

DISTRIBUTION SUB GROUP (DSG)

Minutes of meeting held on 27 January 2016 at WLGA Offices, Cardiff

Welsh Government (WG)

Rob Hay (Chair)
Simon Edwards
Kim Swain
Matthew Curds

Joanna Leek
Martyn Gray
Jane Sorton-Davies

Welsh Local Government Association (WLGA)

Dilwyn Williams (Gwynedd)
Chris Barton (Independent)
Ian Allwood (Cardiff)
Chris Lee (RCT)
Richard Weigh (Denbighshire)

Jon Rae (WLGA)
Rhys Andrews (Independent)
Joy Robson (Monmouthshire)
David Powell (Powys)

Apologies

Judith Cole (WG)
Hywel Jenkins (Neath Port Talbot)
David McAuliffe (Blaenau Gwent)

Debra Carter (WG)
Andrew Stephens (Data Unit Wales)

Welcome and Introductions

1. The Chair recorded apologies and thanked WLGA for hosting the meeting.
2. The Chair welcomed Rhys Andrews back to the group after a period of absence.

Minutes and matters arising from the previous meeting

3. Paragraph 7: Welsh Government Officials amended the minutes of the September meeting and these were circulated to members and agreed in this meeting.
4. Paragraph 9, 13 and 36: Welsh Government Officials have added the investigation of the RO and RA data that flows into the Settlement to the 2016-17 Work Programme.
5. Paragraph 18: Welsh Government Officials circulated the presentation given by Simon Edwards regarding the mechanics of the Local Government Settlement to DSG members.
6. Paragraph 21: Welsh Government Officials informed the group that further discussions were to be held with KAS colleagues regarding the validation of the PLASC data.

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7. **Action: Welsh Government Officials to hold further discussions with KAS colleagues surrounding the validation procedures for the PLASC data and feed back to the group in the next meeting.**
8. Paragraph 24: Welsh Government Officials have included the work surrounding indirect costs of PSS to the Work Programme for the 2017-18 Settlement and an update will be provided in this meeting.
9. Paragraph 31: Jon Rae liaised with Welsh Government Officials concerning specified bodies funding prior to the announcement of the 2016-17 provisional Settlement.
10. Paragraph 33: Welsh Government Officials have added the work surrounding the transfer of Additional Learning Needs (ALN) funding to the Work Programme for the 2017-18 Settlement.
11. Paragraph 40: Discussions will be held in regards to Welsh Government Officials providing additional resource in this area after the next Education Sub Group meeting.
12. Paragraph 42: Welsh Government Officials informed the group that it was possible that updated population projections data could be ready in time for the 2017-18 Settlement but this would tighten the timescales that KAS colleagues were working to previously. Welsh Government Officials will inform the group of the potential update to the population projections in a meeting later in the year after further discussions with KAS colleagues.

DSG (2016) Paper 01 – Terms of Reference 2017-18

13. Welsh Government Officials presented a paper on the terms of reference for the 2017-18 Settlement.
14. The Terms of Reference were agreed providing the removal of the PSS Sparsity Group due to this group having disbanded and the work being included in the main 2016 DSG Work Programme.
15. **Action: The PSS Sparsity Working Group to be removed from the 2017-18 Terms of Reference.**

DSG (2016) Paper 02 – Work Programme 2017-18

16. Welsh Government Officials presented a paper on the work programme for the 2017-18 Settlement.
17. Discussions amongst the group largely surrounded the Annex included in the paper. Members suggested that the structure of the work programme should be altered to better reflect the work streams, by removing the split between Essential and Optional items. The group also felt the impact and risk levels of the Reforming Local Government work stream should be revised up to 'high'.
18. **Action: Welsh Government Officials to amend the Work Programme for 2017-18 to reflect the discussions held.**

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19. The group discussed the long term future of the formula considering the Local Government Reform Programme. Members suggested that the formula required a holistic review at the earliest opportunity so that it was possible to explore other options before the introduction of Local Government Reform. Welsh Government Officials outlined that the formula was still fit for purpose and that provided the reforms meant a combining of existing authorities, the current formula could initially support the introduction of the new Authorities.

DSG (2016) Paper 03 – Pool Rate 2016-17

20. Welsh Government Officials presented a paper outlining the pool rate calculations used in the 2016-17 Settlement.

21. The group briefly discussed the paper and agreed it would be sufficient to circulate the annual standing paper for information rather than table for discussion, the opportunity would be available to discuss at the next available meeting if required. Welsh Government Officials suggested this should be completed prior the announcement of final Settlement in future years, rather than post announcement.

22. **Decision: The annual standing Pool Rate paper will be delivered through correspondence prior to the November DSG meeting for future Settlements.**

Oral Item – Indirect costs of PSS

23. Welsh Government Officials outlined the work that has been ongoing in relation to the indirect costs of PSS and the validation of the analysis conducted in DSG (2015) paper 19.

24. Welsh Government Officials told the group that updated Cartographics data for the sampled authorities had been gathered and statistical tests had been implemented to compare against the survey data collected previously for the same authorities. The result of the statistical test suggested that the dataset patterns differed, but it was highlighted that this did not necessarily mean that either dataset was incorrect. Welsh Government Officials suggested that it was important to further examine the robustness of the cartographics data and proposed to bring a paper with this analysis to the next meeting.

25. The group suggested that the new Cartographics data should be used provided members were satisfied it was sufficiently robust when implementing this work into the formula because data is available for all Local Authorities and there is a method in place to calculate the data.

26. **Action: Welsh Government Officials to present a paper in the March meeting outlining the robust of the new Cartographics data.**

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DSG (2016) Paper 04 – Non-HRA Housing IBA – Homelessness indicator

27. Welsh Government Officials presented a paper to the group on considerations for the Non-HRA housing IBA and more specifically the homelessness indicator that is incorporated in the service IBA.
28. The group were reminded that, due to the change in Housing Legislation from April 2015, the homelessness data currently used in the model will not be available for future years; therefore a decision is required in regards to the short term treatment of the Non-HRA Housing IBA formula.
29. The group discussed the options outlined in the paper and came to a consensus to recommend option a: to continue with the current formula and freeze the homelessness data maintaining a 3-year average.
30. **Decision: Continue with the current Non-HRA Housing IBA formula and freeze the homeless data (3-year average from 2012-13 to 2014-15).**
31. It was noted by the group that in the long term, options needed to be considered for future Settlements. It was acknowledged that until further reliable data was available then this would not be possible, therefore a further paper will be brought to a later meeting to discuss the long term options.

DSG (2016) Paper 05 – Universal Credit Update

32. Welsh Government Officials presented an updated information paper on Universal Credit and the likely implications for future Settlements. It was confirmed that the Welfare Reform Programme would impact on the 2017-18 Settlement.
33. The group acknowledged the usefulness of the paper when considering the implications of UK Government's Welfare Reform Programme. Discussions were held around the new Universal Credit data and questions were raised regarding the next steps to take. The group were concerned with the legacy benefit counts and how this fits in with the Welfare Programme, with concerns about a definitional change being raised.
34. Welsh Government Officials suggested a further paper will be brought back to the group at a later meeting when further data is available to complete analysis.
35. Jon Rae suggested that Welsh Government Officials should contact the WLGA Welfare Reform Officer to seek advice prior to the construction of a further paper.
36. **Action: Welsh Government Officials to liaise with the WLGA Welfare Reform Officer prior to bringing a further paper to the group at a later meeting.**

Oral Item – Possible transfer in of the Education Improvement Grant

37. The group welcomed and thanked Martyn Gray and Jane Sorton-Davies for attending the meeting to discuss the possible transfer in of the Education Improvement Grant.

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38. Martyn Gray outlined the possible transfer in of the Education Improvement Grant for the 2016-17 Settlement and confirmed that the foundation phase element of the Education Improvement Grant was being considered as a transfer in to the 2016-17 final Settlement. This raised questions amongst the group about the reasoning for only this element of the grant being transferred into the Settlement. Martyn Gray confirmed that for methodical reasons, this was the most appropriate process to take.
39. The group raised concerns about the feasibility of considering the distributional issues surrounding the transfer in a short timescale between the meeting and the announcement of the final Settlement.
40. Martyn Gray informed the group that it was more likely that the transfer would be implemented for the 2017-18 Settlement rather than the 2016-17 Settlement. If the grant was to be transferred into the 2017-18 Settlement then a paper would be brought to further DSG meetings to consider the distributional issues.
41. The consensus of the group was it was not feasible to express a view on such a significant transfer with substantial distributional considerations in a short timescale and without the necessary information.
42. **Action: Welsh Government Officials to bring a paper regarding the transfer of the Foundation Phase element of the Education Improvement Grant to a later meeting.**

Any Other Business

43. Welsh Government Officials informed the group of a minor error in the provisional Settlement calculations and suggested this would have a marginal impact on the distribution for the final Settlement.
44. Welsh Government Officials informed members that a revised version of the provisional Settlement would be released depending on the outcome of budget discussions.
45. Jon Rae queried if the council tax base regulations will be updated next year due to the second/empty homes council tax premiums being implemented.
46. **Action: Welsh Government Officials to investigate and feed back to the group and add to the 2017-18 Work Programme if necessary.**
47. Members queried the presentation of the provisional Settlement in regards to the 2015-16 AEF figures quoted. Welsh Government Officials explained that these figures were updated for the 2016-17 tax base to take account of comparability issues.

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Dates and venues of next meetings

48. The dates for forthcoming meetings in 2016 are as follows:

- Tuesday 22 March 2016 – Welsh Government, Cardiff
- Thursday 19 May 2016 – Welsh Government, Cardiff
- Wednesday 20 July 2016 – Welsh Government, Cardiff
- Tuesday 13 September 2016 – Welsh Government, Cardiff
- Wednesday 16 November 2016 – Welsh Government, Cardiff

Welsh Government