

DISTRIBUTION SUB-GROUP (DSG)

Minutes of meeting held on 16 June 2026 11-2pm (Hybrid, WLGA offices and Microsoft teams)

Welsh Government (WG)

Judith Cole (Local Government Finance Policy & Sustainability) - Chair
Emma Smith (Local Government Finance Policy & Sustainability) – note taker
Simon Edwards (Local Government Finance Policy & Sustainability)
Jacob Squires (Local Government Finance Policy & Sustainability)
Ashley Caddick (School and Learner Information Policy – for item 8)

Welsh Local Government Association (WLGA/ LA)

Jon Rae (WLGA)
Nathan Gardner (WLGA)
Hayley Randall (WLGA Data division)
Jane Thomas (Powys)
Jonathan Davies (Monmouthshire)
Liz Thomas (Denbighshire)
Duncan Hall (Ceredigion)
Barrie Davies (Rhondda Cynon Taf)

Independent members

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

Apologies

Ian Allwood (Cardiff)
Dewi Aeron Morgan (Gwynedd)
Carys Lord (Bridgend)
Guto Ifan (Independent)
Clare Blake (Local Government Finance Reform)
Andrea Melvin (Local Government Finance Policy & Sustainability)
Rhiannon Jones (Local Government Finance Policy & Sustainability)

Item 1: Welcome, Apologies and Introductions

1. Judith Cole welcomed the group to the meeting, recorded apologies and agreed to the use of copilot for the minutes of this meeting. It was noted that the settlement review papers were not all marked with the long-standing disclaimer as discussion papers which did not represent Welsh Government policy which had not been reviewed with the Cabinet Minister. Jon Rae noted that he had not circulated the papers more widely given their sensitivity. It was agreed that, as a general principle, papers would only be circulated more broadly where they were either required for decision-making or were suitable for wider sharing, and otherwise would remain within the DSG.
2. Judith Cole recorded formal thanks to Guto Ifan for his role as an independent member of the group for several years and the group wished him well in his new role as a special advisor. Judith noted the need to recruit a third independent member of the group to replace Guto and asked for any suggestions to be forwarded. It was noted that given the current review work the group could benefit from an independent statistician / economist.

Action: members to send any suggestions for independent members to WG

Item 2: Minutes and matters arising from the previous meeting (25 February 2026)

3. This item was moved to the end of the meeting as action points were largely covered in the papers.

Item 3: Oral item – Plaid Cymru Commitments on LG Funding

4. Judith provided an overview of the policy context following the formation of the new Government. Members noted the key manifesto commitments relating to the local government funding formula, including:
 - commission a review of the funding formula for local government, to bring forward recommendations for reform it so that it better reflects the real cost of delivering services in different parts of Wales
 - introduce a funding floor to ensure that no local authority is disadvantaged,
 - a requirement to undertake rural proofing.
5. The Cabinet Minister for Local Government, Housing and Planning had indicated support for the DSG continuing its current programme of work and suggested that this work could potentially constitute the review itself, subject to further engagement with local government leaders and the Finance Sub-Group.
6. The Minister would also like to discuss the potential for a review of the principles underpinning the formula with FSG, along with a more general discussion on the future direction of the current review.
7. Members were informed that a WG-wide rural proofing group had been established and that DSG may need to engage with this work to ensure alignment and to avoid conflicting approaches.

8. Members agreed that the breadth and depth of the work now being undertaken in the review meant that it was far more fundamental than just updating some of the data and that FSG needed to understand the full scope.
9. Members noted that expectations on timing of the completion of the review needed to be managed. In addition, if there was a lot of churn from council tax reform, local authorities' finance teams would need sufficient information early enough to manage that change and review the outcome in one year.

Item 4: Paper 06 – An Overarching Approach to Recalibrating the Personal Social Services IBAs (paper previously circulated for agreement)

10. Simon noted that the paper had been sent to ADSS and the WG policy team for comment and summarised the content.
11. Members considered the proposed shift from a bottom-up, data-sensitive approach to a more proportionate top-down model using RO3 expenditure data and client counts as the primary baseline. It was explained that the proposed framework comprised three stages, namely defining expenditure scope, structuring services and apportioning costs, and considering the role of intensity data.
12. Jon Rae noted there was general agreement with the overall direction of travel, including the adoption of a single consistent framework across the three social care IBAs, and the principle that intensity data should be treated as a refinement rather than a starting point.
13. However, members raised a number of issues which would need further work. In particular, there was significant discussion of how sparsity should be modelled, including both the direct and indirect costs of service delivery in rural areas, such as travel time. It was noted that there was much more commissioned care now than when the original data collection and modelling was completed in 2002. About a third is now in house which could be used as a proxy, or it was likely that large companies would be able to provide travel time data.
14. Members also highlighted the growing importance of preventative services, which are not easily captured in existing datasets. It was noted that RCT are doing work with CIPFA on analysis of prevention and that this work may give clarity on whether it can be analysed using existing data.
15. It was agreed that these issues required deeper engagement with practitioners, including finance leads and service experts, to ensure that the model accurately reflected real-world cost drivers. It was suggested that a workshop with ADSS may help.
16. In relation to data collection, there was consensus that it would be important to proceed without further delay, given the time already taken, but that the process should include a pause point to allow for reflection and validation of the approach.
17. Jane Thomas raised the issue of prevention in rural areas – where for example there is no private market for the provision of leisure centres and the local

authority can only fund a small number across the county. Market availability of providers was also raised as an issue in rural areas.

18. The contribution from health and the rates of FNC (NHS-funded nursing care) and CHC (NHS continuing healthcare) were raised especially with the consistency across Wales. It was suggested that this could be picked up in any review of principles to understand more about health allocation systems.

Action - map out a detailed plan for the stages of social care data collection, including safeguards, practitioner engagement and consideration of sparsity and prevention elements, and circulate it to the group for feedback.

Item 5: Paper 07 – Data Collection for the Children and Young Persons PSS IBA

19. Simon introduced the paper. The discussion focused on the proposal to move from a three to a six category care and support framework aligned with current service delivery and RO3 classifications. Members broadly supported this proposal as providing greater granularity, although there was recognition that further validation with practitioners would be required.
20. It was noted that children's residential care can fluctuate a lot especially with out of county placements, and now the move to eliminate profit from children's social care impacting the models of service delivery. A mechanism to average cost over a longer period of time or "calm" local data should be explored.
21. The question of intensity data was considered, particularly in relation to placement-based services, where costs can vary significantly. Members were concerned whether placement mix was a policy decision or data driven – the formula needed to be data driven. It was agreed that further work would be needed before a final position could be taken.
22. Hayley Randell noted that the engagement around data collection needed to start now to understand what data is available in LAs and how hard it is to collect.
23. In summary, the paper was agreed in principle, subject to consulting further with practitioners on the mapping decisions (DSG largely comfortable with not collecting intensity data, particularly given the small amount of funding identified in the one line that spans multiple care categories).

Item 6: Paper 08 – Data Collection for the Younger Adults PSS

24. Simon introduced the paper and the decision needed. Members agreed the general approach, including the scope of RO3 expenditure and the proposed service categorisations.
25. Members noted the need to understand the intensity of care packages, for example an hour a day or four visits a day etc. Also need to understand whether there is any preventative elements that need to be considered, for example youth services. It was noted that authorities may have different models but the formula needed to be data driven not driven by individual models.

26. It was noted that as the RO becomes more important the guidance needs to drive consistency.
27. In summary the paper was agreed in principle, subject to consulting further with practitioners on the mapping decisions and further testing of intensity assumptions (DSG leaning towards not collecting intensity data).

Item 7: Paper 09 – Data Collection for the Older Adults PSS IBA

28. Simon introduced the final social care paper.
29. There was a stronger view that intensity data could be particularly important for older adults' domiciliary care, given the variation in care packages and the influence of rural delivery factors. The group supported the collection of intensity data in this area, subject to testing feasibility with authorities.
30. Duncan noted that authorities should be able to provide data on domiciliary care hours for in house or outsourced provision. He noted there would be a big difference rural to urban because of travel times.
31. Jane noted that it was more efficient to get data from now whether we use the full data set now or not.
32. Judith summarised that we would collect intensity data, and test how much data was needed and how good it was.
33. Across all social care discussions, several cross-cutting themes emerged. Members highlighted the increasing importance of prevention, the volatility of certain areas of expenditure such as children's residential placements, and the significant differences between rural and urban delivery models. There was also concern about the potential for a feedback loop within the formula, whereby reduced spending in certain authorities could lead to further reductions in allocated funding over time.
34. In summary the paper was agreed in principle, subject to consulting further with practitioners on the mapping decisions and further testing of intensity assumptions (DSG felt there was a stronger case for collecting intensity data).

Actions on the papers 7-9:

Begin discussions, and arrange a session, with ADSS or relevant practitioners to:

- ***test and assess the need for intensity data in specific areas of social care, particularly for children and older adults (also more work to be done internally).***
- ***Identify key cost drivers in social care services for improved modelling accuracy.***
- ***confirm whether intensity data for domiciliary care (hours delivered) can be collected easily for both in-house and outsourced provision.***

Item 8: Oral item – Future plans for school-level deprivation indicators

35. Ash Caddick gave an update on the second phase of the “eFSM Beyond” project, which is examining how free school meals data can be improved and whether alternative measures of deprivation should be used. Ash noted there may be implications on the current data with the potential extension of the universal free school meal policy to secondary schools.
36. Ash also noted that there had been a decline in eFSM numbers – this was being reviewed to see if it a real change or because of the universal primary free school meals policy change.
37. Members noted that a range of options were being explored, including refinements to existing measures, use of the Welsh Index of Multiple Deprivation, and potential access to benefits data from DWP and HMRC.
38. Concerns were raised about the suitability of WIMD, particularly in capturing rural poverty, as well as the implications of policy changes such as universal free school meals, which may undermine the reliability of eFSM data as a proxy for deprivation. It was noted that further analytical work would be undertaken, with a recommendation expected by the end of 2026.
39. Ash noted that a hybrid of eFSM / WIMD could be explored, if needed.

Item 9: Paper 10 – Further Considerations of the Primary & Nursery and Secondary IBA recalibration

40. Jacob ran through the issues identified for discussion whilst recalibrating the Primary & Nursery and Secondary IBA formulae.
41. It was noted that data limitations affecting the free school meals dataset between 2020 and 2022 constrained the analysis. Only ever1 was available at present with robust data, with ever3 being available by 2028-29. Hayley noted that it would be good if the methodology document was clear that ever3 was being proposed because of data availability. The impact of using ever 4-6 could be reviewed again in the future.
42. The second issue related to secondary schools. A proposal was made to combine the Year 7 to 9 and Year 10 to 11 variables, as the distinction was not statistically significant.
43. Members questioned whether decisions should rely solely on statistical outputs and emphasised the importance of ensuring that outcomes made sense in practice, suggesting further engagement with practitioners through ADEW or education accountants.
44. A wider methodological discussion followed, including consideration of alternative statistical approaches, for completeness. While potentially more sophisticated techniques had been explored, members concluded that the current approach should be retained on the basis that the methodology still appeared to be fit for purpose when viewed against the DSG principles and assessed against policy intention.

45. There was also recognition that purely data-driven approaches may reflect constrained spending decisions rather than true underlying need. For example, it was noted that the use of larger population thresholds in settlement-based sparsity indicators may not reflect service delivery in practice, as relatively small settlements still require provision such as primary schools, meaning that such approaches may understate need in these areas.
46. There were also discussions on the exemplifications and the reasoning behind the large changes – in particular what appeared to be a divide between rural authorities largely losing funding, while more urban, or valleys, authorities generally gaining funding.
47. In summary, the paper was noted (agreed to stick with current methodology and test whether variables should be rescaled) and agreed in principle, subject to the following action:

Action: liaise with ADEW to test the proposal to count a single school-age cohort for the recalibration (i.e. no separate weighting for Y10-11).

Action: Attempt to map components of change in the exemplification tables, to aid understanding of the new distribution, and also include a column showing Net Revenue Expenditure, to test whether the newly exemplified distribution is a better predictor of spend than the current formula.

Item 10: Paper 11 – Background and considerations for the Special Schools IBA

48. The meeting then turned to the Additional Learning Needs formula, where it was noted that the current approach has remained largely unchanged since 2000 despite significant changes in the system, including increasing complexity of need and rising costs. Members agreed that this area would require further work and suggested that external expertise might be commissioned to support the analysis, given the complexity of the issues and existing capacity constraints within the team.
49. Summary - Paper noted, but a suggestion to outsource this piece of work to secure quicker and potentially more expert consideration (example given of Luke Sibieta).

Action: consider budget and outsourcing possibilities.

Item 11: Oral item – Measuring population dispersion in the settlement formula

50. Simon gave a presentation on population dispersion and the new data that was available on travel times, as opposed to unrelatable figures multiplying out populations by distance. It was agreed that this was a better method to move to and would reflect costs in rural areas more effectively.

Action – continue to work with ONS

Item 12: Oral item – Progress review

51. A progress update confirmed that the overall programme was behind schedule. It was hoped that social care data collection would be completed by Christmas but this was late starting. Although the education work was progressing well, issues had emerged (as discussed in item 9 in this meeting), which had slowed progress.
52. Simon noted that he had been expecting to start other IBAs especially the remaining education IBAs by this point.
53. Jon noted there was a sense of slippage which would need to be reported to FSG. Agreed it was better to develop the full analysis where it was emerging.
54. Capacity constraints were highlighted as a significant factor and the possibility of additional resource or subcontracting elements of the review was raised.

Action: Bring an updated timetable to the group

Item 13: Minutes of last meeting and matters arising

55. The group agreed the minutes from the previous full DSG meeting. Emma noted that the minutes for the additional meeting held on 21 May to discuss Extended Producer Responsibility (EPR) funding had been received but Andrea was clarifying some content. These minutes would be circulated when finalised. The group noted that they had not received the exemplifications from the EPR team and the regulations that govern EPR payments may not align with SSA methodology – so using that may be out of scope. However, the consultation had been released and was live.

Action – Settlement team to circulate minutes for the additional meeting on 21 May and feedback DSG concerns on exemplifications and regulations.

Item 14: Any other Business

56. None noted

	<u>Meeting Action</u>	<u>Owner</u>	<u>Date raised</u>	<u>Date completed</u>
1	Members to send any suggestions for independent members to WG	DSG	16/6/26	
2	Map out a detailed plan for the stages of social care data collection, including safeguards, practitioner engagement and consideration of sparsity and prevention elements, and circulate it to the group for feedback.	Simon Edwards	16/6/26	Ongoing in collaboration with Hayley

3	Arrange a session with ADSS or relevant practitioners to: - test and assess the need for intensity data in specific areas of social care, particularly for children and older adults (also more work to be done internally). - Identify key cost drivers in social care services for improved modelling accuracy. - confirm whether intensity data for domiciliary care (hours delivered) can be collected easily for both in-house and outsourced provision.	Simon Edwards	16/6/26	Simon and Hayley attended ADSS on 12 August. Awaiting names for arranging a specific session.
4	Liaise with ADEW to test the proposal to count a single school-age cohort for the modelling (i.e. no additional weighting for Y10-11).	Simon Edwards	16/6/26	Ongoing (in the process of QA before committing to a meeting)
5	Attempt to map components of change in the tables, and also include (/plot) NRE, to test whether the new distribution is a better fit.	Simon Edwards / Jacob Squires	16/6/26	
6	Consider budget and outsourcing possibilities for special education needs.	Settlement team	16/6/26	Ongoing
7	Continue to work with ONS on population dispersal options	Simon Edwards	16/6/26	Ongoing – exploring options internally
8	Bring an updated timetable to the group	Simon Edwards	16/6/26	Ongoing – see paper 12
9	Settlement team to circulate minutes for the additional meeting on 21 May and feedback DSG concerns on exemplifications and regulations.	Settlement team	16/6/26	
	<u>Previous Actions</u>	<u>Owner</u>	<u>Date raised</u>	<u>Date completed</u>
1	Settlement team to investigate 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 create a visualisation and explanation of the impact of RA data changes and circulate with the group.	Settlement team	17/09/2025	The Green Book has been amended so that it more clearly represents the role of RA data in the Settlement
3	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	To be reviewed as part of the grants protocol
4	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	Completed – Ash Caddick attending 16/6/26 meeting
5	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
6	Terms of Reference membership list to be updated to reflect the integration of Data Cymru into WLGA.	Freya Gregory	25/02/2026	Completed
7	Simon Edwards to clarify timelines in the formula review section of the work programme.	Simon Edwards	25/02/2026	Completed
8	Investigate the approach to apportioning middle-school expenditure between primary and secondary phases.	Formula review team	25/02/2026	Completed
9	Confirm how all-through schools are categorised on section 52 returns and ensure they are being correctly captured and apportioned within the modelling.	Formula review team	25/02/2026	Completed
10	Engage ONS and KAS colleagues on the stability of the 2022 MYEs at small area levels and single year ages.	Formula review team	25/02/2026	Completed
11	Investigate the use of ABPEs for use in the sparsity indicator when published.	Formula review team	25/02/2026	Completed
12	Produce exemplifications using Ever3 and Ever6-eFSM as deprivation indicators and share results with DSG.	Formula review team	25/02/2026	Investigated and not available due to data discrepancies.

				Ever1 can be calculated now with Ever3 used for 28-29.
13	Continue engagement with teams working on school-age deprivation indicators and share findings with DSG.	Formula review team	25/02/2026	Completed.
14	Produce detailed methodology papers on primary and secondary IBAs and exemplified formulae and bring back to DSG.	Formula review team	25/02/2026	Completed.
15	Organise in-person DSG workshop for summer 2026.	Formula review team	25/02/2026	Completed

Local Government Finance Policy and Sustainability Division
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