

Distribution Sub-Group (2023) Paper 20 – Treatment of CTRS in the RA build model

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.

Latest RA data for the 2024-25 Settlement

Summary

1. This paper revisits the arrangements for the treatment of Council Tax Reduction Schemes (CTRS) within the Revenue Account (RA) (Sector) Build model.

Views sought

2. This paper is for information only, but views are welcomed by the group on the suitability of the current arrangements.

Related papers

3. Distribution Sub-Group (2022) Paper 07 – Latest RA Data for the 2023-24 Settlement
4. Distribution Sub-Group (2021) Paper 20 – Latest RA Data for the 2022-23 Settlement
5. Distribution Sub-Group (2020) Paper 22 – Latest RA Data for the 2021-22 Settlement
6. Distribution Sub-Group (2020) Paper 05 – Treatment of CTRS in the RA Build Model
7. Distribution Sub-Group (2019) Paper 14 – Latest RA Data for the 2020-21 Settlement
8. Distribution Sub-Group (2018) Paper 20 – Latest RA Data for the 2019-20 Settlement
9. Distribution Sub Group (2017) Paper 09 – Latest RA Data for the 2018-19 Settlement

Background

10. From 2013-14, the Local Government Settlement has included £244 million to support local government in delivering Council Tax Reduction Schemes (CTRS). This amount is the sum of £222 million that was transferred by the UK Government following the abolition of Council Tax Benefit, and £22 million, which the then Local Government Minister negotiated to cover the impact of maintaining entitlements under the new schemes as at the point of introduction.
11. This £244 million of funding is distributed annually, through the Settlement, according to the latest full financial year data on income forgone by local authorities in running CTRS.
12. In addition to this funding, £4.77 million is distributed through the Settlement annually, to subsidise the administration costs associated with delivering CTRS. This funding is distributed on the latest local authority CTRS caseload.
13. The £244 million distributed through the Settlement for CTRS is treated as an 'actual' and has been fixed in the Settlement since its introduction in 2013-14. DSG members have queried, on a number of occasions, whether this amount should be fixed or whether it should be treated in the same way as local authority service expenditure, whereby the Revenue Account (RA) and Revenue Outturn (RO) dataset determine the relative sizes of the Indicator Based Assessment (IBA) sectors and services, respectively.

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Analysis

14. The Welsh Government has previously taken the view that the CTRS IBA total in the Settlement should remain fixed and should not move in line with relative local authority RA data. There are a number of reasons for this, outlined as follows:
 - I. CTRS is not expenditure in the same way that funding is spent on delivering a service. It reduces council tax liability as a result of offering a reduction in council tax bills. The funding replaces council tax income which authorities might otherwise collect and may be used to fund any of the services or functions an authority provides (ie. it is not 'spent' on the CTRS itself).
 - II. The original quantum that was included in the Settlement reflected the value of reductions under CTRS at that point in time and was the amount agreed to be included in the Settlement as a matter of policy.
 - III. The value of reductions under CTRS rises either by an increase in caseloads or by local increases in council tax levels. As caseloads are consistently decreasing across Wales, the increase in CTRS is directly attributable to local increases in council tax. If the CTRS IBA total were linked to RA data, those authorities that increase their overall council tax bill by a greater amount will have more of an influence on the IBA total and, in turn, will receive a greater share of the CTRS IBA. This would mean rewarding authorities for increases in council tax.
 - IV. CTRS was designed as a shared scheme between central and local government, with the Welsh Government having set its contribution at the initial £244 million that was included in 2013-14.
 - V. The Welsh Government is in the process of reviewing CTRS more widely, so now would not be an appropriate time to make significant changes to the underlying methodology of how this is funded through the Settlement.
15. For information **Table 3** in **Annex A** shows the financial implications of linking CTRS through to RA data in the Settlement build. Under this scenario Blaenau Gwent and Neath Port Talbot would both see an increase of 0.47% and 0.35% respectively to their Settlement, while Gwynedd would see a reduction of 0.25%.
16. For information **Table 4** in **Annex A** shows the financial impact to the SSA sectors of linking CTRS through to RA data in the Settlement build. Under this, School Services would see a reduction of £17.6m and Primary and Social Care would see a reduction of £14.0m. CTRS would see an increase of £42.2m.

Conclusion

17. Welsh Government officials do not recommend making any amendments to the treatment of CTRS in the RA build at the current time, but welcome comments from the group on their thoughts on this matter now and going forwards.

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Annex A

Table 1: RA data, by sector, all Wales: 2022-23 to 2023-24

£'000

Service Sector	2022-23	2023-24	Difference	Difference (%)	2022-23 % share	2023-24 % share
Schools	2,699,085	2,900,221	201,137	7.45%	42.18%	41.68%
Non-Schools	40,905	40,958	53	0.13%	0.64%	0.59%
PSS	2,064,600	2,301,086	236,486	11.45%	32.27%	33.07%
Transport	208,647	227,088	18,441	8.84%	3.26%	3.26%
Fire	159,398	182,919	23,521	14.76%	2.49%	2.63%
Other	1,225,997	1,306,691	80,694	6.58%	19.16%	18.78%
CTRS	285,560	295,244	9,684	3.39%	4.46%	4.24%
Debt financing	351,741	361,538	9,796	2.79%	5.50%	5.20%
Total (Excl CTRS & Debt Financing)	6,398,632	6,958,963				

Table 2: Share of RA data, by sector, all Wales: 2022-23 to 2023-24

Service Sector	2022-23	2023-24	Difference percentage points
Schools	42.18%	41.68%	-0.51
Non-Schools	0.64%	0.59%	-0.05
PSS	32.27%	33.07%	0.80
Transport	3.26%	3.26%	0.00
Fire	2.49%	2.63%	0.14
Other	19.16%	18.78%	-0.38

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Table 3: Exemplification of 2023-24 when CTRS treated within the RA build

Unitary Authority	£'000					
	Settlement		RA part of CTRS	Difference Value		Difference % CTRS part of RA build
	2023-24	RA isolated		RA isolated	CTRS part of RA build	
Angelsey	123,665	123,578	123,506	-87	-159	-0.13%
Gwynedd	228,036	227,780	227,467	-256	-568	-0.25%
Conwy	198,598	198,752	198,794	154	195	0.10%
Denbighshire	188,024	188,025	188,130	2	106	0.06%
Flintshire	251,995	251,716	251,410	-279	-585	-0.23%
Wrexham	224,836	224,902	224,809	65	-28	-0.01%
Powys	228,665	228,464	228,146	-200	-519	-0.23%
Ceredigion	129,198	129,106	128,998	-92	-200	-0.15%
Pembrokeshire	212,675	212,613	212,274	-62	-401	-0.19%
Carmarthenshire	338,410	338,344	338,191	-66	-219	-0.06%
Swansea	418,282	418,508	418,628	226	345	0.08%
Neath Port Talbot	276,696	276,927	277,675	231	979	0.35%
Bridgend	250,182	250,160	250,444	-22	262	0.10%
Vale of Glamorgan	202,797	202,533	202,403	-264	-394	-0.19%
Rhondda Cynon Taff	471,317	471,501	471,772	184	455	0.10%
Merthyr	118,614	118,748	118,882	134	268	0.23%
Caerphilly	339,960	340,049	339,779	89	-181	-0.05%
Blaenau Gwent	139,730	139,948	140,390	218	660	0.47%
Torfaen	172,405	172,513	172,699	107	293	0.17%
Monmouthshire	122,675	122,572	122,496	-103	-178	-0.15%
Newport	289,522	289,502	289,144	-21	-378	-0.13%
Cardiff	593,605	593,648	593,853	43	248	0.04%
Total Unitary Authorities	5,519,889	5,519,889	5,519,889			

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Table 4: Impact on 2023-24 SSA sectors when CTRS is treated within the RA build

£'000

Unitary Authority	School Services	Other Education	PSS	Transport	Fire	Other services	Deprivation Grant	Council Tax Reduction	Current SSA	Debt financing	Total SSA
Angelsey	-402	-6	-309	-40	-25	-194	0	904	-72	0	-72
Gwynedd	-698	-11	-534	-83	-43	-358	0	1,415	-312	0	-312
Conwy	-599	-9	-538	-60	-41	-305	0	1,595	42	0	42
Denbighshire	-599	-8	-467	-51	-34	-255	0	1,518	105	0	105
Flintshire	-874	-12	-607	-68	-55	-378	0	1,687	-306	0	-306
Wrexham	-736	-11	-593	-51	-48	-326	0	1,672	-93	0	-93
Powys	-737	-11	-575	-96	-47	-382	0	1,529	-319	0	-319
Ceredigion	-404	-6	-320	-46	-25	-206	0	900	-108	0	-108
Pembrokeshire	-691	-11	-553	-70	-44	-336	0	1,365	-339	0	-339
Carmarthenshire	-1,087	-15	-846	-98	-67	-490	0	2,450	-153	0	-153
Swansea	-1,286	-18	-1,102	-86	-86	-625	0	3,324	119	0	119
Neath Port Talbot	-814	-12	-694	-56	-51	-355	0	2,730	748	0	748
Bridgend	-810	-11	-621	-58	-52	-353	0	2,189	284	0	284
Vale of Glamorgan	-779	-9	-520	-53	-47	-319	0	1,598	-130	0	-130
Rhondda Cynon Taff	-1,418	-20	-1,136	-92	-85	-590	0	3,613	271	0	271
Merthyr	-345	-5	-299	-20	-21	-145	0	969	134	0	134
Caerphilly	-1,051	-15	-829	-74	-63	-437	0	2,200	-270	0	-270
Blaenau Gwent	-367	-6	-354	-30	-24	-176	0	1,399	442	0	442
Torfaen	-546	-7	-441	-32	-33	-223	0	1,468	186	0	186
Monmouthshire	-458	-7	-348	-43	-33	-223	0	1,037	-75	0	-75
Newport	-949	-11	-716	-54	-56	-352	0	1,781	-358	0	-358
Cardiff	-1,955	-27	-1,567	-118	-129	-902	0	4,904	205	0	205
Total Unitary Authorities	-17,606	-249	-13,969	-1,379	-1,110	-7,932	0	42,245	0	0	0