

## Distribution Sub Group Work Programme 2018

The work programme for 2018 is in two parts covering the short-term and longer term considerations in relation to the development of the formula. The first section considers those items that have been identified as needing to be considered in order to ensure future settlements (2019-20 and 2020-21 settlements) take account of issues affecting it. The second section considers those aspects of the current formula which it is recommended be reviewed over a longer timescale to ensure the formula is continually improving and remains relevant and fit for purpose.

### Shorter Term Considerations

Item	Description	Resource	Timing / action
<b>General Items</b>			
Post-16 Learning Difficulties and/or Disabilities Specialist Placements	<p>Consideration is being given to changing the arrangements for Post-16 Learning Difficulties and/or Disabilities Specialist Placements. These considerations follow on from the proposals for a new statutory framework for supporting children and young people with additional learning needs (ALN) contained in the Additional Learning Needs and Education Tribunal Bill which was introduced into the National Assembly for Wales on 12 December 2016.</p> <p>DSG will need to consider the distributional implications of the proposal to transfer responsibility to local authorities for managing these specialist placements.</p>	LGFP / Policy team	Not transferring until 2019-20 at earliest. For consideration by DSG from March 2018
Supported Housing	Responsibility for part of the supported housing element of housing benefit is transferring from the DWP to the Welsh Government. One of the options is to transfer this funding into the settlement.	LGFP / Policy team	Unlikely to happen before 2020-21 at the earliest. Oral item for May 2018
Welfare Reform	<p>As benefit-related data are key components of the settlement, there is a continued need for DSG to monitor the emerging impact of welfare reform on the data used in the formula. In particular, DSG will need to consider the potential definitional changes to the free school meals eligibility indicators.</p> <p>As well as short term consideration of the implications of the changes to the UK Government welfare support, consideration also needs to be given to the</p>	LGFP	DSG to consider from March 2018

Item	Description	Resource	Timing / action
	changes beyond 2018-19 which affect the distribution of resources to local authorities, such as the changes to housing benefit due to be implemented for 2019-20.		
Assumed interest rate for the debt financing element of the formula (Pool Rate)	DSG receives an annual update on the calculation of the notional interest rate assumption used in the settlement model to calculate the element of the settlement that relates to debt financing costs. There is a need to review the assumptions that 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.	LGFP / Pool Rate working group	DSG to consider the advice of the Pool Rate Working Group in summer 2018
Tax base data	Investigation into the distributional implications of changing the council tax increase assumption in the formula. Investigation into the treatment of discretionary discounts in the tax base used for calculation in the settlement.	LGFP	Start now. Investigate with possibility of taking paper to March meeting
Free School Meal Indicator	DSG has expressed concerns at the volatility of this indicator. Analysis will be carried out to look at the potential for greater stability.	LGFP	March
Review of the Revenue Outturn and Revenue Account data within the SSA Build	The Revenue Outturn and Revenue Account data within the SSA Build have not been reviewed for a number of years. The DSG specified in 2017 that they would like to consider this in more detail – particularly the ‘other service’ category.	LGFP	March
<b>Specific Grants</b>			
Welsh Independent Living Grant	To consider the distribution of the grant in 2019-20 and future years, following the transfer of this funding into the settlement on an actual basis in 2018-19.	LGFP / Policy team	Oral item January. Further paper from May
Community Grants Flexible Funding Review	DSG to keep abreast of the flexible funding review and to consider any distributional issues as appropriate	Policy team	Oral item January
Other potential transfers into the settlement	To consider other potential transfers into the settlement at the appropriate juncture.	LGFP / Policy teams	Monitor situation with policy.

Item	Description	Resource	Timing / action
<b>Annual standing papers</b>			
PLASC data updates	An annual standing paper looking at the implications of updating the PLASC data in the settlement formula on the distribution to authorities.	LGFP	July
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.	LGFP	July / September
DSG Progress Report	A report of the progress of the DSG against the 2018 work programme up to July 2018, for presentation at the Finance Sub Group (FSG) meeting on 11 July.	LGFP	May (or late June via correspondence)
DSG Report	The final report of the DSG to be signed off by the Finance Sub Group (FSG) on 27 September 2018.	LGFP	September

## Longer Term Considerations

Item	Description	Resource	Timing / action
Education Formula	A technical sub group of DSG has been considering the potential for developing an alternative approach to the education formula within the model, based on building it up using unit cost measures for the main components of education spending.	LGFP / Local Government DSG members	DSG to consider from March
Modernising Waste Formula	<p>The current waste formula was designed in 2002 and does not reflect the manner in which waste services have been transformed to place greater emphasis on recycling and reuse. This affects the way waste is collected and disposed of.</p> <p>A technical sub group of DSG has been considering the data analysis and modelling assumptions needed to develop a revised formula.</p>	LGFP	DSG to consider from March
Enabling Local Government Reform	Funding arrangements need to be considered to ensure they remain fit for purpose.	TBC	TBC
Taking Wales Forward	The Welsh Government's 'Taking Wales Forward' includes commitments to reform local government funding arrangements and to put in place a floor for future local government settlements. Both these commitments have potential implications for the work of DSG. The work programme therefore needs to include engagement with these elements of work at the appropriate time.	LGSF	TBC
Simplification	Since the last overarching review of the formula methodology, a number of additional services have been added to the model to ensure the formula takes account of changes in local authority responsibilities. With the greater focus on the fitness of the formula for the future because of local government reform and 'Taking Wales Forward' commitments, this is an appropriate time to consider the scope for simplifying the formula without materially changing the way it reflects the relative need to spend.	LGFP	TBC