

**DISTRIBUTION SUB-GROUP (DSG)**

**Minutes of meeting held on 30 January 2025 via Microsoft Teams**

**Welsh Government (WG)**

Judith Cole (Chair)  
Emma Smith  
James Koe  
Freya Gregory  
Rhiannon Jones  
Clare Blake  
Jo Banks  
Oliver Griffiths

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

Nathan Gardner (WLGA)  
Lisa Hayward (WLGA)  
Jane Thomas (Powys)  
Dewi Aeron Morgan (Gwynedd)  
Jonathan Davies (Monmouthshire)  
Ian Allwood (Cardiff)  
Huw Jones (Neath Port Talbot)  
Barrie Davies (Rhondda Cynon Taf)  
Duncan Hall (Ceredigion)

**Independent members**

Chris Barton (Independent)  
Dr Dennis de Widt (Independent)

**Apologies**

Guto Ifan (Independent)  
Liz Thomas (Denbighshire)  
Jon Rae (WLGA)  
Sam Sullivan (Data Cymru)  
Carys Lord (Bridgend)

**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 Rhiannon Jones as this was her first DSG meeting.

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

2. The minutes from the last DSG meeting were agreed. The circulation with the papers for this meeting was noted as helpful.

**Item 3: Paper 1 – Employee NI contributions (Update)**

3. Emma Smith presented the paper and gave the background. UK government had announced a rise in employers National Insurance (NI). There would be additional grant funding in relation to public sector employees. The UK Government is using the ONS definition meaning only additional costs related to those directly employed by the public sector would be covered. Emma explained that the total estimated figure for Wales which had been given to UK Government is £253million but Welsh Government were waiting for confirmation from UK Government as to how much will be provided. Emma noted that if the funding were to be shared by a Barnett consequential it would cause concerns, as the Welsh public sector is proportionately bigger than English public sector. This has been raised by Mark Drakeford with the relevant UK Ministers. The date of confirmation from UK Government is late spring which was noted to be unhelpful for planning purposes.
4. Emma Smith asked the group for thoughts on the distribution method of this funding across Local Authorities (LAs), understanding that there is a different pattern of service delivery across the 22 authorities. Judith Cole clarified that the £253m estimated does not include the £44m estimated for contracted services. Judith also noted that fire services are included in this along with HRA services which Liz Thomas mentioned, and these would be helpful to discuss with DSG.
5. The group raised concerns that the data used in the exemplification was not correct for some LAs, WLGA members agreed it had been collected at haste. Because of this the group agreed that the paper would not be shared as it may be misleading without the caveats discussed in this meeting.
6. The group required clarity on definitions used in the paper and policy surrounding this funding and that they could not decide in this meeting without it. Judith agreed and assured that this was an item for discussion rather than decision.
7. Ian Allwood clarified that this discussion referred to the distribution of an in-year grant (2025-26) and thought it sensible to remember the change of teachers' pension allocations which initially went into the settlement based on actuals, but the second year were distributed through different formulae. The group thought it prudent to consider the distribution mechanism going forwards when deciding how to distribute the first in-year grant as this may create churn in the future.
8. Emma noted that colleagues in housing had agreed that housing grants could be used for funding NI for planning purposes until the quantum has been agreed. Similar principles may be agreed in other areas, for example, free school meals, but this would have to be confirmed by each subject area.
9. Jonathan raised the concern over the loss of transparency of this grant on its transfer into the settlement. Thus, the most important job for DSG is to agree the most appropriate formulas to be distributed on through the settlement as this will influence the distribution the most. The group agreed with this principle.
10. Lisa Hayward suggested having this discussion among all 22 LAs, if only to ensure awareness of the conversations happening and the possible incoming request for thought or data to inform decisions made around this funding. Judith assured this would be discussed in the full SWT the following day.

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11. Duncan Hall agreed the principles of the distribution would be incredibly important to decide and should be discussed with the context above, however, the amount of funding in relation to the need would have a huge influence on the agreeability of the principles and the distribution method. Duncan asked if there was any indication from the Welsh Government whether a shortfall in the funding from the UK government would be cushioned. Ian Allwood added to this point that there were two quantum deficits to consider, the funding not supporting the total cost of the uplift for directly employed staff, and the funding not supporting the total cost of external providers uplift.
12. Jane Thomas highlighted the compounded impact on rural authorities and communities if the uplift is not extended to external providers due to the scarcity of providers and workforce in comparison to need in rural areas.
13. Judith Cole thanked the group for the points raised and assured members they were in discussion with Welsh Treasury to gain as much clarity as possible. Judith also noted that the CSFWL had been in discussions with UK Government to speed up the decision making as decisions in England had already been shared by the MHCLG which leaves Welsh Government and local authorities in Wales at a disadvantage in terms of planning. Judith noted that although the discussions are not over, there was expected to be a shortfall of around 20% through the Barnett formula. Judith also explained that the CSFWL has mentioned in committee there would be no funding set aside for this shortfall. However, as this is an in-year grant, there could be discussions at the end of the financial year regarding underspends elsewhere and whether these might assist.
14. Judith Cole suggested that as the funding for through the Barnett formula could be used at the discretion of Welsh Government, and while it has been decided that whatever funding is provided for NI would be used to fund NI, it is up to the Welsh Government to decide how this funding is distributed. At the time of this meeting no policy decision had been made on the delivery of this funding. Judith noted that here was precedent for distribution of funding to be recommended to FSG by DSG. It was possible, as England have, to distribute this funding on a delivery blind basis.
15. Chris Barton agreed and suggested that the funding would not be kept separate going forwards as it would be included within the RA and RO data and therefore should be treated that way in the first year to reduce churn within the settlement.
16. The group noted this meeting was close to Welsh Government and Authorities' final budget setting. The communications around this funding previously had referred to funding solely for directly employed staff and LAs had planned their budget under this assumption. However, it was not necessary to adhere to the ONS definition, as the funding would transition into the settlement where it would be un-hypothecated in future years. This would follow the precedent set by other staff related funding mechanisms (Teachers pay and pensions) that have been distributed on sector SSA rather than specific workforce figures. The group also strongly wanted the risks of this regarding the quantum to be noted and shared within Welsh Government.
17. Welsh Government colleagues agreed to take away points of HRA and Fire funding and how these would be treated regarding this funding.

**Item 4: Paper 2 – DSG Terms of Reference 2025**

18. James Koe asked the group for any comments on the terms of reference for DSG.
19. Ian Allwood mentioned that the wording regarding specific grants lacks clarity on whether DSG should be brought in to decide on the funding of specific grants and the timing of when DSG should be brought into this discussion. Ian would appreciate clarity for both LAs and Welsh Government departments on the procedure for specific grants. Judith agreed that the settlement team will assess the wording and improve communication within Welsh Government as well as to LAs.

***Action – Settlement team to assess the wording of terms of reference regarding specific grants and engagement with other departments regarding DSG's inclusion in specific grants decision making***

**Item 5: Oral item (Open Discussion) – Provisional settlement 2025-26**

20. Judith Cole opened the discussion on the 2025-26 provisional settlement. Emma Smith highlighted the changes from the provisional to final settlement 2025-26 would be council tax base, GCF, and national parks data. Emma also noted ongoing discussions around a potential floor.
21. Duncan Hall queried a timeline on any decisions regarding a floor to assist with the planning for LAs as the publication of the final budget would be too late to inform LAs financial planning.
22. Judith Cole could not give an indication of a floor due to the conventions that hold the budget until its publication date. But confirmed there would be a floor, however the figure could not be shared until the final budget had been published. Judith accepted that this would be very frustrating for group members.

**Item 6: Paper 3 – DSG Work Programme 2025 and open discussion**

23. James Koe presented the paper on the work programme, highlighting population exemplifications using new ONS ABPEs and population projections, council tax reform work, and formula review (Education, PSS, and Non-HRA). Judith Cole thanked James for his work on the work programme and assured there would be more resource in the team to take forward the formula review work.
24. Ian Allwood raised the need for a connection with education colleagues when conducting the formula recalibration work to update the education formulae to align principles and indicators within the sector and distribution. Ian also raised in accordance with his earlier concern that specific grants are mentioned in the work programme, with the wording 'ad hoc.'
25. Judith agreed both points and ensured that the incoming member of staff would ensure timely engagement with the relevant departments and stakeholder groups.

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### **Item 8: Any Other Business**

26. Ian Allwood raised that there had been no communication of the school funding formula with DSG. Judith noted members of the education team would be going to SWT the following day.
27. Duncan Hall raised that Ceredigion have been working with ONS on the ABPEs and that the pilot is still ongoing. Duncan raised Ceredigion's concerns that the transient student populations have proved difficult to capture within the population estimates thus far. Duncan was unsure whether the ONS would take these concerns into account when publishing the datasets, however, Ceredigion would be contacting the university and the Welsh Government demography team to further discuss this discrepancy.
28. The group thanked James Koe for his work over the past two years as this would be his last DSG meeting.

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

29. The provisional future dates of meetings are as follows:

### **Proposed Dates**

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)

### **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 assess the wording of terms of reference regarding specific grants and engagement with other departments regarding DSG's inclusion within specific grants decision making.	Settlement team	30/01/2025	Ongoing work to engage Welsh Government departments regarding specific grants.
	<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 the inclusion of Employment Support Allowance in the settlement.	Settlement team	19/09/2024	Completed
2	Settlement team to investigate the integrity of eFSM or TP data in relation to schools' populations and benefits data	Settlement team	19/09/2024	Ongoing

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3	Council Tax Reform item to be included on the agenda for future DSG meetings	WG Settlement team	21/05/2024	Discussed will be on an upcoming agenda for DSG.
4	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	
5	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**