

**DISTRIBUTION SUB-GROUP (DSG)**

**Minutes of meeting held on 21 May 2024 - hybrid**

**Welsh Government (WG)**

Judith Cole (Chair)

James Koe

Freya Gregory

Emma Smith

Clare Blake (for council tax update element)

**Welsh Local Government Association (WLGA/ LA)**

Nathan Gardner (WLGA)

Jon Rae (WLGA)

Sam Sullivan (Data Cymru)

Jane Thomas (Powys)

Dewi Aeron Morgan (Gwynedd)

Jonathan Davies (Monmouthshire)

Ian Allwood (Cardiff)

Carys Lord (Bridgend)

Duncan Hall (Ceredigion)

**Independent members**

Dr Dennis de Widt (Independent)

Guto Ifan (Independent)

**Apologies**

Chris Barton (Fire)

Barrie Davies (Rhondda Cynon Taf)

Lisa Hayward (WLGA)

Elizabeth Thomas (Denbighshire)

**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. It was noted that actions from the last meeting were covered by papers presented at the meeting.

**Item 2: Council Tax Reform Update**

2. Clare Blake gave an update on the progress of Council Tax reform and noted that the Bill is currently at stage 2, with an expectation of royal assent in the late summer. Following the phase 2 consultation ministers had considered the responses and published a response and a written statement in the previous week. The date for re-valuation had been agreed as 2028 and this will be included in the bill which would provide for five year revaluations.

## ***Distribution Sub-Group (2024) Minutes – 21 May 2024***

3. It was noted that the structural change will impact the balance of revenue support grant and the ability to raise council tax which is predominantly where DSG's interest will lie.
4. In the period to 2028 all discounts, disregards and CTRS are being reviewed. A set of regulations is planned for next year to make appeals more streamlined and transparent. A working group for best practice for debt recovery is also in place.
5. In response to questions, it was confirmed that no decision had been taken by Ministers on the extent of structural reform following the consultation. It is not expected that the Valuation Office Agency (VOA) would publish a draft valuation at this time. It was noted that UK government policies will impact a number of areas, including the impact of welfare reform on CTRS, the progress in the economy and any new big fiscal changes from any new UK government.
6. There was a clear wish to undertake work in good time for subsequent changes. It was agreed that any future working group needed to include DSG and one or two representatives of the revenue and benefits group and that the position would be reviewed after next February.

***Action – include on agenda for DSG in spring 2025***

### **Item 3: Paper 4 – StatsWales and Green book demo**

7. James Koe presented an overview of the data that is currently made available with regards to the distribution of funding within the settlement. This includes:
  - The [Local Government Revenue and Capital Settlement](#) published on an annual basis and contains the letter to local authorities, the Final Local Government Finance Report 2024-25 and the Final Local Government revenue and capital settlement tables.
  - The [Background information for standard spending assessments](#) published as a report with two excel workbooks presenting information on the Service IBAs and the associated indicators. Together this is known as the Green Book.
  - Published [Distribution Sub-Group](#) meeting agendas, minutes and papers.
  - Detailed information on Settlement outputs (from 1996-97 to current year) have been published on [StatsWales](#):
    - [Standard Spending Assessments and Central Government Support](#)
    - [Analysis of Indicator Based Assessments \(IBAs\)](#)
    - [Values of the Individual Variables used in the SSA Model](#)
    - [Breakdown of General Capital Funding](#)
8. The information that has been included from the Greenbook is now available on StatsWales. The functionality of StatsWales means that the data can be more

easily manipulated, and compared, with the functionality of producing graphs and tables.

9. The discussion moved onto capital funding and a request to reconvene the Capital Finance Investment Group (CFIG), to cover general capital funding where the data is updated but the methodology has not changed.
10. It was also requested that DSG continue to be transparent and circulate papers more widely and publish on the WG website unless there is a specific reason – for example pre-release statistics.
11. It was requested that the presentation given to Senedd committee members on the settlement formula is shared with DSG.

***Action – WG LG finance policy team to reconvene CFIG.***

***Action – share presentation on settlement formula with DSG members.***

**Item 4: Paper 5 & Paper 6 – Recalibrating Nursery and Primary School Services  
IBA**

12. James Koe presented the paper which led to a discussion on sparsity data from the 2021 Census and agreement that as this is the most up to date data it should be used. It was noted that this data was used for other purposes so it was unlikely that ONS would do any further work to explore the anomalies that were seen for use in the settlement data. It was considered that these anomalies were unlikely to have a big distributional impact, however ONS will publish and caveat more detail on the anomalies in the summer.
13. It was noted that there had been a reduction in small schools over the past decade as these were the expensive schools to run and, where appropriate, provision had been consolidated.
14. James explained the modelling completed and the outcome of the regression analysis showing that population clusters of 5,000 were now the most appropriate measure statistically, rather than the 1,000 measure that has been used previously. It was noted this needed to be explained in the DSG report.
15. Members asked how middle schools were accounted for in the analysis. James explained that they were currently being accounted for in the Secondary Schools formula.
16. Members asked whether Covid or the transfer to universal free school meals was having any impact on the data. It was noted that that the RO forms recorded Covid funding separately and that there were no issues noted at present with free school meal eligibility. However, data could be averaged over a number of years and it was noted that the effect of Covid would have worked out of the data by the time this was implemented.
17. There was a discussion on the reasons for large movements in the financial impact of using the new data and the options of using 1,000, 5,000 or 10,000 with just new data or also including new weighting from updated regression:

## ***Distribution Sub-Group (2024) Minutes – 21 May 2024***

- Data hasn't been updated for 30 years so this is the build-up of data movements.
- Some authorities are showing much higher variation than others with the different options.
- It was noted that we don't have a record of how the data in 1991 was put together.
- It was noted that under this methodology all sparse authorities lose funding, because the sparsity percentage weighting had gone down while the deprivation weighting had increased.
- It was also noted that where authorities are currently spending less than the IBA on education significant amount of this funding will be going into the other priority area of social services, therefore the overall financial impact depends on the impact from updating other IBA weighting and data.
- It was noted that the school transport IBA also picks up sparsity data and it would be useful to see what impact that has as spend had gone up on transport as rural schools had been merged and pupils were having to travel further (as well as general contract, inflation and ALN demand increases).

18. The group agreed that for the Nursery and Primary school IBA (subject to FSG agreement in due course):

- the recalibrated weighting should be used and the settlement threshold of 5,000 should be used (option 2) based on the regression. The group did however ask if there were any other analysis that could be used to confirm this - for example T values.
- future consideration of a damping mechanism would be needed as there was likely to be significant churn.
- WG settlement team would progress the conversation with Education officials and ADEW.

19. The chair asked the group to agree the next steps for this work overall:

- The secondary school IBA needs to be run with updated weightings
- The Primary Social Services IBA needs to be reviewed the same time as this is likely to cause a lot of change.
- WG officials to look at whether this can be done using additional in house resource or needs to be contracted out.
- Jon Rae to look at assistance from Data Cymru for collection of PSS cost data that isn't already collected by stats Wales to inform the regression analysis for the PSS IBA.

20. The group agreed the following would be recommended to FSG:

- That it notes the work undertaken as a pilot on the Nursery and Primary Education IBA.
- That it agrees the work should continue a similar basis on the other IBAs starting with those which were associated with the largest amount of funding
- That once the work was done the updates to all the major IBAs should be applied for the same Settlement year and a damping mechanism on the impact agreed.
- That a significant data collection is undertaken for the updating of the social services IBAs. If possible, this would be through Data Cymru as a knowledgeable and trusted entity.
- Local authorities should keep abreast of work as it proceeds to plan for any significant changes in funding even reflecting the potential for damping the effect of movements.

***Action – DSG to recommend pilot of the recalibration of the Nursery and Primary Education IBA (Option 2 Settlement threshold 5,000) (WG settlement team to investigate data issues relating to middle schools and expenditure over time)***

***Action – WG Settlement team to present the Nursery and primary Schools recalibration analysis and progress the conversation with Education officials and ADEW***

**Item 5: Paper 7 - 2021 Census Data exemplification 2024 Settlement**

21. Freya Gregory took the group through the paper, explaining the impact of updating various indicators with data from the 2021 census that had now become available.
22. The group noted that measures of deprivation have changed a lot of over the last 20 years, with a lot of poverty seen from people in work. The group reflected whether the indicators were still relevant or whether there were better sources of data.
23. The group noted that any changes would be better to be made all in one go, but there was also a feeling that we should update to the latest data and push it through if the data sets are correct.

**Item 6: Next steps**

24. It was agreed that DSG papers could be released as there are no confidential statistics within them, or the Group determined otherwise in any specific case. The papers from this meeting would be published on the internet in due course.
25. DSG will be asked to agree a paper in plain language to FSG before the next meeting setting out the choices.
26. A timetable of work to be put together.

***Action – Welsh Government Settlement team to produce a paper summarising next steps for the PSS Formula***

**Item 7: Any Other Business**

27. None noted.

**Dates and venues of next meetings**

28. The provisional future dates of meetings are as follows. 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**

**DSG: July: Thursday 4th 2024**

10:00am – 12:00am

**FSG: July: Wednesday 17th 2024**

10:00am – 11:30am

**DSG: September: Thursday 19th 2024**

10:00am – 12:00am

**FSG: October: Wednesday 23rd 2024**

10:00am – 11:30am

**DSG: November: Tuesday 19th 2024**

10:00am – 12:00am

## ***Distribution Sub-Group (2024) Minutes – 21 May 2024***

### Actions Outstanding

	<b><u>Action</u></b>	<b><u>Owner</u></b>	<b><u>Date raised</u></b>	<b><u>Date completed</u></b>
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 CFGF.	WG settlement team	21/05/2024	
3	Share presentation on settlement formula with DSG members	WG settlement team	21/05/2024	Completed
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 with Education officials and ADEW	WG settlement team	21/05/2024	
6	Welsh Government Settlement team to produce a paper summarising next steps for the PSS Formula	WG settlement team	21/05/2024	
	<b><u>Actions (Ongoing)</u></b>	<b><u>Owner</u></b>	<b><u>Date raised</u></b>	<b><u>Date completed</u></b>
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