

Distribution Sub-Group (2018) Minutes – 18 July 2018

DISTRIBUTION SUB GROUP (DSG)

Minutes of meeting held on 18 July 2018 at Cathays Park, Cardiff

Welsh Government (WG)

Judith Cole (Chair)	Lowri Reed (for item 5)
Simon Edwards	Martin Davies (for item 5)
Ashley Caddick	Ruth Conway (for items 5 and 6)
Shelley Heath	Charlie Thomas (for item 6)
Joanna Leek	Gareth Griffiths (for item 8)
Sarah Dafydd (for item 3)	

Welsh Local Government Association (WLGA)

Jon Rae (WLGA)	Christopher Lee (RCT)
Catherine Davies (WLGA)	Dilwyn Williams (Gwynedd)
David McAuliffe (Blaenau Gwent)	Ian Allwood (Cardiff)

Independent Members

Hugh Coombs	Rhys Andrews
Chris Barton	

Apologies

Joy Robson (Monmouthshire)	Andrew Stephens (Data Unit)
Debra Carter (WG)	Richard Weigh (Denbighshire)
Hywel Jenkins (Neath Port Talbot)	David Powell (Powys)

Welcome and Introductions

1. The Chair recorded apologies and introduced Sarah Dafydd from the coastline risk management board to the group.

Minutes and matters arising from the previous meeting

2. Paragraph 51: DSG members requested a change of wording to the minutes reflecting the issues around the free school meals is not only the volatility but the importance of understanding the volatility.
3. **Action: Welsh Government Officials to amend the minutes accordingly before publication.**
4. Paragraph 4: Welsh Government officials amended the minutes of the March DSG meeting and published these online.
5. Paragraph 6: Welsh Government officials amended the minutes of the March DSG meeting to include wording provided by Jon Rae and published these online
6. Paragraph 9: Welsh Government officials included the decision made by DSG on the council tax increase in the settlement calculations in the DSG progress report and presented this at the Finance Sub Group meeting on 11 July.
7. Paragraph 15: Paul Webb attended the SWT meeting on 15 June for a useful discussion on supported housing.

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8. Paragraph 22: DSG members provided recommendations on membership of the Education sub group. It was agreed Dilwyn Williams, Ian Allwood, Andrew Stephens, Hugh Coombs (subject to other commitments) and Joy Robinson will sit on the Education Sub Group.
9. Paragraph 27: DSG members sent recommendations of membership of the Waste working group to the Local Government Mailbox. It was agreed Jon Rae, Craig Mitchell (WLGA), David McAuliffe, David Powell, Hywel Jenkins, Chris Lee and Russel Owens (Welsh Government, Waste Policy) will sit on the Waste Sub Group.
10. Paragraph 41: Welsh Government officials investigated the position of school catering within the RO lines and found no scope for further breakdown without additional burdens being placed on Local Authorities. Welsh Government officials agreed to check with Knowledge and Analytical services this is correct.
11. **Action: Welsh Government officials to check with Knowledge and Analytical services that the position of school catering lines within the RO build is correct.**
12. Paragraph 43: The chair thanked Ian Allwood for his feedback on the recording of the RO lines. It was agreed to assume there were no problems with the recording of the lines. Dilwyn Williams explained he is still looking into this and will provide feedback in due course.
13. Paragraph 44: Welsh Government officials circulated a note clarifying the reasons behind the large distributional impact on some Authorities when correcting the error in the underlying financial data that feeds into the construction of the Non-HRA housing IBA. The group were content with this explanation.
14. Paragraph 45: No comments on the RA mapping were sent to the Local Government Settlement Mailbox.
15. The group discussed a recent report published by the Institute for Fiscal Studies (IFS) that suggested the spending gap between pupils in Wales and England had narrowed. It was suggested that the Society of Welsh Treasurers (SWT) might like to invite the author of the report (Luke Sibieta) to attend one of their meetings.
16. Paragraph 49: Welsh Government officials will feedback to the group on discussions around the Non-HRA housing IBA under agenda item 9.
17. Paragraph 56: This will be picked up under item 7 on the agenda.
18. Paragraph 59: A paper looking at the relevant data for the Welsh Independent Living Grant has been brought to the meeting under agenda item 8.
19. Paragraph 62: DSG members agreed to discuss MRP at a different time.
20. Paragraph 67: The DSG progress report was taken to the Finance Sub Group (FSG) meeting on 11 July. FSG members were content on the level of detail in the paper.

DSG (2018) Paper 15 – Coastal Risk Management Programme transfer

21. Sarah Dafydd, from the Flood and Coastal Erosion Risk Management Branch gave an update on the current position of the Coastal Risk Management Programme (CRMP) transfer.
22. Sarah highlighted the scheme is one of two programmes providing funding to Local Authorities. This specific Programme (CRMP) sets out to address a significant funding gap in meeting the recommendations within the Shoreline Management Plans.
23. The Programme will provide funding to local authorities to bring forward schemes to reduce risk from coastal flooding and erosion. The Programme will provide £150 million of funding for the construction of schemes. £112.5 million of which will be provided by Welsh Government over a 25 year period through the RSG.
24. Due to the lack of information currently available on the cost of the schemes commencing in 2019-20, the funding will need to be paid as specific grant in 2019-20 before moving to RSG in 2020-21. Schemes within the Programme must commence during the three financial years from April 2019 and this approach may need to be employed for the first year in each of the three years, as new schemes come on board. DSG members were content with this and pointed out it is a Local Government Borrowing Initiative (LGBI).

DSG (2018) Oral item – Free School meals consultation

25. Lowri Reed from Education Directorate gave an update on the Free School Meals consultation.
26. Universal Credit is being introduced in stages across the UK by the Department for Work and Pensions (DWP). Universal Credit has been an eligibility criterion for FSM since September 2013. This was done as an interim measure was to ensure that families, who would otherwise have been eligible for FSM because of the legacy benefits they received, were not disadvantaged because of the roll out of Universal Credit.
27. As Universal Credit replaces other benefits, the continued rollout of Universal Credit will mean that the numbers of those entitled to FSM would increase. This will result in eligibility for free school meals tripling if no threshold is set.
28. The consultation proposes that an annualised net earned income threshold of £7,400 is introduced to assess the eligibility of UC claimants for FSM. This is proposed to be in place by January 2019. They are also proposing to offer transitional protection for families. This would shield families from the effects of this policy change for a period of time.
29. This situation is being continuously monitored and a bid has been put in for additional funding to pay for the likely increase in eligible pupils and for the transitional protection offer. An announcement will be made on whether this has been successful at the publication of the draft budget. DSG will be consulted on a basis for distributing the additional funding if the bid is successful.

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30. As part of the new system Local Authorities will be responsible for keeping a record of those pupils who are transitionally protected.
31. DSG members questioned the suitability of the indicator currently used to distribute funding for free school meals and highlighted the impact the roll out of universal credit is currently having on the free school meals figures. The need to explore an alternative indicator was highlighted, and this will be taken forward through the Education Sub Group. DSG members discussed the possibility of freezing the Free School Meal data in the settlement formula until the roll out is complete.
32. DSG members highlighted the negative impact the freezing of data is having on the allocation of the Pupil Development Grant to some schools. The group also questioned how the January 2019 timing will impact the PLASC data collection
33. **Action: Welsh Government officials to discuss with Statistical colleagues**

DSG (2018) Paper 17 – Post 16 – learning difficulties and/or disabilities specialist placements

34. Charlie Thomas, head of Additional Learning Needs Transformation, Welsh Government presented a paper on the transfer of responsibility to Local Authorities for post-16 specialist placements ahead of the new ALN system which is planned to go live from September 2020.
35. For 2018-19, the Welsh Government budget for funding post-16 specialist placements is £12.5 million. The intention is to transfer this funding to Local Authorities to support the transfer of responsibilities.
36. It was highlighted that Local Authorities will be in a better position than Welsh Government officials to secure specialist placements and are better placed to understand the needs of learners they are responsible for. Since there is also scope to develop local provision, there is also the potential for long term savings.
37. There will be committed spend to ensure learners who are placed in specialist placements prior to the transfer of responsibility will continue to be supported. This will need to be accounted for in the formula.
38. As the transfer of responsibility will take place part-way through the financial year, it was proposed for the funding to first be paid as a specific grant before moving into the settlement.
39. DSG members were assured there are no expectations for spend to increase and there will be regulations which will set out the criteria to be applied by Local Authorities when deciding whether it is necessary (or not) to place a post-16 learner in a specialist placement.
40. DSG members discussed the possibility of using a mixture of formula and grant to fund the placements.
41. It was highlighted there are political discussions which need to take place around this topic. Subject to the outcome of these discussions, then a paper could be brought back to the group to discuss future distribution options.

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- 42. Action: Welsh Government officials to bring a paper back to the group with options for distributing the funding for Post-16 Specialist Placements, subject to political discussions.**

DSG (2018) Paper 16 – NHS funded nursing care transfer

43. Welsh Government officials presented a paper on the potential transfer into the settlement of funding for Funded Nursing Care social care.
44. The group agreed with the proposal set out in paragraph 13 and recommended that, should this funding be transferred into the settlement for 2019-20, it should be distributed on the older persons' personal social services Indicator Based Assessment.
- 45. Decision: The DSG recommended that this funding should be distributed on the Older Adults Residential and Domiciliary Care Indicator Based Assessment on transfer into the settlement.**

DSG (2018) Oral item – Discretionary council tax discounts and CTRS

46. Welsh government officials presented an exemplification showing the impact of reversing discounts for empty properties and second homes out of the calculations for the 100% tax base.
47. Members agreed with the principal that local policy decisions should not be reflected in the formula distribution and to continue to take the recommendation forward.
48. It was questioned whether Local Authorities would be able to review their policies ahead of the change being implemented. Welsh Government officials and Jon Rae agreed to look into this.
- 49. Action: Welsh Government officials and Jon Rae to look into whether policies can be changed ahead of the changes to calculating the 100% tax base being implemented.**
50. DSG members agreed that, for the calculation of the provisional 2019-20 settlement, the base year should use the previous 2018-19 tax base, whereas the settlement year should use the 2018-19 tax base under the newly proposed methodology. For the final 2019-20 settlement, the group agreed to update the tax base to 2019-20 but to still use the old methodology for the base year and the new methodology for the settlement year.
51. The chair informed the group of issues which have been reported around the recording of Council Tax Reduction Schemes (CTRS) in the Welsh Audit Office's (WAO's) income/expenditure statements and highlighted the importance of recording this correctly on the CT1 form. The group agreed that the issue around the recording for the WAO should be discussed at the Chief Accountants meeting.

DSG (2018) Paper 18 – Welsh Independent Living Grant

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52. Gareth Griffiths, Head of Paying for Care branch, Welsh Government gave some background to the Welsh Independent Living Grant and the transfer into the settlement for 2018-19.
53. Local Government Funding officials presented a paper on the considerations of the distribution of the Welsh Independent Living Grant funding in the settlement from 2019-20 onwards. DSG members were asked to consider the method for distributing the grant.
54. Given that the WILG was an historic grant that local authorities had inherited, the group discussed using a phased approach, towards the younger adults' social care formula, for distributing this funding. Welsh Government officials agreed to bring a paper back to the group looking at phasing the grant over four years and using the attrition rate to set the IBA level going forwards.
55. **Action: Welsh Government officials to bring back a paper looking at phasing the grant over 4 years.**

DSG (2018) Oral Item – Non-HRA housing IBA

56. Welsh Government officials gave an oral update on discussions with housing colleagues investigating potential ways forward for the Non-HRA housing IBA, using homelessness outcomes data.
57. It was highlighted that there is currently only two years of this data available, but there are concerns over the quality of the first years' data. More robust data will be available in late July.
58. Welsh Government officials proposed to bring exemplifications based on outcome data back to the DSG at a future meeting.
59. **Action: Welsh Government officials to bring exemplifications based on outcome data back to a future meeting**

DSG (2018) Paper 19 – Impact of the 2018 PLASC data

60. DSG members considered the changes in Free School Meals and Pupil numbers from the 2018 PLASC data.
61. Members expressed concerns around the increase in free school meals eligibility in Flintshire and Torfaen and questioned whether this is a consequence of the roll out of universal credit.
62. Members highlighted the potential need to freeze the FSM data in the settlement, until the roll out has been complete. Further thought would need to be given to this to determine what data is frozen.
63. Welsh Government officials agreed to undertake further analysis to determine if the roll out of universal credit has caused the increase in free school meals eligibility in Flintshire and Torfaen.

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64. Action: Welsh Government officials to undertake further analysis on the FSM data and claimant data to understand the cause of the increase in eligibility in FSM for Flintshire and Torfaen.

DSG (2018) Paper 20 – Latest RA Data for the 2019-20 Settlement

65. It was agreed to deal with this paper via correspondence.

66. Action: Welsh Government officials to invite comments on paper 20 by email.

Any other business

67. Welsh Government officials informed the group of a letter which has been received regarding DSG's recommendation to transfer funding for social care for prisoners in the secure estate into the settlement on a non-specific distribution and the impact this has on Bridgend Council. It was agreed Jon Rae and Judith Cole will meet with Bridgend's treasurer to discuss this issue.

68. Action: Jon Rae and Judith Cole to meet with Bridgend's treasurer to discuss funding for the prison in Bridgend.

69. DSG members discussed potential ways of recording the tax rebate awarded for sporting exemptions in the RO lines. Members agreed this should be recorded in the RO lines but ignored for settlement calculations.

70. Members proposed this should be recorded in Other Central Services with a note included in the guidance for it to be identified.

71. Action: Welsh Government officials to discuss with colleagues in KAS for the tax rebate to be recorded in the RO lines where it can be identified.

72. Simon Edwards gave an update on the Pool Rate working group. The group met and discussed the potential for ceasing calculation of the Pool Rate and calculating the debt financing element of the settlement under a different methodology. The group agreed that further consideration would need to be given to the implications of this and that any changes should be made to the 2020-21 settlement.

73. DSG members were asked to send any concerns on this to the Local Government mailbox and a paper on the new methodology will be brought back a future meeting of the DSG.

74. Action: DSG members to send any concerns on the proposal to remove the Pool Rate to the Local Government Settlement mailbox.

75. Action: The Pool Rate Working Group to submit a paper on the proposed debt financing Indicator Based Assessment methodology to a future meeting of the DSG

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76. Judith Cole informed the group of the Cabinet Secretary's commitment to make a statement on reserves before recess; subsequently the Cabinet Secretary determined to issue this in the following term. .

Dates and venues of next meetings

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

- 13 September 2018, Welsh Government, Cardiff
- 14 November 2018, Welsh Government, Cardiff
- 16 January 2019, Welsh Government, Cardiff
- 13 March 2019, Welsh Government, Cardiff
- 15 May 2019, Welsh Government, Cardiff

**Local Government Finance Policy
Welsh Government**