

Distribution Sub-Group (2016) Minutes – 29 March 2017

DISTRIBUTION SUB GROUP (DSG)

Minutes of meeting held on 29 March 2017 at Cathays Park, Cardiff

Welsh Government (WG)

Simon Edwards (Chair)

Kim Swain

Clare Blake

Shelley Heath

John Broomfield

Gareth Griffiths (for agenda item 3 only)

Welsh Local Government Association (WLGA)

Jon Rae (WLGA)

Andrew Stephens (Data Unit) Wales

Dilwyn Williams (Gwynedd)

Joy Robson (Monmouthshire)

Christopher Lee (RCT)

Richard Weigh (Denbighshire)

Hywel Jenkins (Neath Port Talbot)

Independent Members

Chris Barton

Apologies

David Powell (Powys)

David McAuliffe (Blaenau Gwent)

Ian Allwood (Cardiff)

Debra Carter (WG)

Euros Jones (WG)

Rhys Andrews (Independent)

Hugh Coombs (Independent)

Rob Hay (WG)

Judith Cole (WG)

Welcome and Introductions

1. The Chair recorded apologies and introduced Gareth Griffiths and John Broomfield to the rest of the group.

Minutes and matters arising from the previous meeting

2. There were no comments of accuracy on the minutes from the previous meeting.
3. Paragraph 3: Welsh Government officials confirmed the date of the January DSG meeting in the 14 November 2016 Minutes has been updated to the 18 January 2017, prior to the Finance Sub Group (FSG) meeting scheduled on 25 January.
4. Paragraph 8: Welsh Government officials confirmed the Terms of Reference had been amended to reflect WLGA Lead's responsibilities and were shared with the Finance Sub Group (FSG) at their meeting on 25 January, along with the DSG Work Programme. The work programme was agreed by the FSG
5. Paragraph 15: Welsh Government officials circulated further analysis prior to the meeting and noted that this would be included in a future paper on the post-16 Learning Difficulties and/or Disabilities (LDD) transfer.

DSG (2017) Paper 03 – Transfer of Independent Living Fund into Revenue Support Grant 2018-19

Capital Limit for Residential Care

6. Gareth Griffiths, Head of Paying for Care (Welsh Government), firstly updated the group on the delivery of the Welsh Government's commitment to increase the capital limit used by local authorities when charging for residential care.
7. The group were informed of the "Taking Wales Forward" commitment to raise the capital limits for residential care to £50,000 over the lifetime of this Government. Gareth informed the DSG that research has been undertaken by LE Wales into the impact and cost of implementing this, with a decision being made to phase in the increase commencing with the limit rising from £24,000 to £30,000 in 2017-18. It was also noted that £4.5 million has been added into the 2017-18 settlement for implementation of this first stage.
8. Gareth set out plans for monitoring the impact of this change so as to inform the level and timing of further increases to the capital limit towards the £50,000 limit planned.
9. **Action: Gareth Griffiths to share the monitoring return with the WLGA, through Jon Rae for comment.**

Independent Living Fund (ILF)

10. Gareth presented a paper on the proposed transfer of funding for the Independent Living Fund (ILF) into the Revenue Support Grant (RSG). The paper gave an overview of the ILF and the transfer of responsibility from the UK Government to the Welsh Government and the plans for local authorities to provide future support as part of their social care provision.
11. The group were made aware that the transfer of responsibility from the Welsh Government to Local Authorities will have a transition period covering 2017-18 and 2018-19 to allow sufficient time for authorities to undertake all care assessments and to put in place future support arrangements.
12. Gareth informed DSG members that it is the intention to transfer the full funding available to provide this support into the Settlement for 2018-19.
13. The variation in the number of recipients in each authority was highlighted and it was noted that this is partly due to recipients being previously eligible for payments from the ILF based on the cost of any support they received from their Local Authority, with Local Authorities having varied criteria for the provision of care and support. The group commented that it was not possible to accurately predict what the future data trend will look like until all recipients are reassessed by Local Authorities.
14. The group approved the proposal for the ILF to be transferred into the RSG on the basis of actuals in 2018-19, with a plan to re-consider early next year whether there should be any phasing before moving to a formula basis for distribution from 2019-20 onwards.

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15. Jon Rae agreed to check with the Association of Directors of Social Services (ADSS) Cymru whether it is happy with the transfer of ILF into the RSG based on actuals.
16. **Action: Jon Rae to check with the Association of Directors of Social Services (ADSS) Cymru whether it is happy with the transfer of ILF into the RSG based on actuals.**
17. **Action: Transfer the ILF into the RSG on the basis of actuals for 2018-19 and re-visit the future distribution at a later meeting.**

DSG (2017) Paper 04 – Pool Rate Calculation

18. Welsh Government Officials presented a paper on the Pool Rate calculation which gave an overview of the methodology for calculating the assumed interest rate. It was pointed out that the pool rate of interest has continued to increase whilst general interest rates have remained stable or decreased.
19. The estimated interest rate for new borrowing of 2.49% was questioned and it was suggested this should be higher. It was suggested that there may be a more appropriate proxy for this interest rate. Members also queried how material these changes were to the overall distribution of the settlement.
20. **Action: Welsh Government officials to bring a further paper to the DSG assessing the impact of changing the Pool Rate on the settlement distribution.**

DSG (2017) Paper 05 – Prison Populations

21. Welsh Government Officials presented a paper on Prison Populations. The paper highlighted the issues relating to how prison populations currently affect the distribution of funding through the formula.
22. The group discussed the paper, expressing their views into how the distribution should reflect HMP Berwyn which has opened in Wrexham. The problems with using population projections in relation to prisoner numbers were highlighted as population projections are only updated every 3-4 years with the most recent update taking place last year (2014-based estimates), which did not include the new prison population for Wrexham.
23. The group questioned to what extent the new prisoners will drive costs, questioning how they impact certain IBAs and felt that it would not be practical to assess each IBA in turn.
24. The group raised the issue of the planned transfer of the grant for providing Social Services for those in the Secure Estate and the possibility of double counting when this comes into the settlement.
25. It was proposed to leave the treatment of prisoner populations in the settlement as they are for the time-being, but to investigate adjusting Wrexham's figures to take account of the prisoners which are not being captured in the settlement, at

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the same time when the grant for providing Social Services for those in the Secure Estate is transferred in.

- 26. Action: Welsh Government Officials to bring a paper to the group on the proposed transfer of the grant for providing Social Services for those in the Secure Estate to a future meeting and to investigate amending the prison population adjustment within the population projection figures for 2018-19 to account for HMP Berwyn at this juncture.**

DSG (2017) Paper from WLGA on Supported Housing

27. Due to the absence of Chris Price, this item was postponed to the next meeting.

DSG (2017) Paper 06 – Formula Simplification

28. The group discussed the item in the DSG Work Programme on simplification and what this might entail. Welsh Government Officials gave a brief overview of the history of calls for formula reviews including the recommendations of the Independent Commission on Local Government Finance Wales. While there was no immediate appetite for a large scale or external review of the formula, there may be a case for further work on improving aspects of it and this could include reducing complexity.

29. The group agreed that removing smaller indicators or service areas from the formula was not the best route for simplification as it could potentially cause distributional movements and was not methodologically sound. There was some general agreement that some of the cost drivers are small and there may be a case for consolidation, though the overall objective of simplification needed to be set out more clearly i.e. did simplicity mean reducing resource burden and number of data points or did it mean increasing transparency. The view was expressed that, in this instance, simplification should mean transparency. If increasing transparency was the objective then the group suggested that they would like to further investigate approaches that are different to a regression based approach.

30. On that basis it was argued that the work on a unit cost approach should be prioritised, in order to see the impact of this before further considerations concerning simplification. The WLGA's benchmarking work may help to provide the data required to attach unit costs to the key drivers of need. However LG members of DSG were concerned that there was a considerable divergence of views between LG members and WG members regarding the long term direction.

DSG (2017) Financial Benchmarking Data for Schools

31. Andrew Stephens provided information on the data provided by five local authorities to benchmark financial information against one another in South East Wales.

32. The group were informed that the data unit already have data which provides a benchmark for education and waste, and can influence the data they receive, if there is need for additional data.

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33. This data is currently provided on a confidential basis and only for the purposes of benchmarking, but the group noted that this is the sort of data that would be useful in constructing a unit cost-based formula.

DSG (2017) Waste element of the single revenue grant – update

34. Simon Edwards gave an update to the discussions that took place at the Ministerial Waste Programme Board Task and Finish group regarding the Waste element of the Single Revenue Grant.

35. The Task and Finish Group had begun initial discussions with Welsh Government Local Government Finance Policy officials around the possible method of transfer into the settlement. Welsh Government officials suggested retaining a separate IBA for the first 2 years using the 'actual' amount of the transfer and distributing on the same basis as the grant (the sum of the waste collection and waste disposal IBAs) and letting the RO data take over in year 3, so the funding is subsumed into the substantive waste IBAs.

36. The group suggested it could be possible to use the current RO expenditure data without netting off the grant, bypassing the need to fix the IBA value at the level of transfer. A paper would be brought back to a future meeting, once the recommendations of the Task and Finish group were more progressed.

Any Other Business

37. None.

Dates and venues of next meetings

38. The date for 2017 are as follows:

- 16 May 2017, Welsh Government, Cardiff
- 19 July 2017, Welsh Government, Cardiff
- 14 September 2017, Welsh Government, Cardiff
- 15 November 2017, Welsh Government, Cardiff
- 18 January 2018, Welsh Government, Cardiff
- 14 March 2018, Welsh Government, Cardiff

Local Government Finance Policy Welsh Government