

DISTRIBUTION SUB-GROUP (DSG)

Minutes of meeting held on 15 November 2022 via Microsoft Teams

Welsh Government (WG)

Judith Cole (Chair)

Emma Smith

Tim Evans

James Koe

Freya Gregory

Welsh Local Government Association (WLGA/ LA)

Jon Rae (WLGA)

Jane Thomas (Powys)

Carys Lord (Bridgend)

Huw Jones (Neath Port Talbot)

Barrie Davies (Rhondda Cynon Taf)

Dewi Aeron Morgan (Gwynedd)

Leah Whitty (WLGA)

Sam Sullivan (Data Cymru)

Steve Gadd (Denbighshire)

Independent members

Guto Ifan (Independent)

Chris Barton (Fire)

Apologies

Ian Allwood (Cardiff)

Jonathan Davies (Monmouthshire)

Dr Dennis de Widt (Independent)

Welcome, Apologies and Introductions

1. The Chair welcomed the group to the meeting, recorded apologies and introductions were made for the benefit of new members and attendees.

Item 1: Minutes and matters arising from the previous meeting (13 September 2022)

2. There were no comments on the accuracy of the minutes from the last DSG meeting which were agreed.
3. Actions arising from the previous meeting had been completed or carried forward where relevant. It was noted that there were a number of action points which were covered in the papers to be presented in the meeting.

Item 2: Paper 8 - Population data for the 2023-24 Settlement

4. James Koe presented paper 8 and explained the three options to be considered for the most appropriate dataset to be used in the 2023-24 settlement. Option one, use the 2021 census data, DSG may wish to ask Ministers to consider floor funding given the large movements this creates. Option two, use a 50% increment between the 2018 projections for 2023 and the 2021 census. Option three, use the average of the projection and the census data.
5. Jon Rae suggested previous precedent for using increments, but further discussion suggested option three has a technical preference and is a more fluid method going forwards, general consensus landed on option three.
6. Huw Jones questioned whether this method will be carried out for all future years; it was confirmed decisions will be made each year individually as further projections based on the 2021 census will be available for future settlements.

Recommendation – take forward option three

Item 3: Paper 12 - Implications of eFSM universal rollout

7. James Koe introduced paper 12 on FSM and explained the method used last year used an average of 2017 – 2022 data, to dampen the COVID-19 impact. This paper uses same methodology. The largest changes are seen by RCT - decrease of £1m, and Cardiff increase of £1.2m. The paper also presented an exemplification of only using 2022 data where the differences are far greater. It was agreed to continue using a four-year average due to the volatility of the data year on year.
8. Barrie Davies (RCT) noted that some LAs were not following the general trend and questioned this data. WG Settlement team confirmed the question has been raised with the education statistics team. The data was showing for example that RCT has less primary children which is causing the shift. Judith Cole noted that any checking by authorities needed to be done quickly to query data, as the settlement data had to be confirmed shortly.
9. Judith Cole noted later in the meeting that work was ongoing on the consideration of a replacement for the indicator by the education department and an update could be given at the next meeting. The work-programme for DSG would need to consider a replacement indicator.

Recommendation – Take forward rolling four year average

Action – get update from the FSM policy team on progress on indicator replacement work; ensure DSG work-programme includes consideration of replacement indicator.

Item 4: Other papers

Item 4a: Paper 10 - Tourism data impacted by COVID-19 for the 2023-24 settlement

10. James Koe presented paper 10 on tourism data, which has been frozen at 2019 data due to COVID-19's impact. Cardiff particularly has not recovered from covid in the 2021 data.
11. The group agreed to use frozen 2019 data.

Recommendation – Take forward 2019 freeze on tourism data

Item 4b: Paper 11 - Pool rate for the 2023-24 Settlement

12. James Koe presented paper 11. DSG had previously decided to phase back to old methodology, using 25% increments, this year will be at 50% under the agreed methodology. DSG agreed to continue with this incremental method. Jon Rae queried the impact of rising interest rates, Emma Smith confirmed no impact expected on this settlement due but will start to have an impact if rates continue to rise as new loans are taken out by authorities for capital programmes.
13. Jon Rae requested the underlying table of maturity rates dataset.

Recommendation – Take forward incremental phasing method

Action – circulate the table of maturity rates to the group.

Item 4c: Paper 12 Benefits Datasets

14. James Koe presented paper 12 on Benefits. DSG have previously agreed a 12 quarter average of unemployment benefits data sets and the latest CTRS data. DSG agreed to continue with this method as there are no significant impacts.
15. Huw Jones noted that the benefits data does not follow the same trend as FSM data which may have been expected. There was general agreement that some correlation would be expected. Jon Rae noted that the CTRS data was also counterintuitive in some places with the case load dropping. Leah Whitty noted that CTRS and FSM are secondary benefits that are applied for so are dependent on take up. Processes are different in each local authority, which could impact numbers.

Recommendation – Take forward 12 quarter average and new CTRS data

Action – WG settlement team to look at correlations between data sets, particularly FSM and benefits, and provide analysis

Item 4d: Paper 13 2022 PLASC pupil numbers for the 2023-24 Settlement

16. James Koe presented paper 13 on 2022 PLASC data. It was noted that the PLASC census data was recorded in February, not January as was usual, due to

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Covid, which may have affected the numbers. DSG discussed and confirmed that the latest PLASC data was still the most relevant to use.

17. There was a discussion on the robustness of the formula focussing on variable costs for schools, when they are in general part fixed and part stepped, as this data is known to be volatile year on year. Jon Rae suggested that this area of the formula would be useful to look at as one of the first areas of any review. Huw Jones suggested a possible principle of rolling averages to smooth the impact over time as part of any review.
18. Jane Thomas raised that if averages are required more and more often in different areas of the settlement calculation does this indicate the formula is becoming outdated. Jane Thomas also noted that LAs do have some autonomy over schools budgets when they are received.
19. DSG agreed that review of the schools SSA could be taken forward as part of the work programme, previous work had been completed to bring together data on all LA school budget formulas, but this was now getting out of date.
20. Jon Rae asks for pupil counts to be circulated as they have been in previous years.

Recommendation – Take forward PLASC data from February 2022

Action – Add school funding formula, at settlement level and LA level to the work programme for future review re variable, stepped and fixed costs.

Action – WG Settlement team to circulate pupil numbers

Item 4e: Paper 14 - RO 2022-23 data impacted by COVID-19 for the 2023-24 Settlement

21. Paper will be sent in correspondence with minutes.

Action – circulate paper 14 with the minutes

Item 5: Any Other Business

Item 5a: Additional Learning Needs (ALN) funding

22. Emma Smith noted that the Additional Learning Needs legislation was progressing and that a paper would be presented to the next DSG meeting updating on the timelines and options for treatment of funding movement into the settlement.

Item 5b: Future work programme and communicating outputs and outcomes

23. Judith Cole noted that the report that went to the last Finance Sub Group meeting was a progress report. It was agreed that the report would be updated with the recommendations from this DSG meeting. The annex giving the key movements from exemplifications would also be updated – noted that it must be stressed that while this gives an indication of movements from key data sets, it is not the final

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settlement output. Jon Rae noted that it showed a similar variation to previous years with plus or minus 1% around the average.

Action – Update DSG report and circulate to DSG prior to sending to FSG, together with the DSG independent members report.

Dates and venues of next meetings

24. The future dates of meetings are as follows to take place via MS Teams, until further notice:

Proposed Dates

- 17 January 2023
- 14 March 2023
- 16 May 2023
- 4 July 2023
- 14 September 2023
- 14 November 2023

25. Jon Rae questioned whether the next DSG meeting in January is too early to allow for actions to be completed and may be better moved back to February. Would need to align with FSG but PS has not confirmed dates yet.

Action – settlement team to follow up dates for FSG with private office and review timing of DSG meeting.

Actions Outstanding

	Action	Owner	Date raised	Date completed
1	Source update from the FSM policy team on progress on indicator replacement work for the next DSG meeting	Emma Smith / Judith Cole	15/11/2022	
2	Circulate the table of maturity rates underpinning the pool rate calculations.	WG Settlement team	15/11/2022	
3	WG settlement team to look at correlations between data sets, particularly FSM and benefits, and provide analysis	WG Settlement team	15/11/2022	
4	Add school funding formula, at settlement level and LA level to the work programme for future review re variable, stepped and fixed costs.	WG settlement team	15/11/2022	

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5	WG Settlement team to circulate pupil numbers underpinning PLASC paper	WG Settlement team	15/11/2022	
6	Circulate paper 14 (RO data) with the minutes	WG Settlement team	15/11/2022	
7	Update DSG report and circulate to DSG prior to sending to FSG, together with the DSG independent members report.	WG settlement team	15/11/2022	
8	Confirm and circulate dates for next meetings	WG Settlement team	15/11/2022	

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