table 1: 3-year average net RO expenditure for the Non-HRA Housing IBA by Local Authority: 2021-22 to 2023-24¹

	£000s				
	Housing Strategy and enabling		Homelessness & Prevention	Housing Renewal	Housing Benefit Administration
	1&2	3&13	7&7.1	18	4&25
Isle of Anglesey	355	464	701	519	-313
Gwynedd	455	5,103	590	265	606
Conwy	315	4,064	266	508	522
Denbighshire	123	4,184	117	259	-631
Flintshire	497	3,950	105	1,876	-755
Wrexham	538	1,718	139	97	220
Powys	132	1,026	-30	224	91
Ceredigion	145	408	270	536	-104
Pembrokeshire	53	948	242	340	209
Carmarthenshire	106	976	434	356	169
Swansea	543	1,532	38	2,254	2,664
Neath Port Talbot	0	1,795	363	195	371
Bridgend	413	2,506	134	671	564
The Vale of Glamorgan	115	891	351	540	-589
Rhondda Cynon Taff	0	952	-24	242	-65
Merthyr Tydfil	81	2,058	8	503	403
Caerphilly	25	2,665	608	116	-294
Blaenau Gwent	277	536	220	-292	69
Torfaen	292	256	114	288	518
Monmouthshire	287	1,205	17	406	190
Newport	1,571	4,978	124	-4	348
Cardiff	399	3,099	0	276	3,001
Wales	6,722	45,312	4,786	10,177	7,194
Percentage Share	9.06%	61.08%	6.45%	13.72%	9.70%

¹ Expenditure is net of any 'specific or special government grants'.

Distribution Sub-Group (2025) Paper 06 – Updates to the Non HRA Formula

Table 2: 2025-26 Exemplification – impact of revised weights on non-HRA IBA

Local Authority	2025-26 non-HRA IBA SSA (current weights) 000's						2025-26 non-HRA IBA SSA (revised weights) 000's							
	Housing Strategy	Homelessness & Prevention	Housing Renewal	Benefit Admin	Total	Original % share	Housing Strategy	Homelessness & Prevention	Housing Renewal	Benefit Admin	Total	Revised % share	% point diff	SSA change (£)
Isle of Anglesey	872.5	559.2	526.7	405.5	2363.9	1.9%	560.4	1091.2	146.4	341.2	2139.3	1.7%	-0.2	-224.5
Gwynedd	1505.7	753.3	1160.3	645.4	4064.8	3.3%	967.2	1470.0	322.6	543.1	3303.0	2.7%	-0.6	-761.8
Conwy	1417.7	1362.4	1079.2	716.0	4575.4	3.7%	910.7	2658.5	300.0	602.6	4471.8	3.6%	-0.1	-103.5
Denbighshire	1130.2	1013.4	967.5	655.1	3766.3	3.1%	726.0	1977.4	269.0	551.3	3523.7	2.9%	-0.2	-242.6
Flintshire	1737.2	1173.7	1157.0	810.0	4877.8	4.0%	1115.9	2290.2	321.7	681.6	4409.4	3.6%	-0.4	-468.5
Wrexham	1503.3	1152.3	1087.1	919.2	4661.9	3.8%	965.6	2248.5	302.3	773.5	4289.9	3.5%	-0.3	-372.0
Powys	1617.0	1526.3	1160.8	636.2	4940.3	4.0%	1038.7	2978.2	322.7	535.4	4875.1	4.0%	-0.1	-65.2
Ceredigion	879.1	598.4	991.5	361.3	2830.2	2.3%	564.7	1167.7	275.7	304.0	2312.0	1.9%	-0.4	-518.2
Pembrokeshire	1531.3	1472.9	1073.1	735.4	4812.6	3.9%	983.6	2874.0	298.3	618.8	4774.8	3.9%	0.0	-37.8
Carmarthenshire	2191.3	2913.7	1981.0	1063.4	8149.4	6.6%	1407.6	5685.4	550.8	894.9	8538.7	6.9%	0.3	389.3
Swansea	2810.6	3474.7	2252.6	1754.8	10292.7	8.3%	1805.5	6780.1	626.3	1476.7	10688.5	8.7%	0.3	395.9
Neath Port Talbot	1636.3	1757.8	1842.2	1080.5	6316.8	5.1%	1051.1	3430.0	512.2	909.2	5902.6	4.8%	-0.3	-414.2
Bridgend	1609.7	1789.9	1188.0	915.5	5503.0	4.5%	1034.0	3492.6	330.3	770.4	5627.3	4.6%	0.1	124.3
Vale of Glamorgan	1510.3	1109.5	887.3	729.7	4236.9	3.4%	970.2	2165.0	246.7	614.0	3996.0	3.2%	-0.2	-240.9
Rhondda Cynon Taf	2717.5	1900.3	2424.7	1573.5	8616.0	7.0%	1745.6	3708.0	674.1	1324.1	7451.9	6.0%	-0.9	-1164.0
Merthyr Tydfil	671.5	847.7	471.3	455.8	2446.4	2.0%	431.3	1654.2	131.0	383.6	2600.2	2.1%	0.1	153.8
Caerphilly	1970.6	1911.0	1445.0	1227.1	6553.7	5.3%	1265.8	3728.9	401.7	1032.7	6429.1	5.2%	-0.1	-124.5
Blaenau Gwent	807.7	644.7	633.6	590.3	2676.3	2.2%	518.8	1258.0	176.2	496.8	2449.8	2.0%	-0.2	-226.5
Torfaen	1053.5	1011.6	1032.7	725.7	3823.5	3.1%	676.7	1973.9	287.1	610.7	3548.5	2.9%	-0.2	-275.0
Monmouthshire	1072.3	983.1	703.0	411.4	3169.8	2.6%	688.8	1918.3	195.5	346.2	3148.8	2.6%	0.0	-21.0
Newport	1735.7	2910.1	1261.6	1137.5	7044.9	5.7%	1115.0	5678.5	350.8	957.2	8101.4	6.6%	0.9	1056.5
Cardiff	4031.7	7736.5	3286.3	2553.4	17607.9	14.3%	2589.9	15096.3	913.7	2148.7	20748.5	16.8%	2.5	3140.6
Wales	36012.5	38602.4	28612.6	20102.8	123330.3		23133.3	75325.0	7955.2	16916.9	123330.3			

Table 3: 2025-26 Exemplification of each option on the overall AEF

Local Authority	Settlement				Difference (£000s)			Difference (%)		
	2025-26	Option 1	Option 2	Option 3	Option 1	Option 2	Option 3	Option 1	Option 2	Option 3
Isle of Anglesey	135,881,460	135,656,916	135,769,188	135,806,612	-224,544	-112,272	-74,848	-0.17%	-0.08%	-0.06%
Gwynedd	248,389,718	247,627,906	248,008,812	248,135,781	-761,812	-380,906	-253,937	-0.31%	-0.15%	-0.10%
Conwy	219,010,014	218,906,474	218,958,244	218,975,501	-103,540	-51,770	-34,513	-0.05%	-0.02%	-0.02%
Denbighshire	215,251,492	215,008,938	215,130,215	215,170,641	-242,554	-121,277	-80,851	-0.11%	-0.06%	-0.04%
Flintshire	275,984,459	275,515,998	275,750,229	275,828,305	-468,461	-234,230	-156,154	-0.17%	-0.08%	-0.06%
Wrexham	249,507,542	249,135,543	249,321,542	249,383,542	-371,999	-186,000	-124,000	-0.15%	-0.07%	-0.05%
Powys	251,460,889	251,395,683	251,428,286	251,439,154	-65,206	-32,603	-21,735	-0.03%	-0.01%	-0.01%
Ceredigion	144,224,579	143,706,401	143,965,490	144,051,853	-518,178	-259,089	-172,726	-0.36%	-0.18%	-0.12%
Pembrokeshire	233,534,310	233,496,544	233,515,427	233,521,721	-37,766	-18,883	-12,589	-0.02%	-0.01%	-0.01%
Carmarthenshire	375,692,397	376,081,700	375,887,048	375,822,165	389,303	194,651	129,768	0.10%	0.05%	0.03%
Swansea	468,408,904	468,804,784	468,606,844	468,540,864	395,880	197,940	131,960	0.08%	0.04%	0.03%
Neath Port Talbot	306,177,277	305,763,035	305,970,156	306,039,196	-414,242	-207,121	-138,081	-0.14%	-0.07%	-0.05%
Bridgend	276,527,648	276,651,922	276,589,785	276,569,073	124,274	62,137	41,425	0.04%	0.02%	0.01%
Vale of Glamorgan	224,447,740	224,206,833	224,327,286	224,367,438	-240,907	-120,454	-80,302	-0.11%	-0.05%	-0.04%
Rhondda Cynon Taf	521,329,392	520,165,347	520,747,369	520,941,377	--1,164,045	-582,023	-388,015	-0.22%	-0.11%	-0.07%
Merthyr Tydfil	133,144,168	133,297,951	133,221,059	133,195,429	153,783	76,891	51,261	0.12%	0.06%	0.04%
Caerphilly	373,899,760	373,775,228	373,837,494	373,858,249	-124,532	-62,266	-41,511	-0.03%	-0.02%	-0.01%
Blaenau Gwent	154,534,061	154,307,518	154,420,789	154,458,547	-226,543	-113,272	-75,514	-0.15%	-0.07%	-0.05%
Torfaen	192,215,585	191,940,537	192,078,061	192,123,902	-275,048	-137,524	-91,683	-0.14%	-0.07%	-0.05%
Monmouthshire	135,248,459	135,227,436	135,237,948	135,241,451	-21,023	-10,511	-7,008	-0.02%	-0.01%	-0.01%
Newport	329,322,122	330,378,653	329,850,388	329,674,299	1,056,531	528,266	352,177	0.32%	0.16%	0.11%
Cardiff	674,885,582	678,026,212	676,455,897	675,932,459	3,140,630	1,570,315	1,046,877	0.47%	0.23%	0.16%
Wales	6,139,077,558	6,139,077,558	6,139,077,558	6,139,077,558						