DISTRIBUTION SUB-GROUP (DSG)

Minutes of meeting held on 04 July 2024 via Microsoft Teams

Welsh Government (WG)
Judith Cole (Chair)
James Koe
Freya Gregory
Clare Blake
Jo Banks
Hannah Wharf (Education)

Welsh Local Government Association (WLGA/ LA)
Nathan Gardner (WLGA)
Jon Rae (WLGA)
Sam Sullivan (Data Cymru)
Richard Palmer (Data Cymru)
Carys Lord (Bridgend)
Jane Thomas (Powys)
Dewi Aeron Morgan (Gwynedd)
Jonathan Davies (Monmouthshire)
Liz Thomas (Denbighshire)
Barrie Davies (Rhondda Cynon Taf)
Ian Allwood (Cardiff)

Independent members
Guto Ifan (Independent)

Apologies
Andrea Melvin
Emma Smith
Chris Barton (Fire)
Dr Dennis de Widt (Independent)
Duncan Hall (Ceredigion)

Item 1: 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 2: Minutes and matters arising from the previous meeting (21 May 2024)

2. The minutes from the last DSG meeting were agreed. Jon Rae queried the wording of paragraph 20 and the clarity of action “That it notes the work undertaken as a pilot on the Nursery and Primary Education IBA.”. Judith Cole clarified that the word pilot had been used as the Nursery and Primary formula revision is still pending agreement by FSG and the minister and therefore cannot be wholly agreed.

Item 3: Funding for the Post-16 LDD Specialist Placements (Update)

3. This was an oral item only. Judith welcomed Hannah Wharf to discuss Post 16 specialist independent placements for young people with Additional Learning Needs (ALN). Hannah explained that since the Additional Learning Needs & Education Tribunal (Wales) Act 2018 came into force, the responsibility for decisions regarding independent specialist post 16 ALN placements lay with local authorities (LA) (other than for cases and applications agreed before August 2025). The long-standing intention was therefore to move from demand led-specific grant funding to funding this ongoing responsibility through the un-hypothecated settlement. Applications and placements agreed before August 2025 will be directly funded by the Welsh Government from the ALN funding.

4. The approach has been discussed with DSG on several occasions as the Welsh Government was keen to ensure all options for funding had been explored. Previous discussions had outlined options for a fair and transparent allocation and compared these to the three-year pattern of spend in LAs. This had demonstrated that some LAs were disproportionately affected particularly in the northeast, where for example Wrexham CBC could lose over £1.5million compared to historic trends.

5. Following that discussion the education team discussed with LAs and commissioned a paper from the northeast LAs considering what further actions could be taken to enable mainstream provision locally and reduce the need for independent specialist placements. Feedback from this engagement had requested funding to be ringfenced in education, and for a balance of fairness for LAs who were previously providing mainstream opportunities for post 16 ALN. LAs also requested tapering of this approach to soften the financial impacts over a longer timeframe to allow for the above changes to be made. Therefore, advice is being put to the Cabinet Secretary for Education shortly which includes the option to retain funding outside RSG and transition to a different funding mechanism. If that option is the one agreed, the expectation would be to review the position again for the 2029-30 settlement.

6. Ian Allwood thanked Hannah for the update and suggested it would be helpful if all parties could receive a letter from Welsh Government Education Department colleagues explaining this clearly as there have been whispers from various departments of LAs about this subject. Hannah agreed. There had been communication to date with ADEW, heads of inclusion and now DSG. Once the decision was made, clear information would follow to ensure all parties are on the same page.

7. Liz Thomas thanked Hannah for the work and explained her understanding of the situation in Northeast Wales (Particularly Flintshire) was that the demands of parents and the availability of placements in different parts of Wales does not fit into a formula, and although these LAs are trying to move their models in this direction, she was concerned about the extent to which it would be done by 2030. She asked, if it remained as a grant, how the funding would operate between August 2025 and 2030. Hannah explained that DSG agreed last year that a SEN based indicator adjusted for 16-25yr olds was a fair and equal method of distributing the funding and this would be the intended end point. If agreed, this formula would be tapered over three years from August 2025.

8. Jon asked why the option was for phasing within the grant instead of putting it into the settlement in 2025-26 and doing the phasing within the settlement? Hannah explained that stakeholders that were consulted wanted this funding ringfenced in education. Jon and Barrie Davies both said that there is a difference between the corporate view of local Government and the service departments' view of how funding should be provided. Jon noted that there were over 100 specific grants totalling over £1.2 and there was a need for a protocol to help manage this.

9. Hannah concluded that her takeaways from this discussion was that DSG agreed a tapering protocol should be used and considered the grant should go into the RSG. This was helpful to inform advice to the Cabinet Secretary.

Item 4: Paper 8 – PSS – Methodology – Older adults' residential and domiciliary care Formulae (Draft) and Item 5

10. James Koe presented this paper on PSS methodology, initially focusing on the data collection process needed for the PSS formula recalibration. James explained that the data was collected at ward level to account for variation within LAs.

11. Previously the expenditure data was collected using forms sent to LAs. James suggested while there was an option to use similar forms again, there may be ways to access data from systems which would make it more streamlined as there has been 20yrs since the last data collection.

12. The independent data is currently the 9 census indicators which are indicative of deprivation. James explained that the process after data collection would be similar to the work done on the Nursery and Primary schools' formula, using hierarchical modelling and multilevel modelling. There is a second process to look at dispersion data which considers the distance needed to travel to provide services which would account for rurality within the formula, but this will be covered in another paper when the data becomes available.

13. James then discussed the next steps. The settlement team plan to recreate what was done in 2003, with help from WLGA and Data Cymru in data collection.

14. Jon noted that the timescale set out in the draft timetable for this work was 5 years which may raise questions. However this timetable is an initial draft as the team is uncertain at this stage how long each phase will take and the resource which can be available.

15. Jonathan Davies commented on the need to engage with systems development in social care/ health. Monmouthshire Council did not join with the original WICCIS system but was expecting to join its replacement. There was an opportunity to ensure consistency and transparency of data collected to ease the data collection at this time, and to aid reproducibility in the future if data can be shared with Welsh Government seamlessly in the future. Jonathan also noted investment in this service has changed over the last 20 years in some LAs to focus on preventative measures. It would be inappropriate if revision to the social care aspects of the formula perversely disadvantaged LAs who have invested in prevention of high cost, high complexity cases. He noted too, the rate of change in social care due to preventative measures and automation, therefore if this work

does take 5yrs to complete it is likely that the landscape of social care will be significantly different again and DSG should be mindful of that when making decisions.

16. Barrie Davies echoed Jon and Jonathan's points on the need to reflect the changes in social services in the last 20yrs, the importance of prevention and the potential therefore for different indicators of relative need. He noted there were also integrated models with health care. Thought needed to be given to this before continuing with the same data collection as 20yrs ago. He understood that the procurement process for a new national software for social services management and data collection will likely take place in the next few months and consideration needed to be given to any impact on this work.

17. Jane Thomas highlighted the impact of dispersion as driver of cost in rural areas, not only because of travel times, but the availability of the market and workforce which influences levels of pay. Jane reiterated that rurality and the additional costs associated must be a key consideration of this work.

18. Ian Allwood said Cardiff CC also sits outside of WICCIS and questioned what that means in terms of data collection. Ian thanked James for the detailed paper but thought it highlighted that there is a lot more to this piece of work, and a danger than in the long timescale of this work that things will change again. Ian agreed that prevention is something that needs to be included within the formula but recalled that the how it could be reflected in indicators had been discussed over many years.

19. Liz agreed with all points made by others, Denbighshire CBC is also not on WICCIS but expected to move to the National system. She reiterated concern whether the differences in social care management systems would cause issues with the consistency of data collection for this work and impact on timescales.

20. Richard Palmer echoed Liz and others point about the need to engage all LAs and understand the systems they use for this subject. Richard remembered the last time this was done it took around one year of discussion with LAs about which systems they used and which data was needed and the feasibility of extracting this data in a standard format, and this was after the decisions were made on what data needed to be collected. Richard also made the point that the previous data collection in 2003 was a census on a specific date, suggesting that a similar approach may be needed this time and thus prepping LAs for the work on this date is imperative.

21. Jon suggested it may be worth thinking about this work in three blocks.

    - Data collection: where there is the question of systems, which LAs use WICCIS and will there be a transition to another system? Will this create issues with consistency.

    - Analysis: where there is the question of the service and whether that has changed with a greater focus on prevention, client and national contributions and the domiciliary care cap which will affect the independent variables. In addition, the pattern of deprivation has changed

in the 20yrs since the formula was last reviewed and is this reflected in the variables used in this formula.

- Cost adjustment for sparsity and dispersion. These weren't considered until 10yrs after the original analysis but have a large effect on the cost of services.

22. Judith echoed DSG's thanks to James for the paper. She noted that it would be important also to not over engineer this work. No formula was perfect but there should be principles established on what is an acceptable effect. She summed up the discussion - there was agreement that recalibration should not disincentivise prevention models but a lack of knowledge at this stage on what that meant for the data required. The group agreed on the need to engage with LAs early, with experts and with ADSS and others on WICCIS and its replacement. This engagement will also need support from DSG, or to bring experts into DSG meetings. Judith suggested that there had been no expressed view on putting this work out to external contractors at this time but to take time to make a more thorough project specification and keep that option open. She thought the group also agreed with Jon's suggestion about how to structure the work.

23. Jon agreed with Judith's summary but wanted to come back to timings and expectations of timings as when things were discussed with WLGA finance group Jon said this work would take between two and three years to complete. Jon suggested it may be helpful to run this work past the Cabinet Secretary to gain her expectations of the timings of this work.

Action – Settlement team to produce a detailed project specification on the PSS Data Collection and formula recalibration
Action – Settlement team to discuss data collection with Welsh Government colleagues (WICCIS, KAS) and Data Cymru.

Item 6: AoB (SCAPE Grant)

24. Given the timing, the item on SCAPE intended for aob would be handled by correspondence.

Dates and venues of next meetings

25. The provisional future dates of meetings are set below. 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: September: Monday 16th 2024
11:00am – 12:30am

DSG: September: Thursday 19th 2024
10:00am – 12:00am

- Impact of 2024 PLASC pupil numbers for the 2025-26 settlement
- Latest RA Data for the 2025-26 Settlement
- Benefits datasets and CTRS for the 2025-26 Settlement
- Pool Rate for the 2025-26 settlement
- Population data options for the 2025-26 Settlement
- eFSM data options for the 2025-26 Settlement

FSG: October: Wednesday 23rd 2024 (TBC)
10:00am – 11:30am

DSG: November: Tuesday 19th 2024
10:00am – 12:00am

- Updating the (23-24) RO data for the 2025-26 Settlement
- eFSM data decision for the 2025-26 Settlement
- Population data decision for the 2025-26 Settlement

Actions Outstanding

	Action	**Owner**	**Date raised**	**Date completed**
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 CFIG.	WG settlement team	21/05/2024	
4	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 relating to middle schools and expenditure over time)	WG settlement team and DSG	21/05/2024	
5	WG Settlement team to present the Nursery and primary Schools recalibration analysis and progress the conversation	WG settlement team	21/05/2024	

	with Education officials and ADEW			
6	Welsh Government Settlement team to produce a paper summarising next steps for the PSS Formula	WG settlement team	21/05/2024	Complete
7	Settlement team to produce a detailed project specification on the PSS Data Collection and formula recalibration	WG settlement team	04/07/2024	
	Actions (Ongoing)	**Owner**	**Date raised**	**Date completed**
1	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.
2	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