

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

**Minutes of meeting held on 10 July 2019 at Cathays Park, Cardiff**

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

Simon Edwards (Chair)

Ashley Caddick

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

Jon Rae (WLGA)

Dilwyn Williams (Gwynedd)

Andrew Stephens (Data Unit)

Ian Allwood (Cardiff)

Carys Lord (VOG)

Mark Howcroft (Monmouthshire)

Jane Thomas (Powys)

### **Independent members**

Dr Dennis de Widt (Independent)

### **Apologies**

Judith Cole (WG)

Emma Smith (WG)

Debra Carter (WG)

Hywel Jenkins (Neath Port Talbot)

Barrie Davies (RCT)

Chris Barton (Independent)

Steve Gadd (Denbighshire)

## **Welcome and Introductions**

1. The Chair recorded apologies and welcomed new members to the group.

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

2. There were no comments of accuracy on the minutes from the previous meeting.
3. Para 5: The action regarding discussing the homelessness data with the relevant Welsh Government policy team. Officials had discussions with Knowledge and Analytical Services (KAS) and policy officials about other data sources. The new source they suggested only has two years of robust data available with new data to be published in late July.
4. **Action: Welsh Government officials to draft a paper for the September 2019 DSG.**
5. Para 11: Welsh Government officials to share the note on CRMP with the DSG, this item was still outstanding.
6. **Action: Welsh Government officials to circulate after the meeting.**
7. Para 15: An oral update on the pool rate work is tabled for this meeting.
8. Para 25: A paper on post-16 specialist placements is tabled for this meeting.
9. Para 33: The WLGA specified that treasurers have been informed of the proposed changes to the treatment of council tax discounts in the formula and this forms part of the WLGA's discussions with their meetings with local government. Jon Rae said there were further conversations to be had with chief executives and leaders.

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10. **Action: WLGA to ensure that the change is fully understood by leaders by the time of FSG.**
11. Para 34: The chair thanked the group for agreeing on a recommended way forward for amending the treatment of long term empty properties and second home discounts in the 100% council tax base going forward. The Chair confirmed that option 1 had been recommended by the group. This is being considered by Welsh Government lawyers to assess if there is any legal reason why the methodology cannot be changed and lawyers are, so far, content with the proposal. The paper has also been shared with the revenue and benefit officials' group with the chair of the group suggesting that option 1 is the most sensible option going forward.
12. Welsh Government officials stated that only 4 authorities still had a discount to their knowledge: Blaenau Gwent, Carmarthenshire, Swansea and Neath Port Talbot.

### **DSG (2019) Paper 8 – Treatment of Schools' reserves in the revenue expenditure data**

13. Welsh Government officials provided an overview of the paper explaining that the Standard Spending Assessment (SSA) build within the settlement model includes funding moving from and to reserves, which is under or over-inflating the teaching indicator based assessments, noting that this is more of a timings issue.
14. DSG decided that they did not believe this to have a major financial impact on the distribution going forward and recommended not to change the current methodology in the interest of striking a balance between additional complexity and the amount of value added to the formula, as cited in the DSG Terms of Reference.

**[Papers 9 and 10 were circulated and dealt with via correspondence prior to the meeting.]**

### **DSG (2019) Paper 11 – Welsh Independent Living Grant (WILG) phasing distribution**

15. Welsh Government officials provided background to the paper articulating that, because the revenue outturn (RO) data used for the 2020-21 settlement will reflect the first year of the transfer of WILG funding into the settlement, there will be double counting of the grant if we continue with the current methodology.
16. DSG agreed that option 1 of removing half of the original WILG value from the Younger persons' IBA and distributing the £13.5 million WILG IBA on historic WILG expenditure was the most sensible option to continue with the phasing of the funding. For 2021-22, a quarter of the funding will be removed into the WILG IBA and, for future years, the funding will fully phase into the already established IBAs.
17. DSG also questioned how the Revenue Account data feeds in and if by fixing the value of phased grants the model is not apportioning the funding from other Service Sectors correctly.

18. **Action: Welsh Government to investigate and report back to the group.**

**DSG (2019) Oral item – Pool rate sub-group**

19. Welsh Government officials provided an update of the work from the Pool Rate Working Group (PRWG) members highlighting that the work that had been done to date was retrospective, and demonstrated that the pool rate was currently too high. The PRWG is now looking at alternatives to the Pool Rate, but it also considering other methods to improve the model such as removing the reversal out of the unsupported borrowing and using historic rates to project forward.
20. DSG noted the progress and emphasised that this is chance to simplify the element of the model and not to make it more complex. Welsh Government officials clarified that a decision on the pool rate for 2020-21 will need to be made at the next meeting, if only an interim position until the work reaches its conclusion.
21. **Action: The PRWG to re-convene and a paper to be considered at the next DSG meeting.**

**DSG (2019) Paper 12 - Minority Ethnic Achievement and Gypsy, Roma and Traveller Support Services distribution**

22. Welsh Government officials presented the paper to the group as the DSG have previously requested early insight and involvement in the distribution of specific grants. This was not possible for 2019-20 due to the proximity to the start of the financial year.
23. DSG were informed that the historic distribution has predominantly been rolled forward from the previous years' financial information, with slight tweaks to other datasets. In 2018-19 this resulted in Cardiff being allocated 47% of the total grant, whilst Newport received 18% and Swansea had 14%. Some local authorities expressed their concerns that this grant share no longer reflected relative need. Due to this, Welsh Government officials worked to develop a new methodology based on the numbers of Minority Ethnic (ME) and Gypsy, Roma or Traveller (GRT) pupils from the Pupil Level Assessment School Census (PLASC) data collection.
24. The methodology used for 2019-20, as outlined in the paper, uses a floor mechanism to smooth the distributional changes from one year to the next. If the floor process had not been in place Newport would have seen a 33% reduction in their funding compared to the previous year. This demonstrates that the problem arises from the historic distribution not reflecting current need.
25. The DSG noted this point and reflected that this should be added into the paper for clarity going forward.
26. **Action: Welsh Government to amend paper to make it clearer that the 2019-20 distribution method doesn't match the historic distribution.**
27. Members of the DSG reflected that the proposed methodology (distributing on the number of ME and GRT pupils) uses the correct driver of need to spend and is more equitable than the previous methods. The group commented that the time lag in the underlying data used could cause some issues by the time the grant is spent. With regards to the floor, the group agreed that this was an acceptable method of smoothing the year-on-year distributional changes that has been used elsewhere.

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28. The group raised that it might be better to base the distribution on a per pupil basis, rather than distributing a fixed pot and that this would allow authorities to manage the pressures arising from the time-lag in data, provided the funding was guaranteed at a given level. The group, however, noted that this was more a question of quantum, which was not in the scope of the group's discussions.
29. The group noted that early communication of any grant amount and distribution is key for effective financial planning.
30. The WLGA member said he had circulated the paper to external Education colleagues for their information and that this paper should be circulated to the Association of Directors of Education in Wales (ADEW) for comment.
31. Members questioned the volatility of the ME and GRT pupil data and requested to see this, over time, to assess if there are likely to be any issues going forward.
32. **Action: Welsh Government to share the changes in relative share with the group**
33. The group concluded that they were content with the proposed methodology but noted that the level of the floor would be a political decision going forward.

### **DSG (2019) Paper 13 - Post-16 learning difficulties and/or disabilities specialist placements phasing exemplification**

34. The group were presented a paper on the possible phasing of the transfer of the funding for the post-16 learning difficulties and/or disabilities specialist placements.
35. Welsh Government officials confirmed that the tables look at the current data to project forward.
36. Members highlighted that the principles and illustrations of the distributions are logical. Questions of quantum were beyond the remit of this group but local authority members contended there was a need to assess if the quantum meets the actual need. The group added that discussions need to be taken at a political level first around the whole transfer of responsibility to of the ALNET act prior to this distribution being agreed going forward.

### **DSG (2019) Oral item – Waste sub-group**

37. Members of the sub-group explained to date they had discussions with WRAP to understand their key assumptions used in their GIS models and they had agreed to share these with Welsh Government officials. WRAP are yet to provide the group with the information, so further work needs to be done to obtain this information.
38. DSG questioned whether, if WRAP do not provide the information, the group could ask local authorities to share the data provided to WRAP, to ensure the work stream progresses forward.

**DSG (2019) Oral item – Education sub-group**

39. The sub-group explained that they tapped into the knowledge base of ADEW finance and they are going to review the schools formulas of 3-4 authorities that have recently reviewed their own formulas to come up with a list of the determinants of the need to spend and the cost drivers.
40. Members of the sub-group added that this work would only be looked at for mainstream schools to begin with, branching further out to special education further down the line.
41. DSG members saw a similarity between this work and a recommendation from a [recent committee report](#) on that the overall funding for schools, should start from the basis of considering how much it costs to educate a child, then adding in deprivation, sparsity and local circumstances. Ultimately the funding distributed through the Settlement is unhypothecated, so authorities can still follow these principles through their own funding formulas.

**AOB**

42. The Chair asked the group whether there was an appetite to consider re-weighting the current indicators used in the settlement formula, given this will have to be done for the homelessness IBA this year.
43. The group concluded that they would prefer to concentrate on the long-term work being developed by the sub-groups prior to considering to any re-calibration of the formulas as it currently stands.
44. Welsh Government informed the group the latest set of population projections had been delayed and is now scheduled to be published at the end of August or early September.
45. The group asked when the latest PLASC data would be available. Officials specified that the data is not published until the end of July so a paper would be circulated via correspondence in early September for the group to note the changes in pupil numbers and free school meals numbers.
46. **Action: Welsh Government officials to write and circulate a paper on updates to the PLASC data once the data has been released.**
47. The group also had a query from the Rural Forum, asking about how the weightings of the road maintenance formula were developed.
48. **Action: Welsh Government officials to circulate the previous papers on the road maintenance formula.**
49. The Chair noted that the revenue account (RA) paper was also sent out for the group to note, and to feed back any comments or queries to the group.
50. Members questioned whether the actual funding for the council tax reduction scheme should flow through the model rather than fixing the value to the original £244m.
51. **Action: Welsh Government to investigate the effects and practicalities of making this change.**

**Dates and venues of next meetings**

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

- 18 September 2019, Welsh Government, Cardiff
- 19 November 2019, Welsh Government, Cardiff
- 15 January 2020, Welsh Government, Cardiff
- 18 March 2020, Welsh Government, Cardiff
- 12 May 2020, Welsh Government, Cardiff
- 1 July 2020, Welsh Government, Cardiff

**Local Government Finance and Workforce Partnerships  
Welsh Government**