

**DISTRIBUTION SUB GROUP (DSG)**

**Minutes of meeting held on 11 May 2021 via Microsoft Teams**

**Welsh Government (WG)**

Judith Cole (Chair)  
Emma Smith  
Simon Edwards  
Ashley Caddick  
Taliesin Maynard

**Welsh Local Government Association (WLGA)**

Jon Rae (WLGA)  
Hywel Jenkins (Neath Port Talbot)  
Ian Allwood (Cardiff)  
Jane Thomas (Powys)  
Carys Lord (VoG)  
Jonathan Davies (Monmouthshire)  
Steve Gadd (Denbighshire)  
Barrie Davies (RCT)  
Dafydd Edwards (Gwynedd)  
Sam Sullivan (Data Cymru)

**Independent members**

Chris Barton  
Guto Ifan  
Dr Dennis de Widt

**Welcome and Introductions**

1. The Chair started by formally noting her gratitude and thanks to Dilwyn Williams and Andrew Stephens, who have now left the group, for their contributions over many years. The chair welcomed the attendees and introduced the two new members – Dafydd and Sam – to the group and thanked Heather Haywood who has moved roles within the Welsh Government.

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

2. There were no comments of accuracy from the previous meeting.

**DSG (2021) Paper 05 - CRMP Partial transfer out**

3. Welsh Government officials presented a paper to the group to adjust the Coastal Risk Management funding within the settlement due to a project in Neath Port Talbot costing less than the original forecast.
4. Officials explained that despite this paper focusing on Neath Port Talbot, they were after an agreement in principle that if there are other instances of projects costing less than forecasted, the differences would be transferred out of the settlement profile in the same way.
5. Members agreed they were happy with the principle going forward, but voiced that it is important to make councils aware of this, including treasurers.

## *Distribution Sub-Group (2021) Minutes – 11 May 2021*

6. **Decision: The difference between the forecasted and actual cost to be transferred out of the settlement, when the actual costs are lower than the forecasted.**
7. **Action: Welsh Government officials to communicate this principle with local authority representatives and treasurers.**
8. A member queried whether, through this scheme or future schemes, it might be worth waiting until the project is completed to transfer the funding into the RSG. Officials said they would discuss this with treasurers if any further schemes are done in this manner.

### **DSG (2021) – Presentation on the funding formula**

9. Welsh Government officials noted that due to changes in membership of the group in recent times it was thought to be beneficial to remind the group of how the settlement works. Officials therefore provided a technical presentation of how the funding formula works.
10. Members queried if the taxbase includes second home properties. It was confirmed that second homes are included in the tax-setting taxbase to define the total estimated council tax income element, but not within the 100% taxbase, which is used to reverse out the estimated council tax income, to ensure authorities do not get penalised for the additional income they are receiving from second homes premiums.
11. Members questioned whether the number of schools are used within the formula. Officials confirmed that these are not used to distribute funding, but a modelled number of schools is used within the original calculation to derive the indicator weightings.
12. The frequency of how often the Indicator Based Assessments (IBAs) are updated was queried. Officials noted that this can vary by IBA with some not having been updated since the early 2000s. The last large scale IBA change was to the Personal and Social Service formula to increase the sparsity element to reflect travel time costs. Members noted it would be useful to have an overview of when each IBA was last reviewed.
13. **Action: Welsh Government officials to outline the last reviewed date of the weightings of each IBA.**
14. Members queried the impact that any reform of local taxation could have on the formula, but this will be subject to what reform changes are considered.
15. A member also asked whether DSG can recommend a re-distributive floor be in place. Officials responded to say yes, but the decision on a floor is a political decision.
16. Members requested if the presentation could be circulated to the group for them to be able to present them to their leaders, which officials agreed.

## ***Distribution Sub-Group (2021) Minutes – 11 May 2021***

17. **Action: Officials to circulate the slides to the group and the WLGA to invite officials to a presentation on the settlement to local government leaders.**
18. Members noted that there was no fixed element within the formula and discussed the impact of rurality and the closure of small schools. Officials offered to have further discussions outside of the DSG meetings.

### **DSG (2021) - Paper 06 – Unemployment benefits dataset update**

19. Officials explained that during the pandemic some unemployment benefits caseloads have doubled. Therefore this paper was an early opportunity for the group to see the direction of travel of the unemployment dataset through updating two quarters of data within the 12 quarter average.
20. The group concluded that that the next two quarters of data might have a larger bearing therefore the group agreed with the paper's recommendation to collect the remaining two quarters of data prior to making a final recommendation.
21. The group warned that if the data was to be frozen it might result in a larger step change in future years particular when furlough comes to an end.
22. **Action: Officials to collect the remaining benefits dataset and provide another paper including financial changes**

### **DSG (2021) - Paper 07 - Gate Fees Transfer in**

23. Officials explained the background to this proposed transfer that there are two programmes: Energy from Waste (EfW) and the Anaerobic Digestion (AD) for the treatment of Local Authority collected residual and food waste respectively. These were established to work with key partners, including Local Authorities, to develop regional and partnership-based solutions and support the affordability of long-term waste treatment contracts..
24. Gate fees are charged by the waste management companies to Local Authorities for the provision of waste management services undertaken at their facilities. The Welsh Government contributes approximately 25% of the net present value of the total gate fees to Local Authorities.
25. The contracts awarded under these programmes are between 15 (food waste) to 25 (residual waste) years in length, with a forecasted profile of the costs up to 2044/45.
26. The group queried whether there had been discussion of handling this at a political level, and suggested that the communication between WLGA and Welsh Government be arranged first to clarify this before any further discussion take place on a transfer.
27. **Action: Welsh Government officials to set up a meeting with WLGA to discuss the proposal.**

## ***Distribution Sub-Group (2021) Minutes – 11 May 2021***

### **DSG (2021) - Paper 08 - Free school meals discussion paper**

28. Officials outlined that this paper was to be used to obtain the group's view on the treatment of the eligible for Free School Meals (eFSM) data going forward.
29. The group were asked whether analysis should be undertaken to assess the distributional impact of including pupils that are transitionally protected as part of the eFSM data.
30. The group agreed that this should be considered and that the validation provided to finance officers should include those that are just eFSM and an additional worksheet on the number of pupils either eFSM or transitionally protected.
31. **Action: Officials to liaise with Knowledge and Analytical Services (KAS) to include the second option within the validation sheet.**

### **DSG (2021) – Oral Item – Revenue Account and Revenue Outturn**

32. Officials informed the group that nearly all the Revenue Account (RA) forms had been submitted to KAS with some lines on COVID-19 included.
33. They also informed DSG that discussions were underway on the Revenue Outturn (RO) form for 2020-21 to assess the level of detail required and officials will coordinate with chief accountants for agreement.
34. The group noted and asked for consistency between the RO and the information required for the statement of accountants.

### **Close**

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

35. The future dates of meetings are as follows to take place via MS Teams, until further notice:
  - 7 July 2021
  - 14 September 2021
  - 16 November 2021
  - 18 January 2022

**Local Government Finance and Workforce Partnership Division  
Welsh Government**