

Meeting of the Finance Sub Group of the Partnership Council for Wales
Wednesday, 5 February 2020
10:30am to 12:00am
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 (part)

Welsh Local Government Association

Cllr Andrew Morgan (RCT)
Cllr Anthony Hunt (Torfaen)
Cllr Paul Miller (Pembrokeshire)
Cllr Dyfrig Siencyn (Gwynedd)
Cllr Rob Stewart (Swansea)
Cllr Peter Fox (Monmouthshire)
Cllr Carol Clement-Williams (Neath Port Talbot)

Police and Crime Commissioners

Peter Curran – Chief Finance Officer, South Wales Police and Crime Commissioner

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

Reg Kilpatrick – Director, Local Government
Debra Carter – Head of Local Government Strategic Finance
Simon Edwards – Local Government Finance and Workforce Partnerships
Steffan Roberts – Strategic Budgeting, Welsh Treasury

APOLOGIES

Cllr Mark Pritchard (Wrexham)

Agenda Item 1: Welcome and Introductions

1. The Minister for Housing and Local Government (the Minister) welcomed members to the first Finance Sub Group of 2020.

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

2. The minutes from the last meeting were agreed.

Agenda Item 3: Minister for Finance and Trefnydd Update

3. The Minister for Finance and Trefnydd provided an update on the Welsh Government Budget for 2020-21 and reiterated her personal gratitude to the WLGA for their positive engagement this year.
4. The Minister for Finance and Trefnydd expressed that Senedd committees had been scrutinising the draft spending plans, with a strong interest in the investment in preventative services and the climate change, and also in bus services and homelessness.
5. The Minister for Finance and Trefnydd noted the uncertainty around the UK Budget and that it was scheduled to be delivered on 11 March, more than a week after the Senedd votes on the Welsh Government Final Budget on 3 March. She explained, despite this, the Welsh Government is still pressing ahead with its plans to publish the Final Budget on 25 February to deliver the certainty and stability that Welsh public services, businesses and communities need.
6. The Minister for Finance and Trefnydd said she would look to reflect any significant changes to spending plans in an early 2020-21 First Supplementary Budget and to provide as much certainty as possible following the UK Budget on 11 March. She outlined the current view that the movement of the UK Budget date would not alter the revenue spending significantly but it might result in changes to capital funding.
7. The Minister for Finance and Trefnydd outlined a number of pieces of research being undertaken on local taxes, including work on the impact of Universal Credit on the Council Tax Reduction Scheme, which was published on 9 January. The aim of the research was to inform the future development of our council tax reduction scheme.
8. The Minister for Finance and Trefnydd outlined the plans for publishing research on the effect of Universal Credit on rent arrears, the practical feasibility of a local land value tax and the potential impact of a revaluation of council tax, which might be of interest to the group.
9. The Minister for Finance and Trefnydd also outlined the digital discovery exercise which was looking at local revenue and benefits systems (detailed in a paper to note).

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10. The Minister for Finance and Trefnydd invited suggestions from the Group for any aspects of the reform work about which they would like a more in-depth discussion.
11. The Minister opened the conversation up for discussion.
12. Cllr Morgan thanked the Ministers for their support and transparency during the year, even with the additional complexity added in from the UK Government, and voiced that he would like those conversations to continue this year if more funding came to Wales from the UK Budget. He requested that if Welsh Government gets a full 3-year spending plan, the WLGA would like the Welsh Government to provide multi-year settlements to assist authorities in their medium-term financial planning.
13. Cllr Morgan also asked if there could be an item on ‘winter pressures’ funding at an FSG in the summer, to allow authorities time to plan ahead of the winter period.
14. The Minister clarified that Welsh Government do not have any confirmation from UK Government on changes to the Budget.
15. The Minister for Finance and Trefnydd also provided an example of confusion over the UK Budget, where UK Treasury had contacted officials to indicate that the Welsh Government would receive £100m capital transactions and £100m general capital negative consequential in-year. So a re-profile of general capital funding would be necessary before the 2nd Supplementary Budget.
16. The Minister expanded on Cllr Morgan’s request for timelier information on grants by stating that she has asked cabinet to provide grant information to stakeholders as early as possible specifically for this reason. She expressed that this year the grant tables provided alongside the settlement have been more complete than previous years, and would invite the Minister for Health and Social Services to speak about this and the wider social service funding.
17. **Action – ‘Winter pressures’ to be on a future FSG agenda.**
18. The Minister communicated that if the WLGA has any opinions on other research they would like us to take forward then she would welcome those views, for example suggesting work on the lack of take-up for Pension Credit in Wales and the impact that has on the foundational economy.
19. Cllr Hunt stated that the WLGA could provide Ministers with information on authorities’ capital spending priorities, to help any decision making that is required.
20. **Action – WLGA to provide the Welsh Government with information on authorities’ capital spending priorities.**
21. Cllr Morgan provided an overview of homelessness services in his area and how they are changing to better meet the needs. Cllr Hunt and Cllr Stewart voiced

similar examples explaining the additional cost pressures these add to the service delivery.

22. Cllr Siencyn raised a point about the potential impact on the council tax tax-base as a result of second homes being moved to the non-domestic rating list.
23. The Minister noted that the matter had been looked at in some detail and that there was no evidence as yet of properties being wrongly listed. She invited the WLGA to provide any evidence it had to inform the analysis.
24. Cllr Siencyn asked for a meeting to discuss the matter in more detail.
25. The Minister said that she would be happy to meet.
26. **Action - Cllr Siencyn to request a meeting with the Minister.**

Agenda Item 4: WLGA Update

27. Cllr Hunt opened the WLGA's update by thanking the Ministers for their approach to the settlement even during a difficult budget setting year. The Cllr discussed the requested for a floor, perceptions that one good settlement makes up for the historic years of austerity not being correct, requesting an expenditure sub-group (ESG) be set up and the possibility of a multi-year settlements in the future.
28. The Minister explained that she understands the situation on the floor, however there is no more funding available, so if there was one to be put in place then it would have to be a redistributive mechanism, whereby those above the floor percentage fund those below. She wished to understand the WLGA's views on both of these options.
29. The Minister stated she was reluctant to set up another group in the form of ESG, but would prefer setting aside more slots to FSG and expand the remit of the group. She highlighted that last year inviting other cabinet members to the meeting allowed other cabinet members to enhance the case for funding to local government.
30. Dr Chris Llewelyn articulated that he believed the request of ESG was at an officer group rather than a political one, but the work of any officer group could report to the FSG.
31. **Action – Officials to invite other Cabinet Ministers to future meetings.**
32. In regards to a multi-year settlement the Minister was open to the possibility, but wished to air caution until more information was available from what the UK government CSR would involve.
33. The Minister detailed that her officials are due to present a technical briefing to the Children, Young People and Education (CYPE) committee to help the understanding of how the settlement works, and offered this to be provided to the

group if requested. She also stated that she would like the WLGA to be involved in the session to ensure a consistent message is being delivered.

34. Action – Involve the WLGA officers in the CYPE technical briefing.

35. Cllr Fox echoed the comments so far and expressed his concerns in the formula with the variance of 2.4% between the lowest and highest this year is too extreme. Similar feelings are expressed in the North Wales authorities with a 3% increase not meeting their pressures.

36. The Minister explained she had sympathy for those authorities, with lower settlements, but the only way to provide a floor would be re-distribute it from what is currently in the system, but that is also going to create further winners and losers.

37. Cllr Fox added there is some internal work to understand why the settlement does what it does in his authority, and to get a better understanding of what would happen to his authority if another 10 years of austerity was to hit, and whether this would be sustainable.

Agenda Item 5: DSG work programme

38. The Minister invited Simon Edwards to present the Distribution sub-group (DSG) work programme for 2020.

39. Officials presented the DSG work programme by explaining the short term section looks to update the indicators to ensure that the formula remains relevant. Whilst the strategic section looks at the long term development of the formula for areas such as education and waste.

40. Reg Kilpatrick iterated the importance of this document which provides the group with an understanding of what can change through the year which ensures that the group understand the financial ramifications that these changes can sometime have.

41. The Minister expanded by reminding the group of the damping actions undertaken last year to ensure that the population data changes did not give significantly disproportionate effects. She confirmed these mechanisms are possible if required again this coming year. She also provided the example of the distribution of the Housing Support grant, which while not part of the RSG was a large grant whose distribution has been set historically. Any changes to distribution now could cause unmanageable shifts in funding between authorities.

42. Cllr Siencyn reflected that the problem with the formula is that it is difficult to understand, and the purpose of the DSG is to reflect the facts of where and why each authority has had what they've had.

43. Jon Rae added that within DSG there has been work to help understand the changes. He added that treasurers are being told how the formula works and the

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factors making up changes to allocations, the table in the DSG report only provides some indication but other factors may change this.

44. Cllr Clement-Williams queried how social care sits within the formula and how we know the formula is doing what it should do.
45. The Minister voiced that this would be a good piece of work to take a real life example on.
46. **Action – officials to investigate with DSG what work could be done.**
47. Cllr Morgan discussed the balance of responsibility of continuing care packages between health boards and local authorities.
48. The Minister expressed her continued commitment to bring other members of cabinet which provide funding to local government to the group to allow them to hear the pressures that local government are facing first hand.

Agenda Item 6: Police and Crime Commissioner update

49. The Minister invited Peter Curran to provide an update.
50. The officer highlighted the complexity to this years' police settlement which provided one year funding, up 7.5%. This increase included the funding to recruit 6,000 new police officers for England and Wales, as part of the UK commitment for an additional 20k.
51. The officer explained that the precept for South Wales police was agreed by the police and crime panel with an increase of 5.9% which provided a fair balance between the funding required and the additional cost to the tax payers.
52. The Minister thanked the officer for the update and highlighted the difficulties with the police settlement assuming a lot of things in England that are not the case in Wales.
53. The Minister closed the meeting by requesting an earlier meeting to be put in place after the Easter recess.
54. **Action – Officials to arrange additional meetings and develop a programme of work for FSG for 2020 and circulate details to the group.**