

## ***Distribution Sub-Group (2019) Paper 5 – The treatment of transfers of new responsibilities and the funding floor***

**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.**

### **The treatment of transfers of new responsibilities and the funding floor**

#### **Summary**

1. This paper evaluates the current treatment of funding for new responsibilities under the funding floor within the settlement and investigates the financial impact if this was to be changed.

#### **Views sought**

2. DSG members are asked to express their preference on whether to passport new responsibilities through the funding floor, or to remain with the current mechanism.

#### **Background**

3. Currently the funding for new responsibilities is added to the settlement prior to the consideration of any floor funding.
4. In the November 2018 DSG meeting, the group considered a paper outlining funding that could be added to the settlement between provisional and final, with a provisional floor already having been set.
5. DSG queried the rationale behind new responsibilities being included prior to the floor calculations as, without a revision of the floor, this could lead to some authorities on the floor seeing no financial benefit, while still being required to undertake additional responsibilities. This raised the question around whether new responsibilities should be passported through the floor, to ensure all the additional funding is passed on to each local authority. The WLGA's consultation response also queried whether funding for new responsibilities should be passported through the floor mechanism.
6. This paper explores the financial impact of this suggestion. It's important to note that the overall decision of the funding floor lays with Minister for Housing and Local Government.

#### **Analysis**

7. This section looks at the current distribution of the 2019-20 settlement (with a minus 0.3% floor) and compares this to the distribution we would arrive at were the capital limits for residential care new responsibility taken outside of the floor mechanism.
8. While the level of the floor is a matter for the Minister for Housing and Local Government, for comparison purposes, this analysis sets the highest affordable floor level (after the removal of the new responsibility), to 1 decimal place, given the amount of floor funding used in delivering the actual minus 0.3% settlement floor and

## ***Distribution Sub-Group (2019) Paper 5 – The treatment of transfers of new responsibilities and the funding floor***

recycles the rest of the funding through the model, before adding back in the new responsibility.

9. The table in Annex A shows the calculation of AEF when the new responsibility is passported through the floor funding calculation. The new responsibility has been removed at the stage prior to considering the like for like comparison with the previous year. Once the floor has been set, the funding for the new responsibility is added back in.
10. As shown in Annex A, removing the new responsibilities prior to considering the floor level enables the setting of a minus 0.5% floor, within the constraints of the overall funding available for 2019-20.
11. Five authorities remain on the floor (Monmouthshire, Powys, Conwy, Isle of Anglesey and Flintshire). After the funding for new responsibilities are added back in, the funding for the five authorities ranges from a 0.34% reduction for Flintshire to a 0.29% reduction for Monmouthshire and Conwy.
12. Comparing the overall funding in the 2019-20 final settlement and the option outlined above, sees 2 authorities getting less funding and 20 authorities receiving more (see the table in annex B).
13. Flintshire's funding decreases from £188.980m to £188.905m (a net decrease of £75k) if the option outlined above was used, compared with the 2019-20 final settlement. Similarly Isle of Anglesey's funding would decrease from £95.791m to £95.771m (a net decrease of £19.5k).
14. On the other side, Monmouthshire would see the largest increase in their funding from £93.229m to £93.243m (net increase of £13.5k).
15. If the new responsibilities are to be passported through the floor mechanism, members are asked to consider if this should be for only the first year of the transfer; until the financial information is fully fed into the Revenue Outturn (RO) data (2 years); or until the new responsibility is no longer separately identified in the settlement.

### **Conclusion**

16. DSG are asked to consider the analysis and the potential impact of implementing this change and to make a recommendation on whether to passport new responsibilities through the funding floor, or to remain with the current mechanism.
17. If the group agree that new responsibilities should be passported, they are also asked to recommend for how many years this should take place.

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

**Distribution Sub-Group (2019) Paper 5 – The treatment of transfers of new responsibilities and the funding floor**

**Annex A – Funding floor set at -0.5%**

	£'000												
	2018-19 AEF adjusted for transfers and tax base plus top-up	2019-20 AEF before floor	Funding for new responsibilities 2019-20	2019-20 AEF before floor and new responsibilities	Change (£000)	% change	Top-up funding (for minus 0.5% floor)	2019-20 AEF after floor	Change (£000)	% change	2019-20 AEF after floor and new responsibilities	Change (£000)	% change
	a	b	c	d	e = d - a	f = e / a	g	h = d + g	i = h - a	j = i / a	k = c + h	l = k - a	m = l / a
Isle of Anglesey	96,079	95,524	173	95,351	-728	-0.8%	248	95,599	-480	-0.5%	95,771	-308	-0.32%
Gwynedd	176,927	176,555	312	176,243	-684	-0.4%	0	176,243	-684	-0.4%	176,555	-372	-0.21%
Conwy	154,656	153,504	322	153,182	-1,475	-1.0%	702	153,883	-773	-0.5%	154,206	-451	-0.29%
Denbighshire	143,597	143,639	250	143,390	-207	-0.1%	0	143,390	-207	-0.1%	143,639	43	0.03%
Flintshire	189,549	188,447	304	188,144	-1,405	-0.7%	458	188,601	-948	-0.5%	188,905	-644	-0.34%
Wrexham	175,360	175,255	288	174,967	-393	-0.2%	0	174,967	-393	-0.2%	175,255	-105	-0.06%
Powys	174,815	173,081	352	172,728	-2,087	-1.2%	1,213	173,941	-874	-0.5%	174,293	-522	-0.30%
Ceredigion	101,816	102,093	190	101,903	87	0.1%	0	101,903	87	0.1%	102,093	277	0.27%
Pembrokeshire	162,177	162,451	294	162,157	-21	0.0%	0	162,157	-21	0.0%	162,451	274	0.17%
Carmarthenshire	260,367	260,393	467	259,926	-440	-0.2%	0	259,926	-440	-0.2%	260,393	26	0.01%
Swansea	320,506	322,217	557	321,659	1,154	0.4%	0	321,659	1,154	0.4%	322,217	1,711	0.53%
Neath Port Talbot	213,240	214,799	354	214,445	1,205	0.6%	0	214,445	1,205	0.6%	214,799	1,559	0.73%
Bridgend	192,065	191,810	299	191,512	-553	-0.3%	0	191,512	-553	-0.3%	191,810	-255	-0.13%
The Vale Of Glamorgan	152,271	152,074	260	151,813	-458	-0.3%	0	151,813	-458	-0.3%	152,074	-198	-0.13%
Rhondda Cynon Taf	364,471	367,345	542	366,804	2,333	0.6%	0	366,804	2,333	0.6%	367,345	2,875	0.79%
Merthyr Tydfil	90,575	91,306	134	91,172	597	0.7%	0	91,172	597	0.7%	91,306	731	0.81%
Caerphilly	268,618	268,619	380	268,239	-379	-0.1%	0	268,239	-379	-0.1%	268,619	1	0.00%
Blaenau Gwent	110,835	110,817	172	110,645	-190	-0.2%	0	110,645	-190	-0.2%	110,817	-18	-0.02%
Torfaen	131,836	132,652	210	132,443	606	0.5%	0	132,443	606	0.5%	132,652	816	0.62%
Monmouthshire	93,510	92,472	201	92,271	-1,238	-1.3%	771	93,042	-468	-0.5%	93,243	-267	-0.29%
Newport	213,035	214,347	302	214,046	1,011	0.5%	0	214,046	1,011	0.5%	214,347	1,312	0.62%
Cardiff	440,830	444,638	637	444,001	3,172	0.7%	0	444,001	3,172	0.7%	444,638	3,808	0.86%
<b>Total Unitary Authorities</b>	<b>4,227,136</b>	<b>4,234,041</b>	<b>7,000</b>	<b>4,227,041</b>	<b>-95</b>	<b>0.0%</b>	<b>3,390</b>	<b>4,230,431</b>	<b>3,295</b>	<b>0.1%</b>	<b>4,237,431</b>	<b>10,295</b>	<b>0.24%</b>

*Distribution Sub-Group (2019) Paper 5 – The treatment of transfers of new responsibilities and the funding floor*

**Annex B – Comparison of settlement funding for the 2019-20 settlement and the 2019-20 settlement passporting new responsibilities through the floor.**

	<i>£000s</i>		
	2019-20 Final AEF after floor (1)	Option 1 - 2019-20 AEF after floor and having passported the new responsibility (2)	Change (2)- (1)
Isle of Anglesey	95,791	95,771	-20
Gwynedd	176,552	176,555	3
Conwy	154,192	154,206	13
Denbighshire	143,637	143,639	3
Flintshire	188,980	188,905	-75
Wrexham	175,252	175,255	3
Powys	174,291	174,293	3
Ceredigion	102,091	102,093	2
Pembrokeshire	162,448	162,451	3
Carmarthenshire	260,388	260,393	5
Swansea	322,211	322,217	6
Neath Port Talbot	214,796	214,799	4
Bridgend	191,807	191,810	4
The Vale Of Glamorgan	152,070	152,074	3
Rhondda Cynon Taf	367,339	367,345	6
Merthyr Tydfil	91,304	91,306	2
Caerphilly	268,614	268,619	5
Blaenau Gwent	110,815	110,817	2
Torfaen	132,650	132,652	2
Monmouthshire	93,229	93,243	14
Newport	214,343	214,347	4
Cardiff	444,629	444,638	9
<b>Total Unitary Authorities</b>	<b>4,237,431</b>	<b>4,237,431</b>	