

**DISTRIBUTION SUB-GROUP (DSG)**

**Minutes of meeting held on 25 January 2024 via Microsoft Teams**

**Welsh Government (WG)**

Judith Cole (Chair)  
Andrea Melvin  
James Koe  
Freya Gregory  
Clare Blake  
Jo Banks

**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)  
Liz Thomas (Denbighshire)

**Independent members**

Chris Barton (Fire)  
Dr Dennis de Widt (Independent)  
Guto Ifan (Independent)

**Apologies**

Ian Allwood (Cardiff)  
Carys Lord (Bridgend)  
Huw Jones (Neath Port Talbot)  
Barrie Davies (Rhondda Cynon Taf)

**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.

**Item 2: Minutes and matters arising from the previous meeting (21 November 2023)**

2. The minutes from the last DSG meeting were agreed subject to correcting for errors in the list of attendees.

**Item 3: Paper 1 - CT Reform Update**

3. Judith Cole introduced Clare Blake to present the paper on council tax reform. Clare thanked the group for their responses to the consultation thus far. Paper 1 asked the group to discuss its initial thoughts about the scope of the DSG's remit in the council tax reform programme, and the expectation that this expert group

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would make recommendations to the Welsh Government in due course about how to redistribute the RSG according to amended council tax bases should reforms be implemented. Clare said that whilst there appeared to be support for fairer council tax in a broad sense, there were a range of views about various detailed and technical elements of the programme. Clare opened a discussion on the points raised within the paper.

4. Jon Rae suggested thinking about the impact of this work in two ways, how the settlement formula equalises for resources and equalises for need. Jon also noted how this work could change the balance of funding between Welsh Government grant and council tax raised for some local authorities. Jon queried the impact of this work on the needs-based part of the formula and the distribution of the CTRS IBA.
5. Jonathan Davies agreed with the points that Jon raised. Jonathan mentioned that the group's remit and pace of change depended largely on the date of reform implementation and highlighted the requirement for additional expertise on certain technical areas, such as the CTRS and discounts, regardless of the timeline.
6. Jonathan agreed with concerns around gearing and the volatility that the reforms may create for some authorities. He also raised the possibility of input from revenue and benefits colleagues and the IFS.
7. Chris Barton queried the table in appendix B of IFS estimates where it appeared that there was a substantial fall in the overall taxbase for some authorities. There was a discussion about the difference between notional and actual measures of council tax revenue, levels and tax-bases. Clare clarified the effects modelled are based on IFS estimates however, the IFS had not put the change in council tax revenues alongside its tax base and RSG figures, but the team will try to do this for a future DSG paper.
8. Dewi Aeron Morgan queried the systems in place for dealing with appeals.
9. Clare Blake clarified that the draft valuation list has to be published by the VOA before 1 September (preceding the financial year of delivery), and therefore stressed the importance of DSG starting this work immediately, using the IFS analysis, as there will not be enough time between 1 September and the provisional/final settlement to make recommendations to the Welsh Government about changes to the formula. The data published alongside the Phase 2 consultation is also likely to change as it is related to the VOA systems from August 2023, which are being continually improved and validated. However, as the IFS received the same raw VOA data as the Welsh Government holds, the IFS report is broadly considered to be good quality analysis. Clare also understands that gearing is a factor that needs consideration by the expert groups but is a factor at the margins of the main aim of the policy which is to create a fairer council tax for households, and therefore would not be the reason for reform to not go ahead.
10. Clare passed to Jo Banks to explain in more detail the improvements envisaged to the appeals process. Jo explained that the appeals system is a key part of the reform work and that any revaluation exercise will result in higher volumes of

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appeals. However, the plan is to make the appeals process more transparent and streamlined while providing more information for taxpayers at earlier stages to build trust in the valuations and hopefully reduce the number of formal appeals. Jo also noted that the valuations used for the re-banding exercise are more robust than they have been in the past, with Automated Valuation Methodology. Dewi reiterated his concern and added that in the past taxpayers have withheld payments during an appeal. Jo reiterated that council taxpayers are advised to continue paying their council tax bills whilst appealing and the appeals process should be a lot quicker in future therefore this should hopefully be less of an issue.

11. Jo suggested that an estimate of appeal rate from the VOA is between 3-5% (of properties). However, the processes in place are much more efficient now than they were following the last revaluation in 2005, but education and further work is needed to reduce the burden that this may place on local authorities.
12. Jon also asked about a transition relief scheme and whether it would be extended to people with second homes. Transitional relief for households was considered out of scope for DSG to advise upon.
13. Judith concluded that the group would think about the impact on the resources and needs split and would welcome early intelligence on the timing of reforms from officials (following the consultation closing) so the DSG's work programme can be adjusted. If the earlier timeline for reform is going ahead then the group cannot wait for the valuation list to be published in September to begin its work on considering the formula. Other issues that need to be picked up include CTRS IBA distribution, consideration of notional amounts of council tax at CTSS rate and the implications of this. Phasing has already been identified, but floors may also need to be discussed. The group also needs to think about inviting additional expertise. Appeals should also be thought about and the implication of this on income flows. Also, the relative risk of future Welsh Government grant going up or down around council tax income.
14. Judith queried whether this work should be carried out through DSG or via a sub-group. Judith confirmed that the DSG terms of reference allow it to be done within the group and was inclined to keep this as DSG business instead of a sub-group which would be an additional burden, with invited experts as necessary.

### **Item 4: Paper 2 – DSG Terms of Reference 2024**

15. James Koe presented paper 2 and opened for discussion.
16. Judith queried whether there is a need for more meetings and milestones to be added, for instance with regards to council tax reform. Clare confirmed she will be able to attend the next meeting on 21<sup>st</sup> March to provide more detail on the council tax reform.
17. Jon Rae suggested additional meetings can be added where appropriate with in person meetings being more suitable to digest larger pieces of work and decisions. He also raised a query on the wording of the objective: "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" and asked whether it should be reviewed.

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18. Judith summarised that efforts will be made to include one or two in person meetings for the group this year. That lines may be added to the terms of reference to include the work related to Council Tax reform, and an amendment will be considered to the wording of the objective raised.

***Action – Settlement team to make appropriate amendments to the terms of reference paper and recirculate to the group.***

### **Item 5: Oral item (Open Discussion – Provisional settlement 2024-25)**

19. Judith opened discussion on the 2024-25 provisional settlement.
20. Jon Rae queried how any additional funding may be distributed following the previous day's announcement by UK Government. Judith confirmed that no decisions have been made and there is uncertainty on the overall consequential to Wales as negative consequentials could apply.

### **Item 6: Paper 3 Transfers into the Final Settlement 2024-25**

21. Andrea Melvin presented the paper, briefly touching on the transfers planned to go into the final settlement and the method of adding these transfers into the settlement.
22. Judith sought the group's agreement that the transfers will be distributed in the pre-determined distribution for 2024-25, with discussions at a later date to confirm future distributions.
23. Jon Rae confirmed that this is the usual mechanism of distributing transfers and also mentioned that it would be useful to know what the distributions are prior to the final settlement announcement.
24. Judith and Andrea confirmed this will be shared if possible, waiting on ministerial advice regarding the distribution elements of some grants, but theoretically this should be confirmed soon and can be shared at that point as a provisional transfers table.

***Action – Settlement team to aim to share table of transfers when confirmed.***

### **Item 7: Paper 4 – DSG Work Programme 2023 and open discussion**

25. James Koe presented the paper on the work programme, looking for input on how much detail to include on the council tax reform work, and prioritising the work programme (recognising that prioritisation is difficult until the group knows the timeline for council tax reform work).
26. Jon Rae mentioned that the formula is raised politically whenever there is a less favourable settlement and Jon would like to be able to circulate more information to politicians on the work DSG is doing to update the formula and data. Jon also raised that previously in the work programme there have been backstops to projects, a commitment to deliver by 2025 for example.

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27. Jonathan Davies noted that a ranking system may be useful as there are six strategic touchpoints in the work programme and with current resources for the group and settlement team it doesn't look possible to achieve them all.
28. Judith agreed but raised council tax reform again as a large unknown factor within the work programme. Judith also noted she will make another case for more resources towards this work.
29. James Koe agreed with ranking the work, suggesting that the sparsity work and council tax reform will be first on the priority list and confirmed that we have already started this work.
30. Jon Rae agreed with this and pushed for transparency from the group to politicians about the possibility of these pieces of work being completed. Jon also noted that timing should be taken into account alongside priority of the work, as the financial implications of updating the sparsity and deprivation indicators within the formula could potentially be huge for some local authorities.
31. Judith concluded that the settlement team will update the work programme with indications of priorities and circulate to the group for comments before the work programme is taken to FSG.

***Action – Settlement team to amend and circulate the work programme for comments from the group.***

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

32. Jon Rae raised the process of recruiting new DSG members. He wanted to check with the group that when a new member is required from a different authority, he checks with leaders for their approval on the representation. The group confirmed they are happy with this as the process.

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

33. 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**

**FSG: February: Wednesday 21st 2024**

10:00am – 11:30am

**DSG: March: Thursday 21st 2024**

10:00am – 12:00am

**DSG: May: Tuesday 21st 2024**

10:00am – 12:00am

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

10:00am – 12:00am

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**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

Actions Outstanding

	<u>Action</u>	<u>Owner</u>	<u>Date raised</u>	<u>Date completed</u>
1	WG settlement team to look at correlations between data sets, particularly FSM and benefits, and provide analysis	WG Settlement team		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
	Settlement team to request a Tourism STEAM report for the Cardiff local authority from 'Global Tourism Solutions'	WG settlement team	21/11/2023	Cardiff had the biggest fall in day visitors. <b>Global Tourism Solutions noted the following</b> 'This seems to be a feature of the post-COVID recovery that urban areas have been slower to return to pre-pandemic levels of day visits – it's something we've seen with clients across the UK'  Completed

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4	Settlement team to pass on Rural forum request to Stuart Neil	WG settlement team	21/11/2023	Completed
5	Settlement team to make appropriate amendments to the terms of reference paper and recirculate to the group.	WG settlement team	25/01/2023	
6	Settlement team to share table of transfers when confirmed (if possible in the timeframe).	WG settlement team	25/01/2023	
7	Settlement team to amend and circulate the work programme for comments from the group.	WG settlement team	25/01/2023	

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