

DISTRIBUTION SUB-GROUP (DSG)

Minutes of meeting held on 14 September 2021 via Microsoft Teams

Welsh Government (WG)

Judith Cole (Chair)
Emma Smith
Simon Edwards
Ashley Caddick

Welsh Local Government Association (WLGA)

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

Independent members

Chris Barton
Dr Dennis de Widt
Guto Ifan

Apologies

Carys Lord (VoG)

Welcome and Introductions

1. The Chair welcomed the group 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 clarified that the actions had been completed other than para 19 where officials are meeting the Welsh government Additional Learning Needs team after the DSG meeting.

DSG (2021) Oral Item – Gate Fees

4. Welsh Government officials explained that they had met with the WLGA and Waste & Resource Efficiency officials. The meeting resulted in all parties being happy with the provisional proposals of transferring gate fees funding into the local government settlement.
5. The group queried how the transfer would work in practice, and officials noted that it would work like Asset Financing where a fixed profile would be followed over several years

DSG (2021) Paper 14 – Free school meals data

6. Officials presented a paper on options to unfreeze the eligible for free school meals data (eFSM) in the settlement.
7. The group agreed not to consider those transitionally protected to follow the Pupil development grant (PDG) process as they did not consider these to be a proxy for deprivation like the main dataset. The group agreed to update the calculation to a 4-year average (2021, 2018, 2017 and 2016) to update the data but to smooth the financial impact.
8. **Recommendation: To update the eFSM dataset in the settlement to an average of 2016, 2017, 2018 and 2021 data and to exclude those transitionally protected.**

DSG (2021) Paper 15 – Pool rate

9. Welsh Government officials explained the background to the paper, that the current pool rate is much higher when compared to general interest rates. As an action of the last meeting the group had request to see the financial impact of reverting to the unadjusted pool rate.
10. The group queried why these changes resulted in large financial re-distributions. Officials explained that as a result of the pool rate decreasing less money was put into the debt financing Indicator Based Assessment (IBA). Therefore, those authorities who do better (have a greater relative share) through the debt financing formula compared to the overall formula would see a decrease in funding and vice versa.
11. The group concluded that to make the element of the formula more reflective and transparent it would be best to revert to the unadjusted method. Given the large re-distribution of funding observed in this option, the group agreed to phase this methodological change over four years in 25% increments to dampen the financial impact.
12. The group agreed not to consider any other changes to the debt financing model such as the Minimum Revenue Provision value, or the historic distribution.
13. **Recommendation: Revert to the unadjusted pool rate, phased over 4 years.**

DSG (2021) Paper 16 – Multi-year settlements

14. Officials presented a paper on multi-year settlements, articulating that this was to allow decisions to be made if Ministers were minded to publish multi-year settlements.
15. Members expressed that DSG's view was narrow in the grand scheme of local government and Ministers would require to discuss and agree any approaches with leaders through the finance sub-group (FSG) and for officers to extend these discussions at Society of Welsh Treasurers.
16. The group suggested that, due to the uncertainty in data with the Census being published in 2022, a high-level value for Wales for years two and three would suffice.

Distribution Sub-Group (2021) Minutes – 14 September 2021

17. Members noted that Ministers should be aware that, if they are inclined to set a cautious budget for years 2 and 3, only for subsequent additional money to be released at a later date, planned savings would have already been made. Officials noted that given the global uncertainty from Covid-19 and climate change Ministers might be more prudent in their initial budget allocations, but would raise this with Ministers.

DSG (2021) Paper 17 – Unemployment benefits dataset update

18. Officials presented the paper to the group. Members agreed to update the benefits datasets to better reflect current need. Members did note that they would expect this funding to revert in future years, if employment returns to pre-pandemic levels.
19. **Recommendation: Update the unemployment benefits dataset in the settlement.**

DSG (2021) Paper 18 – Datasets impacted by COVID-19 in the 2022-23 settlement

20. DSG were presented a paper on the yearly impact of updating the datasets impacted by the pandemic (i.e. due to lockdowns, different working patterns etc.).
21. If certain data is not available, the group agreed to freeze the data at last year's values.
22. DSG agreed for those indicators impacted by COVID-19 that all client-based indicators should be updated as normal and that indicators which are used as proxies for spend should be frozen.
23. The group requested the additional CTRS funding provided due to COVID-19, to be removed from the data distribution.
24. **Recommendation: To freeze data that is not available at last year's values – Disabled Facilities Grants, Private Sector Dwelling Stock.**
25. **Recommendation: To update the mortality, council tax reduction schemes (CTRS) caseload, ships data as these are client-based indicators.**
26. **Recommendation: To freeze those data used as proxies of need to spend – Traffic flow and Tourism data. However, for the Tourism data changes identified in DSG (2021) paper 3 should be incorporated.**
27. **Recommendation: Update the CTRS expenditure data, but after removing the additional COVID-19 funding.**

DSG (2021) Paper 19 – DSG report

28. Due to the number of decisions made at the meeting, officials agreed to circulate the updated report for comments via correspondence
29. **Action: Welsh government officials to circulate via correspondence.**

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Distribution Sub-Group (2021) Minutes – 14 September 2021

30. Officials noted that the Revenue Account (RA) was provided as a paper to note.
31. Welsh Government informed the group of a one-off grant (circa £90k) from HMRC due to legislation introducing tax conditionality for licensing in England and Wales. The licence renewal process for licences to drive taxis and private hire vehicles (and operate a private hire business) as well as to deal in scrap metal. Further information can be found [here](#) and [here](#).
32. Officials queried the group whether the Green Book in its current pdf format is still fit for purpose. The group confirmed they use the Green Book, but agreed a pdf version might not be the most suitable
- 33. Action: Welsh government to consider other options**
34. Hywel Jenkins informed the group that this would be his last DSG meeting, prior to retiring at the end of September. The group thanked him for his contribution over the years.

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:

- 16 November 2021
- 18 January 2022
- 22 March 2022
- 11 May 2022
- 12 July 2022

**Local Government Finance Policy and Sustainability Division
Welsh Government**