

Distribution Sub Group (2025) – Work Programme 2025

Distribution Sub-Group Work Programme 2025

The work programme for 2025 is in two parts covering the short-term and strategic considerations in relation to the development of the formula. The first section considers those items that have been identified as needing to be considered in order to ensure future settlements (2026-27 and 2027-28) to take account of issues impacting. The second section considers more strategic aspects of the current formula which it is recommended are reviewed over a longer timescale to ensure the formula is continually improving and remains relevant and fit for purpose.

Each consideration has been assigned a prioritisation category. All standard elements will be given top priority as they need to be completed this year. The remaining elements have been prioritised according to the agreed importance in the development of the Settlement formula. An element may be high priority but have a longer timeframe – this may be due to the time taken to make the change or because relevant information to inform the change is not yet available.

The timeframe may change based on decisions regarding council tax reform.

Progress

Key:

	Routine maintenance/ updating – will deliver
	Local Tax Reform - will deliver (support available from relevant team)
	Reactive – would expect to achieve but if particularly resource / time consuming we may determine, on a case by case basis, that issues should be deferred.
	Important - will deliver at least some consideration allowing conscious decision making and progress - may be done by bringing in other resource

Shorter Term Considerations

Priority:

1: Standard items that will take top priority and will be completed this year.

2: Areas that will be high priority.

3: Areas which will have lower priority.

Priority	Item	Description	Action	Progress/Timing
1.	Population data for future settlements	<p>DSG agreed to use the most up to date population data for the 2025-26 settlement (Mid-Year 2023 Population Estimates).</p> <p>2026-27 settlement investigate financial implications of:</p> <ul style="list-style-type: none"> - Mid-2024 Population estimates. - 2022 based Sub-national Population projections for the year 2025. - Consider the implication of ONS revising earlier population estimates. - Consider the implications of Admin population estimates. <p>Release Schedule (Population)</p> <p>Mid-2024 population estimates (TBC)</p> <p>Sub National population projections 2022 based (Spring 2025)</p>	Continue to work with KAS population & census statisticians to plan way forward. Produce analysis on Mid-2024 population estimates and 2022 based and Sub National population projections.	DSG will be presented with options in September for the 2026-27 settlement.

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3.	Youth service funding	An independent review was requested by the interim Youth Work Board	Consider the implications of the independent review.	2026/27 Settlement
3	Post-16 Learning Difficulties and/or Disabilities Specialist Placements	Consideration is being given to changing the arrangements for Post-16 Learning Difficulties and/or Disabilities Specialist Placements. These considerations follow on from the proposals for a new statutory framework for supporting children and young people with additional learning needs (ALN) contained in the ALN and Education Tribunal Bill which was introduced into the National Assembly for Wales on 12 December 2016.	Progress on this area is linked to on-going work by policy colleagues. We will prioritise any work required by colleagues to inform decisions on funding.	Ongoing

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Priority	Item	Description	Action	Progress/Timing
1	Potential transfers into and/or out of the settlement	<p>To consider other potential transfers into the settlement at the appropriate juncture. This includes any transfers as a result of the grant rationalisation programme of work.</p> <p>Any grants identified to move to RSG in 25-26 were done so on existing distributions – these need to be reviewed for the 26-27 settlement. Further grants may be identified as part of the ongoing work during 25-26 for transfer into the 26-27 settlement.</p>	<p>Monitor situation with policy.</p> <p>Prioritise significant transfers.</p> <p>Consider additional resource if necessary to complete.</p>	<p>Autumn 2025:</p> <ul style="list-style-type: none"> • decisions on distribution of grants transferred in 25-26; and • decisions on any additional grants to be transferred into the 2026-27 Settlement
1	Advice on the distribution of specific grant funding on an ad hoc basis	To consider the distributional aspects of specific grant schemes, as appropriate, on a timely basis and in line with the Welsh Government guidance on grants.	<p>Monitor situation with policy.</p> <p>DSG requested greater involvement.</p> <p>Specific known issue will be: Employer NI Contributions</p>	Ongoing

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	Annual standing papers			
1	PLASC data updates, including e-FSM data.	<p>An annual standing paper looking at the implications of updating the PLASC data in the settlement formula on the distribution to authorities.</p> <p>A paper looking at the implications of updating the e-FSM (and TP) data in the settlement formula on the distribution to authorities.</p>	Analysis will be presented at DSG September [As EOTAS and Independent Schools figures are not usually available until November , the limited implications of these will be considered in November]	<p>Decision for DSG on use of latest 2025 PLASC data.</p> <p>Decision for DSG on continuing use of the latest 3 year average of pupils recorded eFSM or TP.</p> <p>EOTAS and Independent school data are added to the analysis in November.</p>
1	RO/RA data updates	An annual standing paper looking at the implications of updating the RO and RA data in the settlement formula on the distribution to authorities.	Analysis will be presented at DSG September (RA) and November (RO)	<p>Decision for DSG on use of the latest 2025-26 RA data.</p> <p>DSG will be presented with the 2024-25 RO data when available and this is anticipated to be in November.</p>
1	DSG Progress Report - interim	A report of the progress of the DSG against the 2025 work programme up to September 2025, for presentation at the Finance Sub Group (FSG) meeting in October.	Analysis will be presented at DSG September and November. Analysis will be presented at FSG in October	October 2025
1	DSG Progress Report – final	The final report of the DSG to be signed off by the Finance Sub Group (FSG) in autumn 2025.	Finance Sub Group (FSG) October meeting considers report. Report finalised November/December.	Autumn/Winter 2025

Strategic Considerations

Priority	Item	Description	Action	Progress/Timing
2	Work related to Local Government Tax Reform	<p>Consider the work on local government tax reform and the impact this could have on the Settlement, including:</p> <ul style="list-style-type: none"> • Council Tax Reduction Scheme: consider options for the payment of CTRS for year 1 onwards of the reform. • Notional Council Tax: consider whether the current approach to determining the notional CT within the Settlement model needs changing in light of council tax reform. • Transition: consider how any options for transition may impact the Settlement calculations. • Future Proofing: consider how we can build future-proofing into the Settlement formula to reflect future re-valuations. 	<p>Ensure DSG are engaged at the appropriate times and aware of any developments from LGFR.</p> <p>Consider issues arising including re-distributional impacts, any phasing etc.</p>	To be implemented for 2028/29 settlement
1 (although may change depending on timing of CT reform)	Monitor the work to identify alternative datasets for a proxy deprivation indicator in place of eFSM.	Monitor the data and distributional implications arising from all primary school pupils being eligible for FSM, due to potential impact on quality of the indicator for future settlements. 2025-26 used an average of eFSM and TP pupils for the years 2022, 2023 and	Continue close contact with policy team through working group.	Will be aligned to the outcomes of the Welsh Government's e-FSM policy group.

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		2024 as agreed through DSG.		
2	Welfare Reform	As benefit-related data are key components of the settlement, there is a continued need for the DSG to monitor the emerging impact of welfare reform on the data used in the formula.	We need to assess the current indicators (frozen and unfrozen) to ensure these still reflect a fair and balanced distributional mechanism, given the implications of the changes to the UK Government welfare system.	Work expected 2026/27 Settlement.

Formula Review

Priority	Item	Description	Action	Progress/Timing
1	Education: <ol style="list-style-type: none"> 1. Nursery and Primary school teaching and other services 2. Secondary school teaching and other services 3. Special Education 4. Nursery and Primary school transport services 5. Secondary school transport services 	<ul style="list-style-type: none"> - DSG recommended the use of the Nursery and Primary Education IBA as a pilot of the work involved in updating and recalibrating IBAs. In early 2024 the settlement team undertook the recalibration work. - Various options were presented to DSG and the recommended option was to recalibrate the formulae using the latest 2021 Census Settlement Threshold 5,000 sparsity data based on 	<p>Continue analysis to reflect the latest years' worth of data for the Nursery and Primary IBA.</p> <p>Apply a similar method for the Secondary School IBA.</p> <p>Apply a similar</p>	<p>Interim Reports to be provided to each FSG meeting</p> <p>Analysis to be presented at DSG during 2025, 2026 and 2027.</p> <p>Undertake analysis during 2025, 2026 and 2027.</p> <p>Analysis to be</p>

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		<p>the results of the regression analysis. The regression analysis showed that this had the strongest relationship with need to spend.</p> <ul style="list-style-type: none"> - DSG noted the results had shown quite a significant shift in funding across local authorities and that this was due to the sparsity data changing from the 1991 Census to the 2021 Census. - DSG noted that the analysis had shown that deprivation factors were now more closely connected with a need to spend than were sparsity factors in this particular service. As a result, sparse authorities would lose funding, because the sparsity percentage weighting had decreased while the deprivation weighting had increased. - DSG noted that the school transport IBA also picks up sparsity data and it was useful to see how spend had gone up on transport as rural schools had been merged and pupils were having to travel further. 	<p>method for the Special Education IBA.</p> <p>Apply a similar method for the Nursery and Primary school transport services</p> <p>Apply a similar method for the Secondary school transport services</p>	<p>implemented, if agreed, as part of overall package of changes to the 2028-29 settlement.</p>

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1 (although may change depending on timing of CT reform)	Personal Social Services: <ol style="list-style-type: none"> Children and young persons Older adults' residential and domiciliary care Younger adults' personal social services 	<ul style="list-style-type: none"> - Similar work on the PSS formulae was scoped. In July 2024 DSG were presented with a paper explaining the methodology for the data collection process in the Older adults' residential and domiciliary care personal social services formula which had been used in previous work. This had involved data collection from LAs on expenditure data at ward level. - DSG agreed that given the passage of time the first stage was to explore other sources of data rather than instigate the same administratively heavy data collection method. - Currently the 9 census indicators are used to measure deprivation. DSG agreed that there may be alternative data sources to investigate that may be appropriate proxy measures for deprivation. DSG agreed the process after the data collection would be similar to the work done on the Nursery and Primary schools' formula, using hierarchical modelling and multilevel modelling. 	<p>Data collection: (Social Care Numbers) The settlement team to work with the social service statistics team in KAS to obtain disaggregated social care support census data as of 31 March 2025. The data will be based on the following data collection series.</p> <p>Data collection: (Social Care Expenditure) The settlement team to work with the social service statistics team in KAS to obtain disaggregated social care support expenditure data.</p> <p>Data collection: (Deriving a unit cost at ward level) The settlement team to work with DSG and the social service statistics team derive a unit cost at ward</p>	<p>Interim reports to FSG at each meeting</p> <p>Project plan to be presented at DSG during 2025.</p> <p>Undertake analysis during 2025, 2026 and 2027.</p> <p>Analysis to be implemented, if agreed, as part of overall package of changes to the 2028-29 settlement.</p>

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		<ul style="list-style-type: none"> - DSG agreed that there is a second process to look at dispersion data which considers the distance and time needed to travel to provide services which would account for rurality within the formula. 	<p>level.</p> <p>Analysis: The settlement team to use OLS regression to determine which deprivation datasets have the strongest correlation with expenditure.</p> <p>The settlement team to use multi-level modelling techniques to determine the weightings for each of the assigned variables.</p> <p>Cost adjustment for sparsity and dispersion: The settlement team to look at dispersion data which considers the distance and time needed to travel to provide services to 'hubs' within settlement thresholds. This would account for rurality within the formula.</p>	

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2	Housing: 1. Non HRA housing	<ul style="list-style-type: none"> - DSG agreed to use the latest homelessness and housing benefit data for the 2025-26 settlement. The latest data is to be used on the basis that the settlement team will investigate the work required for the recalibration of the formula. 	<p>The settlement team will scope RO expenditure data on housing services.</p> <p>The settlement team will use OLS regression to determine which housing deprivation datasets have the strongest correlation with RO expenditure data on housing services.</p>	Project plan and scope to be presented at DSG during 2025.