

## Draft Distribution Sub Group Work Programme 2019

The work programme for 2019 is in two parts covering the short-term and longer term considerations in relation to the development of the formula. The first section considers those items that have been identified as needing to be considered in order to ensure future settlements (2019-20 and 2020-21 settlements) take account of issues affecting it. 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

Item	Description	Resource	Timing / action
<b>General Items</b>			
Post-16 Learning Difficulties and/or Disabilities Specialist Placements	<p>Consideration is being given to changing the arrangements for Post-16 Learning Difficulties and/or Disabilities Specialist Placements. These considerations follow on from the proposals for a new statutory framework for supporting children and young people with additional learning needs (ALN) contained in the Additional Learning Needs and Education Tribunal Bill which was introduced into the National Assembly for Wales on 12 December 2016.</p> <p>DSG will need to consider the distributional implications of the proposal to transfer responsibility to local authorities for managing these specialist placements.</p>	LGFWP	2021-22 at the earliest.
Welfare Reform	<p>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. [Also referenced under the Free School Meal item.]</p> <p>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 2020-21 which affect the distribution of resources to local authorities.</p>	LGFWP	DSG to consider ongoing
Assumed interest rate for the debt financing element of the formula (Pool Rate)	DSG receives an annual update on the calculation of the notional interest rate assumption used in the settlement model to calculate the element of the settlement that relates to debt financing costs. There is a need to review the assumptions that	LGFWP / Pool Rate working	DSG to consider the advice of the Pool Rate Working Group

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	<p>underpin this component, in particular the approach to reversing out the self-financed borrowing element from the model to ensure the assumptions underpinning the calculation of the interest rate continues to be consistent with the overall borrowing position.</p> <p>The working group will continue to review the process with a view of simplifying the model in 2019.</p>	group	in spring 2019 [SE/AW]
Treatment of the discretionary council tax discounts in the Settlement model	Further investigation of the treatment of council tax discounts when calculating the 100% tax base for RSG calculation purposes.	LGFWP	To confirm any changes by April 2019 [SH/AC]
Free School Meal Indicator	<p>DSG has expressed concerns at the volatility of this indicator and the impact universal credit has on the indicator. Further analysis will be carried out to look at the potential to assess if universal credit is skewing the distribution.</p> <p>The education sub-group to assess potential other data sources to replace this indicator.</p>	LGFWP	March [AC/SE]
Homelessness	The homeless data has been frozen, since the 2016-17 Settlement. DSG noted that, in the long term, options need to be considered for future settlements. Review the homelessness data, post changes to housing legislation and integration of homelessness prevention funding in the settlement.	LGFWP	March/May [AC]
Treatment of New Responsibilities in the Floor Calculation	New responsibilities are currently treated prior to the floor funding considerations. Investigation will be done to consider the affects if new responsibilities were to be passported through the floor mechanism.	LGFWP	January/ March [AC]
Children in out of work families indicator	Given the large weighting ascribed to this indicator, the DSG should monitor the indicator ensuring that universal credit has little impact or does not skew the distribution.	LGFWP	DSG to consider ongoing
Updating Local Authority population projections	Calculating the financial impact of updating the local authority projections to the	LGFWP	May

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	latest set of Welsh Government population projections.		
<b>Specific Grants</b>			
Capital limits	To keep DSG informed of the local authority costings of the new policy and assess whether the distribution is still fit for purpose, and the potential of additional funding to be transferred into the settlement.	LGFWP / Policy team	Further paper from July/ September subject to data availability [GG/SE/ES]
Community Grants Flexible Funding Review	DSG to keep abreast of the flexible funding review and to consider any distributional issues as appropriate	Policy team	Monitor situation with policy.
Coastal Risk Management Programme	To consider the distribution of the funding in 2020-21 and future years and its potential transfers into the settlement.	LGFWP / Policy team	Monitor situation with policy.
Other potential transfers into and/or out of the settlement	To consider other potential transfers into the settlement at the appropriate juncture.	LGFWP / Policy teams	Monitor situation with policy.
<b>Annual standing papers</b>			
PLASC data updates	An annual standing paper looking at the implications of updating the PLASC data in the settlement formula on the distribution to authorities.	LGFWP	July / September
RO/RA data updates	An annual standing paper looking at the implications of updating the RO and RA data in the settlement formula on the distribution to authorities.	LGFWP	July / September
DSG Progress Report	A report of the progress of the DSG against the 2019 work programme up to July 2019, for presentation at the Finance Sub Group (FSG) meeting in July.	LGFWP	May (or late June via correspondence)
DSG Report	The final report of the DSG to be signed off by the Finance Sub Group (FSG) in September 2019.	LGFWP	September

### Longer Term Considerations

Item	Description	Resource	Timing / action
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	LGFWP / Local Government	DSG to consider from January and Review

	up using unit cost measures for the main components of education spending.	DSG members	progress at the May meeting [JC/AC/SH]
Modernising Waste Formula	<p>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.</p> <p>A technical sub group of DSG has been considering the data analysis and modelling assumptions needed to develop a revised formula.</p>	LGFWP	Sub group to consider from January and Review progress at the May meeting [SE/ES]
Enabling Local Government Reform	Funding arrangements need to be considered to ensure they remain fit for purpose.	TBC	TBC
Taking Wales Forward	The Welsh Government's 'Taking Wales Forward' includes commitments to reform local government funding arrangements and to put in place a floor for future local government settlements. Both these commitments have potential implications for the work of DSG. The work programme therefore needs to include engagement with these elements of work at the appropriate time.	LGSF	TBC
Census data	<p>Looking at the impact of updating the census data to distribute the funding, including updating the settlement and dispersion indicators.</p> <p>Also keeping the group informed of the progress of the 2021 census.</p>	LGFWP	Monitor situation with KAS.
Simplification	Since the last overarching review of the formula methodology, a number of additional services have been added to the model to ensure the formula takes account of changes in local authority responsibilities. With the greater focus on the fitness of the 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.	LGFWP	TBC [SE/AC]
Re-calibrate distribution weightings	The weightings within each indicators, used to distribute the funding, have not been re-calibrated for several years. As additional funding has been put in for specific new responsibilities through the years, the weighting are likely to have changed.	LGFWP	TBC