

**18<sup>th</sup> Meeting of the Finance Sub Group of the Partnership Council for Wales  
Wednesday, 23 January 2019  
Seminar Rooms 1&2, Pierhead, Cardiff Bay  
Minutes**

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**MEMBERS**

**Welsh Government**

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

**Welsh Local Government Association**

Cllr Anthony Hunt, WLGA Finance Spokesperson (Torfaen)  
Cllr Andrew Morgan, WLGA Presiding Officer (Rhondda Cynon Taff)  
Cllr Aaron Shotton, Deputy Leader of the WLGA (Flintshire)  
Cllr Peter Fox OBE (Monmouthshire)  
Cllr Dyfrig Siencyn (Gwynedd)

**ATTENDING**

**Welsh Government Officials**

Paul Griffiths – Special Adviser  
Reg Kilpatrick – Director, Local Government  
Judith Cole – Deputy Director, Local Government Finance & Workforce Partnerships  
Debra Carter – Deputy Director, Local Government Strategic Finance

**Welsh Local Government Association Officials**

Dr Chris Llewelyn – Chief Executive, WLGA  
Jon Rae – Director of Resources, WLGA  
Nigel Aurelius – Chief Finance Officer, Torfaen, for Society of Welsh Treasurers  
Mari Thomas – WLGA

**Police and Crime Commissioners**

Rt Hon Alun Michael – South Wales Police and Crime Commissioner (left after item 3)  
Peter Curran – Chief of Finance

**APOLOGIES**

Cllr Debbie Wilcox, WLGA Leader (Newport)  
Cllr Marc 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 first meeting of the Finance Sub Group of 2019. She hopes to have, full and frank conversations at these meetings so that all members have a chance to express their points of view and understand the views of others. The Minister summarised the difficult financial times ahead including Brexit, the Comprehensive Spending Review and austerity.

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

2. Rt Hon Alun Michael gave an update on policing matters, highlighting the issues with the current settlement outlined by the Home Office, particularly with the pension costs where most of the liability was funded, but not all.
3. Rt Hon Alun Michael stated that the police settlement assumed a £24 per year increase in the council tax precept, which he felt was misleading and did not recognise the autonomy of Police and Crime Commissioners (PCCs) to set precepts locally. All four PCCs will be presenting their proposed precepts to panels in the coming weeks.
4. **Action under Paragraph 23** relating to the Working Group on Local Government. Reg Kilpatrick and the former Chief Executive of WLGA, Steve Thomas, were asked to agree how the group's considerations could be communicated more widely. Reg Kilpatrick suggested that papers and minutes should be published online. **Complete.**
5. The minutes were agreed as an accurate record.

**Agenda Item 3: Update from the Cabinet Secretary for Finance (Oral item)**

6. The Minister for Finance and Trefnydd outlined the challenging financial context with no-deal Brexit challenges, the impact of the UK Government's austerity agenda and no budget indications for 2020-21 due to the forthcoming Comprehensive Spending Review.
7. The Minister for Finance and Trefnydd explained that now the Welsh Government has powers to raise an element of income tax from April 2019, the Welsh Government and local government need to ensure we can convey to the public how this and other taxes are spent for public good in Wales.
8. The Minister for Finance and Trefnydd would look to publish the Welsh Government's Tax Policy Work Plan for 2019 in February. It will outline the programme of work relating to tax policy in Wales and the four principles governing the development of the agenda (ie. Welsh taxes should raise revenue as fairly as possible; deliver Welsh Government objectives; be clear, stable and simple; be developed through collaboration; and contribute to the Well-Being of Future Generations Act). A more detailed update on the development of council tax and non-domestic rates as well as the broader reform of local government finance was published in October 2018.

9. The Minister for Finance and Trefnydd noted that she is looking to be collaborative, to ensure that people are working together to deliver and create new ideas. She outlined plans for council tax and asked local authorities to assist in providing data to the contractor commissioned to investigate the impact of Universal Credit on households, eligibility for the Council Tax Reduction Scheme, impact on rent arrears and risk of falling into debt. The Minister also thanked local government members for their cooperation so far in driving forward the work underway to develop a more citizen-focused approach to council tax debt and hoped this positive engagement would continue.
10. The Minister for Finance and Trefnydd noted the First Minister's leadership manifesto commitment to review Public Finance Initiative contracts (PFI) and said that she would be writing out shortly to ask for reviews to be completed, or where they had already been completed for local authorities to share their experiences.
11. The Minister for Finance and Trefnydd outlined longer term work to explore different approaches to local taxation and the detailed work which had been commissioned. The work would explore a range of options, such as modernising property taxes, land value tax, local income tax, and the balance of funding between centrally provided and local raised.
12. The Minister for Finance and Trefnydd described how the non-domestic rates anti-avoidance and fraud measures would be included in the Local Government and Elections (Wales) Bill, and a subgroup of the Welsh Revenues and Benefits Managers Group would be established at the end of January to take forward the various improvements.
13. The Minister for Housing and Local Government explained to the group that the Deputy Minister for Housing and Local Government would also be present at Finance Sub Group meetings, where possible. She explained how the responsibilities were split between Ministers and how they have an overview of each other's areas of responsibility to unlock the levers across the different areas.
14. The Minister articulated her wish to ensure that these meetings provide the best use of everyone's time. She was not wedded to the current schedule of three meetings a year. She also stated her intent to invite other Cabinet Ministers who provide funding to local government to attend future meetings, to allow the group to understand wider portfolio funding issues.
15. Cllr Anthony Hunt congratulated the Ministers on their appointments and the approach to full and frank discussions. Cllr Hunt was keen to discuss preventative services that local government could offer through a two-way dialogue around budgets throughout the year. He wanted to ensure that conversations took place in partnership, encompassing the effect on other public sector services if budgets were cut. He added that members acknowledged the positive work that has been undertaken on a more citizen-focused approach to council tax debt but emphasised they would be concerned if this had a negative

effect on council tax collection rates. Cllr Hunt noted that he was also engaged in the tax policy agenda through his attendance at the Tax Advisory Group which he finds a useful forum.

16. The Minister made clear her respect for local government about the difficult decisions that have to be taken at a local level. She recognised that there are no good choices and that councils were having to look at the 'least bad decision'. She wished to engage more with local government to ensure that such choices are fully understood by Ministers.
17. The Minister said that she hoped no authorities would set excessive increases in their council tax this year. She indicated that the government would not want to use its powers to cap local authority budgets, given her firm belief that local authorities are democratically accountable for the decisions they make but would seek to protect hard-pressed people if felt necessary.
18. The Minister conveyed that she would like to move on from only discussing the negatives and to ensure the group discuss wider on the positives that have been achieved in local government and share how these positives have happened.
19. Cllr Andrew Morgan commented that finance matters were discussed over three, one-and-a-half hour, meetings a year with Ministers and this seemed very little time. He asked whether it would be possible to have more politician to politician time. He also offered to provide details on the financial benefits of his authority buying itself out of a PFI contract.
20. Cllr Aaron Shotton added that he felt the group had little chance to change or impact the work of DSG; that he hoped to have more discussion of local authority and Welsh Government pressures on future agendas; and welcomed the opportunity to discuss the Comprehensive Spending Review.
21. Rt Hon Alun Michael noted that although policing policy was not devolved, it operated in a devolved environment and it would be useful to look at the practicalities and experience of regional boards and how they communicate, for example Regional Partnership Boards and Public Service Boards.
22. The Minister noted that she was keen to pull all of the governance together so that messages were clear and consistent.
23. Cllr Peter Fox said that there was a lot of experience in local government to share that can support the Welsh Government with their budget and other decision making.
24. Cllr Dyfrig Siencyn commented that although the conversation was currently positive, he did not want the Ministers to underestimate the financial pressures facing local government. He added that core vital services are at risk, with increasing demand and difficult decisions to be made.
25. The Minister welcomed the open comments and understood the effect that nine years of austerity had had on local services, reiterating that there were no good

choices to make when cutting services. She appreciated that through these hard times, local government had been good at balancing the books, and she was ready to argue the case for local government with other Ministers for funding matters.

26. She noted that Ministers were unlikely to be able to deliver a better settlement next year unless there was a significant change in UK Government policy.

**Agenda Item 4: DSG Work Programme 2019 (Paper 2)**

27. Judith Cole provided an overview of the Distribution Sub-group (DSG) work programme, highlighting the work on the new population projections base, the impact of universal credit on the datasets and improvements to the education and waste distributions through subgroups.
28. Cllr Andrew Morgan asked if the intention of the waste working group was to ensure all authorities adopted the Welsh Government's blueprint. Judith Cole assured the group that this work would not disadvantage those not following the blueprint model or expect them to follow it.
29. The Minister emphasised that FSG provided the forum for local government to steer the DSG work programme and to take more ownership in the development of the formula. She also emphasised that the work programme determines how the funding is distributed. This was a very different conversation to how much was available to be distributed. Reg Kilpatrick added that the plan represented the first part of the story, with the financial impact of major changes to be shown throughout the year.
30. The Minister said that it was clear from conversations in the Senedd that people want a fair, stable, and equalising formula. She said that if any members had concerns regarding the current formula, they could raise them at the meeting or discuss them with her at any point afterwards.
31. Cllr Aaron Shotton observed that his words had been misrepresented in the Senedd on several occasions. He agreed with the principles of the settlement with funding being distributed according to population, deprivation, and sparsity factors.
32. He recognised that the issue actually lay with reducing settlements, and the impact of some of the indicators and underlying data on some authorities. He suggested that the model should incorporate some sort of measure of staff costs/numbers because, while the relative need changes each year, the number of people employed by an authority would stay the same, particularly where authorities did not contract out. In some areas it was not possible to outsource services as the private sector did not have the capacity.
33. The Minister recognised the issue but said that the formula should not be influenced by local decisions. For example, an authority increasing its staff costs to receive more funding. However, she was keen that the formula should

be kept under constant review and the purpose of DSG was to identify issues and investigate them.

34. The Minister also noted that she was keen that Ministers understood and challenged decisions where appropriate, for example why some authorities were not charging council tax premiums for long term empty properties or second homes.

35. FSG members accepted the DSG work programme.

#### **Agenda Item 5 – WLGA Paper on Comprehensive Spending Review**

36. Cllr Anthony Hunt asked how Welsh public bodies should approach the Comprehensive Spending Review (CSR) to ensure that Wales provided a unified response. Jon Rae added that the CSR involved such a wide range of stakeholders, it was important to liaise across public services to deliver coherent messages to the UK Government.

37. Reg Kilpatrick noted that the CSR offered a unique opportunity to re-establish how the Welsh Government and local government worked together and with other public sector bodies. He mentioned that other groups such as Society of Welsh Treasurers and SOLACE were already considering the impact of the CSR. He went on to say that it would help to develop a shared CSR work programme and a common approach to the CSR to ensure no duplication and establish coherence. **Action: Welsh Government / WLGA officials to discuss how to establish a common approach to the CSR work.**

38. The Minister said she would like to attend WLGA meetings more frequently, perhaps for a short time at the end, with specific issues, such as the CSR, to be discussed after meetings to make best use of colleagues' time. She reiterated the First Minister's strong desire that Ministers consider issues across government and portfolios.

39. The Minister for Finance and Trefnydd said that she did not have any information as to when the CSR would be or the period it would cover. She noted that the timing was important as the Welsh Government published its Draft Budget before the Autumn Statement to give partners the maximum amount of planning time. The Finance Committee had confirmed that it wanted to continue this process.

40. The Minister for Housing and Local Government noted that it was difficult to strike a balance between early indication of funding and certainty of funding.

41. Chris Llewelyn said that the WLGA executive board would have a discussion about the best use of Ministers' time and that the WLGA could coordinate with the professional networks in regards to the CSR.

42. Cllr Andrew Morgan highlighted that the CSR made it more difficult for authorities to plan ahead and any early indication of worst-case scenarios would be appreciated. He asked whether there was any information on teacher

pensions as this could result in authorities not being able to set balanced budgets.

43. The Minister for Finance and Trefnydd said that the Cabinet Secretary for Finance had written to HM Treasury with no response. She had since written but had yet to receive a reply. She, along with other devolved administrations, was meeting the Chief Secretary to the Treasury on 15 February, with this topic high on the agenda.
44. The Minister for Housing and Local Government empathised with local authorities and confirmed she was willing to share information as soon as anything was known. She clarified that any funding received for public sector pay would be used for its intended purpose.

#### **Agenda Item 6: Any Other Business**

45. The Minister concluded by saying that there needed to be structures in place for the CSR and asked that time be set aside after the next WLGA council meeting to discuss the best use everyone's time.
46. The Minister also proposed that the next meeting of FSG took place after Easter to provide more information, if available, on the CSR and Brexit.
47. Cllr Anthony Hunt asked for clarification on specific grants that are yet to be published. **Action: Welsh Government to clarify specific grant amounts and distribution with the WLGA.**
48. The Minister closed by commenting that where grants were hypothecated, it needed to be for a good reason and that the conversation about transferring grants into the RSG where appropriate should continue.