

**DISTRIBUTION SUB GROUP (DSG)**

**Minutes of meeting held on 18 September 2019 at Cathays Park, Cardiff**

**Welsh Government (WG)**

Simon Edwards (Chair)  
Emma Smith

Ashley Caddick  
Heather Haywood

**Welsh Local Government Association (WLGA)**

Jon Rae (WLGA)  
Carys Lord (VOG)  
Jane Thomas (Powys)  
Hywel Jenkins (Neath Port Talbot)

Dilwyn Williams (Gwynedd)  
Ian Allwood (Cardiff)  
Mark Howcroft (Monmouthshire)  
Barrie Davies (RCT)

**Independent members**

Dr Dennis de Widt (Independent)  
Guto Ifan (Independent)

Chris Barton (Independent)

**Apologies**

Judith Cole (WG)  
Debra Carter (WG)

Andrew Stephens (Data Unit)  
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. The only comment of accuracy on the minutes from the previous meeting was in para 33: Members felt that the sentence be changed to reflect that the “quantum” is also a political decision.
3. **Action: Welsh government to amend the July DSG minutes**
4. Para 4: A paper on the non-HRA IBA is tabled for this meeting.
5. Para 6: Welsh Government officials circulated a note on Coastal Risk Management Programme to group prior to the meeting.
6. Para 10: WLGA have ensured that the changes to the treatment of council tax discounts within the settlement, are understood by treasurers.
7. Para 21: A pool rate working group (PRWG) update is tabled for this meeting.
8. Para 26/32: Welsh Government officials have amended the Minority Ethnic Achievement Gypsy Roma Traveller paper and have shared the underlying data with the group and wider stakeholders.
9. Para 46: A paper exemplifying the financial impact of updating the 2019 PLASC data had been circulated via correspondence.
10. Para 48: Welsh Government officials had circulated papers on the derivation of road maintenance weightings with the WLGA prior to the meeting.

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11. Para 51: Welsh Government officials to produce a paper on Council Tax Reduction Scheme (CTRS) was still outstanding.
12. **Action: Welsh Government officials to produce a paper to the group on the treatment of CTRS within the Revenue account data.**

**[Papers 16 and 17 were circulated and dealt with via correspondence prior to the meeting.]**

### **DSG (2019) Paper 18 - Dependent children indicator options, DSG (2019) – Papers 19 - eFSM option 2020-21 , DSG(2019) Papers 20 - Housing benefit data**

13. Welsh Government officials specified that due to the similarities between the three papers that they would tackle them together, which the group agreed.
14. DSG members were informed that Universal Credit is having a negative distributional effect on both the dependent children data and the housing benefit data and a positive distributional effect on the FSM data.
15. Members were presented with three options to deal with the issue for each dataset, i.e. freezing the data, updating the data or using regression analysis to reverse out the impact that universal credit was seen to have on the data.
16. Officials highlighted that additional complexity would be added if a regression analysis based approach would be considered.
17. Members were informed that there were additional options available for the dependent children data and the housing benefit data, i.e. adding in the universal credit data to the data set or using a three year average (for the dependent children data).
18. Members noted the precedence for freezing data as well as the benefit of continuing to search for new data sources.
19. The DSG concluded that a one year freeze for all data sets, while continuing to search for new data sources was the best option moving forward.
20. **Recommendation: to freeze the eligible for free school meals data, the dependent children in out of work families data and the housing benefits data for one year at the 2019-20 levels.**
21. **Action: These dataset to form part of the 2020-21 work programme.**
22. DSG members noted that the treatment of indicators in non-fixed funding pots (i.e. PDG) was not in their remit, but accepted that the above recommendation could be considered in other grants that use the eFSM data to distribute funding.
23. Officials explained that the difference between table 1 and table 2 within the housing benefit paper was that one solely included the historic housing benefits data whilst table two was combination of both housing benefits and those receiving housing benefits which are on universal credit.

### **DSG (2019) Oral Item - Pool rate working group update**

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24. Welsh Government officials provided an overview of the paper to the group, drawing attention to the potential oversight in the supported borrowing element of the model.
25. DSG members concluded it was acceptable to ignore the oversight for the 2020-21 settlement, but looked for a more of comprehensive review in 2021-22.

### **DSG (2019) Paper 21 - Homelessness indicators and weightings**

26. Welsh Government officials provided some background to the paper, noting that the data is currently frozen within the settlement model and that the paper looks at ways in which to unfreeze the data using new data sources.
27. DSG members had previously agreed to re-calibrate the weightings of the Non-HRA IBA indicators, due to the additional funding for homelessness within the settlement. Given the homelessness and the housing benefits data used within the indicator are frozen, the group agreed to delay the re-weighting until the indicators had also been updated.
28. Member favoured going back to first principals as opposed to trying to work new solutions into the current formula.
29. Members concluded that prevention is causing problems, and that it would be more preferable to not move from current position. They stated that until we know which data set to move to and the justification for doing so, there is little benefit in moving.
30. **Action: include the non HRA housing formula as part of the 2020 work programme.**

### **DSG (2019) Oral Item - Population projections and treatment of prisoners**

31. Welsh Government officials noted that the updated population projections are scheduled to be published in late October/early November.
32. Currently, within the settlement model, Wrexham's prison population is added into the projections manually, using data from the Ministry for Justice. The DSG agreed to continue with this adjustment.

### **DSG (2019) Oral Item - Treatment of potential transfer in for social care prisoners**

33. Members agreed that if the grant comes into Welsh Government, then it should be transferred into the settlement at the top, as done with the original transfer.

### **DSG (2019) Paper 22 - Coastal Risk Management Program transfer**

34. Welsh Government officials gave a brief overview of the paper, and explained to members that in theory the transfer would be a specific grant in the first year and then transferring into the settlement second year on a fixed profile for the remaining 24 years.
35. The members accepted the proposal, however they questioned whether this grant was as important as others not being considered. They also asked whether it

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would be treated as a new responsibility or a transfer, Welsh Government officials informed them it would be treated as a transfer.

36. Welsh Government officials explained that as the grant was newer with continued funding going forward, then there has been a drive to add these into the settlement to reduce the administrative burden of hypothecated grants.

### **DSG (2019) Paper 23 - Welsh Independent Living Grant additional funding transfer**

37. Welsh Government officials gave an overview on the paper, drawing attention to the fact that the clients in only 14 local authorities require this additional provision to undertake independent care assessments, and noted that this is a potential transfer for 2020-21.

38. Members were concerned about the perverse incentives, i.e. if a 'bad' assessment was undertaken in the first place. The local authority will now be reimbursed, if the grant is distributed across the 14 LAs, which means that those authorities are financially rewarded. This compares to those authorities that kept the full support and made cuts elsewhere getting penalised if the grant is to be distributed across only the 14 LAs that have the additional client base.

39. Members concluded by suggesting the policy team need to be aware of the issues raised.

### **DSG (2019) Oral Item - Council tax discount update**

40. DSG members agreed that the 100% tax base in CT1 form data collection would be changed to treat the discretionary element of the long term empties and second homes in a consistent manner (outlined in DSG paper 4), there were no further comments.

### **DSG (2019) Oral Item - 100% Tax base in the 2019-20 settlement**

41. DSG members were made aware that the provisional settlement uses the previous year's tax base, which currently uses old methodology.
42. Welsh Government officials asked whether we should implement the new methodology in the previous year's tax base data, when re-basing, in order to achieve a closer match to the data in the final settlement.
43. Members agreed that the new methodology should be implemented.

### **DSG (2019) Oral Item - Timing of local government settlement**

44. Welsh Government officials stated that an exact date of the Welsh Government budget is still unknown.
45. DSG members were asked given that the finance Minister announced the budget for November, which is around the time that the council tax base data is collected, the group agreed that they would be content to wait around an extra week, if it meant that this data could be incorporated into the settlement, giving a much more accurate indication of the final settlement allocations.

### **DSG (2019) Paper 24 - Final DSG Report 2020**

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46. DSG members were asked to consider the content of the report and provide comments.
47. Members agreed that paragraphs 42, and 43 needed more detail.
48. Members questioned whether the PLASC figures in the annex were correct, Welsh Government officials clarified that the figures included pupil numbers only and not FSM data.
49. Members noted that paragraph 22 was unclear, and suggested not mentioning the exception clause.

### **50. AOB**

51. The chair asked the group whether there was any other business that they would like to discuss.
52. Members brought up the way that transfers are presented within the settlement, and asked whether there was a way in which to present it more 'honestly'.
53. Welsh Government explained that there is some pressure from ministers to present in a positive light, however they agreed to work on more transparency.

### **Dates and venues of next meetings**

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

- 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**