DISTRIBUTION SUB-GROUP (DSG)

Minutes of meeting held on 29 September 2026 11am-1.30pm
(Hybrid, WLGA offices and 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)
Rhiannon Jones (Local Government Finance Policy & Sustainability)
Jacob Squires (Local Government Finance Policy & Sustainability)
Jolyon Lloyd-Davies (Local Government Finance Policy & Sustainability) - note taker
Clare Blake (Local Government Finance Reform)

Welsh Local Government Association (WLGA / LA)
Jon Rae (WLGA)
Nathan Gardner (WLGA)
Ian Allwood (Cardiff)
Jane Thomas (Powys)
Duncan Hall (Ceredigion)
Barrie Davies (Rhondda Cynon Taf)

Independent members
Chris Barton (Independent)

Apologies
Liz Thomas (Denbighshire)
Jonathan Davies (Monmouthshire)
Carys Lord (Bridgend)
Dewi Aeron Morgan (Gwynedd)
Lisa Hayward (WLGA Data Division)
Hayley Randall (WLGA Data Division)

Item 1: Welcome and apologies

1.1 The Chair, Judith Cole, welcomed members to the meeting and introduced Jolyon Lloyd-Davies.

1.2 Members agreed to the use of Microsoft Copilot to assist with the production of the meeting minutes.

1.3 The Chair congratulated Ian Allwood on his new appointment as S151 at Cardiff.

Item 2: Minutes of the previous meetings (21 May 2026 and 16 June 2026) and matters arising

2.1 The group agreed the minutes of the additional DSG meeting held on 21 May 2026 and the DSG meeting held on 16 June 2026.

2.2 In relation to the additional DSG minutes, Jon Rae queried the position regarding a potential exemplification. Emma Smith advised that this has not been sent as the funding position had been superseded with the UK not making any changes specifically for Wales this year, although the overall model has been updated.

2.3 Judith provided an update to members on an external review of the principles underpinning the formula. She confirmed that this work was being undertaken by the Wales Centre for Public Policy (WCPP), which will examine methodologies used elsewhere, including approaches to deprivation and rurality. Members were advised that WCPP would provide updates through future engagement activities with DSG and the Finance Sub-Group (FSG). Jon noted that he had spoken with the review team and mentioned that WCPP may wish to engage wider than DSG members to get a wider range of views. In response to a question from Barrie Davies, Judith advised that the aim was for the review report to be completed by summer 2027.

2.4 The actions from the DSG meeting on 16 June were reviewed in turn. In response to Action 1, Judith asked whether the Group had any suggestions for an independent member to replace Guto Ifans. Jon suggested Rhys ap Gwilym of Bangor University as a potential candidate and Judith agreed to approach him regarding the role.

2.5 Simon Edwards gave an update on Action 2 - confirming that work had commenced but it was not yet at the point where a detailed plan could be mapped out. Simon noted that he would follow up with Hayley Randell regarding the next steps. Jon advised that Hayley had been unwell but was expected to return shortly.

2.6 Members were advised that Simon and Hayley had attended a meeting of ADSS and were awaiting further nominations to support more detailed discussions (Action 3).

2.7 Simon noted that further quality assurance work would be undertaken before meeting with practitioners to test the emerging analysis (Action 4). Jon queried whether trade unions were aware of the work and members agreed that broader stakeholder engagement, including engagement with relevant unions, should be considered.

2.8 Simon confirmed that work was still ongoing to QA data but Jacob Squires provided an update on the impacts he was seeing in the education formula analysis (Action 5). He mentioned that there are now fewer primary schools in sparse authorities, and this seemed to be impacting on the sparsity analysis. Jane Thomas noted that while school closures could reduce education costs, they could also increase transport costs and that this interaction should be considered in future work. Simon noted that transport costs are currently considered separately, but that in future it would be possible to look at the combined effect of changes to the schools and transport IBAs.

2.9 Jacob noted that a decision would be required on how sparsity is treated within the Formula Review. Simon advised that sparsity is currently applied directly only within the secondary education indicators, reflecting its broader relationship with secondary provision. He noted that while sparsity was applied to primary education through the modelled schools calculation, analysis had not identified a similar broader correlation like that seen for secondary education. Jon agreed that the current approach appeared sensible. Judith emphasised the importance of documenting the rationale clearly as part of future methodology papers, which Simon confirmed would be done through the agreement of methodology papers.

2.10 Simon provided an update on the Additional Learning Needs elements of the Formula Review (Action 6). Members re-affirmed that this area could be commissioned as a discrete piece of work due to its self-contained nature. Jon agreed with this approach and highlighted the importance of securing suitably experienced external expertise, referring to previous discussions regarding specialists such as Luke Sibieta. Members noted that options for outsourcing this work would continue to be explored.

2.11 Simon provided an update on work relating to population dispersion (Action 7). Welsh Government geography colleagues are supporting further development of this work.

2.12 Simon provided an update on the Formula Review timetable (Action 8). Members were advised that a revised timetable had not yet been finalised and would be shared with the group following consideration of paper 12.

Action: Judith Cole to approach Rhys ap Gwilym regarding potential recruitment as an independent DSG member.

Action: Simon Edwards to consider engagement with trade unions around the funding formula review.

Action: Simon Edwards to consider providing exemplifications of the combined effect of changes to the schools and school transport IBAs.

Item 3: Paper 12: Funding Formula Review

3.1 Simon introduced the paper and provided an update on progress with the Formula Review programme. He advised that officials were continuing to work towards implementation through the 2028-29 Settlement but noted that delivery would be dependent on a number of factors, including stakeholder engagement, quality

assurance, peer review and data collection requirements for the Personal Social Services (PSS) element.

3.2 Simon advised that the greatest challenge to the timetable related to social care data collection. Members were informed that local authorities would be implementing new systems beginning next calendar year and that there may be a limited window in which to undertake data collection and engagement activity. It may therefore be necessary to consider whether the PSS element of the review should be delayed and if any delay should apply to the review as a whole or only to the PSS component.

3.3 Members discussed the importance of quality assurance and peer review. Simon explained that, rather than undertaking these processes at the end of the review, a more concurrent approach would help identify issues earlier and allow firmer proposals to be brought forward to DSG.

3.4 Ian queried how the review timetable might interact with any future council tax reform or revaluation programme. Clare Blake advised that Ministers were continuing to consider the wider programme of reform and that no decisions had yet been made.

3.5 Chris Barton highlighted the importance of achieving broad agreement on key principles before detailed exemplifications entered the public domain. Jon agreed that there were risks associated with both delaying engagement and introducing detailed data too early. Members discussed the need to strike an appropriate balance between transparency and allowing proposals to be developed fully before wider consideration.

3.6 Jon questioned whether implementation in 2028-29 remained achievable and suggested that it may be helpful to identify a point at which a decision would be required on whether the timetable remained realistic. Barrie Davies emphasised the importance of providing local authorities with sufficient notice of any changes and noted that revisions to the formula could have implications for other funding streams that used the IBAs as a distribution mechanism.

3.7 Members supported the continued development of the review programme and noted the proposed approach to quality assurance, peer review, stakeholder engagement and implementation planning.

Item 4: Paper 13 – Population data options for the 2027-28 Settlement

4.1 Rhiannon Jones introduced the paper, which considered options for updating the population data used within the Settlement. Members were asked to consider the use of either the latest available ONS mid-year population estimates (MYEs) or Welsh Government population projections.

4.2 Members noted that the 2025 MYEs reflected observed population data and would provide a more stable and robust basis for distribution. However, it was also recognised that using estimates introduced a time lag and may not fully reflect more recent demographic changes.

4.3 Members discussed the potential benefits of using population projections, given their ability to reflect future population trends. However, concerns were raised regarding the divergence between Welsh Government projections and ONS population estimates.

4.4 Jon noted that population projections had previously been used within the Settlement and recalled earlier work which looked at whether projections could provide a better indication of future population change. Ian acknowledged the case for using projections but suggested that further work was needed to understand the factors driving significant changes for individual authorities.

4.5 Chris noted that, while projections may provide a forward-looking perspective, there was generally greater confidence in observed population figures.

Action: Provide a third option for population data which includes both the MYEs and the projected figures, including analysis of the historical accuracy of each dataset.

Item 5: Paper 14 – Impact of updating the PLASC and EOTAS pupil numbers

5.1 Rhiannon introduced the paper, which considered the impact of updating the pupil number data used within the Settlement to the latest available PLASC and EOTAS datasets.

5.2 Members were informed of the distributional impacts associated with updating the data and noted that the largest changes related to secondary school pupil numbers, particularly in Years 10 and 11. The corresponding impacts on Aggregate External Finance (AEF) were also highlighted.

5.3 Ian queried whether electively home educated pupils were fully reflected within the available datasets and noted that funding relating to elective home education had remained unchanged despite increasing numbers.

5.4 Members discussed the growth in elective home education since the COVID-19 pandemic and the extent to which this was reflected in funding arrangements. Emma noted that elective home education did not directly affect funding allocations but could have indirect impacts through school organisation and pupil numbers. Also, the costs to local authorities of monitoring / safeguarding home educated young people.

5.5 Judith advised that officials would consider the issue further. Rhiannon agreed to look into the availability of relevant data and provide a note to members.

5.6 Members were content to use the latest PLASC and EOTAS data within the 2027-28 Settlement.

Action: Investigate whether elective home education is or should be reflected within the data used for settlement purposes and provide a note to members.

Item 6: Paper 15 – Updating the RA Data for the 2027-28 Settlement

6.1 Andrea Melvin introduced the paper, which considered the impact of updating the Revenue Account (RA) data used within the Settlement.

6.2 Members were advised that the distributional impact of updating the RA data was small, with changes for all authorities remaining below 1%. Members were also informed that a further exemplification would be undertaken once updated Revenue Outturn (RO) data became available.

6.3 Andrea explained that the latest RA data had been applied to the 2026-27 Settlement on an illustrative basis, demonstrating only minor changes to the distribution of funding.

6.4 Jon queried whether additional analysis of expenditure classified as “other” would provide any further insight. Andrea advised that officials had reviewed this area but had not identified any material issues requiring further investigation.

6.5 Members also discussed the continuing increase in Council Tax Reduction Scheme (CTRS) expenditure. Andrea advised that further analysis would be brought to a future meeting.

6.6 Members agreed that the latest RA data remained representative and could be used for the 2027-28 Settlement.

Item 7: Paper 16 – Updating the FSM data for the 2027-28 Settlement

7.1 Rhiannon introduced the paper, which considered options for updating the Free School Meals eligibility (eFSM) data used within the Settlement.

7.2 Members were presented with three options: using the latest available data only, continuing with the current approach of using a three-year average of eligible for Free School Meals (eFSM) and transitionally protected pupils, or using a three-year average based solely on eFSM.

7.3 Members discussed the advantages and disadvantages of each approach. It was noted that the current methodology produced the smallest changes to existing allocations, while the option based solely on eFSM produced the largest changes.

7.4 Jon, on behalf of John Davies, expressed a preference for retaining the current methodology on the basis that it provided the greatest stability. Barrie supported this approach. Members also discussed the limitations of the available data and the importance of clearly setting these out in future papers.

7.5 DSG agreed that the current approach, using a three-year average of eFSM and transitionally protected pupils, should continue to be used for the 2027-28 Settlement.

Item 8: Paper 17 – Equalising for Resource in the 2027-28 Settlement

8.1 Andrea introduced the paper, which examined the impact of updating the council tax and discretionary Non-Domestic Rates (NDR) assumptions used within the resource equalisation calculations.

8.2 Members were advised that the analysis was illustrative, as updated 2027-28 tax base data would not be available until November. The paper therefore retained the previous year's tax base data whilst updating the council tax and discretionary NDR assumptions.

8.3 Andrea outlined the methodology used to calculate the updated notional council tax figure and the resulting distributional impacts. As this paper only exemplified an increase in notional council tax, with Aggregate External Finance (AEF) remaining constant, the AEF received by authorities with higher-than-average tax bases reduced, and those with lower-than-average tax bases increased.

8.4 Andrea explained that this impact would change if the AEF was increased – with that increase being known once the draft budget is published. If the % increase in AEF is lower than the % increase in notional council tax, authorities with relatively higher tax bases will receive a lower proportion of the increase in AEF, as a greater proportion of their Standard Spending Assessment (SSA) will be accounted for by notional council tax. Conversely, authorities with relatively lower tax bases will receive a greater proportion of the increase in AEF.

8.5 Jon noted that resource equalisation continued to be of interest to local authorities and that the paper provided a helpful explanation of the impacts of changes in council tax assumptions. Members discussed how changes in council tax and AEF interacted and the extent to which the current approach reflected local circumstances.

8.6 Jane Thomas highlighted that an authority's ability to raise council tax was not always fully reflected by its tax base. Chris noted that previous analysis had suggested the approach worked most effectively where authorities increased council tax at similar rates.

8.7 Members also discussed wider resource equalisation principles, including approaches adopted elsewhere in the UK.

8.8 DSG noted the analysis and members were content for officials to continue using the current approach pending the availability of updated tax base information.

Item 9: AOB & Close

9.1 Rhiannon asked if members supported an earlier validation of the benefits data for the 2027-28 Settlement. As the dataset is dynamic and subject to ongoing updates, in the previous year the data had changed by the time validation was undertaken. It was therefore proposed that verification should take place earlier to minimise changes to the underlying dataset prior to validation. Members supported the proposed approach.

9.2 Emma informed members of ongoing work relating to Automatic Voter Registration and sought initial views on how any future transfer of funding into the Settlement might be approached. Members discussed the distinction between cost-driven and formula-driven allocations and the importance of ensuring that any future methodology reflected the underlying drivers of expenditure.

9.3 Members also discussed the treatment of funding relating to teachers' pensions and fire pensions. Judith Cole advised that further information was awaited and that members would be kept informed of developments.

9.4 Barrie raised the use of the Rurality Premium within the Anti-Poverty Grant and queried whether lessons from this approach could inform future funding distributions. Judith Cole agreed to raise the point with relevant colleagues.

9.5 The Chair thanked members for their contributions and closed the meeting.

Action: Judith to ask policy colleagues whether any lessons were learnt from the inclusion of a rurality premium in the Anti-Poverty Grant.

Actions to be taken:

No.	Action	Owner	Date raised	Status
Meeting Actions				
1	Provide further analysis of the differences between Welsh Government population projections and ONS mid-year population estimates, including the factors driving changes for individual authorities and the historical accuracy of each dataset.	Settlement team	29/09/2026	
2	Consider engagement with trade unions around the funding formula review.	Simon Edwards	29/09/2026	
3	Consider providing exemplifications of the combined effect of changes to the schools and school transport IBAs.	Simon Edwards	29/09/2026	

4	Investigate whether elective home education is appropriately reflected within the data used for settlement purposes and circulate a note to members.	Rhiannon Jones	29/09/2026	
4	Investigate with policy colleagues whether any lessons have been learnt from the inclusion of the rural premium in the anti-poverty grant.	Judith Cole	29/09/2026	
Previous Actions				
1	Members to send any suggestions for independent members to WG.	DSG	16/06/2026	Ongoing. Jon suggested Rhys ap Gwilym (Bangor University) as a potential candidate and Judith Cole agreed to approach him regarding the role.
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	16/06/2026	Ongoing. Further discussions will take place following completion of quality assurance work. Simon Edwards will continue engagement with practitioners.
3	Arrange a session with ADSS or relevant practitioners to test and assess the need for intensity data in specific areas of social care, identify	Simon Edwards	16/06/2026	Ongoing. Engagement with ADSS Cymru has taken place and further engagement is planned.

	key cost drivers and confirm whether intensity data can be collected easily.			
4	Engage with ADEW to test whether the Education Formula should use a single school-age pupil measure rather than applying additional weighting to Years 10 and 11.	Simon Edwards	16/06/2026	Ongoing. Further engagement with ADEW to take place following completion of quality assurance work.
5	Consider budget and outsourcing possibilities for special education needs.	Settlement team	16/06/2026	Ongoing. Outsourcing to suitable external experts to be considered.
6	Continue to work with ONS on population dispersal options.	Simon Edwards	16/06/2026	Ongoing. Welsh Government geography colleagues are supporting further development of this work.
7	Bring an updated timetable to the group.	Simon Edwards	16/06/2026	Ongoing – see paper 12.

Local Government Finance Policy and Sustainability Division,
Welsh Government