

Distribution Sub-Group (2018) Minutes – 14 November 2018

DISTRIBUTION SUB GROUP (DSG)

Minutes of meeting held on 14 November 2018 at Cathays Park, Cardiff

Welsh Government (WG)

Judith Cole (Chair)
Simon Edwards
Ashley Caddick
Shelley Heath

Emma Smith
Gareth Griffiths (for item 4)
Charlie Thomas (for item 3)
Paul Rhys Jones (for item 3)

Welsh Local Government Association (WLGA)

Jon Rae (WLGA)
Hywel Jenkins (Neath Port Talbot)
Carys Lord (Vale of Glamorgan)
Andrew Stephens (Data Unit)

Christopher Lee (RCT)
Dilwyn Williams (Gwynedd)
Ian Allwood (Cardiff)

Apologies

Debra Carter (WG)
Hugh Coombs (Independent)
Chris Barton (Independent)
Rhys Andrews (Independent)

Joy Robson (Monmouthshire)
Richard Weigh (Denbighshire)
Rhian Hayden (Blaenau Gwent)
David Powell (Powys)

Welcome and Introductions

1. The Chair recorded apologies and introductions.

Minutes and matters arising from the previous meeting

2. Paragraph 3: Welsh Government officials updated the July minutes to reflect the discussion.
3. Paragraph 6: Welsh Government officials left the schools catering line as it was within the RO build.
4. Paragraph 16: DSG members asked for clarification on the action for Welsh Government to feed back to KAS colleagues the agreement that Local Authorities record their tax rebates in Other Central Services in the RO lines and identify this in the comments section of the form in order for them to be excluded. [These were, subsequently excluded from the RO build, as agreed by DSG.]
5. Paragraph 20: Invites were sent out for the sub groups, which will take place following this meeting.
6. Paragraph 26: a paper has been tabled under item 4 to look at the increase in capital limit for residential care.
7. Paragraph 33: This will be included in the 2019 work programme.
8. Paragraphs 41 and 42: Jon Rae wrote to the Local Authorities to inform them of the potential changes to the 100% tax base; however, it came to light that there were incorrect assumptions underpinning the decision, so this has been added to the 2019 work programme.

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9. Paragraph 44: It was agreed for Welsh Government officials to amend the minutes from the previous meetings to reflect the action is for DSG members to continue work under the 2019 work programme, rather than Welsh Government.
10. Paragraphs 51 to 68: All relevant changes were made to the DSG report, which was, subsequently signed off by the Finance Sub Group.

DSG (2018) Paper 29 – Increase in the capital limit for residential care

11. Gareth Griffiths from Welsh Government presented a paper on the latest position regarding the increase to the Capital Limit for Residential Care towards the planned £50,000 limit.
12. Gareth asked for the input of DSG members in determining the distribution of the funding for the capital limit, and whether this is based on formula or actuals. Gareth highlighted the £4.5 million previously paid out to Local Authorities to increase the limit is now included in the Revenue Outturn data and by 2021-22 the distribution will be on formula.
13. DSG members raised concerns around the table of costs included in the paper and highlighted the comparisons made in the table may not be comparing like for like due to what Local Authorities were being asked to include on their returns.
14. Gareth reassured this is not the case but suggested some Local Authorities may have misinterpreted the forms. Most of the LAs completed the forms correctly or provided revised forms and it was suggested Neath Port Talbot may need to revise their form if there are concerns around the accuracy of their figures.
15. DSG members requested more information on which Authorities have returned incorrect forms in order to analyse the figures to determine the best distribution.
16. Gareth informed the group this issue is still ongoing with some Local Authorities and highlighted the difficulties Local Authorities face when trying to estimate costs for this as it requires making assumptions of wealth and income to estimate capital.
17. DSG members questioned the current distribution and queried whether it should be based on older adults only. However, it was highlighted that this affects people of all ages and this was the distribution put forward by LE Wales.
18. Members queried whether there might be cause to base the distribution on actuals rather than formula, but it was pointed out that the distribution would then be based on past actuals. In this case, it was questioned whether the regression analysis should be redone to determine a new formula.
19. Gareth proposed to undertake further analysis on the figures presented in the paper and agreed to go back to Local Authorities to ensure they returned the correct information.
20. **Action: Gareth Griffiths to verify the figures returned by Local Authorities are correct.**

[Following the meeting, an audit of a sample of authorities was conducted by the policy team. This resulted in these authorities revising their estimates and these were closer to the formula distribution.

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As the estimates provided by authorities resulted in underspends, £7.0m was included in the settlement for 2019-20 to increase capital limits to 50k, rather than the previous estimate of £7.9m. The costings of the new responsibility will be monitored through the year to assess if the additional £0.9m will be required.]

21. DSG members agreed the distribution should be based on the formula previously agreed unless Gareth's exercise to verify the figures shows there is an issue with the distribution.
22. DSG members questioned the current rationale behind the funding floor in regards to new responsibilities. They suggested that new responsibilities currently mask the actual change in funding from year to year and the floor should be considered prior to new responsibilities.
23. **Action: Welsh Government to look into the mechanism of the floor funding, for the 2020-21 settlement.**

DSG (2018) Paper 28 – Post-16 learning difficulties and/or specialist placements

24. Welsh Government officials presented a paper on the transfer of responsibility for post-16 learning and/or specialist placements to Local Authorities, giving an update on the proposed timing of the transfer of responsibility and possible funding options.
25. Work done to assess the feasibility of timings of the responsibility suggests it could transfer to local authorities in September 2021, with the funding being paid to Local Authorities in April 2021.
26. £12 million is currently spent on 300 pupils needing specialist placements each year and two thirds of these currently have a plan which will need to be converted to the new system.
27. Local Authorities will only be responsible for those pupils who are currently on a statement (only those with complex needs), schools will be responsible for another 20% of pupils. As a new responsibility, Local Authorities will be responsible for the post 16 placements.
28. DSG members questioned the rationale in the transfer of the funding into the settlement as it affects a small number of the population and the needs are very complex.
29. Officials explained the rationale for transferring the responsibility to authorities is because they are in a better position to plan ahead for these learners than the current system. This will also allow Local Authorities the opportunity to put in more provision in their area which will reduce the amount of costly placements needing to be funded in other areas, and could save money in the long term.
30. It was also stated that the funding does not have to go through the settlement and could be administrated to local authorities via a specific grant, if authorities would prefer.
31. Officials agreed to bring back a paper in the January meeting, presenting data on pupils needing specialist placements and an update on timings. Local authority

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DSG members requested that this also considers the expectation for those beyond 19 years.

- 32. Action: Welsh Government officials to bring back a paper to the January DSG meeting showing the historic post-16 learning difficulties and specialist placements numbers.**

DSG (2018) Paper 30 – Changes between provisional and final settlement

33. Welsh Government officials presented a paper detailing the changes to the settlement between the provisional and final stages.
34. DSG members were informed that 23rd November will be the cut-off date for any changes to the settlement. However, Jon Rae informed members the top slice for WLGA won't be agreed until 30th November.

DSG (2018) Paper 31 – 2019 DSG work programme

35. Welsh Government officials presented a paper on the draft 2019 DSG work programme for agreement.
36. DSG members highlighted the delay in undertaking the long term work which was agreed in previous years. It was suggested policy colleagues should have more ownership their areas of the formula, as seen in England.
37. It was suggested work should be done on recalibrating the formula in order to update the census indicators. Welsh Government colleagues suggested doing some regression analysis to address this, however, it was suggested this should be put on hold until the sub groups have had chance to review their areas of the formula.
38. DSG members highlighted that although the Post-16 learning difficulties /disabilities specialist placements were included that they had concerns around the wider impact from the ALN act and should be considered in the work programme.

Dates and venues of next meetings

39. The future dates and venues of meetings are as follows:
- 16 January 2019, Welsh Government, Cardiff
 - 13 March 2019, Welsh Government, Cardiff
 - 15 May 2019, Welsh Government, Cardiff
 - 10 July 2019, Welsh Government, Cardiff
 - 18 September 2019, Welsh Government, Cardiff

**Local Government Finance Policy
Welsh Government**