

**20th Meeting of the Finance Sub Group of the Partnership Council for Wales
Wednesday, 3 July 2019**

11:00am to 12:30pm

**Conference Room A, 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
Vaughan Gething AM, Minister for Health and Social Services

Welsh Local Government Association

Cllr Anthony Hunt (Torfaen)
Cllr Peter Fox (Monmouthshire)
Cllr Dyfrig Siencyn (Gwynedd)
Cllr Mark Whitcutt (Newport)
Cllr Susan Elsmore (Cardiff)

Police and Crime Commissioners

Rt Hon Alun Michael – South Wales Police and Crime Commissioner
Peter Curran – Finance Director, SWPCC

Welsh Local Government Association officials

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

Welsh Government officials

Sara Faye – Special Adviser
Reg Kilpatrick – Director, Local Government
Judith Cole – Deputy Director, Local Government Finance Policy and Workforce Partnerships
Debra Carter – Deputy Director, Local Government Strategic Finance
Matthew Jenkins – Deputy Director, Partnership and Cooperation, Social Services and Integration
Matthew Wellington – Head of Budget Delivery, Welsh Treasury

APOLOGIES

Cllr Debbie Wilcox (Newport)
Cllr Andrew Morgan (RCT)
Cllr Rob Stewart (Swansea)
Cllr Mark Pritchard (Wrexham)
Cllr Paul Miller (Pembrokeshire)

Agenda Item 1: Welcome and Introductions

1. The Minister for Housing and Local Government (the Minister) welcomed members to the third Finance Sub Group of 2019. A further meeting would be held in September and other Ministers will attend future meetings to discuss different aspects of local government expenditure on services.

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

2. Actions were confirmed and were on the agenda for this meeting where necessary. The minutes were agreed as an accurate record.

Agenda Item 3: Police and Crime Commissioners' Update (Oral item)

1. Mr Michael began by saying that many of the issues affecting the police were similar to those affecting local government, with austerity, Brexit, the uncertainty regarding the CSR and the meaning of a "rollover" budget. He explained that the review of police in schools work is coming to an end, and reiterated the benefits of this service has to the local community. He commented that the increase in police precept this year was due to HM Treasury not providing sufficient funding which means that local people are paying more to fill a funding gap to support local issues.
2. He went on to say that he welcomed the review of partnership working, as considerable time is being taken up in attending meetings with many of the same individuals. He highlighted PSBs and RPBs in particular.
3. The Minister acknowledged the challenges of working within a mix of devolved and non-devolved settlements, with the lack of understanding of areas of devolved responsibility, eg. council tax, and the need for a robust discussion with UK Government on this.

Agenda Item 4: Minister for Health and Social Services

4. The Minister welcomed the Minister for Health and Social Services to the meeting, reiterating that she was keen that other Welsh Government Cabinet Members engage with local government about their portfolios in future meetings.
5. The Minister for Health and Social Services said that he understood the hard choices on services change and cuts which local government leaders faced. He added that data trends suggest that spend on social care for older people in Wales is projected to rise by around £60 million a year by 2022-23, while that for children would increase by around £80 million a year, for current levels of care. The pressures on budgets meant this is not sustainable.
6. The Health Minister informed the group of work commissioned from LE Wales to undertake research on the short to medium term operational pressures and potential costs facing local authority social services. This research is due to report this summer and LE Wales has already made an initial approach to the WLGA to secure local government's involvement.

7. The Health Minister took the opportunity to update the group on the work of the Inter-Ministerial Group on Paying for Social Care. The Group is considering the potential for raising additional funds for social care through a social care levy, or a variation in the rates of income tax in Wales. This was prompted by Professor Gerry Holtham's proposal for a social care levy. Similar discussions are going on in England.
8. The work from the Inter-Ministerial Group will result in options being presented to key stakeholders in the autumn. The Health Minister explained he was eager that these conversations be cross-party and take place before the end of the year, to ensure that everyone fully understands the choices irrespective of political views. He added that he wants to highlight what social care is, the cost and value of it, and the choices needed with local government groups, the third sector, housing groups and the citizens of Wales.
9. The Health Minister added that if possible he wishes to continue the £30m provided to facilitate the delivery of our "Healthier Wales" priorities by supporting local authorities' deliver their core social services (children's and adults).
10. The Local Government Minister added that the Minister and Deputy Minister for Economy and Transport were currently looking at the local economic aspects of the social care sector. She asked about the effects if we commissioned social care differently, for example if local government brought it in-house, and the impact on the local economy if social care workers were paid at the same rate as local government workers.
11. Cllr Elsmore welcomed the opportunity to have an open conversation and offered her support in helping to shape the work that LE Wales was doing, adding that most councils are seeing a 5-6% pressure on their social services spending which are getting worse. Cllr Hunt echoed the comments of Cllr Elsmore and reiterated the earlier comments from Mr Michael. He concurred that he has too many meetings between groups set up for partnership working, rather than spending the time delivering the actions from the meetings.
12. Cllr Siencyn informed the group of his council's current work to review the delivery of social care system, highlighting its aim to improve the recruitment system by creating a better career structure. He questioned in which forum this could best be discussed and communicated to other authorities.
13. The Health Minister invited the councillor to write directly to him and was open to the idea of having fewer meetings and more effective meeting structures. He added that he recently established a more formal programme board to support the Inter-Ministerial Group with local government being represented on this through WLGA and ADSS with Cllr Huw David, Jon Rae and Giovanni Isingrini having agreed to take part.
14. The Local Government Minister added that the Reform Sub Group of Partnership Council for Wales would look at how to rationalise the number of meetings and bring groups together.

15. Cllr Whitcutt informed the group of a conference he had attended the previous week and a report funded through the Economic and Social Research Centre. The report highlights the impact of dependency of benefits on the local economy. He noted that the article estimated £103m was lost in Swansea and £70m lost in Newport due to welfare reform.
16. **Action: Cllr Whitcutt agreed to circulate a copy of the report.**
17. **Action: the Minister said that she would invite the Deputy Minister for Economy and Transport to speak about his work on the foundation economy at a future meeting.**
18. The Minister for Finance and Trefnydd added that the Welsh Government Efficiency Board was currently reviewing stakeholder engagement to ensure that time was being spent wisely. She offered that if local government had any suggestions she would be happy to take them to the board. She also added that the Centre for Local Economic Studies was undertaking work for the Deputy Minister (Lee Waters AM) which focussed on initiatives in Preston, reviewing the local procurement process, which it might be interesting to share with PSBs when finalised.
19. The Local Government Minister thanked the Health Minister and the group for engaging in the discussion.

Agenda Item 5: WLGA paper on Local Government Budget Pressures

20. Cllr Hunt provided an overview of the WLGA's paper, highlighting the three main pressures as workforce costs, high need/high cost services and new responsibilities. He recognised the challenges facing Welsh Government and welcomed the open and honest discussions.
21. Jon Rae followed up by outlining the decreases in public sector jobs and quantifying the local government pay bill from the recent Wales Fiscal Analysis Unit report, highlighting the pressures that local government faced from teachers' pay increases and possibly from the triennial valuation of local government pensions.
22. The Minister said she would like to have a fuller understanding of the consequence of these job losses on the local economy, to be able to understand the full picture not just the impact of cuts to services.

Agenda Item 6: Minister for Finance and Trefnydd – Finance Update

23. The Minister for Finance and Trefnydd outlined the budget preparations. She said that unfortunately there was still no clarity from the UK Government about a Comprehensive Spending Review. The most likely scenario was that the UK Government would set a rollover budget but the details of what this would mean

in practice were unclear. She would be writing shortly to the Business and Finance Committees to say that as a result of the uncertainty, the Draft Budget could be in December, with the Final Budget at the beginning of March.

24. The Finance Minister set out her intention to make a statement on the Future of Public Spending on 16 July. This would give information on various factors to provide as much transparency as possible for partners, including the latest position on public sector pay, GDP deflator forecasts, forecasts of devolved taxes and the best possible assessment of the overall level of funding available in future years. The Minister for local Government added that teachers' pay was an area of concern and she would be interested to hear what planning assumptions local authorities had made for this year and the next.
25. Cllr Hunt informed the group that the assumption made in his council was that teachers' pay would increase by 2%.
26. The Finance Minister discussed her intention to once again publish a progress report in the autumn on the Reforming Local Government Finance work programme, as in the previous two years.
27. She also reminded local government that an additional £2.4m was put into the RSG for discretionary non-domestic rates relief, and was disappointed to hear through revenues officers that several authorities had not planned to use this funding to provide additional support for business. The Finance Minister also noted that she had received anecdotal reports that some care leavers were being chased for council tax arrears despite the Welsh Government introducing a new exemption for care leavers up to the age of 25.
28. The Local Government Minister added that she was communicating with Cabinet colleagues to emphasise that local government should be informed of their grant allocations as early as possible for the year and the subsequent years, and stated her intent to communicate where funding was available in a more open and transparent way. The Minister said some specific grants were introduced or maintained rather than being transferred into to the RSG because Ministers did not have assurance about outcomes being delivered without this approach.
29. The Deputy Minister for Housing and Local Government apologised for the delay in informing local authorities of the amounts of their Sustainable Waste Management Grant this year. All authorities should now be aware of the sums they are receiving, and she would try to ensure that there are not similar delays in future.
30. The Minister noted there was an opportunity for an early letter to the new Prime Minister, emphasising the lack of clarity on future funding matters and the need for clarification on funding as well as stressing the budget pressures facing public services in Wales. Cllr Hunt supported this approach and welcomed more open and honest discussions on funding. He and Dr Llewellyn offered support for a joint letter through the WLGA.

31. Cllr Fox asked what a rollover budget meant in practice. The Finance Minister said that Strategic Budgeting officials were looking at the different scenarios that a rollover budget could bring and that they would look to provide more detail when possible. The picture was complex with many scenarios to understand. For example, the understanding at the moment was that a rollover budget would not include the additional funding in place for teachers' pay and pensions for 2019-20, which was a significant amount. The Local Government Minister offered to have a clear conversation with local government about the assumptions as things became clearer.
32. **Action: Welsh Government and WLGA officials to prepare a joint letter to send to the UK Government to seek clarity on budget plans within an overall approach to communications with the new UK Government.**
33. **WLGA to provide further information on the assumptions made by local authorities in their budget and medium term financial plans.**

Agenda Item 7: DSG Progress Report

34. Judith Cole provided an update on DSG progress report, explaining the short and long term work programmes.
35. Reg Kilpatrick encouraged members to look at the work programme to ensure they understood the impact the work will have on distribution and the impact of local policy choices.
36. Cllr Fox, added that he understood that the issues predominantly lay with the quantum rather than the distribution formula itself, but many people outside the room do not understand this.
37. The Minister asked how knowledge of the settlement process could be improved amongst local government elected members and others and wondered if a training programme needed to be instigated. Dr Llewellyn said stated that the WLGA had been holding briefings with AMs and councillors recently to improve understanding.

Agenda Item 8: Any Other Business

38. The Minister informed the Group of the All-Wales Public Service Summit in Swansea, run by Academi Wales, on 8/9 October and would welcome the WLGA's contributions.
39. She also said that she would be asking Cabinet colleagues to attend the event and would discuss with the First Minister if he would welcome a Cabinet meeting to be held during the event.
40. The Minister concluded by thanking the Group for their participation and informed them that the next meeting would take place on 25 September.