

DISTRIBUTION SUB GROUP (DSG)

Minutes of meeting held on 13 September 2018 at Cathays Park, Cardiff

Welsh Government (WG)

Simon Edwards (Chair)
Ashley Caddick

Shelley Heath
Gareth Griffiths (for items 1 to 4)

Welsh Local Government Association (WLGA)

Jon Rae (WLGA)
Hywel Jenkins (Neath Port Talbot)
Carys Lord (Vale of Glamorgan)
Richard Weigh (Denbighshire)
Rhian Hayden (Blaenau Gwent)

Christopher Lee (RCT)
Dilwyn Williams (Gwynedd)
Ian Allwood (Cardiff)
David Powell (Powys)

Independent Members

Hugh Coombs
Chris Barton

Rhys Andrews

Apologies

Judith Cole (WG)
Debra Carter (WG)

Andrew Stephens (Data Unit)
Joy Robson (Monmouthshire)

Welcome and Introductions

1. The Chair recorded apologies and introduced Carys Lord from Vale of Glamorgan (replacing Dave McAuliffe) and Rhian Hayden from Blaenau Gwent (temporarily covering for Joy Robson) to the group.

Minutes and matters arising from the previous meeting

2. Paragraph 31: DSG members commented that the discussion referenced here was around the suitability of the free school meals data in distributing funding for school services, rather than the suitability of the indicator used to distribute funding for free school meals.
3. **Action: Welsh Government officials to amend the minutes accordingly.**
4. Paragraph 3: The minutes from the May DSG meeting were amended and uploaded on the Welsh Government website.
5. Paragraph 11: Welsh Government officials liaised with statistical colleagues regarding the inability for grants to be recorded for delegated school catering lines in the RO form, which means, in the settlement RO construction, some grants may be netted off in the incorrect place. Statistical colleagues suggested that it could be possible to amend the forms but may increase the survey response burden on authorities.. DSG members agreed to leave the positioning of the catering lines as they are for the 2019-20 settlement.
6. **Action: Welsh Government officials to keep the positioning of the school catering unchanged for the 2019-20 settlement..**

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7. Paragraph 33: Welsh Government officials discussed the impact that the roll out of universal credit will have on the timing of the 2019 PLASC data collection with statistical colleagues. It was suggested the data should not be affected but this will be monitored.
8. Paragraph 42: A paper outlining options for distributing the funding for Post-16 Specialist Placements will be brought back to the group at a future meeting.
9. Paragraph 49: A paper on changes to the 100% tax base has been brought to the meeting under agenda item 7.
10. Paragraph 55: A paper looking at phasing the Welsh Independent Living Grant will be discussed under agenda item 4.
11. Paragraph 59: Options for updating the Non-HRA housing IBA will be discussed under agenda item 5.
12. Paragraph 64: Welsh government officials completed further analysis on the impact of the roll out of universal credit on the PLASC Free School Meals data and will discuss findings under agenda item 6.
13. Paragraph 66: No comments were received on the paper outlining the implications of updating the RA data for the upcoming settlement. It was agreed to assume DSG members are content with updating the RA data.
14. Paragraph 68: A letter regarding funding for the prison in Bridgend has been brought to the group for consideration under item 8.
15. Paragraph 71: Colleagues in Knowledge and Analytical Services have requested that Local Authorities record their tax rebates in Other Central Services in the RO lines and identify this in the comments section of the form.
16. **Action: Welsh Government officials to feed back to Knowledge and Analytical Services colleagues on the agreed way forward.**
17. Paragraph 74: No comments were received on the proposal to remove the Pool Rate from DSG members.
18. Paragraph 75: A paper will be brought back at a future meeting.
19. Paragraphs 8 and 9: Welsh Government officials will send out invites for meetings of the Education Sub group and Waste Working Group.
20. **Action: Welsh Government officials to send out invites for the sub-group meetings.**

DSG (2018) Oral item – Increase in the capital limit for residential care

21. Gareth Griffiths from Welsh Government gave an oral update on the latest position regarding the increase to the Capital Limit for Residential Care towards the planned £50,000 limit.
22. Gareth highlighted the funding transferred into the RSG is to cover the cost of people who will need to receive additional funding from Local Authorities sooner

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than they would have done under the old policy, and it is not to cover the whole cost of residential care.

23. Policy officials were finalising the first full year of data, relating to the initial increase of this limit to £30,000 in 2017-18. At the 6-month point, this data showed that the costings were about right at a Wales level, with the additional £7 million put into the settlement for 2018-19. Local government members of DSG raised concerns that the average additional cost incurred was greater than £6,000 per person, due to the increased limit not taking account of a potential slower rate of reduction in an individual's capital under the previous arrangements.
24. DSG members enquired about seeing the data. Gareth pointed out the research is publically available and the data has previously been circulated externally..
25. DSG members requested more information on IBA's before giving a recommendation on distribution.
26. **Action: Welsh Government officials to bring back a paper to the November DSG meeting and share the data.**

DSG (2018) Paper 21 – Welsh Independent Living Grant

27. Welsh Government officials presented a paper on the Welsh Independent Living Grant distribution following the decision to phase the grant and asked members for recommendations on how to take this forward.
28. Members favoured the option not to use an attrition rate when phasing the grant and agreed with the proposals set out in paragraphs 13 and 14.
29. **Recommendation: To phase the Welsh Independent Living Grant Indicator Based Assessment from 100% actuals on to 100% of the younger adults' Personal Social Services formula by 2022-23 in 25% increments.**

DSG (2018) Paper 22 – Non-HRA housing IBA

30. Welsh Government officials presented a paper detailing options for updating the Non-HRA housing IBA.
31. DSG members favoured the option to freeze the homelessness data for the upcoming settlement and felt work needed to be done to rebase the formula for the IBA and determine which indicator best determines need to spend.
32. **Recommendation: To freeze the homelessness data in the non-HRA housing IBA for the 2019-20 settlement**
33. **Action: Welsh Government officials to undertake further analysis with a view to update the IBA for future settlements.**

DSG (2018) Paper 23 – Assessing the impact of universal credit on the PLASC FSM data

34. Welsh Government officials presented a paper on analysis aimed at determining whether the roll out of universal credit has had an impact on the distribution of

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free school meals eligibility statistics and options for how the data should be used in the upcoming settlement.

35. The group found the data inconclusive and favoured the option of using a three year average of the 2016, 2017 and 2018 FSM data and highlighted the importance of reviewing any potential impact from universal credit on the dataset for the 2020-21 settlement.
36. **Recommendation: Welsh Government officials to use a three year average of the FSM data for the 2019-20 settlement but revisit this for future settlements.**

DSG (2018) Paper 24 – Discretionary council tax discounts

37. Welsh Government officials presented a paper on the treatment of discounts for empty properties and second homes on the 100% tax base.
38. DSG members previously agreed to reverse out discounts for empty properties and second homes from the 100% tax base so that an authority does not benefit from the settlement as a result of offering discounts. Members agreed with the proposal to use the new methodology in the tax base for both the settlement year and the base year from 2019-20 onwards, consequently ensuring that no authority which was benefiting through the settlement by offering discounts, benefits from the change in methodology through any floor arrangement.
39. Members requested that both the adjusted and unadjusted Aggregate External Finance base from the previous settlement be shown in the settlement tables at the time of publication [applies only to final settlement].
40. Members discussed the importance of Local Authorities being aware of this decision in time to change their policies on 31 October. Jon Rae assured the group he has been making LA's aware since an early stage and will write to leaders to ensure they have time to review policies.
41. **Action: Jon Rae to write to Local Authorities to ensure they are aware of the changes to the 100% tax base and have sufficient time to review their policies.**
42. **Action: Welsh Government officials to use the new methodology for calculating the 100% tax base in both the settlement year and the base year and provide an additional column in the settlement tables with the original base year at the time of publication.**
43. The group agreed via correspondence after the meeting, that further consideration needs to be given to the principles behind any change in methodology, due to new information obtained from revenues and benefits officers.
44. **Action: DSG members to continue this work, under the 2019 work programme.**

DSG (2018) Paper 25 – Prisoners in the secure estate

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- 45. DSG members considered a letter from Gill Lewis from Bridgend regarding a review of the funding for social care provision for prisoners in the secure estate.
- 46. DSG members agreed to stick with the original recommendation to distribute the funding across all authorities, as opposed to a specific distribution, only to those authorities with prison populations. The population projections used in the settlement formula include prisoner numbers and are used to distribute some Indicator Based Assessments (IBAs) on which prisoner populations have little or no bearing, this results in over £600 thousand of funding for Bridgend. DSG members highlighted the problems of double counting if the specific grant was to be distributed only to those with prison projections and agreed not to amend their previous position.

DSG (2018) Paper 26 – Revenue Outturn/ Revenue Account data

- 47. Welsh Government officials gave an overview of the changes to the RO data for the 2019-20 settlement.
- 48. DSG members agreed the changes seemed reasonable and gave agreement for the RO data to be updated for the upcoming settlement.

DSG (2018) Paper 27 – DSG report

- 49. DSG members considered the DSG report which will be presented to the Finance Sub Group on 27 September.
- 50. In relation to specific grants, the group highlighted the importance of transfers being brought to the DSG members for consideration of the distribution and suggested a form of words should be put in to highlight concerns around this.
- 51. **Action: Jon Rae to provide a form of words, highlighting the importance of transfers into the settlement being brought to DSG for consideration.**
- 52. DSG members requested the removal of the proposal to use an attrition rate to reduce the WILG IBA for future settlements and an explanation about the decision to phase the grant to be put into the DSG report.
- 53. **Action: Welsh Government officials to amend the WILG section in the DSG report with the requested changes.**
- 54. Members requested the discussion which has taken place around the funding for social care for prisoners in the secure estate to be recorded here.
- 55. **Action: Welsh Government officials to record the discussion on the funding for social care for prisoners in the secure estate in the report.**
- 56. Members felt there should be a table displaying the impact of the decision to reverse discretionary discounts out of the 100% tax base for RSG in the report, as the financial implications are significant for some Local Authorities.

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57. It was agreed the report should highlight the deadline for Local Authorities to amend their policies on discounts for empty properties and second homes is the 31 October.
58. **Action: Welsh Government officials to amend the section on the treatment discretionary discounts in the council tax base in the DSG report with the suggested changes.**
59. The impact of Universal Credit on free school meals has been discussed further under agenda item 6, it was agreed for this to be reflected in the DSG report,
60. **Action: Welsh Government officials to amend the report to reflect the discussion which has taken place at the meeting.**
61. The treatment of the homelessness data for the Non-HRA housing IBA was discussed at the meeting and it was agreed to freeze the data for the 2019-20 settlement.
62. **Action: Welsh Government officials to reflect the discussion on the Non-HRA housing IBA in the DSG report.**
63. Members agreed the section on the increasing in capital limits for residential care should be amended in the DSG report to reflect the discussion in the meeting.
64. **Action: Welsh Government officials to amend the DSG report to reflect the discussion on the funding for the increase in capital limits for residential care.**
65. DSG members agreed that if any additional funding was to be provided for Free School Meals due to the roll out of universal credit, this should be distributed on the current school meals IBA formula.
66. DSG members discussed the increase to teachers pay, and decided that if additional funding was to become available for this it should be distributed on the sum of nurse, secondary and special school IBAs.
67. Independent members of the DSG agreed to send the independent report to the Local Government Finance team in order for this to be incorporated in the DSG report.
68. **Action: Independent members to send report to the Local Government finance team.**

Dates and venues of next meetings

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

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

**Local Government Finance Policy
Welsh Government**