

DISTRIBUTION SUB-GROUP (DSG)

Minutes of meeting held on 02 July 2025 (Hybrid)

Welsh Government (WG)

Judith Cole (Local Government Finance Policy & Sustainability) - Chair
Andrea Melvin (Local Government Finance Policy & Sustainability)
Simon Edwards (Local Government Finance Policy & Sustainability)
Freya Gregory (Local Government Finance Policy & Sustainability) – Note Taker
Clare Blake (Local Government Finance Reform)

Welsh Local Government Association (WLGA/ LA)

Jon Rae (WLGA)
Lisa Hayward (WLGA)
Hayley Randall (Data Cymru)
Jane Thomas (Powys)
Dewi Aeron Morgan (Gwynedd)
Jonathan Davies (Monmouthshire)
Ian Allwood (Cardiff)
Liz Thomas (Denbighshire)
Barrie Davies (Rhondda Cynon Taf)

Independent members

Chris Barton (Independent)

Apologies

Dr Dennis de Widt (Independent)
Guto Ifan (Independent)
Nathan Gardner (WLGA)
Huw Jones (Neath Port Talbot)
Carys Lord (Bridgend)
Duncan Hall (Ceredigion)
Emma Smith (Local Government Finance Policy & Sustainability)
Rhiannon Jones (Local Government Finance Policy & Sustainability)

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 Mal Cooke.

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: Oral Item – Overview of the Scottish Local Government Settlement Formula

3. Mal Cooke gave an overview of the Scottish Local Government Settlement (LGS), highlighting areas such as.
- Non-Domestic Rates (NDR) are forecasted by the Scottish Fiscal Commission and guaranteed by the government.
 - Council tax assumptions are based on a constant amount.. If Local Authorities (LAs) increase their Council tax rates above the constant assumption, they are retained by the LA.
 - Approximately 143 different funding lines, with education and social work being significant components, whereas the Welsh LGS has considerably less.
 - Around 130 indicators used, including population estimates, pupil numbers, and deprivation indicators. Most indicators are updated annually apart from census indicators.
 - A built-in redistributive floor ensures LAs receive a minimum percentage change in funding. This is set between 0.25% and 0.75% below the average change for all LAs. A secondary floor is also used to ensure all LAs achieve 85% of the average per capita funding across all LAs.
 - Capital funding is distributed largely on population and road length, with some being bid-based, particularly flooding funding.
 - The Scottish LGS is published with the Greenbook in PDF format, excel tables are also available alongside an accessible, interactive dashboard.
 - Rurality indicators are updated annually or biannually, with population data. Consideration is taken for geographical features creating abnormalities within the data.
 - Different deprivation indicators are used for children, young people, and the elderly population. There are plans to use Scottish child payment data and Children in Low-income families datasets to create a more accurate distribution.
4. The group thanked Mal for his thorough presentation and insight into the Scottish LGS. The group conducted further discussion around the use of a floor, and treatment of council tax with Mal.

Action – Mal to share any elements of the presentation that would be suitable for wider distribution.

Item 4: Paper 05 – Employee NI Contributions

5. Judith Cole presented paper 05 to the group with view to agree recommendations to take to FSG on 15th July regarding the treatment additional funding in respect of increased employer NI.

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6. The group agreed to keep education and NJC funding together and distribute on the workforce based SSA elements. The group agreed this to ensure consistency with similar funding elements such as teachers' pensions, and to avoid setting a precedent of using survey data for such allocations.

Recommendation – To keep Schools funding and NJC funding together and distribute on work force based SSA elements.

7. The group then discussed the treatment of Fire authority funding and agreed the same approach should be taken and thus distribute the Fire authority funding on the Total Fire SSA, which uses population data to distribute.

Recommendation – Distribute Fire Authority funding on the Total Fire SSA element.

Item 5: Oral Item – Taking forward the Settlement Review

8. Simon Edwards gave an update on his return to LGF to carry out a review of the LGS. He outlined his plan to initially investigate sparsity and deprivation indicators used within the education and PSS formulae as these are the most out of date and distribute the largest proportion of the LGS. Simon set his aims to implement updated indicators and weightings of formulae by 2028-29, which would coincide with council tax reform.
9. Simon acknowledged that work was started the previous year with recalibrating the nursery and primary school indicators, which he would extend to secondary school IBAs. Simon requested DSGs involvement in deciding what order and what data years to implement these new formulae on. As it may be unfeasible to have all formulae updated at the same time.
10. Simon will present DSG and FSG with a project plan and engage with the group and other stakeholders regularly throughout the project.
11. The group thanked Simon for the update and agreed his plan so far.

Item 6: Any Other Business

12. Judith Cole gave an update on the budget timings and relevance to DSG and the LSG. Judith explained that the two dates given for draft budgets (14th Oct and 3rd Nov) may be too early to have confirmed NDR figures, which would impact the validity of a provisional settlement, although there is a historical agreement for the Welsh Government to balance any shortfall of NDR. This would be considered with the NDR team. Because of this the date for the provisional settlement is uncertain. Judith assured the group they would be kept up to date with timelines for the provisional and final LGS.
13. Ian Allwood queried a letter received by social services colleagues regarding the 'Removing profit from the care of children looked after' work and the possibility of distributing funding in line with SSA. Ian queried why this had not been brought to DSG, raising the lack of clarity surrounding this decision and others. Judith

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agreed and assured the group she would raise this with social care colleagues to ensure the correct processes are followed.

14. Ian also raised that the schools' funding consultation dates covered the summer holidays, and this would prohibit schools' ability to respond. Judith agreed and assured the group that she would raise this with education colleagues.

Action – Judith Cole to discuss the correct process of agreeing funding through the LGS with DSG with Social care colleagues and others.

Action – Judith Cole to raise the timeline of the school funding consultation with education colleagues.

Dates and venues of next meetings

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

Proposed Dates

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

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

Actions Outstanding

	<u>Action</u>	<u>Owner</u>	<u>Date raised</u>	<u>Date completed</u>
1	Judith Cole to discuss the correct process of agreeing funding through the LGS with DSG with Social care colleagues and others.	Judith Cole	02/07/2025	
2	Judith Cole to raise the timeline of the school funding consultation with education colleagues.	Judith Cole	02/07/2025	Completed 2/7/2025
	<u>Actions (Ongoing)</u>	<u>Owner</u>	<u>Date raised</u>	<u>Date completed</u>
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
3	Council Tax Reform item to be included on the agenda for future DSG meetings	WG Settlement team	21/05/2024	Ongoing, discussions will

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				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	WG settlement team	21/05/2024	Ongoing discussion

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