

DISTRIBUTION SUB GROUP (DSG)

Minutes of meeting held on 15 September 2020 via Microsoft Teams

Welsh Government (WG)

Judith Cole (Chair)
Simon Edwards
Ashley Caddick

Heather Haywood
Sarah Dafydd

Welsh Local Government Association (WLGA)

Lisa Hayward (WLGA)
Jane Thomas (Powys)
Barrie Davies (RCT)
Hywel Jenkins (Neath Port Talbot)

Steve Gadd (Denbighshire)
Dilwyn Williams (Gwynedd)
Ian Allwood (Cardiff)

Independent members

Dr Dennis de Widt
Guto Ifan

Chris Barton

Apologies

Carys Lord (VoG)
Andrew Stephens (Data Cymru)

Jon Rae (WLGA)
Jonathan Davies (Monmouthshire)

Welcome and Introductions

1. The Chair welcomed everyone to the meeting.

Minutes and matters arising from the previous meeting

2. There were no comments of accuracy from the previous meeting.
3. The Chair noted that most actions from the previous meeting would be covered today and the only outstanding action was regarding the housing support grant which would be discussed during AOB.

DSG (2020) Paper 20 – Coastal Risk Management Programme Transfer 2021-22

4. Welsh Government officials summarised the paper, and set out the background to the Coastal Risk Management Programme (CRMP) scheme.
5. Members were asked to agree for the £1,145,236 transfer into the RSG for Denbighshire County Council to transfer on a fixed distribution for the next 24 years (from financial year 2021/22 to financial year 2044/45) from Flood and Coastal Erosion Risk Management (FCERM) revenue budgets.
6. Members of the group highlighted their concerns about this method of funding in the future adding to the total level of councils' borrowing. They stressed that counsellors will need reassurance on total borrowing in the future.
7. Sarah Dafydd responded that this issue has been raised by local authorities and the WLGA, and if another grant similar to this were to take place in the future these conversations would be useful to have.
8. **Decision: The group agreed the recommendation outlined in the paper.**

DSG (2020) Paper 21 – Data collection updates

9. Welsh Government officials presented the paper, highlighting that certain indicators would be discussed through separate papers at the meeting.
10. Officials explained the data issue regarding the planning applications dataset and asked for the members' views on the issue.
11. Members agreed that the local authority having not submitted should be contacted to submit the data and in the event that the data was not submitted it should be classified as nil.
12. It was noted that the outstanding data was from Rhondda Cynon Taf, and assurance was provided by Barrie Davies that the data would be returned following this meeting. DSG noted that escalation, where appropriate, should be used to obtain outstanding data.
13. It was noted that the 2019 tourism data was received prior to the meeting, and analysis performed by officials concluded that the data was robust enough to use.
14. Members highlighted that there are likely to be more issues with this dataset next year, and if the 2019 data is robust we should update it.
15. **Recommendation: To update the tourism dataset to the latest data available.**
16. The final dataset to consider was the PWLB dataset. Welsh Government officials outlined the data collected from PWLB and noted that, due to the PWLB having moved to a new trading system, they are likely to no longer be able to provide data excluding HRA loans.
17. Analysis had shown that including HRA loans in the PWLB data for 2020-21 would have decreased the Pool Rate from 6.7% to 5.8%. This would have resulted in a re-distributional impact of around £800 thousand.
18. Members expressed their concerns regarding the redistribution under this option, and agreed to freeze the dataset for 1 year if the data is unavailable.
19. **Recommendation: Freeze the PWLB data, if the data is unavailable in its previous form.**
20. The group suggested to continue to review the current methodology of the pool rate model, with the need to investigate an alternative method rather than using the current datasets.
21. **Action: Welsh Government officials to take this forward through the pool rate working group.**
22. Welsh Government officials requested further volunteers from authorities for the Pool Rate Working Group.
23. **Action: Local authorities to put forward representatives for the pool rate working group.**

DSG (2020) Paper 19 – Population data for 2021-22 settlement

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24. Welsh Government officials presented the paper, noting that there were two decisions for the group to make.
25. Members were asked to agree to continue to adjust Wrexham's prisoner population to reflect Berwyn Prison.
26. Officials explained that updating the population data causes large financial re-distributional changes, therefore to be consistent to the method requested for the 2020-21 settlement, two phasing options were also presented in the paper, highlighting that option one has less financial turbulence than option two.
27. In terms of long term impacts option one has relatively stable increases and decreases whereas option two sees a larger impact for the first year, but smaller changes over the second and third years.
28. Members queried whether all tables included the prisoner adjustment for Wrexham.
29. Officials responded by explaining that they do, but the second and third years keep the prisoner adjustment the same as in the first year, when in reality they are likely to increase.
30. The group stated that unless there was a compelling reason to phase, the latest data should be used without phasing, and that any damping should be considered at the final stage, through the floor funding mechanism.
31. Another member noted that there was an error in table 3, where Wrexham's data was missing.
32. **Recommendation: To use the 2018 based population projections for 2021 with no phasing, provided there is a floor funding mechanism in place.**

DSG (2020) Paper 22 – 2020-21 RA Data

33. Welsh Government presented the paper, highlighting that the percentage change in Schools and PSS saw increases and other services saw decreases at a Wales level.
34. Welsh Government officials asked the groups whether the sector changes looked reasonable.
35. Members noted that RA data was largely reflective of the additional funding put into the settlement for Teachers pay and Pension and therefore should be used in line with the SWT principals.
36. Welsh Government officials commented that a paper to note on RO data would be circulated once the data is available.

DSG (2020) Paper 23 – Equalising for resource for the 2021-22 Settlement

37. Welsh Government officials gave an overview of the paper to increase awareness of the impact of the principle of equalising for resources. They explained the reason for the financial decreases in some local authorities is due to them having a higher share of their SSA through council tax income at standard spending. This

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is because they are modelled to be able to raise more revenue through council tax relative to other authorities (assuming council tax at standard spending).

38. Members commented that an action for WLGA is to formulate a simple document explaining this method for treasurers.
39. **Action: The WLGA to include Welsh Government in this to ensure consistent messaging**

DSG (2020) Paper 24 – Distribution Sub Group Report 2020

40. Welsh Government officials presented the draft DSG report to the group, stating that it had been confirmed by ministers that the Finance Sub Group meeting had been rearranged for 2 November.
41. Members commented that the financial stability paragraphs should reflect the comments about the floor discussed during the presentation of the population paper, as well as a note to be added to highlight the impact of COVID-19 for next year and the need for financial stability.
42. Regarding the RO data, members commented that the data should be available before the report is issued and that guidance on RO needs to be put in place for 2021, to deal with the additional COVID-related grants that have been paid out this year.
43. **Action: Welsh Government to discuss this with colleagues in Knowledge and Analytical Services (KAS) and potentially involve group accountants.**
44. Another member questioned whether a comment needs to be added in order to highlight the challenges coming next year for RA and RO data as a result of the pandemic.
45. **Action: Welsh Government officials to flag in the DSG report the challenges that local authorities will face in completing RO and RA forms next year.**
46. **Action: Welsh Government officials to add Jonathan Davies to the membership list**
47. **Action: Update Steve Gadd's job title in the document**
48. **Action: Update paragraph 18 to reflect what age profiles are being used for working age population indicator for the 2021-22 settlement**
49. **Action: Update paragraph 22 to reflect the work Luke Sibieta has undertaken regarding education.**
50. **Action: Update the table in annex C to include a warning, stressing that the figures shown are not final and other variables can impact the allocations.**
51. Members were asked whether they felt it would be beneficial to include figures on the potential impact of the equalising for resources principal. Members felt that this would confuse matters and potentially shift the focus of the debate away from the real issues. It was therefore agreed that this should be picked up through the Society for Welsh Treasurers.

AOB

52. Regarding the action from the previous meeting on developing a funding formula for the housing support grant, officials stated that the Minister for Housing and Local Government made a statement in March that officials would work on the re-distribution over the coming year, together with close collaborative working with all stakeholders, with nothing being implemented until the next Assembly term; however, due to the impacts of COVID-19, it has not been possible to progress any of the planned work and policy officials are now in the process of re-evaluating the timescales for the next stages of the work.
53. Members asked whether there were indications of dates for provisional and final settlements.
54. Officials noted they are looking at early December for provisional, and early March for final, due to the budget timing.
55. Officials noted that the validation round will be sent out late this week/early next week.

Close

Dates and venues of next meetings

56. The future dates of meetings are as follows to take place via MS Teams, until further notice:
- 18 November 2020
 - 20 January 2021
 - 16 March 2021
 - 11 May 2021
 - 7 July 2021

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