

DISTRIBUTION SUB-GROUP (DSG)

PROGRESS REPORT

November 2024

Final

Distribution Sub Group (DSG) Progress Report – October 2024

Introduction

1. This paper sets out the key aspects of the remit of the Distribution Sub-Group for 2024 and the progress in delivering against it including recommendations on data for the 2025-2026 Settlement.

Action required

2. Finance Sub-Group (FSG) is asked to note progress on the work-programme overall and agree recommendations below. Given the delayed availability of some datasets FSG is also asked to agree to approve a final report by correspondence. This will cover final recommendations on:

Background

3. The annual revenue settlement for local government in Wales is distributed using a relative needs-based formula. DSG's remit is to ensure the formula is maintained and developed to remain up to date, relevant, and reflective of relative need to spend.
4. The statutory framework for the annual settlements is governed by the Local Government Finance Act 1988. There are well-established principles which underpin the considerations of DSG, namely:
 - Equity
 - Stability
 - Clarity
 - Relevance
5. The principle of a relative needs-based formula encompasses the selection of objective indicators of need which are prepared on a consistent basis and to consistent standards across Wales and which are resilient to the policy choices made by different authorities.

Remit for 2024

6. The main objectives of the DSG for 2024 are as follows.
 - 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.

Scope and requirements

7. In March 2024, FSG agreed the work programme of the DSG (shown at Annex B), which is broken down into short term and more strategic issues.

Progress

8. DSG has met five times since the March meeting of FSG, including an in-person meeting event on 21 May.
9. The in-person meeting was held to provide members with detailed information about the processes and calculations behind the Green Book Formula and initiate relevant discussion on the methodology and analysis on the Nursery and Primary Schools formula. Officials gave various presentations including:
- i. an overview the Green Book calculation for 2024-25: explaining the Green Book and relevant resource disseminating information on the IBAs;
 - ii. detail of the calculations behind the necessary recalibration of the 'Nursery and Primary School' IBA to reflect updates to the Settlement indicators using the Census 2021 data;
 - iii. an overview of the Census 2021 deprivation indicators and financial analysis for information and discussion purposes.
10. A summary of the actions and proposals arising from the meeting and the other DSG meetings is set out below:

Shorter term progress

Population data for 2025-26 Settlement

11. The group were presented with a paper to show the latest population dataset for the 2025-26 settlement:
- i. Mid-2023 population estimates.
13. The members were informed that ONS will be publishing 2021 based subnational population projections in Spring 2025. This dataset will therefore not be available in time to use in the 2025-26 settlement.

Recommendation – Use the latest Mid-2023 population estimates in the 2025-26 settlement.

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Free School Meals data for 2025-2026 Settlement

Background

15. PLASC 2024 is the second collection since the roll out of universal free school meals in primary schools (UPFSM). The PLASC guidance makes it clear that learners who are **only** eligible for FSM under the universal free school meals policy should **not** be recorded as eligibility for free school meals (eFSM).

16. For the 2024-25 settlement DSG agreed to recommend a 3-year average (2021, 2022 and 2023) of those pupils recorded as eFSM or Transitionally Protected (TP) to smooth out the financial impact of COVID-19 and the rollout of universal credit.

Options for 2025-26

17. The group were presented with a paper to show the latest population datasets for the 2025-26 settlement:

- i. Use the latest data 2024 PLASC data. Pupils recorded as eFSM or TP.
- ii. Use the latest 3-year average (2022, 2023 and 2024) of the PLASC data. Pupils recorded as eFSM or TP. The advantage of using an average of the dataset is that it smooths out volatility.
- iii. Use the latest 4-year average (2021, 2022, 2023 and 2024) of the PLASC data. Pupils recorded as eFSM or TP. The advantage of using an average of the dataset is that it smooths out volatility.

Recommendation – Use the three-year average of eFSM or TP data in the 2025-26 settlement.

The impact of COVID-19 on data and decision on continuing with frozen datasets

18. The Tourism and Road Traffic dataset are no longer impacted by COVID-19 therefore the 2025-26 settlement will continue to use the latest available data.

Pool Rate of interest

19. For the 2024-25 settlement, DSG recommended continuing the agreed phasing back to the old methodology in 25% increments. A paper was circulated to DSG to show the impact of continuing with the final phased approach for 2025-26.

Recommendation: Continue with the final year in the phased approach so that the 2025-26 Settlement will use 100% of the intended ongoing methodology.

PLASC, Revenue Account (RA) and Revenue Outturn (RO) data

20. Papers were presented to DSG members in September to show the impact of the latest PLASC and RA data on the 2024-25 settlement. A paper was presented in November showing the impact of the latest RO data, following the publication of the latest 2023-24 RO data.

Recommendation: Use the latest 2024-25 RA data in the 2025-26 settlement.

Recommendation: Use the latest 2023-24 RO data in the 2025-26 settlement.

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Recommendation: Use 2024 PLASC data in the 2025-26 settlement

Benefits Data and Council Tax Reduction Scheme (CTRS)

25. Papers were presented to DSG members in September to show the impact of the latest benefit claimants' data on the 2024-25 settlement i.e. '*Pensioner Claimants of income support*', '*Total Claimants of Income Support (IS)*', '*Jobseeker's Allowance (JSA)*', '*Pension Credit (PC)*' and '*Universal Credit not in employment*', and '*Severe Disablement and Disability Allowance*'.

Recommendations:

The Settlement formula currently uses average benefit claimant data across 12 quarters (the 2024-25 model used data for the period May 2020 to Feb 2023). The Group agreed to recommend continuing with this approach using the average of 12 quarters from May 2021 to Feb 2024.

DSG members noted the impact of the latest CTRS data and agreed to use this information in the 2025-26 Settlement. However, DSG asked for future consideration to be given to applying the CTRS indicators to the total income forgone by local authorities as a result of the CTRS rather than the assumed £244m transferred into the Settlement when this was devolved. This is likely to have distributional impacts which need to be understood in the context of potential future changes to council tax and council tax discounts and exemptions as part of the programme to reform council tax.

For specific grants, potential transfers into and/or out of the settlement

21. The situation is being monitored in conjunction with policy departments, and significant transfers will be prioritised.

Longer term considerations

Local Government Revenue Settlement Funding Formula Progress

22. Details on the Local Government Revenue Settlement Funding Formula Progress can be found in paper 2 of the finance subgroup meeting held on 22nd October.

Maintain robustness of funding formula

23. In addition to resolving issues caused by the pandemic and assessing the impact of the most recent census, the programme of review will focus on continuing to reduce the number of indicators based on frozen data and reviewing each IBA with its weightings. This commitment will be phased as appropriate against the financial context at the time, to ensure all indicators still reflect the best measure of the need to spend.

Welfare Reform

24. As part of both short term and long-term considerations, we need to assess the current indicators (frozen and unfrozen) used as a proxy for deprivation, to ensure these still reflect a fair and balanced distributional mechanism, given the implications of the changes to the UK Government welfare system.

Housing Benefit dataset and Non HRA formula

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25. DSG considered alternative data items that can be used to replace existing 'Total Homelessness decisions' data and 'Housing Benefit Recipients' data used within the non-HRA Formula. Currently the dataset remains frozen due to the impact of the roll-out of Universal credit. This has meant that the data underpinning the distribution is relatively old and pre-dates significant legislative change.

Housing benefit Recipients' – Alternative data source

26. Within the current non-HRA IBA the '**Housing benefit recipients**' data source was frozen due to the roll out of Universal Credit, the current data used is an average of 24 months June 2016 to May 2018. Now that Universal Credit has been fully rolled out, an updated data source which takes a sum of the [total number of households on Universal Credit \(with housing entitlement and receiving payment\) and the total number of households receiving housing benefit, averaged over 24 months](#), from June 2021 to May 2023. These two data sources are mutually exclusive therefore there won't be a risk of double counting.

Total Homelessness Decisions' – Alternative data source

27. Within the current non-HRA Housing IBA the homelessness data source used was an average of total homelessness decisions by Local Authority, frozen as a result of data quality concerns when the new statutory data collection was first introduced, and subsequently continued to be frozen due to concerns of large funding re-distributions.
28. This data measure no longer exists within the new statutory data collection; therefore, a new measure has been used within the updated option to proxy prevention and relief activity. The updated data source uses a total of the [number of households threatened with homelessness within 56 days \(section 66\)](#) and [the number of households assessed as homeless and owed a duty to secure accommodation \(section 73\)](#), averaged over the past 3 years, it is understood that some double counting will occur between these two categories given a household can re-present during the same reporting period more than once, but as % shares are used within the distribution formula did not mean this was not an acceptable measure.
29. **Recommendation:** that the non HRA formula be updated to use the new data sources with effect from the 2025-2026 settlement.

Youth service funding

30. The implications of the independent review will be considered as the work progresses.

**Local Government Finance Policy and Sustainability Division
Welsh Government**

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ANNEX A: Membership of the DSG 2024

Welsh Government – Local Government Finance

Judith Cole	Deputy Director, Local Government Finance Policy and Sustainability Division (Chair)
Emma Smith	Local Government Finance Policy
Andrea Melvin	Local Government Funding (from May 2023)
James Koe	Local Government Funding (from June 2022)
Freya Gregory	Local Government Funding (from October 2022)
Clare Blake	Local Government Finance Reform

Independent Members

Chris Barton
Dr Dennis de Widt
Guto Ifan

Welsh Local Government Association representatives

Jon Rae	Director of Resources, Welsh Local Government Association
Ian Allwood	Head of Finance, Cardiff Council
Carys Lord	Head of Finance / Section 151 Officer, Bridgend Council
Jane Thomas	Head of Finance (Section 151), Powys County Council
Barrie Davies	Director of Finance and Digital Services, Rhondda Cynon Taf County Borough Council
Elizabeth Thomas	Head of Finance, Denbighshire County Council
Jonathan Davies	Assistant Head of Finance, Monmouthshire County Council
Dewi Aeron Morgan	Head of Finance, Cyngor Gwynedd
Duncan Hall	Head of Finance, Ceredigion County Council
Sam Sullivan	Head of Statistics Local Government Data Unit Wales
Nathan Gardner	
Lisa Hayward	

ANNEX B: REPORT OF THE INDEPENDENT MEMBERS 2024

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 2023 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, the construct of the formula and its relevance with an ever changing assessment of spending needs. Given the worsening economic climate, the cost of living crisis and a possible return to spending restrictions coupled with ongoing difficulty in securing some data sets and the changing nature of the underlying data, there appears to be less of an appetite for change within the formula or the data. The use of phasing and freezing of data has become more prominent in recent years however, this should only be viewed as a short-term solution.

Despite this, it remains relevant for the Group to continue to work to update and future proof the formula where possible 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. We reiterate our call made in last year's report for a more fundamental review of the formula when this can be accommodated.

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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 volatile period with significant change is having significant implications for the appropriateness of the existing distribution mechanism.
- 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 increasing 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

It is also worth noting that in future, the potential for change in the council tax regime in Wales, could have an impact on the elements of the formula which seek to equalise tax raising powers by redistributing AEF.

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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

November 2024

Distribution Sub Group (2024) – Work Programme 2024

ANNEX A: MODELLED IMPACT OF CHANGES ON THE 2024-25 TOTAL AEF

Local Authority	2024-25 Settlement published	Key Dataset Changes									2024-25 AEF		Differences		£'000
		a) RA data	b) RO data	c) Tourism & Traffic data	d) PLASC data	e) eFSM	f) Population	g) Benefits & CTRS	h) Debt financing	i) Non HRA	With changes	£000s	%		
Isle of Anglesey	127,586	-302	189	-48	-160	-11	-28	-421	-47	-26	126,731	-855	-0.7%		
Gwynedd	233,317	-944	349	79	-540	-38	-66	-464	-123	-152	231,417	-1,900	-0.8%		
Conwy	203,526	-67	498	99	-103	-18	-871	111	-42	414	203,547	21	0.0%		
Denbighshire	200,795	59	-99	43	513	87	-112	-167	-30	408	201,497	702	0.3%		
Flintshire	258,527	-386	-802	-77	-1,365	-41	-375	2	18	639	256,141	-2,387	-0.9%		
Wrexham	232,865	225	-274	-1	418	120	-431	95	88	-122	232,982	117	0.1%		
Powys	235,865	-1,086	-143	-78	-556	143	-602	26	-231	531	233,869	-1,996	-0.8%		
Ceredigion	135,286	-471	443	-30	-362	38	423	-3	-163	-353	134,809	-478	-0.4%		
Pembrokeshire	218,870	-399	161	28	-164	-120	-449	-83	-46	59	217,857	-1,013	-0.5%		
Carmarthenshire	350,646	-279	-38	-88	-319	64	-937	493	-35	-64	349,442	-1,204	-0.3%		
Swansea	435,021	325	1,302	-1	1,743	-52	2,031	627	18	-3,722	437,292	2,272	0.5%		
Neath Port Talbot	285,594	570	123	-56	-457	-109	-831	-154	-15	375	285,040	-554	-0.2%		
Bridgend	258,925	90	-261	-73	-893	21	-696	45	58	556	257,770	-1,154	-0.4%		
The Vale of Glamorga	209,781	-233	-676	-6	-583	43	-126	29	131	311	208,671	-1,111	-0.5%		
Rhondda Cynon Taf	485,567	843	-723	81	-180	-212	-154	-162	-60	394	485,393	-174	0.0%		
Merthyr Tydfil	123,492	396	-38	-4	236	88	-608	3	-4	212	123,775	283	0.2%		
Caerphilly	348,864	516	-536	8	-766	86	-996	547	93	649	348,466	-398	-0.1%		
Blaenau Gwent	144,044	343	294	-42	720	-64	-133	-96	-126	-550	144,390	347	0.2%		
Torfaen	178,733	442	-57	24	116	-105	-252	-255	-27	275	178,894	161	0.1%		
Monmouthshire	126,019	-414	53	-42	-158	29	-57	-15	-1	72	125,485	-534	-0.4%		
Newport	304,045	409	-133	30	1,802	43	355	360	151	371	307,434	3,389	1.1%		
Cardiff	623,158	362	368	153	1,061	8	4,915	-519	395	-279	629,621	6,464	1.0%		
WALES	5,720,524	0	0	0	0	0	0	0	0	0	5,720,524	0	0.0%		

Please note: Figures do not indicate actual funding allocations for 2025-26 and only exemplify some of the updates for the 2025-26 settlement. Other updates, such as underlying council tax modelling assumptions will have a significant impact on allocations. Each of the exemplifications show the isolated change on the 2024-25 settlement.

- a) Distributional changes resulting from an update to the underlying latest 2024-25 RA data only.
- b) Distributional changes resulting from an update to the underlying latest 2023-24 RO data only.
- c) Distributional changes resulting from an update to the underlying latest 2023 tourism and traffic data only.
- d) Distributional changes resulting from an update to the underlying latest 2024 PLASC data only.
- e) Distributional changes resulting from an update to the underlying latest 3-year average of eFSM or TP data.
- f) Distributional changes resulting from an update to the underlying latest Mid-2023 Population data only.
- g) Distributional changes resulting from an update to the underlying latest benefits and CTRS data only.
- h) Distributional changes resulting from an update to the underlying latest debt financing.
- i) Distributional changes resulting from an updating the Non HRA formula to the latest data outlined above.

ANNEX B:

Distribution Sub-Group Work Programme 2024

The work programme for 2024 is in two parts covering the short-term and strategic 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 (2025-26 and 2026-27) to take account of issues impacting. The second section considers more strategic aspects of the current formula which it is recommended are reviewed over a longer timescale to ensure the formula is continually improving and remains relevant and fit for purpose.

Each consideration has been assigned a prioritisation category. All standard elements will be given top priority as they need to be completed this year. The remaining elements have been prioritised according to the agreed importance in the development of the Settlement formula. An element may be high priority but have a longer timeframe – this may be due to the time taken to make the change or because relevant information to inform the change is not yet available.

The timeframe may change based on decisions regarding council tax reform.

Progress

Key:

	Routine maintenance/ updating – will deliver
	Local Tax Reform - will deliver (support available from relevant team)
	Reactive – would expect to achieve but if particularly resource / time consuming we may determine, on a case by case basis, that issues should be deferred.
	Important - will deliver at least some consideration allowing conscious decision making and progress - may be done by bringing in other resource

Shorter Term Considerations

Priority:

1: Standard items that will take top priority and will be completed this year.

2: Areas that will be high priority.

3: Areas which will have lower priority.

Priority	Item	Description	Action	Progress
1.	Population data for future settlements	<p>DSG agreed to use the most up to date population data for the 2024-25 settlement (Mid-Year 2022 Population Estimates).</p> <p>2025-26 settlement investigate financial implications of:</p> <ul style="list-style-type: none"> - Mid-2023 Population estimates. - 2021 based Sub-national Population projections for the year 2025. <p>Release Schedule (Population)</p> <p>Mid-2023 population estimates (Summer 2024)</p> <p>Sub National population projections 2021 based (Winter 2024)</p>	Continue to work with KAS population & census statisticians to plan way forward. Produce analysis on Mid-2023 population estimates and 2021 based and Sub National population projections.	<p>DSG were presented with options in September for the 2025-26 settlement.</p> <p>DSG agreed to use the latest mid-2023 population estimates for the 2025-26 settlement.</p> <p>DSG agreed to investigate the 2021 based subnational population projections in 2026-27 settlement onwards.</p>

Distribution Sub Group (2024) – Work Programme 2024

Priority	Item	Description	Action	Progress
1.	Housing Benefit dataset and Non HRA formula	Decision made by DSG to freeze this dataset, due to the impact of the roll-out of Universal credit.	Continue to assess potential replacements for this indicator in the longer term. In the shorter term, will also need to consider how the transfer of housing grants (expected in 2025-26) will be distributed.	DSG considered alternative data items that could be used to replace existing 'Total Homelessness decisions' data and 'Housing Benefit Recipients' data used within the non-HRA Formula. Recommendation made to FSG for the 2025-2026 Settlement.
3.	Youth service funding	An independent review was requested by the interim Youth Work Board	Consider the implications of the independent review.	2026/27 Settlement
3	Post-16 Learning Difficulties and/or Disabilities Specialist Placements	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 ALN and Education Tribunal Bill which was introduced into the National Assembly for Wales on 12 December 2016.	Progress on this area is linked to on-going work by policy colleagues. We will prioritise any work required by colleagues to inform decisions on funding.	Ongoing

Distribution Sub Group (2024) – Work Programme 2024

Priority	Item	Description	Action	Progress
1	Potential transfers into and/or out of the settlement	<p>To consider other potential transfers into the settlement at the appropriate juncture. This includes any transfers as a result of the grant rationalisation programme of work.</p> <p>Any grants identified to move to RSG in 24-25 were done so on existing distributions – these need to be reviewed for the 25-26 settlement. Further grants may be identified as part of the ongoing work during 24-25 for transfer into the 25-26 settlement.</p>	<p>Monitor situation with policy.</p> <p>Prioritise significant transfers.</p> <p>Consider additional resource if necessary to complete.</p>	<p>Autumn 2024:</p> <ul style="list-style-type: none"> • decisions on distribution of grants transferred in 24-25; and • decisions on any additional grants to be transferred into the 2025-26 Settlement
1	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.	<p>Monitor situation with policy.</p> <p>DSG requested greater involvement.</p>	Ongoing
	Annual standing papers			

Distribution Sub Group (2024) – Work Programme 2024

Priority	Item	Description	Action	Progress
1	PLASC data updates, including e-FSM data.	<p>An annual standing paper looking at the implications of updating the PLASC data in the settlement formula on the distribution to authorities.</p> <p>A paper looking at the implications of updating the e-FSM (and TP) data in the settlement formula on the distribution to authorities.</p>	Analysis will be presented at DSG September or November	<p>DSG agreed to use the latest 2024 PLASC data.</p> <p>DSG agreed to continue to use the latest 3-year average of pupils recorded eFSM or TP.</p> <p>EOTAS and Independent school data will be added to the analysis in November.</p>
1	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.	Analysis will be presented at DSG September or November	<p>DSG agreed to use the latest 2024-25 RA data.</p> <p>DSG will be presented with the 2023-24 RO data in November.</p>
1	DSG Progress Report - interim	A report of the progress of the DSG against the 2024 work programme up to September 2024, for presentation at the Finance Sub Group (FSG) meeting in October.	Analysis will be presented at DSG September and November. Analysis will be presented at FSG in October	October 2024
1	DSG Progress Report – final	The final report of the DSG to be signed off by the Finance Sub Group (FSG) in autumn 2024.	Finance Sub Group (FSG) October and report finalised November/December.	Autumn/Winter 2024

Strategic Considerations

Priority	Item	Description	Action	Progress/Timing
2	Work related to Local Government Tax Reform	<p>Consider the work on local government tax reform and the impact this could have on the Settlement, including:</p> <ul style="list-style-type: none"> • Council Tax Reduction Scheme: consider options for the payment of CTRS for year 1 onwards of the reform. • Notional Council Tax: consider whether the current approach to determining the notional CT within the Settlement model needs changing in light of council tax reform. • Transition: consider how any options for transition may impact the Settlement calculations. • Future Proofing: consider how we can build futureproofing into the Settlement formula to reflect future re-valuations. 	<p>Ensure DSG are engaged at the appropriate times and aware of any developments from LGFR.</p> <p>Consider issues arising including re-distributional impacts, any phasing etc.</p>	To be implemented for 2028/29 settlement
1 (although may change depending on timing of CT reform)	Monitor the work to identify alternative datasets for a proxy deprivation indicator in place of eFSM.	Monitor the data and distributional implications arising from all primary school pupils being eligible for FSM, due to potential impact on quality of the indicator for future settlements. 2024-25 used an average of eFSM and TP pupils for the years 2021, 2022 and 2023 as agreed through DSG.	Continue close contact with policy team through working group.	Will be aligned to the outcomes of the Welsh Government's e-FSM policy group.

Distribution Sub Group (2023) – Work Programme 2024

Priority	Item	Description	Action	Progress/Timing
2	Welfare Reform	As benefit-related data are key components of the settlement, there is a continued need for the DSG to monitor the emerging impact of welfare reform on the data used in the formula.	We 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 system.	Work expected 2026/27 Settlement.
1 (although may change depending on timing of CT reform)	Continue review of the Census 1991 indicators that include Sparsity and Dispersion: 1. Recalibration of the Nursery and Primary Schools Formula	Following the data workshop in September 2023 the actions were <ul style="list-style-type: none"> - GIS expertise to liaise with ONS to further understand the methodology of the new settlement threshold data within the context of Wales' topography and pass understanding to DSG. - Settlement team to continue this work and keep DSG updated with progress and findings. The need for additional staffing/ resources will also need to be considered further. - Settlement team will investigate several settlement threshold options within the 2021 census settlement data. This is due to 	Officials to consider the impact of updates from the Census 1991 data to the Census 2021 data, recalibrating the weightings for the Nursery and Primary Schools IBA , to ensure they reflect the best measure of the need to spend.	Analysis to be presented at DSG during 2024: <ul style="list-style-type: none"> - 21/05/24 - 04/07/24 Work ongoing to extend to other education IBAs

Distribution Sub Group (2023) – Work Programme 2024

Priority	Item	Description	Action	Progress/Timing
		<p>small margins between the regression analysis for suitability of settlement thresholds smaller than 10,000 individuals.</p> <p>Current Formula:</p> <p>Weight: Indicator:</p> <p>0.815 x Primary school pupils and modelled nursery school pupils</p> <p>0.098 x Settlement threshold 1,000</p> <p>0.087 x Primary school pupils eligible for free school meals</p>		
1 (although may change depending on timing of CT reform)	<p>Continue review of the Census 1991 indicators that include Sparsity and Dispersion:</p> <p>2. Recalibration of the Older adults' Residential and Domiciliary care Formula</p>	<p>DSG were presented with the following paper: 2023-06-08 - Distribution Sub Group (DSG) - Paper 07 - 2021 Census datasets</p> <p>This showed an exemplification of the Census datasets.</p> <ul style="list-style-type: none"> - Pensioners living alone in households (2023) - Pensioners with a limiting long-term illness (2023) <p>Current Formula:</p> <p>Weight: Indicator:</p> <p>0.320 x Pensioners with limiting long-term illness</p>	<p>Officials to exemplify the impact of using different population age bands.</p> <p>Officials to consider the impact of updates from the Census 2001 data to the Census 2021 data, recalibrating the weightings for the Older adults' Residential and Domiciliary care IBA, to ensure they reflect the best measure of the need to spend.</p>	<p>Analysis to be presented at DSG:</p> <ul style="list-style-type: none"> - 21/05/24 - 04/07/24 <p>Work ongoing to assess data sources</p>

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Priority	Item	Description	Action	Progress/Timing
		<p>0.303 x Pensioners living alone in households</p> <p>0.202 x Population aged 85 and over</p> <p>0.146 x Pension credit claimants aged 65 and over</p> <p>0.016 x Dispersion threshold 300 (2001)</p> <p>0.013 x Dispersion threshold 7,500 (2001)</p>		
2	2021 Census data:	<p>To consider update of the Census data in the settlement with 2021 Census data published from Spring 2023 onwards. Aggregated Wales Census topic summary statistics are available as well as an interactive map. More detailed analysis broken down by LA, age and other characteristics will be released during 2023 and 2024.</p> <p>Release Schedule (Datasets used in settlement):</p> <ul style="list-style-type: none"> - Adults aged 18 to 64 in non-white ethnic groups (Early 2023). - Dependent children in households where head is in a low occupational classification. (2023) - Dependent children in lone adult households (2023) 	<p>Initially, we will look at the impact of updating the census indicators related to the 'Recalibration of the older adults' Residential and Domiciliary care Formula' – see above.</p>	<p>Analysis presented at DSG*:</p> <ul style="list-style-type: none"> - 21/05/24 - 04/07/24 - 19/09/24

Distribution Sub Group (2023) – Work Programme 2024

Priority	Item	Description	Action	Progress/Timing
		<ul style="list-style-type: none"> - <u>Dependent children in overcrowded housing</u> (2023) - <u>Dependent children in social rented housing</u> (2023) - <u>Households where head is aged 18 to 64 with no carer</u> (2023) - <u>Pensioners living alone in households</u> (2023) - <u>Pensioners with a limiting long-term illness</u> (2023) - <u>Population aged under 18 in wards with weighted density greater than the Welsh average</u> (Early 2023) 		

*Milestones may change depending on the timeline of local government tax reform.