

## **Distribution Sub Group Work Programme 2017**

The Finance Sub Group of the Partnership Council for Wales oversees the work programme of the Distribution Sub Group. This paper outlines the proposed programme for 2017.

The Distribution Sub Group (DSG) Work Programme sets out the plans for the development of the formula for distributing the funding available through the annual local government settlement between the 22 county and county borough councils. It is updated annually and considered at the first meeting of Finance Sub Group each year.

The work programme for 2017 is in two parts covering the short-term and longer term considerations in relation to the development of the formula. The first section sets out those items that have been identified as needing to be considered to ensure future settlements (notably the 2018-19 and 2019-20 settlements) take account of relevant issues. The second section considers those aspects of the current formula which it is recommended be reviewed over a longer timescale to ensure the formula is continually improving and remains relevant and fit for purpose.

### **Shorter Term Considerations**

#### Post-16 Special Education Needs (SEN)

In anticipation of the proposals being introduced through the Additional Learning Needs Bill, DSG will need to consider the distributional implications of the proposal to transfer responsibility to local authorities for managing post-16 SEN provision.

#### Increasing Capital Limits for Residential Care

Further consideration will be given to the distribution within the settlement of additional funding included from 2017-18 onwards to support the commitment to increase the limit on capital investments which people may retain when being assessed for charges for residential care.

#### Welfare Reform

As benefit-related data are key components of the settlement, there is a continued need for DSG to monitor the emerging impact of welfare reform on the data used in the formula. In particular, DSG will need to consider the potential definitional changes to the free school meals eligibility indicators.

As well as short term consideration of the implications of the changes to the UK Government welfare support, consideration also needs to be given to the changes beyond 2018-19 which impact on the distribution of resources to local authorities such as the changes to housing benefit due to be implemented for 2019-20.

***Finance Sub Group, 25 January 2017 –  
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Pool Rate

The pool rate is the notional interest rate assumption used in the settlement model to calculate the element that relates to debt financing costs. There is a need to review the assumptions that underpin this component, in particular the approach to reversing out the unsupported borrowing data from the model. Under the current methodology, the pool rate is increasing year-on-year, distributing more settlement funding on the debt financing components of the formula and less on frontline services.

Specific Grants

A number of grant transfers are under consideration. DSG will need to examine the distributional implications of potential transfers into the settlement. Those identified to date are:

- i. Social care provision for prisoners in the secure estate;
- ii. Additional £10 million social care workforce pressures funding;
- iii. Element of Single Environment Grant;
- iv. Independent Living Fund.

Prison Populations

Consideration of the implications for the settlement of the opening of the new prison in Wrexham has highlighted the need to consider the treatment of prison populations more generally within the settlement model.

Other short term matters

Consider other distributional matters which need to be addressed in the short term to secure the distribution of future local government settlements.

**Longer Term Considerations**

Enabling Local Government Reform

Local Government reform will place increased emphasis on collaboration and regional delivery of certain services and functions. The funding arrangements need to be considered to ensure they remain fit for purpose. DSG may also need to consider the implications for the settlement of greater emphasis on different delivery models for supporting collaborative spend.

Taking Wales Forward

The commitment to reform local government funding arrangements as part of Taking Wales Forward could have implications for the settlement formula beyond those that have been already outlined in relation to local government reform. The work programme for DSG therefore needs to include engagement with this work at the appropriate time.

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Simplification

Since the last overarching review of the formula, a number of additional services have been added to the model to ensure the formula takes account of changes in local authority responsibilities. There have been some suggestions that the formula is too complicated. Currently, there are 48 services and 44 indicators to be updated each year. With the greater focus on the fitness of formula for the future because of local government reform and Taking Wales Forward commitments, this is an appropriate time to consider the scope for simplifying the formula without materially changing the way it reflects the relative need to spend.

Education Formula

A technical sub group of DSG has been considering the potential for developing an alternative approach to the education formula within the model, based on building it up using unit cost measures for the main components of education spending.

The work to date has identified the different aspects of schools expenditure and given some initial consideration to the drivers of spend for these components.

The work needs to consider further the fixed and variable costs associated with providing school services and developing appropriate unit costs and how they might be suitably weighted to generate an alternative formula which could be assessed against the existing formula.

Modernising Waste Formula

The current waste formula was designed in 2002 and does not reflect the manner in which waste services have been transformed to place greater emphasis on recycling and reuse. This affects the way waste is collected and disposed of.

A technical sub group of DSG has been considering the data analysis and modelling assumptions needed to develop a revised formula.