Distribution Sub-Group Work Programme 2026

The work programme for 2026 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 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, if 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.

Annual Standing Items:

Priority	Item	Description	Action	Progress/Timing
1.	Population data for future settlements	DSG agreed to use the most up to date population data (MYE 2024) for the 2026-27 settlement. Publication of the 2022 based sub-national population projections were unavailable at the time. The financial implications of using different population data sets will be considered for the 2027-28 settlement. Current options are: - Mid-2025 Population estimates. - 2022 based Sub-national Population projections for the year 2026. However, ONS have yet to confirm if admin-based population estimates (ABPEs) will become the official statistics for MYE 2025. Any implications of using this data will need to be considered. **Release Schedule (Population)** Mid-2025 population estimates (July 2026)	Produce analysis on Mid-2025 population estimates (understanding any impact of ABPEs if deemed to be official statistics) and 2022 based and Sub National population projections.	September/October

1	PLASC data updates, including e-FSM data.	An annual standing paper looking at the implications of updating the PLASC data in the settlement formula on the distribution to authorities. A paper looking at the implications of updating the e-FSM (and TP) data in the settlement formula on the distribution to authorities.	Analysis will be presented at September DSG. [As EOTAS and Independent Schools figures are not usually available until November, the limited implications of these will be considered in November]	
1	Benefits and CTRS	An annual standing paper looking at the implications of updating the benefits and CTRS data in the settlement formula on the distribution to authorities.	Exemplification analysis to be presented to DSG	September/October
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.	Exemplification analysis to be presented to DSG.	September/October (RA) November (RO)
1	DSG Progress Report - interim	A report of the progress of the DSG against the 2026 work programme up to September 2026, for presentation at the Finance Sub Group (FSG) meeting in October.	Draft report to be presented to DSG	October (DSG)
1	DSG Progress Report – final	Final report of the progress of DSG to be signed off by the Finance Sub Group (FSG) in autumn 2026.	Final report (included response from Independent Members) to be presented to Finance Sub Group (FSG).	November 2026

Strategic Considerations

Priority	Item	Description	Action	Progress/Timing
2	Work related to Local Government Tax Reform	Consider the work on local government tax reform and the impact this could have on the Settlement, including: • **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 future-proofing into the Settlement formula to reflect future re-valuations.	Ensure DSG are engaged at the appropriate times and aware of any developments from Local Government Finance Reform (LGFR). Consider issues arising including re-distributional impacts, any phasing etc.	To be implemented for 2028/29 settlement
2	Welfare Reform – frozen indicators	Numerous welfare benefit indicators were previously frozen during the UC rollout. Only the 'Children in out of work benefit households' indicator	Review the scope and suitability of alternative datasets, presenting relevant analysis to DSG	

Priority	Item	Description	Action	Progress/Timing
		remains frozen. This indicator is no longer published As this indicator is no longer available, analysis will be undertaken (alongside the wider formula review work) into a potential replacement dataset.	to determine whether this indicator can be replaced for the 2027-28 Settlement.	
2	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

Formula Review

Priority	Item	Description	Actions	Progress/Timing
1	Formula Review Work Stream (FRWS) 2: Main Education IBAs Recalibration	Recalibration of Nursery & Primary, Secondary and Special Education IBAs using updated indicators and modelling.	- DSG steer on data and indicator selection, including the identification of alternative datasets for a proxy deprivation indicator in place of eFSM.. - Run and review updated regressions and distributional impacts. - Finalise methodology paper. - Re-engage with policy colleagues and relevant experts on the construction of the special education formula, following statistical testing.	Timescale: Autumn 2025 – Spring 2026 Progress: Pilot recalibration for Nursery & Primary completed. Initial regression & indicator testing completed. DSG decision papers for nursery, primary and secondary schools produced. Methodology papers in progress. Engagement underway with KAS, policy and ADEW.
1	FRWS3: PSS IBAs Recalibration	Full rebuild of CYP, Older Adults and Younger Adults IBAs using disaggregated census and expenditure data, new deprivation measures and dispersion modelling.	- Review methodology and decision papers. - Data Cymru to collect Local Authority data. - DSG steer on data and modelling assumptions. - Re-run regression and MLM, testing old, and potentially new, deprivation indicators. - Further engagement with	Timescale: Winter 2025 – Autumn 2026 Progress: Initial discussions with policy and KAS colleagues on how to approach the re-calibration. Engagement with Data Cymru and agreement for the data collection to take place. Initial exploratory analysis in progress. Engagement with ADSS Cymru and Social Care Teams ongoing.

Priority	Item	Description	Actions	Progress/Timing
			policy and relevant experts.	
1	FRWS4: Remaining Education IBAs Recalibration	Recalibration of Education Transport and School Meals IBAs.	Full review of current methodology, followed by decision and methodology papers for DSG agreement.	Timescale: Winter 2025 – Summer 2026 Progress: Looking to be slightly behind on this action, while the main education re-calibration is agreed and the data collection for social care is initiated. Additional analytical resource will ensure this gets back on track.
2	FRWS5: Other Census-based IBAs Recalibration	Update remaining Census-based IBAs including Public Transport Revenue Support, Recreation, Cultural Services, Other Environmental Health & Port Health, and Refuse Collection, along with Non-HRA Housing.	Full review of current methodology, followed by decision and methodology papers for DSG agreement.	Timescale: Summer 2026 – Spring 2027 Progress: not yet started
2	FRWS8: Damping/Phasing and Deprivation Grant Review	Develop and agree options to manage volatility and review the Deprivation Grant IBA.	Produce options for damping/phasing once re-distribution of resources begins to materialise, being sure to consider the implications of Council Tax Reform.	Timeline: Spring 2027 – Summer 2027 Progress: Not yet started, but close contact with Local Government Finance Reform colleagues being maintained.