

## **DISTRIBUTION SUB GROUP (DSG)**

**Minutes of meeting held on 15 May 2018 at Cathays Park, Cardiff**

### **Welsh Government (WG)**

Judith Cole (Chair)	Shelley Heath
Simon Edwards	Joanna Leek
Ashley Caddick	Amanda Whittle (for item 11)
Melanie Godfrey (observer - left after item 8)	Paul Webb (left after item 3)

### **Welsh Local Government Association (WLGA)**

Mari Thomas (WLGA)	Christopher Lee (RCT)
Andrew Stephens (Data Unit Wales)	Ian Allwood (Cardiff)
Dilwyn Williams (Gwynedd)	Hywel Jenkins (Neath Port Talbot)

### **Independent Members**

Hugh Coombs

### **Apologies**

Joy Robson (Monmouthshire)	David McAuliffe (Blaenau Gwent)
Rhys Andrews (Independent)	Richard Weigh (Denbighshire)
Chris Barton (Independent)	David Powell (Powys)
Debra Carter (WG)	Jon Rae (WLGA)

### **Welcome and Introductions**

1. Judith Cole introduced herself as the new Head of Local Government Finance Policy, Workforce and Social Partnerships Division and Chair of the DSG and recorded apologies.

### **Minutes and matters arising from the previous meeting**

2. Paragraph 36: The DSG asked for it to be noted that the group being referred to was the Distribution Sub Group and not the Pool Rate Working Group.
3. Paragraph 37: The DSG also asked for it to be noted that the group being referred here to was the Society of Welsh Treasures (SWT).
4. **Action: Welsh Government officials to amend the minutes before publication.**
5. Paragraph 3: Jon Rae circulated alternative wording for inclusion in the minutes of the March meeting.
6. **Action: Welsh Government officials to amend the minutes before publication.**
7. Paragraph 22: Welsh Government officials provided a brief document to explain the effects of the proposal to increase the council tax assumption in the formula. The group discussed the rationalisations of updating the 2.5% assumption, as it no longer reflects Local Authorities actual council tax increases. The group agreed that 3-year averages of Council tax changes should be used to calculate

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the council tax increase assumption as this is based on actual data and should give a more accurate estimation of Local Authorities' annual council tax increases.

8. **Action: Welsh Government officials to use a 3-year average of the percentage changes in county council council tax to calculate the council tax increase assumption used in the settlement calculations.**
9. **Action: Welsh Government officials to reflect this decision in the DSG progress report.**
10. All other actions from the previous DSG meeting have been brought back to the group as agenda items.

### **DSG (2018) Oral item – Supported Housing update**

11. Paul Webb, Head of Housing Support & Welfare, Welsh Government, gave an update on the current position of the Supported Housing Accommodation Review.
12. Paul highlighted that a decision had been made to scale back the transfer of funding from the UK government to Wales from April 2020 so that only short term accommodation is considered. There is currently a consultation taking place regarding the transfer of funding.
13. It was noted that one of the five options being considered in the consultation is to transfer the funding into the Revenue Support Grant (RSG). DSG members highlighted the importance of early involvement of DSG if the funding is to be transferred into the RSG.
14. The group felt that this was not the right meeting to discuss the different options and that Paul Webb should be invited to the SWT executive meeting on 15 June, to discuss the options in further detail.
15. **Action: Chris Lee, as a member of the SWT executive, to arrange for Paul Webb to attend the next meeting on 15 June.**
16. Paul Webb left the meeting.

### **DSG (2018) Paper 07 – Schools Financial Benchmarking data investigation**

17. Welsh Government officials presented a paper which combined thoughts from the previous DSG meeting along with work previously undertaken by the Education Sub Group in 2015.
18. The paper explores the limitations and omissions of the financial benchmarking data and assesses how these compare with previously outlined spending components, to investigate whether they are still fit for purpose. It was highlighted the initial cost drivers were decided in 2011-12 meaning these may now be outdated, due to changes over time.
19. DSG members were asked for recommendations on the next steps and asked to provide thoughts on a review of the current membership of the Education sub-group.

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20. The group agreed the next steps on work on the Educational benchmarking data should be decided by the Education sub-group and expressed the need to set this up promptly, so work can begin on this.
21. It was agreed for membership suggestions for the Education sub-group to be sent to the Local Government Settlement Mailbox. Members expressed the need for members of Association of Directors of Education in Wales (ADEW), Data unit and Welsh Government education policy to be part of the work undertaken by the Education sub-group.
22. **Action: DSG members to send recommendations of membership of the Education sub-group to the [Local Government Settlement Mailbox](#)**
23. DSG members noted the implications policy decisions have on the formula and highlighted the importance that they are aware of this.

### **DSG (2018) Paper 08 – Waste formula development**

24. Welsh Government officials presented a paper on the current position of the Waste working group, which has not met since 2016, and outlined the pilot approach which was drawn up in 2016. Members were asked whether they felt these considerations and proposals are still fit for purpose.
25. Members expressed an appetite to reconvene the working group, with the need for policy colleagues to be included in the membership in order to review the proposed approach.
26. It was agreed for suggestions for membership to be sent to the Local Government Settlement Mailbox in order to re-start the waste working group.
27. **Action: DSG members to send expressions of interest and suggestions for membership to the [Local Government Settlement Mailbox](#).**

28. The group expressed interest in inviting policy colleagues to DSG meetings.

### **DSG (2018) Paper 09 – RO & RA data mapping**

29. Welsh Government officials presented a paper on the mapping and construction of the Revenue Outturn (RO) and Revenue Account (RA) data within the Settlement build.
30. The paper highlighted some issues in the construction of the build.
31. It was agreed that the school catering IBA is netting grants off in the incorrect places, and that this oversight should be rectified.
32. DSG members also asked that Welsh Government check that all school catering elements are captured in this process.
33. Welsh Government officials highlighted the treatment of the financial information of middle schools, and how these are apportioned to the primary and secondary teaching and transport IBA's, based on pupil numbers.

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34. The group agreed that the apportionment should not include pupil numbers studying in post 16 educations, for the teaching IBAs.
35. The group agreed to the principle that, if middle school pupil numbers are not yet available for a local authority, an average of the percentage splits for the combined middle schools pupil numbers should be used as a proxy.
36. The paper also outlined the three lines from the RO data collection that are currently excluded from the construction of the model.
37. The guidance states that line 17, housing benefits payments, generally relate to HRA housing. The group were not convinced that this was the case with the input of the data.
38. The group agreed in principle that line 18, housing benefit administration, should be included in the construction of the model. Members also asked for further explanations on why some local authorities benefited more than others.
39. The mapping of the Other Services sector, raised questions on what local authorities are including in lines 28 and 30 of the RO9 forms.
40. The chair asked members to provide any comments on the RA mapping via correspondence.
41. **Action: Welsh Government officials to clarify the position with the school catering lines.**
42. **Action: Welsh Government officials to update the revenue outturn build to reflect the changes included in the paper.**
43. **Action: DSG members are to check what they include in RO8 - line 17, RO9 – 28 and 30, within their local authorities and feedback any issues to Welsh Government officials.**
44. **Action: Welsh Government officials to amend the RO build and provide further clarification on the distributional impact on some local authorities when changing on the Non-HRA housing IBA.**
45. **Action: DSG members to feedback any comments on the RA mapping to the [Local Government Settlement Mailbox](#).**

### **DSG (2018) Paper 10 – Homelessness Indicator**

46. Welsh Government officials presented a paper considering an update to the homelessness indicator along with wider issues with the Non-HRA housing IBA.
47. In light of the change in legislation in 2015 and a fundamental change in the homelessness data collected from Local Authorities, the paper presented a number of options to update the Non-HRA housing IBA.
48. The group discussed the differences in the new data collected compared with the previous data used in the IBA, and agreed a discussion should take place with housing colleagues to assess the drivers of need.

- 49. Action: Welsh Government officials to discuss with housing colleagues to investigate potential ways forward for the Non-HRA housing IBA.**

**DSG (2018) Paper 11 – Free School Meals indicator analysis**

50. Welsh Government officials presented a paper which gave an overview of the use of the Free School Meals indicator in the calculation of the Pupil Development Grant allocation and the impact of using 3-year averages of the PLASC free school meals data in the settlement calculations.
51. DSG members acknowledged the importance of understanding the volatility of the PLASC data and agreed for 3-year averages to be used for future settlements in order to smooth out some of this volatility.
52. Members questioned the reliability of the data and queried whether the Free School Meals data is the best indicator of deprivation. It suggested this should be investigated by the education sub-group.
- 53. Action: Welsh Government officials to use 3-year averages of the Free School Meals data for future settlements.**

**DSG (2018) Paper 12 – Discretionary Council tax discounts in the Settlement model**

54. Welsh Government officials presented a paper on discretionary discounts included in the calculations for the 100% tax base. It was highlighted that discounts for empty properties and second homes are included in the calculations for the 100% tax base. Since these are discretionary and the purpose of the 100% tax base is to make no allowance for local policy decisions, members were asked to assess whether these discounts should be included in the 100% tax base.
55. Members agreed in principle to reverse discounts for empty properties and second homes out of the 100% tax base for RSG. Members were content for the lines recording 25% and 50% discounts in council tax to remain in the calculations for the tax base as these are mandatory and are not influenced by Local Policy decisions.
- 56. Action: Welsh Government officials to consider reversing discounts for empty properties and second homes out of the 100% tax base used in the calculations of the RSG, subject to further analysis of the figures.**

**DSG (2018) Oral item – WILG**

57. Welsh Government officials gave an oral update on the current position of the Welsh independent Living Grant and informed members a paper will be brought to the July once sufficient data has been collected.
58. Members highlighted the importance of analysing how the grant should be transferred from actuals to formula.
- 59. Action: Welsh Government officials to bring back a paper to the July DSG, looking the relevant data for the Welsh Independent Living Grant.**

**DSG (2018) Paper 13 – Minimum Revenue Provision (MRP)**

60. Welsh Government officials presented a paper on the Minimum Revenue Provision. It was highlighted that currently 21 out of 22 authorities have taken the opportunity to amend their policies relating to supported borrowing, and have reduced their payments for supported debt from the 4% reducing balance. In light of this, members were asked to consider whether the current assumption within the settlement model for a 4% per annum repayment of debt principle is still valid.

61. DSG members requested anonymised analysis of the impact of changing the current assumption before coming to a conclusion.

**62. Action: Welsh Government officials to bring back a paper looking at the impact of changing the MRP assumption on the settlement model.**

**DSG (2018) Oral item – NHS-Funded nursing care**

63. In Jon Rae's absence, the chair informed the group of a letter which has been sent out to directors of Social Services regarding NHS-Funded nursing care.

64. The letter notifies of the Cabinet Secretary for Health and Social Services' agreement to make a grant payment in 2017-18 to Local Authorities for social care tasks performed by a Registered Nurse in Nursing Homes in 2017-18.

65. The chair informed the group that at present, there is no further information to report on this.

**DSG (2018) Paper 14 – DSG Progress Report**

66. The chair asked for any recommendations for changes to the DSG progress report is sent to the Local Government Settlement mailbox. Officials will update and send to DSG for comments prior to the next finance sub-group.

**67. Action: Welsh Government officials to update the DSG progress report with the developments at this meeting and to circulate to members for comment, ahead of the paper being taken to the Finance Sub Group meeting on 11 July.**

**Dates and venues of next meetings**

68. The future dates and venues of meetings are as follows:

- 18 July 2018, Welsh Government, Cardiff
- 13 September 2018, Welsh Government, Cardiff
- 14 November 2018, Welsh Government, Cardiff
- 16 January 2019, Welsh Government, Cardiff
- 13 March 2019, Welsh Government, Cardiff

**Local Government Finance Policy**

**Welsh Government**