

**DISTRIBUTION SUB-GROUP (DSG)**

**Minutes of meeting held on 19 November 2024 via Microsoft Teams**

**Welsh Government (WG)**

Judith Cole (Chair)

James Koe

Emma Smith

Freya Gregory

Clare Blake

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

Nathan Gardner (WLGA)

Jon Rae (WLGA)

Sam Sullivan (Data Cymru)

Carys Lord (Bridgend)

Dewi Aeron Morgan (Gwynedd)

Jonathan Davies (Monmouthshire)

Liz Thomas (Denbighshire)

Barrie Davies (Rhondda Cynon Taf)

Ian Allwood (Cardiff)

Duncan Hall (Ceredigion)

**Independent members**

Chris Barton (Fire)

**Apologies**

Andrea Melvin

Dr Dennis de Widt (Independent)

Jane Thomas (Powys)

Guto Ifan (Independent)

**Item 1: Welcome, Apologies and Introductions**

1. The Chair welcomed the group to the meeting, recorded apologies.

**Item 2: Minutes and matters arising from the previous meeting (19 September 2024)**

2. The minutes from the last DSG meeting were agreed.

**Item 3: Non HRA IBA Decision (Discussion)**

3. This was an oral item only as the paper had been circulated previously. James Koe explained the options for implementing the new HRA data into the settlement, either to update the data wholly in the 2025-26 settlement, phase this implementation over three years starting in 2025-26 settlement, or not implement the data until the 2026-27 settlement.

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4. The group discussed the difference distributionally between the three-year phasing or implementing all of the updated data in the upcoming settlement. The group decided to implement the new Homelessness data wholly in the 2025-26 settlement as there were minimal impacts on all but one authority.
5. Jon Rae raised a concern over whether inputting updated data into the existing formula when it was being reviewed would set a precedent that hasn't been followed for example with the PSS formula and new census data. However, it was noted that this was to transfer in two grants on the non-HRA formula into the settlement so was following previous the previous approach to transfer in. It would also improve the mechanisms on which they are distributed.
6. The group also raised concerns about the need to update the Non-HRA Formula. The settlement team explained there is no resource to look at this work until the current settlement work is completed in March. As the formula has not been recalibrated for some years it is unknown how much work this would be to undertake. However, this will be raised in future discussions when setting the DSG work plan.
7. Jonathan Davies raised concerns of the compounded impacts of all the decisions being made for the 2025-26 Settlement and whether this decision on top of those would make a considerable impact on any LA. The settlement team assured that these decisions once made and agreed by FSG would be added to the DSG Report.

***Recommendations – Implement the new homelessness datasets in the 2025-26 settlement without phasing.***

### **Item 4: Paper 15 – Pool Rate for the 2025-26 Settlement**

8. The group agreed to complete the phasing back to the unadjusted methodology, using 100% of the Unadjusted Pool Rate. The group briefly discussed the reasoning behind the correction of the Pool Rate which is discussed briefly in a 2020-21 DSG paper (linked in Paper 15).

***Recommendation – Implement 100% of the Unadjusted Pool Rate into the 2025-26 Settlement.***

### **Item 5: Paper 16 – Updating the (23-24) RO data for the 2025-26 Settlement.**

9. James Koe presented Paper 16 showing the impact of 2023-24 RO data has on the Service IBAs.
10. Ian Allwood queried how the additional grants in year (for example teachers pensions and pay awards) will be factored in the future and whether they will be accounted for in the RA and RO of future settlements. Emma Smith and Judith Cole noted that increased costs would feed through RA and RO over the next two years. As the increased cost of pay rises and pension should generally impact authorities by the same proportion. Ian agreed but raised the concern as it may influence the discussion of pressures on LAs.

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11. Jon Rae shared Ian's query about how grants are treated in relation to the SSA controls as for example, Teachers pay and Pensions grants amount to around £80million which would raise the 24/25 RA opposed to what is shown in the SSA control. The settlement team agreed to look into this and explore if the grants were treated differently would the financial implications be the same.
12. Barrie Davies raised concerns over the monetary difference in table 8 showing the aggregate impact of the RO and RA data, where differences appear much higher than in the previous years components of change table. The settlement team agreed to check this again to ensure it is correct before the settlement.
13. The group agreed that as long as the results of these investigations were not concerning, they agreed to use the latest 2023-24 RO data within the 2025-26 Settlement.

***Recommendation – Implement 2023-24 RO data within the 2025-26 Settlement.***

***Action – Settlement team to investigate queries regarding the treatment of grants and figures within table 8.***

### **Item 6: Paper 17 – DSG Progress Report 2024**

14. Judith Cole introduced the draft DSG report, requested input from the independent members, who assured they were currently creating their response. Judith asked the group for any input on the tone or content of the report.
15. Ian Allwood raised that the post-16 ALN is still in the report as ongoing and there is a feeling of confusion as to whether there has been movement in this area. Judith assured she had no new information on this subject but would check internally and update the wording if progress had been made.
16. Jon Rae suggested that the meetings upcoming may be out of sync with FSG which makes it more challenging to discuss the items appropriately between the two groups. Jon suggested possibly making FSG meetings quarterly to ensure later decisions like the ones being made today. In the meantime, Judith agreed that the Cabinet Secretary would write to FSG seeking agreement of the decisions made today.

***Action – Settlement team to ensure today's decisions are agreed by FSG and the Cabinet Secretary in writing.***

### **Item 7: Transfers for the 2025-26 Settlement (Update)**

17. Emma Smith gave an update on the transfers known at the time of the meeting, including three amounts for the Coastal Risk Management Scheme. After an assessment of the final costs of two schemes they have come in lower than forecast so there are elements of funding to transfer out.. There are also housing transfers that have previously been discussed by DSG in relation to the non-HRA formula. All other grant work has been looking at consolidating grants together or reviewing the terms and conditions to reduce the admin burden of these grants.

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18. Ian Allwood queried the treatment of teachers pensions and other pay awards, Emma assured they would go into the baseline and distributed on the education formula. Ian mentioned that ministers and unions had discussed this distribution being on actual cost, which Emma noted would not be possible.
19. Jon Rae queried if an amount would be identified within the settlement for the real living wage and would this be treated as a transfer. Judith suggested that this would be a budget discussion as opposed to a distribution discussion but assured that the discussion is ongoing.
20. Duncan Hall raised the issue of employers' national insurance and its link to the real living wage. Duncan queried if there was any further understanding on this subject. Judith confirmed that the Welsh Government will not receive the funding immediately, however there is hopes that more clarity on the timeline and allocations in by the final budget and noted this timeline makes it difficult for LAs. Ian and others in the group requested clarity of these conversations and similar conversations surrounding other grants and subjects between the Welsh Government, unions and LAs as the miscommunications can be frustrating when the pressures remain high. Judith agreed and will continue to make messaging as clear as possible.

### **Item 8: AOB and Close**

21. The group had no AOB to discuss.

### **Dates and venues of next meetings**

22. 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:

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### **Dates and venues of Future Meetings**

#### **DSG**

Thursday 30 January 2025 – Teams (10:00 – 12:00)

Tuesday 25 March 2025 – Teams (10:00 – 12:00)

Tuesday 20 May 2025 – Teams (10:00 – 12:00)

Wednesday 02 July 2025 – Hybrid (CP2/WLGA) (10:00 – 14:00)?

Thursday 17 September 2025 – Teams (10:00 – 12:00)

Thursday 20 November 2025 – Teams (10:00 – 12:00)

#### **FSG**

Thursday 13 March 2025 – Teams (10:00 – 11:30)

Tuesday 15 July 2025 – Teams (9:00 – 10:30)

Tuesday 21 October 2025 – Teams (9:00 – 10:30)

### **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 | Settlement team to investigate queries regarding the treatment of grants and figures within table 8.                     | Settlement team     | 19/11/2024                | Complete   |
| 2 | Settlement team to ensure today's decisions are agreed by FSG and the Cabinet Secretary in writing.                      | Settlement team     | 19/11/2024                | Complete   |
|   | <b><u>Actions (Ongoing)</u></b>  | <b><u>Owner</u></b> | <b><u>Date raised</u></b> | <b><u>Date completed</u></b>   |
| 1 | Settlement team to investigate different phasing/average timescales used within the settlement.                          | Settlement team     | 19/09/2024                | Completed as discussed by DSG 19/11/2024.                                |
| 2 | Settlement and housing team to provide DSG with exemplifications on decisions made.                                      | Settlement team     | 19/09/2024                | Completed 19/11/2024, exemplifications discussed at DSG.                 |
| 3 | Settlement team to add to the DSG work programme to recalibrate the non-HRA formula.                                     | Settlement team     | 19/09/2024                | Complete   |
| 4 | Settlement team to investigate causes for the rural/urban split in this exemplification and provide further analysis and | Settlement team     | 19/09/2024                | Reviewed – no obvious reasons noted. Will continue to monitor as part of |

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|   |  |                    |            |   |
|---|--|--------------------|------------|---|
|   | explanation for the changes.   |                    |            | the work on sparsity.   |
| 5 | Settlement team to investigate the inclusion of Employment Support Allowance in the settlement.  | Settlement team    | 19/09/2024 |   |
| 6 | Settlement team to investigate the integrity of eFSM or TP data in relation to schools' populations and benefits data                                | Settlement team    | 19/09/2024 |   |
| 7 | Council Tax Reform item to be included on agenda for Spring 2025   | WG Settlement team | 21/05/2024 | Discussed will be on an upcoming agenda for DSG.  |
| 8 | 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 |   |
| 9 | Ensure DSG kept informed of the work by Education Dept on the work on school funding formula   | WG settlement team |            | The school funding formula is being published in February will be on an upcoming agenda for DSG |

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