

Draft Distribution Sub Group Work Programme 2020

The work programme for 2020 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 (2021-22 and 2022-23 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
General Items			
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 continue to consider the distributional implications of the proposal to transfer responsibility to local authorities for managing these specialist placements, and how this is best placed in practice.</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.</p> <p>As a short term and long term considerations need to assess the current indicators (frozen and unfrozen) to ensure these still reflect a fair and balanced distributional mechanism, given the implications of the changes to the UK Government welfare support.</p>	LGFWP	DSG to consider ongoing

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Assumed interest rate for the debt financing element of the formula (Pool Rate)	<p>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 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 2020.</p>	LGFWP / Pool Rate working group	May 2020
Working age indicator	<p>Currently within the settlement calculations the working age indicator still uses historic pension ages from males and females. Given the pension ages have changed in recent years it is suggested that this is changed to ensure the formula stays up to date and relevant.</p> <p>As part of a general requirement to consider how gender is accounted for within the formula.</p>	LGFWP	July 2020
Free School Meal Indicator	<p>DSG agreed for the 2020-21 to freeze the free school meals indicator at the three year average up to 2018 PLASC data, as the group have expressed concerns over the gradual roll out of Universal Credit was having on the data set.</p> <p>Work will be undertaken this year to assess the 2020 PLASC data and its suitability going forward, given the change in eligibility status that was implemented in April 2019.</p> <p>The education sub-group will look for other data sources to replace this indicator.</p>	LGFWP	September 2020
Children in out of work families indicator	<p>The decision was made for the 2021 Settlement by DSG to freeze this data set, due to the impact of the roll out of Universal credit.</p> <p>The group will be asked about the suitability of other data sources to replace this indicator.</p>	LGFWP	July/September 2020

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Housing Benefit Indicator	The decision was made previously by DSG to freeze this data set, due to the impact of the roll out of Universal credit, we will continue to assess potential replacements for this indicator.	LGFWP	May 2020
Homelessness	<p>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. The group have reviewed the homelessness data, post changes to housing legislation and integration of homelessness prevention funding in the settlement, and will look to agree a preferred updated indicator this year.</p> <p>Given the additional funding transferred in for homelessness in previous years, it would be good practice to recalibrate the weightings of the non HRA indicator.</p>	LGFWP	March 2020
Treatment of population data	<p>Historically, the settlement has used population projections to distribute funding across local authorities. Given the differences observed between the different data sources (2014 based population projections and the 2018 mid-year estimates), the 2020-21 Settlement used phased mid-year estimates to ensure latest available data was used.</p> <p>This year, the group will consider papers on the treatment of the population indicator source going forward, and continuing on work which was considered in 2019.</p>	LGFWP	May 2020
Specific Grants			
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 2020 subject to data availability
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 note the funding in 2021-22 and future additional transfers into the settlement.	LGFWP / Policy team	Monitor situation with policy.

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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.
Advice on the distribution of specific grant funding on an ad hoc basis	To consider the distributional aspects of specific grant schemes, as appropriate, on a timely basis and in line with the Welsh Government guidance on grants.	LGFWP / Policy teams	Monitor situation with policy.
Annual standing papers			
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 2020
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 2020
DSG Progress Report	A report of the progress of the DSG against the 2020 work programme up to July 2020, for presentation at the Finance Sub Group (FSG) meeting in July.	LGFWP	May 2020 (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 2020.	LGFWP	September 2020

Strategic Considerations

Item	Description	Resource	Timing / action
Education Formula	A technical sub group of DSG will continue to consider 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.	LGFWP / Local Government DSG members	DSG to consider from January and Review progress at the May 2020 meeting
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.	LGFWP	Sub group to consider from January and Review progress at the May 2020 meeting
Wider policy considerations	To respond to any wider policy and reform commitments. The DSG needs to engage with these elements of work at the appropriate time.	TBC	TBC
Census data	DSG to keep abreast of the development of the 2021 census and how this data could be used within future settlements.	LGFWP	Monitor situation with KAS.
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