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Pool Rate for 2023-24 Onwards

Summary

1. This paper follows on from [DSG \(2021\) paper 15](#) and assesses the continued financial impact of phasing the pool rate to the old methodology in 25% increments.

Views sought

2. Members are asked for their view on continuing the phasing back to the old methodology in 25% increments for the 2023-2024 Settlement.

Previous papers

Distribution Sub-Group (2021) Paper 15 – Pool Rate for 2022-23 onwards

Distribution Sub-Group (2021) Paper 09 – Pool Rate for 2022-23 onwards

Background

3. The pool rate is used to determine the debt financing element of the revenue settlement. The debt financing model calculates the estimated average outstanding debt for the settlement year and applies the pool rate to estimate the interest charged on this debt.
4. There are two different pool rates: adjusted and unadjusted. The adjusted model was used up to 2021-22 but was providing a high rate which was not representative of real-life interest rates, therefore it was agreed through DSG to revert to the historic unadjusted method. Due to the financial impact of making this change, DSG agreed to phase it over 4 years (to 2025-26) – with 2022-23 being year one – to dampen changes to allocations.
5. For the 2022-23 settlement DSG agreed to revert the pool rate back to the unadjusted method ([Distribution Sub-Group \(2021\) Paper 15 – Pool Rate for 2022-23 onwards](#)). Due to the financial impact of making this change, DSG agreed to phase it over 4 years (to 2025-26) – with 2022-23 being year one – to dampen changes to allocations.
6. This paper looks at the continued impact of reverting back to the old methodology.

Analysis

7. Table 1, below, shows the second year of phasing the pool rate to the old methodology in 25% increments. The analysis uses 50% of the new methodology (Adjusted Pool rate) and 50% of the old methodology (Unadjusted Pool Rate). The

Distribution Sub-Group (2022) Paper 10 – Pool Rate for the 2023-24 Settlement

continued phased approach continues to dampen the impact of financial allocations.

Table 1: Exemplification of second year of phasing the pool rate to the old methodology in 25% increments.

	2022-23				£000s					
	AEF	Y2	Y3	Y4	Y2-actual	Y3-Y2	Y4-Y3	%		
Isle of Anglesey	114,551	114,507	114,465	114,423	-44	-42	-42	0.0%	0.0%	0.0%
Gwynedd	213,214	213,111	213,014	212,916	-103	-97	-97	0.0%	0.0%	0.0%
Conwy	183,311	183,281	183,253	183,225	-30	-28	-28	0.0%	0.0%	0.0%
Denbighshire	173,640	173,604	173,569	173,535	-36	-34	-34	0.0%	0.0%	0.0%
Flintshire	232,179	232,202	232,225	232,248	24	23	23	0.0%	0.0%	0.0%
Wrexham	207,064	207,152	207,234	207,317	88	83	83	0.0%	0.0%	0.0%
Powys	210,261	210,026	209,804	209,582	-235	-222	-222	-0.1%	-0.1%	-0.1%
Ceredigion	119,421	119,260	119,108	118,955	-161	-152	-152	-0.1%	-0.1%	-0.1%
Pembrokeshire	196,257	196,214	196,174	196,134	-43	-40	-40	0.0%	0.0%	0.0%
Carmarthenshire	311,603	311,563	311,525	311,487	-40	-38	-38	0.0%	0.0%	0.0%
Swansea	386,592	386,598	386,603	386,609	6	5	5	0.0%	0.0%	0.0%
Neath Port Talbot	258,073	258,065	258,058	258,050	-8	-7	-7	0.0%	0.0%	0.0%
Bridgend	232,368	232,429	232,487	232,544	61	58	58	0.0%	0.0%	0.0%
The Vale Of Glamorgan	186,015	186,141	186,261	186,380	126	119	119	0.1%	0.1%	0.1%
Rhondda Cynon Taf	441,441	441,397	441,355	441,314	-44	-42	-42	0.0%	0.0%	0.0%
Merthyr Tydfil	110,617	110,612	110,607	110,601	-6	-5	-5	0.0%	0.0%	0.0%
Caerphilly	317,459	317,573	317,681	317,789	114	108	108	0.0%	0.0%	0.0%
Blaenau Gwent	130,797	130,670	130,551	130,431	-127	-120	-120	-0.1%	-0.1%	-0.1%
Torfaen	160,120	160,092	160,066	160,040	-28	-26	-26	0.0%	0.0%	0.0%
Monmouthshire	112,278	112,278	112,279	112,280	1	1	1	0.0%	0.0%	0.0%
Newport	265,617	265,741	265,858	265,976	124	117	117	0.0%	0.0%	0.0%
Cardiff	544,726	545,086	545,426	545,766	360	340	340	0.1%	0.1%	0.1%
Wales	5,107,603	5,107,603	5,107,603	5,107,603						

Conclusion

- Members' views are sought on the continued phasing approach to slowly reverting the pool rate back to the unadjusted method.