
19th Meeting of the Finance Sub Group of the Partnership Council for Wales
Wednesday, 22 May 2019
10:30am to 11:30am
Conference Room C, Tŷ Hywel, Cardiff Bay
Minutes

MEMBERS**Welsh Government Ministers**

Julie James AM, Minister for Housing and Local Government – Chair
Hannah Blythyn AM, Deputy Minister for Housing and Local Government
Rebecca Evans AM, Minister for Finance and Trefnydd

Welsh Local Government Association

Cllr Debbie Wilcox (Newport)
Cllr Anthony Hunt (Torfaen)
Cllr Paul Miller (Pembrokeshire)
Cllr Andrew Morgan (RCT)
Cllr Peter Fox (Monmouthshire)
Cllr Dyfrig Lewis Siencyn (Gwynedd)

Police and Crime Commissioner

Police Commissioner Chief of Staff – Lee Jones, on behalf of Rt Hon Alun Michael

ATTENDING**Welsh Local Government Association Officials**

Dr Chris Llewelyn – Chief Executive, WLGA
Jon Rae – Director of Resources, WLGA
Nigel Aurelius – Torfaen (Chief Finance Officer), SWT

Welsh Government Officials

Paul Griffiths – Special Adviser
Judith Cole – Deputy Director, Local Government Finance Policy and Workforce Partnerships
Debra Carter – Deputy Director, Local Government Strategic Finance

APOLOGIES

Cllr Mark Pritchard (Wrexham)
Reg Kilpatrick – Director, Local Government

Agenda Item 1: Welcome and Introductions

1. The Minister for Housing and Local Government (the Minister) welcomed members to this extra meeting of the Finance Sub Group of 2019 as part of the agreement to meet more regularly, particularly in the context of the expected Spending Review and the Welsh Government budget. Further meetings will be held in July and September and a series of other ministers will attend to discuss different strands of local government expenditure.

Agenda Item 2: Minutes and Matters Arising from Previous Meeting (Paper 1)

2. Actions were confirmed as completed and the minutes were agreed as an accurate record.
3. Agenda item 4 – Comprehensive Spending Review – discussion on future funding and delivery challenges was brought forward before the discussion of Agenda item 3 – Discussion on Social Housing.

Agenda Item 4: Comprehensive Spending review – discussion on future funding and delivery challenges (Oral item)

4. The Minister for Housing and Local Government opened the discussion by explaining that this meeting was a good opportunity to work together to respond to the expected Comprehensive Spending Review (CSR) with one voice from Welsh national and local government. She reiterated the commitment to being as open and transparent as possible as agreed at the previous meeting of the Finance Sub Group. The Minister outlined the key challenges of not yet knowing whether a CSR was going to happen this year and that if it did not, a rollover of the Welsh Government baseline budget would likely need to happen. However it was not clear whether this would include extra funding that had been negotiated in 2019-20 such as teachers' pension and teachers' pay funding.
5. Cllrs Anthony Hunt and Debbie Wilcox welcomed the continued approach to openness and agreed to look at the best ways that local government could support the central messages and lobby the UK Government for clarity.
6. The Minister for Finance and Trefnydd outlined the challenging financial context. Although the Chancellor originally said that he would run a three-year spending review, he has since said that a CSR would not go ahead until Brexit was resolved.
7. The Minister for Finance and Trefnydd also noted that Welsh Government reserves are modest compared to the challenge of the cost of maintaining funding for teacher's pay, pension and rates reliefs of around £111m. She stated that she would be making the case for this funding for 2020-21 as part of the regular quadrilaterals with the Chief Secretary to the Treasury.
8. The Minister for Finance and Trefnydd outlined the process for the Welsh Government Budget in the context of this level of uncertainty. Initial bilaterals with Ministers were currently taking place. Pressures against the available

reserve had already been identified. The draft budget could be as late as December and the final budget may be as late as March. The difficulties that this causes for the local government budget-setting process and meeting the statutory time-scales were acknowledged.

9. The Minister for Finance and Trefnydd noted that ahead of the summer recess she intended to make some information available to assist in budget planning including GDP forecasts, devolved tax forecasts and a best estimate of the overall funding available for 2020-21.
10. The Minister for Housing and Local Government added that there was also work going on around specific grants to check that hypothecation was still appropriate and to press ministerial colleagues to announce their plans as early as possible.
11. Cllr Debbie Wilcox emphasised that knowing information on grants early was most welcome as it would help authorities to plan workforce requirements and notify employees of any changes in an appropriate timeframe.
12. Cllr Anthony Hunt welcomed the open approach, but noted the difficulty in planning based on a worst-case scenario due to the types of decisions that would need to be made. He felt that the more discussions between WLGA and Welsh Government over the summer that were able to take place the better.
13. Cllr Andrew Morgan accepted the position if there was a rollover budget but could not envisage a scenario where the UK Government would not fund pay and pensions. He also raised the expectation that grants such as the extra £37.5m given as specific grants for social care and teachers pay from Welsh Government were part of the baseline. He noted that the timetable was very difficult, there is a 11 March deadline for budgets to be agreed by councils and that papers would need to be distributed by 3 March, council tax needed to be set and suggested a late budget could lead to judicial review. Cllr Morgan also requested that winter pressure funding for social care was considered over the summer as planning needed to begin with spend starting in October / November to make the most efficient use of the funding.
14. The Minister for Housing and Local Government accepted all the points made and noted that the timing is unwelcome for all parties. She hoped to have better information for the July meeting and emphasised the benefit in making a case as one voice on specific issues. The Minister noted both the challenges and opportunities for local government of additional late funding from Welsh Government due to underspends materialising within Welsh Government which could not be taken into its reserves. She hoped that the emphasis might be on the opportunities.
15. Cllr Peter Fox was pleased to see other Ministers at Finance Sub Group so that the challenges facing local government across portfolios could be shared and understood so that the focus was on service delivery. It was confirmed that the

Welsh Government was limited to drawing down revenue reserves of £125m in any one year and that this drawdown was already assumed for each budget year. The Minister for Finance and Trefnydd confirmed that she would be asking for more flexibility over reserve drawdown from the UK Government.

16. Cllr Anthony Hunt asked if it was worth officials sitting down and quantifying the workforce cost – it was agreed that this would be taken forward based on work already completed in the WLGA survey on workforce costs.

Agenda Item 3: Discussion on social housing (Oral item)

17. The Minister for Housing and Local Government was committed to increasing social housing provision as quickly as possible and envisaged that the biggest increase could come from local authorities with housing revenue accounts (HRAs), beginning to build significantly again but it was also possible for those without HRAs to reopen them. She noted that the HRA guidance would be reissued for consultation with updated asset management and prudential borrowing guidance. She was interested in what mechanisms and processes needed to be put in place and especially interested in views on re-establishing HRAs and how best to do this. She also said that she was discussing the possible use of financial transactions funding to support social housing.
18. The Minister for Housing and Local Government referred to the consultation that will be launched shortly on innovative housing, which includes modular builds which have lower carbon costs, better insulation and better working conditions for constructors as they are built offsite. She would also welcome the better use of Welsh supply chains.
19. Cllr Paul Millar described a challenge over low availability of land to develop and issues provision of infrastructure. Since the climate emergency has been declared, he considered Wales should be striving to be carbon neutral by 2030, and therefore the guidelines need to be very firm on what to expect from developers.
20. The Minister for Housing and Local Government noted that a consultation on the National Development Framework would be out in July and that Welsh Government were very interested in any innovative plans. She appreciated that a large number of non HRA authorities would no longer have the skills in-house and that she saw the optimum solution to this being to pool resources, with a regional or all-Wales approach to skills acquisition.
21. Cllr Andrew Morgan noted that his council was looking at lending money to social housing providers as the number of houses that the Council could build itself in the short to medium term would not justify running a housing management team. From a treasury management point of view the loan would be secured on an asset and the return was better than a bank investment.
22. The Minister for Housing and Local Government confirmed that Welsh Government was looking for the best ways that local authorities had to deliver

social housing (rather than affordable housing) and the best way to maximise the impact of the lifting of the borrowing cap.

23. Cllr Dyfrig Lewis Siencyn noted that this was a timely conversation as Gwynedd was looking at how it could build to fill gaps in the market, for example for young people as there were some concerns that the companies formed to take over HRAs could lose touch with the social principles and roots.
24. The Minister for Housing and Local Government confirmed that a number of housing related reviews had concluded recently or were due to conclude shortly including affordable housing, rent policy and decarbonisation. The reports needed to be taken together to optimise outcomes, from a finance point of view as well as policy, and she would welcome any comments.
25. Cllr Anthony Hunt said that one significant issue was unlocking land. The Minister for Housing and Local Government noted that upcoming Bills would include provision for a general power of competence and enhanced Compulsory Purchase Order powers for local authorities. The Welsh Government was also looking at different ways to use its land and was keen to identify all public ownership land so that more strategic planning could take place.

Agenda Item 5: Minister for Finance and Trefnydd update – Local Taxation matters (Oral item)

26. The Minister for Finance and Trefnydd began by highlighting the improved relations between Welsh Government and local government around local taxes. She welcomed the joint working on projects such as the launch of the council tax reduction scheme take-up campaign, discounts for severely mentally impaired people, increased data-sharing and benchmarking.
27. The Minister for Finance and Trefnydd said she was keen to assess the impact of the UK Government's Universal Credit on the council tax reduction scheme through the recently commissioned research. Data had been received from 12 authorities to date, though more data was needed to ensure the research was representative of the whole of Wales. Cllr Wilcox offered to use the next WLGA Executive Board to encourage engagement in this important work.
28. The Minister for Finance and Trefnydd noted that there were variances across local authorities in the extent to which there was political engagement in decisions about the discretionary elements of local taxes. She would like to build on the council tax protocol so that authorities could look to adopt the Standard Financial Statement. She went on to note that one area that had attracted attention was the transfer of domestic properties from the council tax list to the non-domestic rates list - for example holiday lets. It had been suggested that this was having an impact on the availability of housing in certain areas. Her officials were looking into this but had yet to find any evidence that these properties are not transferring legitimately. With regards to the criteria for self-catering holiday lets to be classed as non-domestic, the Welsh Government

had consulted several times on this, however, if local authorities have any further evidence that would be welcomed.

29. Cllr Dyfrig Lewis Siencyn offered the viewpoint from Gwynedd Council which had decided to implement a second home premium and mentioned some analysis the Chief Executive had recently carried out. He felt that residential properties should remain residential unless there was a planning application for change of use.
30. Finally as part of her update, the Minister for Finance and Trefnydd noted that there was growing concern over the ability of software providers to meet the needs of local authorities' council tax and non-domestic rates systems and that this area would be a good place to consider modernising in collaboration with the WLGA. The Minister felt one idea might be to negotiate provision centrally rather than 22 times. The Minister for Housing and Local Government drew parallels with the planning portal system which is currently complicated as it has to "talk" to 22 different systems. Cllr Andrew Morgan noted that any such development needed to be looked at from service users point of view.

Agenda Item 6: Any Other Business

31. Cllr Debbie Wilcox asked if there was anything that the Ministers would like to be raised at the WLGA Executive Board meeting on 24 May to let her know.
32. The Minister for Housing and Local Government closed by commenting that if there was any better information about the Comprehensive Spending Review and budget planning it would be discussed at the July meeting. If not, the meeting would focus on the approach with UK Government.