

DISTRIBUTION SUB-GROUP (DSG)

Minutes of meeting held on 25 February 2026 (Microsoft Teams)

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)
Freya Gregory (Local Government Finance Policy & Sustainability) – Note Taker

Welsh Local Government Association (WLGA/ LA)

Lisa Hayward (WLGA)
Nathan Gardner (WLGA)
Hayley Randall (WLGA Data division)
Jane Thomas (Powys)
Dewi Aeron Morgan (Gwynedd)
Jonathan Davies (Monmouthshire)
Liz Thomas (Denbighshire)

Independent members

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

Audit Wales - observers

Catrin McCarthy
Charles Rigby

Apologies

Jon Rae (WLGA)
Ian Allwood (Cardiff)
Duncan Hall (Ceredigion)
Carys Lord (Bridgend)
Barrie Davies (Rhondda Cynon Taf)
Guto Ifan (Independent)
Clare Blake (Local Government Finance Reform)
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 agreed to the use of copilot for the minutes of this meeting. It was agreed to proceed with the attendance as there was representation from WLGA, Local Authorities and independent members.

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2. The chair introduced Charles Rigby and Catrin McCarthy from Audit Wales who were observing the meeting as part of their review of local government funding arrangements.

Item 2: Minutes and matters arising from the previous meeting (10 November 2025)

3. Judith confirmed the three actions raised from the previous meetings minutes had been completed. The group agreed the minutes from the previous DSG meeting.

Item 3: Paper 01 – Terms of Reference

4. Judith Cole introduced the Terms of Reference explaining that small changes had been made to the language to clarify the process of publishing DSG papers.
5. Hayley Randall raised that Data Cymru had integrated with the WLGA and so the titles in the membership list should be updated.
6. The group also asked for tracked changes to be shared going forwards to allow the group to assess changes made more easily. Judith and the settlement team apologised for not sharing the tracked changes and assured the group they would in the future.

Action – Terms of Reference membership list to be updated to reflect the integration of Data Cymru into WLGA.

Item 4: Paper 02 – DSG Work Programme (Draft)

7. Judith introduced the item and Andrea Melvin presented paper 02 to the group, highlighting upcoming work on the population data, and the annual exemplifications to bring to the group. Andrea also explained ongoing work taking place to address the remaining frozen indicator (which was frozen due to welfare reform) in addition to considering the impacts of council tax reform.. Finally, Andrea noted the settlement team would continue discussions around post-16 placements and bring any updates to DSG.
8. Simon Edwards took over explaining the timelines of his formula review work and asked the group for comments on the timelines of the work set out in the work programme.
9. Jane Thomas noted the reference to “spring 2026” meant the timeline was tight. Jane also asked for the implementation date of the 2028-29 settlement to be specified in the work programme.
10. Simon informed the group that the formula review work plan assumed spring 2026 to run until the end of May 2026 and agreed to specify the implementation date as the 2028-29 settlement within the work programme.
11. With these edits the group agreed for the work programme to be taken to FSG in March.

Action – Simon Edwards to clarify timelines in the formula review section of the work programme.

Item 5: Formula Review

12. Simon introduced the papers 03 and 04 to the group and went through both papers in tandem as the approach was mirrored between the two.
13. Simon began by describing the proposed approach of how to apportion expenditure data which was set out in paper 03 and 04 in detail. Simon asked for the group's thoughts on the proposed methodology.
14. Jane Thomas sought further clarification on the apportionment of middle-schools expenditure and whether straight apportionment based on pupil numbers would suitably account for the impacts of primary school class sizes legislation and Secondary school subject choice costs.
15. Simon agreed that this would need consideration, particularly given the increased weight attached to year 10 and 11 pupils. Simon agreed to investigate alternative apportionment options and bring his findings back to DSG.
16. Jane suggested evidence to support the methodology would be needed to support the updated formula in the future. The group agreed.
17. Chris Barton asked for clarity on what zero expenditure schools meant. Simon clarified that these are generally schools that have opened or closed where the timing between PLASC and Section 52 data collection means the school is recorded as having zero expenditure. Simon assured that these would be rare cases but should be managed appropriately if they do occur. With this understanding the group agreed to the proposed treatment of these schools.
18. Simon went on to discuss the proposed inclusion and exclusion rules for school types, specifically for the modelled schools calculation. He explained that middle school counts would be included in both the primary and secondary calculations – to reflect the requirement for separate primary and secondary schools otherwise – and nursery schools would be excluded from primary calculations. Special schools would be excluded from all calculations as they are funded separately. Simon stressed that these calculations would be used to scale the model number of schools and wouldn't have a significant impact at a local authority level.
19. Jane queried if "all-through" schools were being included and treated as middle schools in these calculations. Simon explained the categorisations on the section 52 forms has nursery, primary, secondary, middle and special schools so would assume all-through schools would be included in the middle school numbers but agreed to check. Jane and the group also agreed to check internally how all-through schools in their authority were treated regarding data collection and feed back to Simon to ensure they would be treated consistently in the calculations.
20. Simon presented the sparsity element of the papers, including the potential to move from census-based all-age settlement indicators to age-specific indicators

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by utilising Mid-Year population Estimates (MYEs) by Single Year Of Age (SYOA).

21. Jonathan Davies supported the principle of age-specific sparsity data being used in the calculations but raised concerns on the stability of the data, emphasising that the stability and robustness of the data should be the highest priority.
22. Simon agreed and reiterated that this dataset would only be used for the recalibration and would not be updated with the annual settlement; therefore, any churn in the dataset between years would not impact the settlement. Simon suggested using the 2022 MYEs as it is the most recent dataset that has been through the agreed round of revisions.
23. Hayley Randall queried if it would be the right time to move to MYEs as the ONS looks to be moving towards Admin-Based Population Estimates (ABPE), which may increase churn when the formula is recalibrated in the future.
24. Simon agreed to investigate the ABPEs when published, and to work with the ONS and KAS to confirm the stability and robustness of the 2022 MYEs.
25. Simon asked whether the group agreed to carry forward the approach of using two distinct indicators for secondary school pupils (split between years 7-9 and 10-11) in the modelling. The group agreed this approach.
26. Simon gave a detailed explanation of the suggested approaches to deprivation indicators described in the papers (Single year eligibility for Free School Meals (eFSM) and multi-year indicators such as Ever2-eFSM, Ever3-eFSM, or Ever6-eFSM, which count the number of pupil eligible for FSM at any point in the past “x” number of years) and asked the group to agree a dataset to take forward into the calculations.
27. Liz Thomas raised concerns over the validity of eFSM as a dataset due to the lack of a consistent approach to registration across schools. Liz suggested if there were no other better indicator or deprivation in school age children then Ever3 or Ever6 eFSM would be the most acceptable due to the longer timeframe. However, Liz stressed that eFSM as a proxy for deprivation was not ideal to use in these formulae.
28. Simon agreed with these concerns but explained the need for data linked to schools which puts a strict limit on the availability of datasets. Simon shared that work is ongoing in the Welsh Government to address this – separate to the settlement team – but this would not be ready in time for this work programme.
29. Nathan Gardner shared concerns raised by Ian Allwood prior to the meeting that the report only explained the weaknesses in the dataset as opposed to a solution to the weaknesses. He would have preferred to have seen a timeline as to how deprivation indicators would be reviewed more fully in a timely manner, while understanding there would be a capacity constraint on this.
30. Simon appreciated these concerns but noted that, if the team were to focus on creating a new dataset that would appropriately and fully capture deprivation in school aged children, it would derail the rest of the formula review, due to the resource it would require. Welsh Government education policy colleagues are

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continuing to investigate the potential for alternative pupil-age deprivation indicators.

31. Jonathan queried if Simon could investigate what datasets were being used and considered by other teams and organisations. Jonathan did appreciate that it did leave a decision to be made to go forward with the calculations from this meeting.
32. The group appreciated Simon's work on this and requested exemplifications on Ever3-FSM and Ever6-FSM to be presented to the group, with the caveat that Simon would continue to investigate other datasets and engage with the colleagues working on deprivation indicators and bring any findings back to DSG.
33. The group also agreed with the suggestion in the papers that Welsh Index of Multiple Deprivation (WIMD) data are not used as a deprivation indicator as it could not be tied closely enough to school data.
34. Liz agreed this approach but reiterated the concerns of credibility of the data used and that any decision would need to be supported.
35. Simon explained his plan going forwards to produce detailed methodology papers for the primary and secondary IBAs based on decisions made today. These would act as blueprints for future formula recalibration work to ease the process in the future. Simon also agreed to rerun the models when decisions from today's meeting have been more finalised and share the results with DSG – with the caveat that these would be further updated with the latest available data before implementation.
36. Simon also assured the group that work was ongoing with policy colleagues regarding the special schools formula, which was more subjective, and early findings would be presented to DSG.
37. With regards to the wider formula review Simon would send DSG a PSS data collection specification paper – possibly by correspondence – for agreement.
38. Jane suggested that an in-person meeting/workshop, as help previously, would be beneficial to the group in understanding and moving formula review work forwards. The group agreed, and Judith raised the possibility of requiring more meetings than in previous years to ensure this work had the time allotted to fully understanding and moving it forwards.

Action – Investigate the approach to apportioning middle-school expenditure between primary and secondary phases.

Action – Confirm how all-through schools are categorised on section 52 returns and ensure they are being correctly captured and apportioned within the modelling.

Action – Engage ONS and KAS colleagues on the stability of the 2022 MYEs at small area levels and single year ages.

Action – Investigate the use of ABPEs for use in the sparsity indicator when published.

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Action – Produce exemplifications using Ever3 and Ever6-eFSM as deprivation indicators and share results with DSG.

Action – Continue engagement with teams working on school-age deprivation indicators and share findings with DSG.

Action – Produce detailed methodology papers for primary and secondary IBAs and exemplified formulae and bring back to DSG.

Action – Organise in-person DSG workshop for summer 2026.

Item 6: Any other Business

39. Judith raised that the settlement team would be carrying out a small review of the green book publication and asked the group to get in touch with any improvements, further clarification, or elements of the green book they found particularly helpful.

Actions Outstanding

	<u>Meeting Action</u>	<u>Owner</u>	<u>Date raised</u>	<u>Date completed</u>
1	Terms of Reference membership list to be updated to reflect the integration of Data Cymru into WLGA.	Freya Gregory	25/02/2026	Completed
2	Simon Edwards to clarify timelines in the formula review section of the work programme.	Simon Edwards	25/02/2026	
3	Investigate the approach to apportioning middle-school expenditure between primary and secondary phases.	Formula review team	25/02/2026	
4	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	
5	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	
6	Investigate the use of ABPEs for use in the sparsity indicator when published.	Formula review team	25/02/2026	
7	Produce exemplifications using Ever3 and Ever6-eFSM as deprivation indicators and share results with DSG.	Formula review team	25/02/2026	
8	Continue engagement with teams working on school-age	Formula review team	25/02/2026	

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	deprivation indicators and share findings with DSG.			
9	Produce detailed methodology papers on primary and secondary IBAs and exemplified formulae and bring back to DSG.	Formula review team	25/02/2026	
10	Organise in-person DSG workshop for summer 2026.	Formula review team	25/02/2026	
	<u>Previous Actions</u>	<u>Owner</u>	<u>Date raised</u>	<u>Date completed</u>
1	Settlement team to investigate the impact of RO and RA data on local authorities of different levels of rurality, after the provisional settlement.	Settlement team	10/11/2025	Completed
2	Settlement team to make suggested edits to the draft DSG progress report prior to sending to FSG.	Settlement team	10/11/2025	Completed
3	Independent members to amend the independent report for the DSG progress report.	Independent members	10/11/2025	Completed
4	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.
5	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	To be included in the Green Book publication from 2026-27.
6	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.
7	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
8	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

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