

DISTRIBUTION SUB-GROUP (DSG)

Minutes of meeting held on 17 September 2025 (Hybrid)

Welsh Government (WG)

Judith Cole (Local Government Finance Policy & Sustainability) - Chair
Emma Smith (Local Government Finance Policy & Sustainability)
Andrea Melvin (Local Government Finance Policy & Sustainability)
Simon Edwards (Local Government Finance Policy & Sustainability)
Rhiannon Jones (Local Government Finance Policy & Sustainability)
Freya Gregory (Local Government Finance Policy & Sustainability) – Note Taker

Welsh Local Government Association (WLGA/ LA)

Nathan Gardner (WLGA)
Hayley Randall (Data Cymru)
Jane Thomas (Powys)
Dewi Aeron Morgan (Gwynedd)
Jonathan Davies (Monmouthshire)
Ian Allwood (Cardiff)
Liz Thomas (Denbighshire)

Independent members

Guto Ifan (Independent)

Apologies

Jon Rae (WLGA)
Lisa Hayward (WLGA)
Chris Barton (Independent)
Dr Dennis de Widt (Independent)
Carys Lord (Bridgend)
Barrie Davies (Rhondda Cynon Taf)
Duncan Hall (Ceredigion)
Clare Blake (Local Government Finance Reform)

Item 1: Welcome, Apologies and Introductions

1. The Chair welcomed the group to the meeting, recorded apologies and agreed to the use of copilot for the minutes of this meeting. The group agreed it was quorate.

Item 2: Minutes and matters arising from the previous meeting (30 January 2025)

2. The group agreed the minutes from the previous DSG meeting.

Item 3: Paper 06 – Non HRA formula decision

3. Andrea Melvin presented Paper 06 which explored the recalibration of the weights in the non HRA formula following the updating of the homelessness and housing benefit indicators for the 2025-26 settlement. The current weights for this IBA were based on a three-year average of Revenue Outturn (RO) data from 2006-07 – 2008-09. This method has been replicated with the most recent RO data (2021-22 – 2023-24). The paper showed the new weightings and four options of how to apply the recalibrated weights to the 2026-27 settlement. The four options are as follows.
 - **Option 1:** Update the formula with the recalibrated weights.
 - **Option 2:** Phase in the recalibrated weights over a two-year period.
 - **Option 3:** Phase in the recalibrated weights over a three-year period.
 - **Option 4:** Do not update the formula with recalibrated weights for 2026-27 but include as part of a wider suite of formulae updates planned for 2028-29.
4. The group thanked Andrea for the paper and raised the need for clear principles around the use of phasing within the settlement, particularly considering Simon Edward's work on the formula review. The group discussed the need for different principles in relation to formula changes and for data changes and to have clear rationale for the principles chosen. Ian Allwood raised the difference in weighting changes due to updating the data used, and weighting changes due to policy changes and whether these would be treated similarly.
5. Ian Allwood queried the impact on housing grants from these weighting changes. Andrea clarified that housing grants (NOLO, DHP, and Strategic Coordinator) would be distributed on the weightings agreed from this paper.
6. The group discussed the use of a self-funded floor in the Scottish Local Government settlement which may negate the need for phasing as the financial impact on LAs overall is dampened by the floor built into the settlement. It was however recognised that the floor in the Scottish settlement is self-funded taking funding from the LAs receiving higher percentage increases to fund the floor on the LAs with lower percentage increases which was not ideal. In recent Welsh Government settlements the floor has been separately funded, meaning there has been additional funding added to the sector.
7. Judith Cole concluded that the group recommended FSG to proceed with change, noting that principles of phasing data changes and weighting changes should be addressed to ensure fair treatment of each area of the settlement. Judith suggested the three-year phasing option unless the impact of other upcoming changes negate the churn this recalibration creates.
8. Jonathan Davies raised that the three-year phasing approach did seem to be a long time due to how outdated the data that previous weightings were based on was. Highlighting Jane Thomas' suggestion of a sliding scale of principles, where the duration of phasing would be relative to the maximum financial impact created by the change.

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9. The group agreed to the two-year phasing of the recalibrated weightings with the first year of phasing being implemented in the 2026-27 settlement.

Recommendation – Use Option 2: Phase in the recalibrated weights over a two-year period for the 2026-27 settlement.

Action – Settlement team to look into defining principles for phasing in new data and new weightings into the settlement

Item 4: Paper 07 – Updating the mid-year population estimates for the 2026-27 Settlement

10. Rhiannon Jones presented Paper 07 describing the impact of using the latest population data (2024 Mid-Year Estimates) on the 2025-26 settlement. Rhiannon explained that this was the only updated population data source available at the time of this meeting but the 2022 based sub-national population projections may be available towards the end of September and assured the group if they did become available the settlement team would bring an exemplification for DSG to assess. Rhiannon then asked the group for agreement on using the latest data within the 2026-27 settlement unless more suitable data became available prior to the provisional settlement publication.
11. Rhiannon also mentioned that the ONS planned move to Admin Based Population Estimates (ABPE) as official population statistics from 2026. Rhiannon shared that the 2024 ABPEs were published in July and showed considerable differences for university aged populations from the Mid-year estimates produced for the same year. Rhiannon urged members, particularly in LAs hosting universities (Cardiff, Swansea, Ceredigion, Wrexham, Gwynedd) to be aware of these differences and share any concerns with the ONS directly.
12. The group discussed the paper and possible implications of the ABPE's and agreed to using the latest population data in the 2026-27 settlement unless a more suitable dataset would be presented.

Recommendation – Use the 2024 Mid-year estimates population data in the 2026-27 settlement.

Action – Settlement team to bring an exemplification to DSG in 2022 based sub-national population projections if appropriate to the settlement timeline.

Item 5: Paper 08 – Updating the PLASC data for the 2026-27 Settlement

13. Freya Gregory presented Paper 08, describing the impact of using 2025 PLASC data on the 2025-26 settlement. Freya then asked for agreement on using the 2025 PLASC data within the 2026-27 settlement.
14. The group discussed the paper and agreed to the use of 2025 PLASC data in the 2026-27 settlement.

Recommendation – Use 2025 PLASC data in the 2026-27 settlement.

Item 6: Paper 09 – Updating the RA Data for the 2026-27 Settlement

15. Freya Gregory presented Paper 09, describing the impact of using the latest RA data on the 2025-26 settlement. Freya then asked the group for agreement on using the latest data within the 2026-27 settlement.
16. Ian Allwood requested a reminder of where the RA and RO forms feed into the settlement to best understand the impact shown in the paper. He asked whether RA data was being used because it is more recent data, although it may have potential gaps where funding is not included, for example, teachers pensions.
17. Settlement colleagues explained that the RA data is higher level but more recent and is used to determine the sector level breakdown of funding. Whereas the RO data is a year previous to the RA data but much more detailed and distributes the sector allocations into service allocations.
18. Jonathan Davies suggested the need for a piece of work, either for SWT or the Chief Accountants to ensure consistency in the RA returns as LAs are known to treat particular streams of funding differently when filling out RA returns, for example, some include NI funding, where others don't. and these inconsistencies may result in less accurate distribution between the sectors.
19. Jane Thomas requested a written description to help explain to members within Powys and for other similar LAs that it is the relative movement of spending to social services and education across all LAs that increase the distribution within these sectors. She thought Powys had relatively smaller proportions on social services and education compare to proportion on roads and transport due to the geography of the county thus creating the turbulence shown in this paper. The settlement team agreed to create a visualisation with explanation of this impact and circulate to the group.
20. The group discussed the above considerations for but agreed the changes of distribution within the sectors. The group agreed to using the latest data within the 2026-27 settlement.

Recommendation – Use the latest RA data in the 2025-26 settlement.

Action – Settlement team to create a visualisation and explanation of the impact of RA data changes and circulate with the group.

Item 7: Paper 10 – Updating the latest benefits datasets and CTRS expenditure for the 2026-27 Settlement

21. Rhiannon Jones presented Paper 10 describing the impact of using the latest Benefits and CTRS data on the 2025-26 settlement. Rhiannon then asked the group for agreement on using the latest data within the 2026-27 settlement.
22. Ian Allwood queried when the 12-quarter average of the benefits dataset would be ending and return to single year datasets. Emma Smith shared that the rollout

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of Universal Credit would be complete in March 2026, so depending on when the actual data feeds through the averaging can be removed. The settlement team will bring any work on this to DSG when appropriate.

23. The group discussed the impacts exemplified in the paper and agreed to using the latest benefits and CTRS data in the 2026-27 settlement.

Recommendation – Use the latest Benefits and CTRS data in the 2026-27 settlement.

Item 8: Paper 11 – eFSM data options for the 2026-27 Settlement

24. Rhiannon Jones presented Paper 11 describing the impact of using the latest eFSM data on the 2025-26 settlement. Rhiannon did caveat that the EOTAS data was not available prior to this meeting and thus not included in the exemplification, however, as it is such a small dataset the impact would be very minimal. Rhiannon then asked the group for agreement on the use of an updated three-year average of eFSM or TP data within the 2026-27 settlement.
25. Ian Allwood highlighted that the Welsh Government consultation with LAs on schools has started to encourage LAs to consider Welsh Index of Multiple Deprivation (WIMD) as well as eFSM as an indicator of deprivation. Ian suggested the same indicators that LAs are being asked to distribute funds to schools should possibly be the same indicators that Welsh Government use to distribute funds to LAs. Emma Smith agreed that this should be a consideration for the schools IBAs and would be looked into as part of the wider formula review with input from education colleagues.
26. The group agreed that a three-year average of eFSM or TP would be the best option to use within the 2026-27 settlement.

Recommendation – Use the three-year average of eFSM or TP data in the 2026-27 settlement.

Item 9: Paper 12 – Formula Review Work Plan

27. Simon Edwards presented Paper 12 describing the workstreams to complete for implementation of the new formulae in the 2028-29 settlement. Simon asked the group for their thoughts on the scope, priorities and timeline of the work plan as well as endorsement of the approach to the work and agreement for this work plan to be taken to FSG.
28. The group sought clarity on some aspects of the document, particularly the fifth paragraph of the introduction. The group would appreciate the expectations of DSG to be clearly set out to look only at the distributional impact of the workstreams and not the overall financial impact as that does not lie within the remit of the group.
29. The group also raised concerns over the line stating that a portion of the work would be signed off before the May 2026 election. Suggesting that the work being

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available to sign off implies deliverability, which may raise questions over whether it should also be implemented at that time.

30. Simon explained that, due to the upcoming election, there would be a period of low contact ministerially and it would be beneficial for the principles of the recalibration work to be signed off before that; however, any recalibrated formulae would not be implemented in 2026 as FSG had previously agreed to all elements of the formula review to be introduced at the same time and based on the most recent financial data at that point (2028-29 settlement). Simon did agree, however, that this line could cause confusion and agreed to remove reference to the election.
31. The group raised concerns over capacity and highlighted that, while leaders at FSG would strongly encourage additional analytical resource dedicated to this work, they would also expect an acceleration of the work to accompany this. The group emphasised the need for leaders at FSG to understand the full complexity of this work. Simon agreed and shared these concerns as the project is significant and the full scope of the work is still unknown. The settlement team agreed that work needs to go into engaging with LAs to explain that this formula review will not increase the quantum but more closely align the distribution with the current relative need to spend.
32. Liz Thomas suggested using the non-HRA formula as an example of formula recalibration in that the data has been updated, as have the weightings, but not all 22 authorities will see an increase as that is not the purpose of the formula review. Liz also highlighted that all LAs are currently undergoing a social care data system update, which may impact the availability and timeliness of data collection.
33. Simon thanked the group for this discussion agreed to add a section to the paper defining DSG and FSG scope explicitly, to remove reference to the election as a milestone for having work signed off, and to add a section to clarify the full scale of the project and manage expectations of the outcome of this work. Simon agreed to share these revisions with the group to agree before this paper can go to FSG.

Action – Simon Edwards to amend Paper 12 and share changes with DSG for agreement.

Item 10: Any Other Business

34. Judith Cole sought DSG views on the timing of the provisional settlement, with regards to updating the council taxbase data. If the provisional settlement were to use last years council taxbase data it could be published around 4 or 5 November. However, if the provisional settlement were to use the updated council taxbase data it would have to be later, around the 2 or 3 week of November. Judith explained that this is a ministerial decision, but Judith would share the thoughts of the group with ministers to aid the discussion.
35. The group agreed that they would rather wait the few weeks to have a more accurate provisional settlement.

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36. Ian Allwood raised an email he had received suggesting that Independent Specialist Post-16 institutions being delegated to LAs from April 2026. The settlement team had not heard this but agreed to discuss with education colleagues and share findings with the group.

Action – Settlement team to investigate the delegation of Post-16 Institutions to LAs.

Action – Settlement team to rearrange upcoming DSG meeting in line with publication of the provisional settlement and members commitments.

Dates and venues of next meetings

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

Proposed Dates

Thursday 10 November 2025 – Teams (10:00 – 10:30)

Actions Outstanding

	<u>Action</u>	<u>Owner</u>	<u>Date raised</u>	<u>Date completed</u>
1	Settlement team to look into defining principles for phasing in new data and new weightings into the settlement	Settlement team	17/09/2025	Ongoing as part of settlement review.
2	Settlement team to bring an exemplification to DSG in 2022 based sub-national population projections if appropriate to the settlement timeline.	Settlement team	17/09/2025	Data not published in time.
3	Settlement team to create a visualisation and explanation of the impact of RA data changes and circulate with the group.	Settlement team	17/09/2025	
4	Simon Edwards to amend Paper 12 and share changes with DSG for agreement.	Simon Edwards	17/09/2025	Completed
5	Settlement team to investigate the delegation of Post-16 Institutions to LAs.	Settlement team	17/09/2025	
6	Settlement team to rearrange upcoming DSG meeting in line with publication of the provisional settlement and members commitments.	Settlement team	17/09/2025	Completed
	<u>Actions (Ongoing)</u>	<u>Owner</u>	<u>Date raised</u>	<u>Date completed</u>

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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.	WG Settlement team	30/01/2025	Ongoing work to engage Welsh Government departments regarding specific grants.
2	Settlement team to investigate the integrity of eFSM or TP data in relation to schools' populations and benefits data	WG Settlement team	19/09/2024	Ongoing – captured in work programme
3	Council Tax Reform item to be included on the agenda for future DSG meetings	WG Settlement team	21/05/2024	Ongoing - discussions will be regularly held with DSG
4	WG Settlement team to present the Nursery and primary Schools recalibration analysis and progress the conversation with Education officials and ADEW	Simon Edwards	21/05/2024	Ongoing discussion

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