

DISTRIBUTION SUB-GROUP (DSG)

Minutes of meeting held on 19 September 2024 - hybrid

Welsh Government (WG)

Judith Cole (Chair)
Emma Smith
James Koe
Freya Gregory
Oliver Griffiths
Heather Haywood (Housing and Regeneration)
Sara James (Housing and Regeneration)
Clare Blake (Council Tax)

Welsh Local Government Association (WLGA/ LA)

Nathan Gardner (WLGA)
Jon Rae (WLGA)
Lisa Hayward (WLGA)
Sam Sullivan (Data Cymru)
Jane Thomas (Powys)
Dewi Aeron Morgan (Gwynedd)
Jonathan Davies (Monmouthshire)
Ian Allwood (Cardiff)
Carys Lord (Bridgend)
Duncan Hall (Ceredigion)
Elizabeth Thomas (Denbighshire)

Independent members

Dr Dennis de Widt (Independent)
Chris Barton (Fire)

Apologies

Barrie Davies (Rhondda Cynon Taf)
Guto Ifan (Independent)

Item 1: Welcome, Apologies and Introductions

1. The Chair welcomed the group to the meeting, recorded apologies and made introductions for the benefit of new members and attendees. Judith introduced Sara James and Heather Haywood from Housing and Regeneration to the group.

Item 2: Minutes from previous meeting (04 July 2024) and matters arising

2. The group agreed to the accuracy of the minutes from the previous meeting. Jon Rae mentioned that he had shared the PSS methodology paper with the draft timeline for the PSS formula review at a WLGA finance group with leaders where the view on the timeline was very negative. Jon suggested that WLGA would be happy to work with the settlement team on speeding up the timeline. Jon also

requested that minutes from the previous meeting be shared again alongside the papers and agenda in future.

3. Judith Cole confirmed a new project plan and programme was in development which would be shared with DSG in the future. Judith also noted she was looking into how to get more resource to further reduce the PSS recalibration timeline.

Item 3: Homelessness grant funding for: No one left out (NOLO), Discretionary Homelessness Prevention (DHP) and Strategic Coordinators to the Revenue Support Grant (RSG) (Verbal Update)

4. Sara James and Heather Haywood from the Homelessness Prevention team introduced themselves and their plans for homelessness prevention funding. Sara explained that following the closure of the hardship fund in March 2022, three funding streams were established, No One Left Out (NOLO), Discretionary Homelessness Prevention (DHP), and funding for strategic coordinator posts within Local Authorities (LAs). The value of these funding streams in 2024-25 was £21.32million, of which the temporary accommodation funding represented the majority. The previous Cabinet Secretary agreed at the January 2024 FSG meeting that the three grants discussed would be transferred into the RSG from 2025-26, as part of the programme for government commitment to reduce administrative burden on LAs.
5. Heather Haywood explained the implications of the transfers on the funding streams if they are distributed to LAs using the relevant formula within the local government settlement, due to the specific distribution approach applied by the homelessness team to distribute temporary accommodation (TA) funding that recognised specific TA pressures based on latest data. This analysis highlighted that the homelessness indicator within the non-HRA formula was significantly out of date and is no longer representative of current homelessness legislation (Part two of the Housing Wales act 2014), with another indicator outdated but to a lesser extent due to this, two new data sources have been introduced to use for the homelessness indicator and housing benefits indicator of the non-HRA formula. These datasets were exemplified in Paper 9 and were discussed under the next item.
6. They shared their plans to distribute these funding streams using the refreshed non-HRA formula subject to the new Cabinet Secretary's approval. There would also be the option to use a phasing period from the current approach to minimise the impact of reduced funding to some LAs as a result of the change. They also highlighted that the impact of the new homelessness legislation – to be implemented after 2025 – placed additional importance on the need to update the non HRA formula for all housing-related funding in the settlement. This legislative change will likely result in additional funding to achieve the requirements of the new legislation. The regulatory impact assessment (RIA) is underway and will be published in due course.

Item 4: Paper 9 – Non HRA Formula

7. James Koe presented Paper 9 and described the four options available for the group to discuss.
 - **Option 1:** Update the formula with just the '**Housing benefit Recipients**' alternative data source.
 - **Option 2:** Update the formula with both the '**Housing benefit Recipients**' and '**Total Homelessness Decisions**' alternative data source.
 - **Option 3:** Update the formula with the '**Housing benefit Recipients**' alternative data source and phase the '**Total homelessness Decisions**' alternative data source into the settlement over a period of several years. – not exemplified.
 - **Option 4:** Do not update the formula with the latest data until the weightings for each dataset are recalibrated.
8. Jonathan Davies thanked James, Sara and Heather for their work. He raised the issue of different time averages being used for different datasets and different indicators within the settlement when phasing changes. He was concerned that such inconsistencies could be confusing and thought there should be a framework in place of standard averages used.
9. The group agreed a standardisation of timescales used for averages and phasing should be considered. Jonathan also raised that the homelessness decisions data is highly variable, likely due to the transient nature of the population, particularly across borders. Suggesting that the three-year option should be used with phasing to dampen the impact of this variability, he considered that **option 3** would be the best option to protect LAs from the impact of the churn seen in the data.
10. Ian Allwood raised whether it would be prudent to hold off on transferring these grants into the RSG until the legislation and any additional funding can be confirmed. He also noted this service was incredibly difficult to link the population activity with the expenditure and therefore wondered if it would be prudent to wait so LAs are sure the funding mechanism will not change.
11. Jon Rae noted that although this data is out of date it was not nearly the most out of date dataset in the settlement. However, the value attached to this data has increased massively in the time since it has been updated from ~£12million to ~£90million when looking at net revenue spend which has been reflected in the WLGA pressures survey. Jon agreed with Jonathan that **option 3** sounded suitable. Jon also raised the question of recalibrating the weightings of the formula. It was not clear what the underlying analysis of the weightings was based on and how much work recalibration of this IBA would be. If it is not a large piece of work, Jon suggested it could be carried out alongside **option 3**, due to the importance of this subject.
12. Judith Cole clarified that DSG agreed that all grants including this one should go into the RSG for the 2025-26 settlement.

Distribution Sub-Group (2024) Minutes – 19 September 2024

13. Heather Haywood reiterated that although the previous Cabinet Secretary agreed to put these grants into the RSG this would need to be agreed again by the new Cabinet Secretary. Heather replied to the point raised on averages and explained that a three-year average had been suggested as the data was quite volatile, and the team wanted to ensure that data was representative of post covid populations.
14. Sara explained that this work was intended for the 2024-25 settlement but was extended to 2025-26 to give LAs more time to prepare. This was after engagement with housing teams to gain insight into the possible impacts and these were mixed, as some would like to ringfence funding. However, the general principal is to reduce administrative burden and provide more flexibility for LAs to use their funding.
15. Duncan Hall raised concern with the transfer of grants into the RSG creating winners and losers compared to the current funding mechanism. Duncan was aware that some grants go into the settlement on a pound for pound basis and wondered if that would be an option for these grants? Duncan also queried whether the datasets considered the prevention work that LAs carry out to reduce homelessness numbers. Duncan also raised the volatility of the data, pointing at Swansea who would potentially be in a loss of £4million from the exemplifications presented and Bridgend at the other end of the spectrum. Duncan queried if there has been any investigation into what in the data has caused this significant difference for some LAs.
16. Sara explained that of the two datasets proposed in this paper, one counts households threatened with homelessness, thus accounting for prevention activities, while the other counts people who are homeless and require temporary housing. Sara also explained that as part of the work to reduce administrative burden there was a housing support grant to fund non- statutory preventative services as well as supporting LAs with some statutory responsibilities. The current proposal is that this grant (£187million this year) will not be moved into the RSG. Sara suggested the large changes seen for Swansea and Bridgend might be due to the outdated data from 10yrs ago and thus using more current data would cause large churn from the trends seen in the data 10yrs ago.
17. Jon Rae highlighted the similarity between this area and ALN/children's residential care, although the scale is very different, the inflation in these areas has been supercharged. The mass increase in these funding figures puts more pressure on the need for the formula to be correct to ensure a fair distribution of what is limited funding.
18. James Koe confirmed that the settlement team would investigate the different averages and phasing used within the settlement and inform DSG of any inconsistencies for them to decide on. James also suggested that the updating of the weightings within the non-HRA formula may not have huge implications for the distribution as the SSA for this element of the formula is not very big. This formula is also a lower priority for recalibration as it is a smaller portion of the funding but can be considered as part of the work programme.
19. Judith queried the balance of preventative measures and demand measures used in the two datasets laid out in Paper 9.

Distribution Sub-Group (2024) Minutes – 19 September 2024

20. Heather confirmed that there would be an element of double counting because of summing the averaged datasets as some members of the population will appear as at risk of homelessness, and then become homeless within the timescale of the averages. However, the double counting should not be an issue within the settlement formula as it will use percentage shares. Sara agreed that these datasets although not perfect are better than the ones currently used and will continue to exist even through legislative changes and reflect LAs statutory responsibilities.
21. Judith confirmed that the consensus of DSG was not to overturn the transfer of the grant into the settlement. However, there was concern that the variations between the grant and formula would be sufficient to require phasing, meaning the funding will be transferred in on the existing mechanism. Sara agreed the plan but reiterated that the decisions were still subject to cabinet agreement in the coming months. Judith reiterated that this timescale did not allow LAs much time to plan for any change thus encouraging as minimal change as possible.
22. Jon Rae assured that in the pre-meet there was a clear agreement for option three of paper 9, subject to understanding what the recalibration of the non-HRA formula would mean. James Koe shared that the recalibration would need more investigation to understand how it had been done before and if this could be recreated, if so, how much time and resource would the work take.
23. Ian Allwood noted that while the role of DSG is to agree or disagree distribution methods, that does not mean it is inappropriate for members to question the risk of the quantum not being enough. The delivery of Welsh Government policy objectives would be weakened if appropriate RIAs were not in place establishing the costs which would in turn put pressure on LAs.
24. Heather queried whether the settlement formula would be updated to the same level of the grant formula by the time of the grant transfer in 1-2yrs.
25. Judith confirmed that the normal approach for grant transfers would be to transfer a grant into the settlement then phase the distribution within the settlement. Not to transition outside of the settlement. Heather confirmed they had not been working under this understanding as through their own analysis there had been massive changes found in transferring the grant into the current non-HRA formula.
26. Judith confirmed regarding the settlement formula that it needs updating, it will likely cause a lot of churns, assurances will have to be tested that the new datasets have a similar weighting (but it is unknown how much work this may be). Judith also noted that although this is not a large IBA financially, it does hold a significant political weight.
27. The group further discussed the benefits of updating the formula weightings alongside the datasets and a consensus was met that **option 3** should be taken forward, with the settlement team looking into the work required to recalibrate the non-HRA formula. DSG would appreciate sight of an exemplification on the phasing of the grant distribution/transfer into the settlement.

Recommendation – Take forward option 3 and phase the transfer into the settlement.

Action – Settlement team to investigate different phasing/average timescales used within the settlement.

Action – Settlement and housing team to provide DSG with exemplifications on decisions made.

Action – Settlement team to investigate work needed to recalibrate the non-HRA formula.

Item 5: Paper 10 – Impact of 2024 PLASC pupil numbers for the 2025-26 Settlement

28. Freya Gregory presented Paper 10, describing the impact of using 2024 PLASC data in the 2025-26 settlement. Freya then asked for agreement on using the 2024 PLASC data within the 2025-26 settlement.

29. The group discussed the paper and agreed to the use of 2024 PLASC data in the 2025-26 settlement.

Recommendation – Use 2024 PLASC data in the 2025-26 settlement.

Item 6: Paper 11 – Latest RA Data for the 2025-26 Settlement

30. James Koe presented Paper 11, describing the impact of using the latest RA data in the 2025-26 settlement. James then asked the group for agreement on using the latest data within the 2025-26 settlement.

31. The group discussed the paper and the changes of distribution within the sectors. The group agreed to using the latest data within the 2025-26 settlement.

32. Queries were raised concerning the impact of this exemplification on rural versus urban authorities and whether the outdated sparsity data has an impact on this. It was noted that there was not a clear urban / rural split.

33. Jane Thomas requested analysis to help explain the changes to politicians in more detail as the changes alongside the issue of the quantum will cause concerns for LAs.

Recommendation – Use the latest RA data in the 2025-26 settlement.

Action – Settlement team to investigate the possible rural/urban split in this exemplification and provide further analysis and explanation for the changes.

Item 7: Paper 12 – Benefits datasets and CTRS for the 2025-26 Settlement

34. James Koe presented Paper 12 describing the impact of using the latest Benefits and CTRS data in the 2025-26 settlement. James then asked the group for agreement on using the latest data within the 2025-26 settlement.
35. The group discussed the paper and agreed to using the latest benefits and CTRS data in the 2025-26 settlement. The issue was raised that the SSA for this dataset is around £244million, where LAs are spending upwards of £300million and this deficit should be noted. Further explanation was sought as to why this funding is capped at £244million when spending has increased since this was set, to £300 million. Judith suggested that this be a separate discussion held by DSG at another point as this would also be impacted by the Council Tax Reform work set to take place in 2028, which will require a piece of work to be done on the CTRS aspect of this exemplification.
36. Lisa Hayward queried whether 'Employment Support Allowance' were counted in any of the indicators used in this exemplification and if not where is that cohort recorded.

Recommendation – Use the latest Benefits and CTRS data in the 2025-26 settlement.

Action – Settlement team to investigate the inclusion of Employment Support Allowance in the settlement.

Item 8: Paper 13 – Population data options for the 2025-26 Settlement

37. James Koe presented Paper 13 describing the impact of using the latest population data in the 2025-26 settlement. James then asked the group for agreement on using the latest data within the 2025-26 settlement.
38. The group discussed the paper and agreed to using the latest population data in the 2025-26 settlement.
39. Jon Rae queried why population projections were not being used. James Koe explained that the current population projections are based on the 2011 census and the sub national 2021 based population projections will be available from early 2025, and thus will be considered for use in the settlement from 2026-27.

Recommendation – Use the latest population data in the 2025-26 settlement.

Item 9: Paper 14 – eFSM data option for the 2025-26 Settlement

40. James Koe presented Paper 14 describing the impact of using the latest eFSM data in the 2025-26 settlement. James then asked the group for agreement on using the latest data within the 2025-26 settlement.

Distribution Sub-Group (2024) Minutes – 19 September 2024

41. The group discussed the volatility of the eFSM data and the issues with data collection since universal free school meals roll out. Particularly primary schools' data where there is a downward trend. The group queried whether there was a plan for this dataset in the future if this trend continues. The population for primary school pupils is also on a downward trend so this may be relative, however, the group would appreciate further explanation of this.
42. Judith Cole and Jon Rae discussed raising this issue with other groups to consider the impact of a lack of integrity in this dataset and agreed it would be picked up politically and directly with the director of education.
43. The group agreed that a three-year average of eFSM or TP would be the best option to use within the 2025-26 settlement as it minimised churn.

Recommendation – Use the three-year average of eFSM or TP data in the 2025-26 settlement.

Action – Settlement team to investigate the integrity of eFSM or TP data in relation to schools' populations.

Item 10: AOB and Close

44. Ian Allwood noted a disconnect between education colleagues and distribution colleagues in Welsh Government in relation to teachers pay awards and the distribution of pay awards.
45. Judith and Emma explained their understanding of the current position – that Welsh Government had agreed to fund the difference between the planning assumption built into the Welsh Government budget and the increased cost of the agreed increase. This would be through a specific grant, likely from the WG education department on a formula basis.
46. Duncan Hall raised SCAPE pensions issue and whether the February timeline still stood. Subsequently the Welsh Government first supplementary budget confirmed the provision of additional funding for this which would be implemented by specific grant over the next 2 months for teachers pension and fire pension to the LAs.
47. Ian Allwood questioned what of this can DSG share, for example with schools. Judith clarified that it is not public yet and will not be for some time so not to discuss further than a resolution is expected in October.

Dates and venues of next meetings

48. The provisional future dates of meetings are as follows. These are all currently set up to take place via MS Teams but where beneficial, some of these will be amended to face to face meetings:

Proposed Dates

FSG: October: Tuesday 22nd 2024

Distribution Sub-Group (2024) Minutes – 19 September 2024

09:00am – 10:30am

DSG: November: Tuesday 19th 2024

10:00am – 12:00am

- Updating the (23-24) RO data for the 2025-26 Settlement
- Pool Rate data for the 2025-26 Settlement

Distribution Sub-Group (2024) Minutes – 19 September 2024

Actions Outstanding

	<u>Action</u>	<u>Owner</u>	<u>Date raised</u>	<u>Date completed</u>
1	Settlement team to investigate different phasing/average timescales used within the settlement.	Settlement team	19/09/2024	
2	Settlement and housing team to provide DSG with exemplifications on decisions made.	Settlement team	19/09/2024	
3	Settlement team to investigate work needed to recalibrate the non-HRA formula. (Longer term action)	Settlement team	19/09/2024	
4	Settlement team to investigate causes for the rural/urban split in this exemplification and provide further analysis and explanation for the changes.	Settlement team	19/09/2024	
5	Settlement team to investigate the inclusion of Employment Support Allowance in the settlement.	Settlement team	19/09/2024	
6	Settlement team to investigate the integrity of eFSM or TP data in relation to schools' populations.	Settlement team	19/09/2024	
	<u>Actions (Ongoing)</u>	<u>Owner</u>	<u>Date raised</u>	<u>Date completed</u>
1	Council Tax Reform item to be included on agenda for Spring 2025	WG Settlement team	21/05/2024	
2	WG LG finance policy team to reconvene CFG.	WG settlement team	21/05/2024	Completed: CFG re-established. Meeting held July 2024
3	DSG to recommend pilot of the recalibration of the Nursery and Primary Education IBA to FSG (Option 2 Settlement threshold 5,000) (WG settlement team to investigate data issues	WG settlement team and DSG	21/05/2024	

Distribution Sub-Group (2024) Minutes – 19 September 2024

	relating to middle schools and expenditure over time)			
4	WG Settlement team to present the Nursery and primary Schools recalibration analysis and progress the conversation with Education officials and ADEW	WG settlement team	21/05/2024	
5	Welsh Government Settlement team to produce a paper summarising next steps for the PSS Formula	WG settlement team	21/05/2024	Presented to DSG 4/7/24. To be discussed at FSG on 22/10/24
6	WG settlement team to look at correlations between data sets, particularly FSM and benefits, and provide analysis	WG Settlement team	15/11/2022	Ongoing through the work of WG colleagues on review of eFSM indicators.
7	Ensure DSG kept informed of the work by Education Dept on the work on school funding formula	WG settlement team		Ongoing

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