

**REPORT OF THE
DISTRIBUTION SUB GROUP
September 2017**

Report of the Distribution Sub Group 2017

CONTENTS

CONTENTS	2
SECTION 1: INTRODUCTION AND REMIT	3
SECTION 2: OVERVIEW OF THE 2017 DSG WORK PROGRAMME	5
SECTION 3: CHANGES TO EXISTING FORMULAE AND DATA ISSUES	7
SECTION 4: SPECIFIC GRANTS	10
ANNEX A: MEMBERSHIP OF THE DSG 2017	11
ANNEX B: REPORT OF THE INDEPENDENT MEMBERS 2017	12
ANNEX C: SUMMARY OF FORMULAE CHANGES FOR 2018-19 SSA	15
ANNEX D: MODELLED IMPACT OF CHANGES ON THE 2017-18 TOTAL SSA	16
ANNEX E: TRANSFERS INTO THE 2018-19 SETTLEMENT AT 2017-18 PRICES	17
ANNEX F: THE 2017 WORK PROGRAMME	18

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 2017 DSG work programme and the Group's recommendations on changes to the Standard Spending Assessment (SSA) formulae for implementation in the 2018-19 Local Government Settlement. For the 2017 work programme, DSG met on five occasions and considered 16 papers.
2. There are no new formulae changes proposed for implementation in 2018-19. Annex C sets out the second phase of changes to the Personal Social Services formulae that were agreed by the FSG in 2017. The effects of these changes are modelled on the 2017-18 final settlement and shown in Annex D. The distributions of transfers into the settlement for 2018-19 that have been discussed with the DSG are set out in Annex E.

The Distribution Sub Group

Purpose

3. 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 over £4 billion of Aggregate External Finance (AEF) after taking account of each authority's ability to raise resources from its own council tax base.
4. 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 2017 work programme can be found in Annex F.

Remit for 2017

5. 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 2018-19 Settlement whereas others will be for implementation over a longer timescale.
6. The key 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.
- 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.

Beyond the 2018-19 Settlement

7. The programme of work being taken forward to support the reform of local government will have implications for DSG's work programme.
8. DSG will need to identify and consider these implications, in particular how some current areas of work align with future reform.

Membership

9. Details of the membership of the DSG during 2017 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 2017. The Local Government membership is determined by the WLGA.

SECTION 2: OVERVIEW OF THE 2017 DSG WORK PROGRAMME

10. This section provides an overview of the progress under the two sections of the 2017 DSG work programme: shorter term considerations and longer term considerations.

I. Shorter term considerations

Financial stability

11. 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.

12. Their ongoing view is that a floor mechanism should be considered for the 2018-19 Settlement, if required, to protect authorities from unmanageable changes. The DSG recognises that decisions on any floor arrangement are the responsibility of the Cabinet Secretary for Finance and Local Government.

13. The Group wishes to keep in mind the underlying stability of the Settlement formula and the links to the longer term reform of local government.

Formula development activities

14. As agreed in the Distribution Sub Group work programme, the key focus areas for the 2018-19 Settlement are essential formula maintenance to allow time to consider the implications of local government reform.

15. Annual updates to key datasets were considered, such as outturn data and pupil numbers. The following matters were also considered:

- Distributional implications of increasing capital limits for residential care
- Assumed interest rate for the debt financing element of the formula
- Prison Populations
- Welfare Benefits Reform Update

16. Further detail is included in section 3.

Specific grants

17. The Group considered the transfer into the Settlement of funding for the Independent Living Grant, social care provision for prisoners in the secure estate, the waste element of the Single Revenue Grant and the Social Care Workforce Grant.

18. Further consideration was also given to the distributional issues associated with the proposal to transfer responsibility to local authorities for managing post-16 Learning Difficulties and/or Disabilities (LDD) specialist placements as well as the potential to transfer funding into the settlement as a result of the proposed devolution of funding for supported housing to the Welsh Government from April 2019. These will be considered for implementation in 2019-20 at the earliest.

19. The recommendations for the distribution of transfers are outlined in section 4.

II. Longer term considerations

20. Aside from essential formula maintenance, the focus of the group has been on addressing the recognised deficiencies of the current formula and considering whether there is an alternative which is more directly related to the need to spend and could provide greater stability, as well as future-proofing against the potential outcomes of the work on local government reform.

21. Under the longer term work, the following themes were considered:

- Reducing Complexity
- Updating Census-based indicators
- Bottom up determination of cost drivers
- Forecasting data

SECTION 3: CHANGES TO EXISTING FORMULAE AND DATA ISSUES

3.1 Formula Development Activities

Legacy Decision: Personal Social Services (PSS) Sparsity Measure

22. In 2016, the DSG recommended an update to the PSS formulae to take account of the cost of travel time within the social services sector. The FSG agreed to implement a phased introduction of these changes with the first phase taking place for the 2017-18 settlement and the remaining phase to take place for the 2018-19 settlement. Annex C outlines the formula change between phase 1 (2017-18) and phase 2 (2018-19). The financial implications of this are modelled in the table in Annex D.

Assumed interest rate for the debt financing element of the formula

23. The Group considered two papers looking at the underlying methodology for calculating the interest rate for the debt financing element of the formula. Changes to the underlying methodology have the potential to re-distribute up to £1.3 million of SSA. The group felt it was important to fully understand the methodology behind the calculation before making any decisions on whether it should be changed and agreed to set up a specialist technical group of accountants to consider this in greater depth.

Increasing Capital Limits for Residential Care

24. DSG discussed monitoring the distributional impact of the additional resources included in the 2017-18 settlement to support the increase to the Capital Limits for Residential Care in order to inform the management of distributional changes arising from further increases to the capital limit towards the planned £50,000 limit. DSG is due to consider a further paper once the second quarter of monitoring data has been collected.

Longer term considerations

Updating Census-based indicators

25. A paper was considered by the Group looking at updating the 2001-based Census indicators to the most recent, 2011, Census. As updating these indicators would involve a significant amount of work in the re-running of the underlying statistical model, it was agreed to pick this up under the considerations around the future work programme.

Reducing Complexity

26. The Group considered papers looking into reducing complexity within the settlement formula. There was general agreement that some of the cost drivers are small and there may be a case for consolidation. However the group agreed that further consideration was required as simply removing smaller indicators or service areas from the formula could potentially cause distributional movements and was not methodologically sound.

Bottom up determination of cost drivers

27. The DSG explored financial benchmarking data for schools, collected by the Data Unit Wales.

28. It was felt that this data could inform the work of the DSG surrounding the education bottom up approach to the formula that had been looked at in previous years, as well as possibly informing the underlying financial data in the model, to make it more forward-looking. A similar data collection exercise is carried out for waste services and it was suggested that looking at this through the Waste Working Group in the first instance may provide a possible basis for change.

3.2 Data Issues

Prison Populations

29. DSG considered the impact of the prisoner figures in Wrexham's population projections figures following the opening of HMP Berwyn. DSG considered the case for amending Wrexham's population figures as there is a lag in the prison population being picked up in the population projection figures. It was recommended that this approach apply to other material changes to the prison estate in the future.
30. **Recommendation: To adjust the population projection figures to account for material changes to the prison estate, in this case the inclusion of the prisoners held in HMP Berwyn at the time of preparing the 2018-19 settlement.**

Welfare Benefits Reform Update

31. Welsh Government Officials have continued to monitor the rollout of Universal Credit and the impact on the latest eligibility for Free School Meals data taken from the January 2017 PLASC. As of January 2017, Universal Credit has rolled out in respect of new claims for families in Flintshire only, with minimal material effect on the 2018-19 Settlement. As a result, it is recommended that for the 2018-19 Settlement, no action is taken and that this work is taken forward as part of the 2018 and 2019 work programmes.

Latest expenditure data for the 2018-19 Settlement

32. The group reviewed the impact of updating the expenditure data in the model using the budget data sourced from Revenue Account returns and detailed outturn data sourced from Revenue Outturn returns. The financial implications of the combined data change can be found in the table in Annex D.
33. **Recommendation: The SSA build for the 2018-19 settlement will be calculated using the most up-to-date RA (2017-18) and RO (2016-17) data – in line with Society of Welsh Treasurers (SWT) principles.**

Latest pupil data for the 2018-19 Settlement

34. The Group considered the financial implications for total SSA of updating the latest pupil numbers and eligibility for Free School Meals data taken from the January 2017 Pupil Level Annual School Census (PLASC). The financial implications of the combined data change can be found in the table in Annex D.
35. The DSG noted the year-on-year volatility of this indicator and the wider implications beyond the local government settlement and will follow this up under the 2018 work programme.
36. **Recommendation: The SSA for the 2018-19 settlement will be calculated using the most up-to-date January 2017 PLASC data.**

SECTION 4: SPECIFIC GRANTS

Welsh Independent Living Grant (WILG)

37. The DSG considered a paper on the proposed transfer of funding for the Welsh Independent Living Grant (WILG) into the Revenue Support Grant (RSG) for 2018-19.
38. The Group approved the proposal for the WILG to be transferred into the RSG on the same basis as provided under the current grant scheme in 2018-19, with a plan to re-consider early in 2018 whether there should be any phasing from 2019-20 before moving to a formula basis for distribution.
39. **Recommendation: Transfer the WILG into the RSG on the same basis as provided under the current grant scheme for 2018-19 and to re-visit the future distribution under the 2018 work programme.**

Waste Element of the Single Revenue Grant

40. The Group considered a paper on the latest position with regards to the proposed transfer of funding from the waste element of the Single Revenue Grant (SRG) to the Revenue Support Grant (RSG) for 2018-19.
41. The paper recommended that any transfer into the RSG for 2018-19 should be as a separate Indicator Based Assessment (IBA) for 2 years, distributed on the sum of the Waste Collection and Waste Disposal IBAs. The funding should then be subsumed into the relevant IBAs once the corresponding Revenue Outturn (RO) data becomes available in the third year of the transfer.
42. **Recommendation: The DSG agreed to recommend that any transfer of a Waste element of the SRG into the RSG for 2018-19 is based on the sum of the waste collection and waste disposal IBAs as a separate IBA initially, until the underlying financial data catches up in year 3, when the funding should be subsumed into the appropriate IBAs.**

Social Care Workforce Grant (SCWG)

43. The group considered a paper on the potential transfer into the settlement of the Social Care Workforce Grant for 2018-19. The paper proposed that any transfer into the settlement would be identified as a separate Indicator Based Assessment (IBA) for 2 years, distributed on the total of the Personal Social Services (PSS) sector IBAs [the current distribution of the grant] and that the funding would then be subsumed into the relevant PSS IBAs once the corresponding Revenue Outturn (RO) data becomes available in the third year of the transfer.
44. **Recommendation: To transfer the funding for the Social Care Workforce Grant into the settlement for 2018-19 as a separate IBA for 2 years, distributed on the total of the PSS sector IBAs and for the funding to be subsumed into the relevant PSS IBAs once the corresponding Revenue Outturn (RO) data becomes available in the third year of the transfer.**

Funding for social care provision for prisoners in the secure estate

45. Under the Social Services and Well-Being (Wales) Act, from 6 April 2016, Welsh Local Authorities are responsible for the provision of care and support to adults and children in the secure estate in Wales. This is a new statutory duty for Local Authorities and additional funding has been provided by the Welsh Government to meet these duties through a specific grant for 2016-17 and 2017-18.
46. Welsh Government Officials proposed a transfer into the settlement of the funding for the four Welsh Government grant-funded authorities for 2018-19, with the funding for HMP Berwyn transferring in at a later date. In-line with standard practice around smaller grants transferring into the settlement, it was proposed to distribute the funding through the overall Personal Social Services (PSS) sector block.
47. **Recommendation: To transfer the grant funding for social care for prisoners in the secure estate for the four authorities into the settlement for 2018-19, on the overall PSS sector block with the funding for HMP Berwyn transferring in at a later date.**

Post-16 Learning Difficulties and/or Disabilities (LDD) Specialist Placements

48. DSG considered the distributional issues associated with the proposal to transfer responsibility to local authorities for managing post-16 LDD specialist placements and further analyses of current costs of the service. Further papers will be considered ahead of the transfer of funding in 2019-20 at the earliest.

Supported Housing

49. The DSG considered a discussion paper on the supported housing review ahead of the proposed devolution of funding to the Welsh Government. The Group will be kept informed progress at future meetings.

ANNEX A: MEMBERSHIP OF THE DSG 2017

Welsh Government – Local Government Finance Policy / Strategic Finance Division

Robert Hay – Head of Local Government Finance Policy (Chair)
Debra Carter – Deputy Director, Local Government Strategic Finance
Judith Cole (until March 2017) – Deputy Director, Workforce and Social Partnerships
Simon Edwards – Local Government Finance Policy
Kim Swain – Local Government Finance Policy
Euros Jones (until March 2017) – Local Government Finance Policy
Shelley Heath – Local Government Finance Policy
Clare Blake – Local Government Strategic Finance

Independent Members

Prof Hugh Coombs
Dr Rhys Andrews
Chris Barton

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
David McAuliffe	Chief Finance Officer, Blaenau Gwent County Borough Council
Hywel Jenkins	Director of Finance & Corporate Services Neath Port Talbot County Borough Council
Chris Lee	Director of Financial Service Rhondda Cynon Taf County Borough Council
David Powell	Strategic Director Resources, Powys County Council
Joy Robson	Head of Finance, Monmouthshire County Council
Ian Allwood	Head of Finance, Cardiff Council
Richard Weigh	Chief Finance Officer, Denbighshire County Council

ANNEX B: REPORT OF THE INDEPENDENT MEMBERS 2017

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 2017 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 the members reiterate that continues to be the case.

Future Developments

Several work streams are underway to determine possible alternative methods of developing a new distribution mechanism. However, much of that work remains at a formative stage, and there is robust debate between local and national partners about how to take this further forward. For this reason, it may now be valuable to explore the possibility of commissioning an independent review of the formula, especially as it has been twenty years now since the last one. Such a review could include a wide-ranging consultation, which addresses both the technical and political considerations associated with alternative distribution formulae. The imperatives for a review of the formula remain unaltered and are reiterated below.

- The continuing need to amend aspects of the formula and to bring historical data up to date suggests that the current formula is still far from stable. 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

The next local government election term of five years still provides the opportunity to address many of the matters referred to above.

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
Professor Rhys Andrews
Professor Hugh Coombs
September 2017

ANNEX C: SUMMARY OF FORMULAE CHANGES FOR 2018-19 SSA

Personal Social Services formula changes: Phase 2

PSS IBA	Formula for 2017-18	Formula for 2018-19 onwards
Children and Young Persons	<p>0.692 x dependent children in out of work families</p> <p>0.0545 x children in wards with weighted density > Welsh average</p> <p>0.1335 x dependent children in social rented housing</p> <p>0.098 x dependent children in overcrowded housing</p> <p>0.022 x dispersion (300)</p>	<p>0.685 x dependent children in out of work families</p> <p>0.054 x children in wards with weighted density > Welsh average</p> <p>0.132 x dependent children in social rented housing</p> <p>0.097 x dependent children in overcrowded housing</p> <p>0.032 x dispersion (300)</p>
Younger Adults	<p>0.6035 x population aged 18-64</p> <p>0.013 x adults aged 18-64 in non-white ethnic groups</p> <p>0.173 x SDA, DLA & PIP claimants aged 18-64</p> <p>0.158 x households where head aged 18-64 with no carer</p> <p>0.040 x IS, JSA, UC & pension credit claimants aged 18-64</p> <p>0.003 x dispersion (300)</p> <p>0.0095 x dispersion (7500)</p>	<p>0.601 x population aged 18-64</p> <p>0.013 x adults aged 18-64 in non-white ethnic groups</p> <p>0.172 x SDA, DLA & PIP claimants aged 18-64</p> <p>0.157 x households where head aged 18-64 with no carer</p> <p>0.040x IS, JSA, UC & pension credit claimants aged 18-64</p> <p>0.003 x dispersion (300)</p> <p>0.014 x dispersion (7500)</p>
Older Adults	<p>0.3215 x pensioners with LLTI</p> <p>0.1465 x pension credit claimants aged 65 and over</p> <p>0.304 x pensioners living alone in households</p> <p>0.203 x population aged 85 and over</p> <p>0.016 x dispersion (300)</p> <p>0.009 x dispersion (7500)</p>	<p>0.320 x pensioners with LLTI</p> <p>0.146 x pension credit claimants aged 65 and over</p> <p>0.303 x pensioners living alone in households</p> <p>0.202 x population aged 85 and over</p> <p>0.016 x dispersion (300)</p> <p>0.013 x dispersion (7500)</p>

ANNEX D: MODELLED IMPACT OF CHANGES ON THE 2017-18 TOTAL SSA*

£ thousands

Local Authority	2017-18 SSA Published	Key Dataset Changes					2017-18 SSA With changes	Differences	
		a) latest RO and RA data**	b) latest PLASC data**	c) population**	(d) PSS formula change	(e) transfers***		£000s	%
Isle of Anglesey	127,453	-158	192	-94	281	15	127,690	237	0.2%
Gwynedd	226,413	-325	-424	12	675	42	226,394	-19	0.0%
Conwy	207,919	-215	-134	-123	-18	5	207,435	-485	-0.2%
Denbighshire	185,620	-77	-170	-87	120	8	185,414	-206	-0.1%
Flintshire	257,526	-131	-426	-34	-69	17	256,883	-643	-0.2%
Wrexham	230,510	177	143	313	-185	30	230,987	477	0.2%
Powys	239,309	-396	-440	-319	1,535	41	239,730	421	0.2%
Ceredigion	134,235	-293	-367	-37	653	17	134,208	-27	0.0%
Pembrokeshire	219,607	-207	22	-65	294	21	219,672	65	0.0%
Carmarthenshire	335,323	-333	-443	-174	439	46	334,857	-465	-0.1%
Swansea	414,595	111	930	109	-504	-19	415,221	626	0.2%
Neath Port Talbot	262,581	47	-210	-175	-214	13	262,042	-539	-0.2%
Bridgend	248,593	65	180	-97	-271	-203	248,267	-327	-0.1%
The Vale of Glamorgan	216,807	-81	502	-119	-102	2	217,009	202	0.1%
Rhondda Cynon Taf	442,518	64	992	-22	-455	32	443,130	611	0.1%
Merthyr Tydfil	109,683	166	-209	-29	-124	6	109,494	-190	-0.2%
Caerphilly	333,301	38	-1,115	-114	-376	10	331,744	-1,557	-0.5%
Blaenau Gwent	133,102	70	-1,403	-56	-186	0	131,529	-1,574	-1.2%
Torfaen	166,924	174	-297	-32	-223	7	166,553	-371	-0.2%
Monmouthshire	143,880	-133	-140	-55	88	-103	143,537	-342	-0.2%
Newport	274,653	352	606	3	-395	36	275,255	602	0.2%
Cardiff	592,630	1,082	2,212	1,196	-963	-23	596,134	3,503	0.6%
WALES	5,503,184	0	0	0	0	0	5,503,184	0	0.0%

Notes:

Figures do not indicate actual funding allocations for 2017-18 and only exemplify some of the updates for the 2018-19 settlement. Other updates could have a significant impact on allocations.

a) Distribution changes resulting from an update to RO and RA data.

b) Distribution changes resulting from the 2017 PLASC data (including EOTAS pupils and those in independent schools paid by LEA).

c) Distribution changes resulting from updating from 2014-based 2017 population projections to 2014-based 2018 population projections and the inclusion of Wrexham's prisoner population.

d) Distribution changes resulting from changes to the PSS formulae.

e) Distribution changes resulting from transfers into the settlement.

*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.

***The distribution of some transfers is dependent on a number of underlying datasets, including the overall quantum of the settlement. Therefore, these figures are provisional.

ANNEX E: PROPOSED TRANSFERS INTO THE 2018-19 SETTLEMENT

£ Thousands

Local authority	Transfers in:				Total transfers
	Welsh Independent Living Grant	Social Care for Prisoners in the Secure Estate	Waste Element of the Single Revenue Grant	Social Care Workforce Grant	
Isle of Anglesey	775	0	920	421	2,116
Gwynedd	2,063	0	1,958	724	4,745
Conwy	1,244	0	1,417	742	3,403
Denbighshire	769	0	1,195	633	2,597
Flintshire	1,586	0	1,640	827	4,053
Wrexham	1,901	0	1,427	815	4,143
Powys	1,262	0	2,005	769	4,036
Ceredigion	570	0	1,069	437	2,076
Pembrokeshire	1,342	0	1,536	733	3,611
Carmarthenshire	3,135	0	2,124	1,144	6,403
Swansea	1,222	33	2,516	1,500	5,271
Neath Port-Talbot	1,273	0	1,477	948	3,699
Bridgend	1,203	217	1,503	846	3,770
The Vale of Glamorgan	691	0	1,344	704	2,738
Rhondda Cynon Taf	2,492	0	2,397	1,548	6,437
Merthyr Tydfil	564	0	598	408	1,571
Caerphilly	1,010	0	1,819	1,140	3,969
Blaenau Gwent	408	0	695	492	1,595
Torfaen	891	0	919	603	2,413
Monmouthshire	349	109	1,007	471	1,936
Newport	888	0	1,509	962	3,358
Cardiff	1,253	53	3,923	2,131	7,361
Wales	26,889	412	35,000	19,000	81,301

Note: transfers in are at 2017-18 prices

ANNEX F: THE 2017 WORK PROGRAMME

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.

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;

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.

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.