

## Draft Distribution Sub Group Work Programme 2021

The work programme for 2021 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 (2022-23 and 2023-24 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 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	2022-23 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
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-	LGFWP / Pool Rate working group	2021

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	<p>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. Also, data from the PWLB on local authority debt profiles is not available in the previously reported format.</p> <p>The working group will continue to review the process with a view of simplifying the model in 2021.</p>		
Population indicator for future settlements	To monitor the population projections data compared to the latest mid-year estimates to ensure it has not diverged. To review the population data and the retrospective analysis after the publication of the 2021 Census.	LFGWP	2021 onwards
Free School Meal data	<p>The free school meals data has been frozen, since the 2019-20 Settlement 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>The education sub-group will look for other data sources to replace this indicator.</p>	LGFWP	2021
Children in out of work families indicator	<p>DSG agreed to continue to freeze the children in out of work families' data for the 2021-22 settlement.</p> <p>Exploration into alternative datasets to continue.</p>	LGFWP	2021
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	2021

<b>Item</b>	<b>Description</b>	<b>Resource</b>	<b>Timing / action</b>
Housing Benefit dataset	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	2021
The impact of covid-19 on data	To assess and agree the treatment of datasets affected by covid-19, such as: Tourism, Financial, Benefits, CTRS, Population etc.	LGFWP	2021
Corporate Joint Committees	Consider the effect of Corporate Joint Committees on the Settlement funding formula	LGFWP	2021
<b>Specific Grants</b>			
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.
<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.	LGFWP	July / September 2021
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 2021
DSG Progress Report	A report of the progress of the DSG against the 2021 work programme up to July 2021, for presentation at the Finance Sub Group (FSG) meeting in July.	LGFWP	May 2021 (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 2021.	LGFWP	September 2021

## Strategic Considerations

Item	Description	Resource	Timing / action
Formula development	<p>Two technical sub groups of DSG were created to consider the potential for developing an alternative approach to the education and waste formula within the model, based on building it up using unit cost measures for the main components of education spending.</p> <p>During the course of the pandemic, formula development was not a priority area of work. Going forward, a more detailed project plan will be developed with consideration given to bringing in additional support if faster progress is desired.</p>	LGFWP / Local Government DSG members	Sub group to consider
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	<p>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.</p> <p>Officials to recalibrate the weightings within indicators as needed, to reflect changes in funding and new responsibilities.</p>	LGFWP	2021