

Distribution Sub-Group (2020) Paper 24 – Final DSG Report 2020

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.

DSG Progress Report

Summary

1. Annex A contains a draft DSG progress report for presentation to the Finance Sub Group in November.

Views sought

2. Members are asked to consider the content of the report and provide comments.
3. Welsh Government Officials will update this paper with the comments from DSG to re-circulate to members for final agreement, ahead of the Finance Sub Group meeting in November.

**Local Government Finance Policy
Welsh Government**

**REPORT OF THE
DISTRIBUTION SUB GROUP
September 2020**

Report of the Distribution Sub Group 2020

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SECTION 1: INTRODUCTION AND REMIT

Introduction

1. This report has been prepared by the Distribution Sub Group (DSG), a working group of the Finance Sub Group of the Partnership Council for Wales. It is an account of the 2020 DSG work programme and the Group's recommendations on changes to the Standard Spending Assessment (SSA) formulae for implementation in the 2021-22 Local Government Settlement. For the 2020 work programme, DSG met on four occasions and considered 23 papers.

The Distribution Sub Group

Purpose

2. The purpose of the DSG is to maintain and develop a fair and accurate 'funding formula' for distributing the Local Government Revenue Settlement. The 'funding formula' is a series of around 50 formulae which distribute a notional Standard Spending Assessment (SSA) between the 22 unitary authorities in Wales. A typical formula comprises a series of indicators reflecting the main client group and, where appropriate, adjustments for deprivation and/or population sparsity. Each authority's SSA allocation determines its share of around £4.5 billion of Aggregate External Finance (AEF) after taking account of each authority's ability to raise resources from its own council tax base.
3. The funding formula is kept under a programme of review, of which the underlying principles were established by an independent review of the SSA system, undertaken in 2000 by Swansea University and Pion Economics. The 2020 work programme can be found in Annex D.

Remit for 2020

4. The work programme has been developed with reference to the principles agreed by the Society of Welsh Treasurers. The work programme also recognises that some elements will be for implementation in the 2021-22 Settlement whereas others will be for implementation over a longer timescale.
5. The main objectives of the DSG are:
 - To propose to Finance Sub Group (FSG) an annual programme of work to develop the formula for compiling and distributing Standard Spending Assessments (SSA).
 - To implement the annual DSG Work Programme, as agreed by FSG.
 - To ensure all data used in the settlement are objective, robust, current and validated and are drawn from reliable, stable and representative data sources.
 - To ensure data collected centrally are reviewed as part of a longer term work programme and, where appropriate, to arrange for additional data to be collected.
 - To consider distributional matters arising from significant transfers, new responsibilities and all significant changes affecting the distribution of SSA.

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- 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.
 - To advise FSG on matters of stability and multi-year indications as appropriate.
 - To prepare an annual report with recommendations for consideration by FSG.
6. In considering the work programme, members have previously expressed concern around the distribution of the Education Improvement Grant and the inconsistency of messaging around the ending of the Minority Ethnic Achievement Grant (MEAG), in particular. Members highlighted the need for all transfers to be brought to DSG to determine distribution and impact on the overall funding received by authorities.

Membership

7. Details of the membership of the DSG during 2020 are at Annex A. Membership included representative officials of the Welsh Local Government Association (WLGA), Welsh Government officials and independent members. Annex B contains the report of the independent members on the work of the DSG in 2020. The Local Government membership is determined by the WLGA.

SECTION 2: OVERVIEW OF THE 2020 DSG WORK PROGRAMME

8. This section provides an overview of the progress under the two sections of the 2020 DSG work programme: shorter term considerations and longer term considerations.

I. Shorter term considerations

Financial stability

9. The remit of the Group is to recommend an approach, recognising that it is for Ministers to decide whether to implement an appropriate stability mechanism. Local Government members made reference to the importance of stability within the Settlement, particularly given the pressures they expect to face in the coming years.
10. Their ongoing view is that a floor mechanism should be considered for the 2021-22 Settlement, if required, to protect authorities from unmanageable changes. The DSG recognises that decisions on any floor arrangement are the responsibility of the Minister for Housing and Local Government.
11. The Group wishes to keep in mind the underlying stability of the Settlement formula.

Formula and data development activities

12. As agreed in the Distribution Sub Group work programme, the key focus areas for the 2021-22 Settlement are essential formula maintenance to allow time to consider more fundamental approaches to formula development. Due to the COVID-19 pandemic, almost all of the wider formula development work has been put on hold.
13. Annual updates to key datasets were considered, such as expenditure data and pupil numbers. The following matters were also considered:
- Treatment of the working age population dataset
 - Treatment of the electoral registration population dataset
 - The calculation of council tax uplifts in the funding formula
 - The impact of universal credit on the PLASC FSM data
 - The impact of universal credit on the dependent children in out of work families indicator
 - The impact of the COVID-19 pandemic on data and the collection of data
 - The treatment of the population dataset in the formula
 - The PWLB data used in the calculation of the Pool Rate of interest

14. Further detail is included in section 3.

Specific grants

15. The Group considered a potential transfer into the settlement of funding for the Coastal Risk Management Programme.
16. Further considerations of the distribution of transfers are outlined in section 4. As no transfers have formally been agreed for the 2021-22 settlement and details of

proposed transfers are yet to be finalised, the table in annex C does not include an exemplification of any transfers.

II. Longer term considerations

17. The main focus of the group has been on essential formula maintenance. As a result of the COVID-19 pandemic, work to improve the current formula and to consider whether there is an alternative which is more directly related to the need to spend and could provide greater stability has largely been put on hold.

SECTION 3: CHANGES TO EXISTING FORMULAE AND DATA ISSUES

3.1 Formula Development Activities

Treatment of working age population dataset

18. DSG considered the working age dataset used in the Economic Development Indicator Based Assessment (IBA), which currently counts females aged 16-59 and males aged 16-64.

Recommendation: To update the working age dataset within the formula to reflect the most recent pension ages, relevant to the settlement year.

Treatment of the electoral registration population dataset

19. DSG members considered the indicator of need used to distribute the electoral registration Indicator Based Assessment, in light of the reduction in voting age for Senedd elections to include 16 and 17 year olds.

Recommendation: To update the indicator for the electoral registration IBA to those aged 16 and over.

The calculation of council tax uplifts in the funding formula

20. DSG members considered a number of papers regarding the council tax uplift used to calculate council tax income at standard spending, in the local government settlement funding formula. The group were asked to agree on a methodology to be used from 2021-22 onwards.

Recommendation: To continue to use a 3-year average for the calculation of the council tax uplift in the local government settlement funding formula.

The PWLB data used in the calculation of the Pool Rate of interest

21. The Public Works Loan Board (PWLB) have moved to a new trading system with new reporting methods and are likely to no longer be able to provide Welsh Government with data excluding the Housing Revenue Account (HRA) loans (as previously agreed by the DSG).

Recommendation:

Longer term progress

Education Formula Modelling Considerations

22. The education sub-group continues 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; however, this work has largely been put on hold as a result of other pressures linked to the COVID-19 pandemic and will be picked up under the 2021 work programme.

Waste Formula Modelling Considerations

23. This work has largely been put on hold as a result of other pressures linked to the COVID-19 pandemic and will be picked up under the 2021 work programme.

3.2 Data Issues

Treatment of Pupil Level Annual School Census (PLASC) pupils data

24. The 2020 PLASC data was published in June 2020. The group were asked to consider the financial impact of updating the data and to consider whether or not to update given the absence of validation for settlement purposes, caused by the COVID-19 pandemic.

Recommendation: To update the PLASC pupil numbers in the settlement, given the small impact of the missed validation exercise, but to roll forward the data on children Educated Other Than At School (EOTAS), given the lack of data collected as a result of the COVID-19 pandemic.

The impact of the COVID-19 pandemic on data and the collection of data

25. In light of the covid-19 pandemic, DSG members considered which datasets have been affected and where the collection of data may have been impacted. It was the view of the group that, in general, these datasets should be collected and updated if possible, unless there were specific issues/implications in doing so.

Recommendation: Where possible, to collect and use the most up-to-date data in the settlement for 2021-22. Where this is not possible, to roll the previous year's data forward.

Latest expenditure data for the 2021-22 Settlement

26. The group reviewed the impact of updating the underlying expenditure data in the model using the budget data sourced from Revenue Account (RA) returns.
27. The group agreed in principal that, although the Revenue Outturn (RO) data has not been published yet, and therefore they couldn't view the shifts in the data itself, the data should still be used in the 2020-21 settlement.

Recommendation: The SSA build for the 2021-22 settlement will be calculated using the most up-to-date RA (2020-21) and RO (2019-20) data – in line with Society of Welsh Treasurers (SWT) principles.

Homelessness data

28. In light of the change in legislation in 2015 and a fundamental change in the homelessness data collected from local authorities the data was frozen in the settlement calculation from 2017-18. DSG considered a paper presenting a number of options to update the Non-HRA housing IBA. The group had previously discussed the differences in the new data collected compared with the previous data used in the IBA and agreed that further work needed to be done on this to identify the drivers of need to spend, and to align with Welsh Government policy. The new data is being collected quarterly, but there are no plans to publish an annual set of statistics as a result of the COVID-19 pandemic.

Recommendation: To continue to freeze the data for the 2021-22 settlement and to revisit at a later date.

Planning applications

29. One local authority has not submitted an entry for one quarter of the planning application data. The DSG considered options for distribution, if this issue is not rectified.

Recommendation:

Tourism

30. The tourism data for use in the 2021-22 settlement is likely to have been impacted by the Covid-19 pandemic and/or could be incomplete. DSG considered options for the treatment of this dataset, given that this could have a large financial impact.

Recommendation:

The treatment of the population dataset in the formula

31. For the 2021-22 settlement, as a result of a delay in the publication of the planned 2017-based population projections, DSG agreed to use an average of the 2014-based 2020 population projections and the 2018 Mid-Year population Estimates. The latest – 2018-based – population projections have now been published, and DSG considered a paper looking retrospectively at population data to assess what was the best predictor of relative population for the settlement year, based on the data available at the time of calculation of the settlement.

32. DSG members suggested that the most comprehensive picture of population is the Census. In order to fully consider the analysis, the group suggested revisiting these datasets once the 2021 Census is published and to use the most up-to-date population projection data until then.

Recommendation: To continue using the most up to date population projections for use in the 2021-22 settlement.

Recommendation: To review the retrospective analysis after the publication of the 2021 Census.

33. DSG considered a paper looking at the financial impact of updating the population data used in the settlement to the latest, 2018-based projections. Given the large re-distributional effect, the group were asked to consider two potential options for the phasing of this data:

- 50% 2018 based population projections for 2021;
25% 2018 mid-year estimates;
25% 2014 population projections for 2019.
- 50% 2018 based population projections for 2021;
50% 2018 mid-year estimates.

Recommendation:

3.2.1 Welfare Reform Update

34. Welsh Government Officials have continued to monitor the rollout of Universal Credit, including the impact on the latest: eligibility for Free School Meals data taken from the January 2020 PLASC, dependent children in out of work families' indicator and the housing benefits indicator.

The Impact of Universal Credit roll out on Free School Meal eligibility (eFSM)

35. The evidence on eligibility for free school meals presented to the group in 2019 demonstrated that the length an authority has been on universal credit appears to have a direct impact on the distribution of the eFSM data. While the relationship between the two indicators for 2020 was less pronounced, there still appeared to be a correlation between the length of time Universal Credit has been rolled out in an area and the increase in eFSM figures in that area.

Recommendation: To continue to use a 3-year average, up to 2018, of eFSM figures in the settlement, while exploring other potential indicators of school-age deprivation.

The Impact of Universal Credit roll out on the children in out of work families indicator

36. The latest data demonstrates that there is still a negative correlation between the number of days a local authority has been on universal credit and the change in the dependent children data, which has a significant impact on the settlement distribution.

Recommendation: Not to update the children in out of work families data for the 2021-22 settlement and to continue to explore alternative datasets.

SECTION 4: SPECIFIC GRANTS

Coastal Risk Management Programme (CRMP) grant

37. The group considered a paper on the potential transfer into the settlement of funding for the CRMP. The funding is proposed to be paid as a specific grant in the first (and potentially second) year of each scheme potentially moving to RSG for the remaining 23 or 24 years, according to the profile set by the policy area in the first year of the grant scheme.

Recommendation: On transfer of the funding for the individual schemes, that these amounts be transferred on a specific distribution for the remainder of the scheme, according to the profile set out by the policy area.

ANNEX A: MEMBERSHIP OF THE DSG 2020

Welsh Government – Local Government Finance Policy / Strategic Finance Division

Judith Cole – Deputy Director, Local Government Finance and Workforce Partnerships Division (Chair)

Debra Carter – Deputy Director, Local Government Strategic Finance

Emma Smith – Local Government Finance and Workforce Partnerships

Simon Edwards – Local Government Finance and Workforce Partnerships

Ashley Caddick – Local Government Finance and Workforce Partnerships

Heather Haywood – Local Government Finance and Workforce Partnerships

Clare Blake – Local Government Strategic Finance

Independent Members

Chris Barton

Dr Dennis de Widt

Guto Ifan

Welsh Local Government Association representatives

Jon Rae	Director of Resources, Welsh Local Government Association
Dilwyn Williams	Chief Executive, Gwynedd County Council
Andrew Stephens	Head of the Local Government Data Unit Wales
Hywel Jenkins	Director of Finance & Corporate Services Neath Port Talbot County Borough Council
Ian Allwood	Head of Finance, Cardiff Council
Carys Lord	Head of Finance / Section 151 Officer, Vale of Glamorgan Council
Jane Thomas	Head of Finance (Section 151), Powys County Council
Mark Howcroft	Head of Finance, Monmouthshire County Council (Until January 2020)
Barrie Davies	Director of Finance and Digital Services, Rhondda Cynon Taf County Borough Council
Steve Gadd	Chief Accountant, Denbighshire County Council

ANNEX B: REPORT OF THE INDEPENDENT MEMBERS 2020

Objectivity and Fairness

As the independent members of the Distribution Sub-Group (DSG) we would confirm that in our opinion the work of the group has been carried out objectively.

In forming our opinion we have had access to all the papers and meetings of the Distribution Sub Group which we consider necessary to form our judgement. In these papers, meetings and the observed manner in which the group carried out its work, there was no evidence of bias designed to favour any particular interest or group of interests.

We therefore conclude that, in arriving at the recommendations in this report, the members of DSG properly represented the interests of all Welsh local authorities and showed no bias either in favour of, or against, the interests of any particular local authority or group of local authorities.

The Work of DSG

Changes to the formula in 2019 have again concentrated on the updating of key data sets and amending parts of the formula where data is no longer able to support the existing distribution formulae.

Previous reports of the Independent members of DSG, and indeed reports to the DSG itself, have referenced the need for a holistic review of the formula mechanism and whilst the members are pleased to note some progress has been made to plan for related activity in this regard, it would appear to still remain a longer term aspiration.

Future Developments

We referenced in last year's report, an increasing trend for authorities to question the construct of the formula and its relevance to an ever changing assessment of spending needs. We expect this trend to continue for the foreseeable future and indeed become more frequent if the pattern of reduced funding continues or is even exacerbated by external factors such as Brexit.

It is not of course for the DSG to address the question of the adequacy of funding levels. However, it is relevant for the Group to continue to work to update and future proof the formula to reassure local government and the wider community that the basis of the formula remains valid, appropriate and fair.

There is a continued debate between local and national partners about how to take the settlement formula forward to ensure clarity, transparency and understanding.

This report has previously called for a more fundamental review of the formula and this view is reiterated again. Whilst work has been planned, it is not currently at the forefront of developments.

For the sake of completeness, the imperatives for a review of the formula remain unaltered and are reiterated below.

- The need to amend aspects of the formula and to bring historical data up to date suggests that the current formula still needs significant work. The transparency of any changes to the distribution as a result of such amendments also remains an issue.
- Reliance on historical data and spending patterns in a period of austerity and significant change is likely to have implications for the appropriateness of the existing distribution mechanism and brings with it a danger of loss of consensus and the possibility of direct challenge.
- The current formula mechanism is based on a methodology that does not meet established standards of statistical practice. Regression analysis of only twenty-two cases (i.e. the Welsh local authorities) is susceptible to over-fitting of the data and to influential cases skewing the estimates. Multi-level modelling can address some of the challenges in robustly identifying predictors of the need to spend. Nevertheless, the distribution of grant funding remains highly sensitive to changes in data aggregated to the local authority level.
- Finally, given the reliance on collaboration for the delivery of many key services across Wales, and divergence in the delivery models that have been adopted in some individual councils, there is a need to consider in what ways alternative approaches to the production of services might need to be incorporated within the formula.

It is not in the remit of the independent members to comment on the approach taken to the provision of local government services in the future however, there are a number of factors which will need to be taken into account regardless of any future delivery model chosen. These include:

- How any change to the overall system of local government finance in Wales might be accommodated
- Whether changes to devolved funding and national taxation may influence the mechanism
- How the underlying methodology for the mechanism could be adapted were structural changes to occur
- How changes would be dealt with in the existing or any replacement mechanism
- How changes to any non-unitary authority funding regimes may be dealt with in the context of transfers in or out of the settlement
- Whether and how differential levels of local taxation may be accommodated by the existing mechanism should it prove necessary
- How any replacement mechanism would or would not take account of the different levels of local taxation currently levied in parts of Wales
- How transparency of any new formula can be enhanced
- How the formula meets established principles of statistical best practice if this is a necessity

Finally, we would particularly wish to record our recognition of the professional manner in which the officials of the Welsh Government and the officers of the Welsh Local Government Association continue to deal with this complex task.

Chris Barton CPFA
Dr Dennis de Widt
Guto Ifan
September 2020

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ANNEX C: MODELLED IMPACT OF CHANGES ON THE 2019-20 TOTAL SSA*

Local Authority	2019-20 SSA				Key Dataset Changes		Formula Changes	2019-20 SSA	Differences	
	Published	a) latest RO and RA data**		b) latest PLASC data	c) latest population data	d) Change to the WILG distribution	With changes	£000s	%	
Isle of Anglesey	134,023	115	-254	-145	-52	133,686	-337	-0.3%		
Gwynedd	239,019	-56	-158	-105	-271	238,429	-590	-0.2%		
Conwy	216,481	-126	-186	187	-79	216,275	-206	-0.1%		
Denbighshire	193,782	197	107	-201	13	193,898	116	0.1%		
Flintshire	269,127	-454	-249	-68	-87	268,269	-858	-0.3%		
Wrexham	242,951	-636	81	-1,106	-190	241,099	-1,852	-0.8%		
Powys	250,776	1,211	-441	146	-43	251,649	873	0.3%		
Ceredigion	141,469	375	176	-761	23	141,282	-187	-0.1%		
Pembrokeshire	231,734	-194	173	232	-89	231,857	123	0.1%		
Carmarthenshire	353,034	-797	-259	256	-409	351,823	-1,210	-0.3%		
Swansea	436,813	349	-597	69	242	436,876	62	0.0%		
Neath Port Talbot	275,663	154	-113	277	7	275,987	324	0.1%		
Bridgend	260,148	-185	322	277	9	260,571	423	0.2%		
The Vale of Glamorgan	228,101	49	306	878	90	229,424	1,323	0.6%		
Rhondda Cynon Taf	465,653	-500	324	117	-92	465,502	-151	0.0%		
Merthyr Tydfil	114,980	-55	86	303	-4	115,310	330	0.3%		
Caerphilly	345,584	153	-376	-185	157	345,333	-251	-0.1%		
Blaenau Gwent	137,453	121	-64	23	63	137,595	142	0.1%		
Torfaen	175,078	-98	-202	158	-23	174,914	-165	-0.1%		
Monmouthshire	150,530	424	-664	329	95	150,715	185	0.1%		
Newport	288,940	-42	1,153	1,105	107	291,264	2,323	0.8%		
Cardiff	628,820	-3	838	-1,784	532	628,402	-418	-0.1%		
WALES	5,780,158	0	0	0	0	5,780,158	0	0.0%		

Please note: Figures do not indicate actual funding allocations for 2020-21 and only exemplify some of the updates for the 2020-21 settlement. Other updates could have a significant impact on allocations. See detailed footnotes below.

Figures do not include the exemplified impact of the proposed change to the council tax base methodology outlined in section 3.1

Datasets that are frozen for 2020-21 plus the PLASC change above account for the distribution of around 40% of SSA

a) Distributional changes resulting from an update to the underlying RO and RA data.

b) Distributional changes resulting from the 2019 PLASC pupil data only (including pupils EOTAS) (not eFSM).

c) Distributional changes resulting from an update to population data to phase onto 2018 Mid-Year Estimates over 2 years.

d) Distribution changes resulting from the phased approach to the WILG funding formula change (see paragraph 24)

*The changes to the distribution are not mutually exclusive but have been presented as such in this table. Actual allocations will account for these dependencies.

**Data is still undergoing validation.

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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Item	Description	Resource	Timing / action
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>	LGFWP	July/September 2020

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Item	Description	Resource	Timing / action
	The group will be asked about the suitability of other data sources to replace this indicator.		
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

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Item	Description	Resource	Timing / action
			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.
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

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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