

**Finance Sub Group Meeting – 4 February 2021
Minutes of the Meeting**

**Meeting of the Finance Sub Group of the Partnership Council for Wales
Thursday, 4 February 2021
9.30-10.30
MS Teams
Minutes**

Welsh Government Ministers

Julie James MS, Minister for Housing and Local Government – Chair until 10.00
Rebecca Evans MS, Minister for Finance and Trefnydd – Chair from 10.00
Hannah Blythyn MS, Deputy Minister for Housing and Local Government

Welsh Local Government Association

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

Police and Crime Commissioners

Peter Curran – Chief Finance Officer, South Wales Police & 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

Judith Cole – Deputy Director, Local Government Finance & Workforce Partnerships Division
Debra Carter – Deputy Director, Local Government Strategic Finance
Matt Wellington – Strategic Budgeting
Emma Smith – Head of Local Government Finance Policy
Ashley Caddick – Future Funding and Settlement Manager

APOLOGIES

Alun Michael – South Wales Police and Crime Commissioner
Reg Kilpatrick – Director General, Covid Crisis Coordination, Welsh Government

Agenda Item 1: Welcome and Introductions

1. The Minister for Housing and Local Government (the Minister) welcomed members to the first Finance Sub Group meeting of 2021, noting she would have to leave for another meeting at 10.00 and the Minister for Finance and Trefnydd would chair from that point on.

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Agenda Item 2: Minutes and Matters Arising from the Previous Meeting

2. Cllr Siencyn commented that whilst the minutes were accurate his point in para 22, was to express that the 15% funding local authorities were expected to fund for the coastal risk management schemes was difficult to meet with continued pressures on council budgets. The Minister noted the Councillor's comment and there were no further comments on the minutes.

Agenda item 3: Finance Minister's Update

3. The Minister for Finance and Trefnydd provided an update. The Draft Budget 2021-22 was published on 21 December 2020, and the Provisional Local Government Settlement on 22 December. She said the Government had provided the best settlement it could - an additional £176m within the settlement, leading to an increase in funding of 3.8% at a Wales level on a like-for-like basis. The additional £176m took account of the forecast negative impact of the Covid-19 pandemic on NDR in 2021-22 and of freezing the NDR multiplier. She said the Government understood local authorities would still have difficult decisions to make and thanked members for their ongoing constructive engagement.
4. She confirmed the £20m road refurbishment grant would continue in 2021-22, and over £520m funding would be provided via capital grants, as well as nearly £1bn provided via revenue grants. She also highlighted that the Social Care Grant had increased to £50m from £40m in 2020-21.
5. The Minister for Finance and Trefnydd recognised local government's concern about the ongoing financial impact of the Covid-19 pandemic and said more support would be allocated for this for 2021-22 in the Final Budget. The UK Government was publishing its Final Budget on 3 March, the day after the Welsh Government's Final Budget 2021-22. Any changes as a result of the UK Budget would be made in in-year supplementary budgets.
6. The Minister for Finance and Trefnydd thanked the WLGA representatives for their work on council tax. She was aware of the impact that the increase in CTRS applications had had on local authorities - £5.4m had been provided for the first two quarters of 2020-21 with a further £5.5m to be provided for the remainder of 2020-21. She was also aware of the impact of the pandemic on council tax collection rates. 75% of the current shortfall would be funded by Welsh Government: this would replace the majority of the loss in council tax income authorities might face, with an expectation that some of the shortfall was likely to be collected. There had been a larger than expected take-up of the Retail, Leisure and Hospitality Rates Relief Scheme and £5.1m would be provided to cover this.
7. Cllr Hunt thanked the Minister for Finance and Trefnydd and welcomed the approach of the Welsh Government overall, and the support for council tax

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and CTRS which would make a significant contribution to local authority financial sustainability. He was grateful for the Government's balanced presentation to the public of a good financial settlement and ongoing Welsh Government funding while recognising the decisions councils still needed to make. He said while prioritising front-line services such as social care and education was important, the pandemic had exposed the reliance on so-called 'back-office' functions such as public protection.

8. Cllr Morgan commented that one area of concern was non-domestic rates relief, and the timing of the UK Budget. He explained that local authorities usually prepared and issued billing letters in early March. He asked if any exemptions were likely to be announced through the UK Budget and reflected in Welsh Government decisions, so that councils were able to delay issuing bills if necessary. Cllr Fox echoed these points. He suggested the need for a NDR holiday and clarity on timing.
9. Cllr Pritchard thanked the Minister for Finance and Trefnydd and stressed the need for a funded floor to be put in place for the Final Settlement. He noted that WLGA members and Leaders were in favour of a floor, and asked for an explanation as to why no floor was provided this year.
10. Cllr Clement-Williams added her thanks and highlighted how grateful she was that the work of local authority staff is being recognised, despite the pay freeze announced by UK Government.
11. The Minister echoed Cllr Hunt's points on the value of back-office' functions and for clarity on the NDR position. On floor funding she noted all authorities had received a positive settlement. As all funding allocated had been used to fund the level of the settlement any floor would need to be funded from within this by reducing funding from other authorities. If more money could be allocated at the final Welsh Government budget she would look to either increasing funding across the board or to provide a funding floor.
12. The Minister for Finance and Trefnydd noted officials were considering options the UK Government could announce on NDR support and modelling implications for Wales. Officials explained that the previous day, the UK Government had advised local authorities in England to defer issuing NDR bills until after the UK Budget on 3 March, which suggested that further relief would be announced. It was noted that it would be prudent for Welsh authorities to approach billing in a similar way where practicable.
13. Cllr Hunt welcomed further consideration on the floor but said any funding for a floor would need to be fully funded outside the current settlement. The WLGA would be happy to discuss the use of any additional funding ahead of the final settlement.
14. The Minister thanked councillors for their comments. The relative timing of the UK Budget and the Welsh Government Budget was a shared problem. On

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pay rises, she noted funding for teachers' pay for the current academic year had been included in the settlement.

15. The Minister for Finance and Trefnydd took the chair for the remainder of the meeting. As agenda item 4: *WLGA update on local government funding issues* had been covered, the next item focussed on flooding.

Oral Item: Flooding

16. The Minister for Finance and Trefnydd was grateful for councils efforts to provide householder support payments as soon as possible. This support was not a long-term change to the approach to the Emergency Financial Assistance Scheme, but a response to the particular pressures arising from the combination of flooding and the impact of the Covid-19 pandemic.
17. Cllr Morgan extended his thanks for the support announced for flooding during the pandemic. He noted an update on funding support for the February 2020 floods this year had been received, and asked what funding would be available in terms of 2021-22 regarding Storm Dennis repairs. Cllr Clement-Williams seconded this, stressing the support for the impact on Neath Port Talbot was very welcome.
18. The Minister for Finance and Trefnydd said while there had been a successful application to the UK Government for flooding support this financial year, no further UK Government funding for future years had been confirmed. Discussions were ongoing on funding for these floods as well as on the coal tip and mine flooding. Cllr Pritchard emphasised Wrexham Council's difficulty in funding the 15% of flood prevention scheme costs which local authorities were required to fund and asked that the percentage be reconsidered.
19. The Minister for Finance and Trefnydd said the Welsh Government would continue to raise the need for financial support from the UK Government for extreme flooding and for the impacts from the historic legacy of coalmining. It would consider as part of ongoing budget discussions whether there was scope to reconsider the current intervention rate. Welsh Government capital funding would be clearer once the UK Budget was published.

Agenda item 5: Distribution Sub Group work programme 2021

20. Welsh Government officials presented the paper to the group. Jon Rae noted that there was a need for ongoing maintenance to the settlement formula in every year. He considered the WLGA needed to develop a position on the longer term strategy.
21. Cllr Clement-Williams noted that council tax levels for Neath Port Talbot Council were higher than many other councils and residents often considered this disproportionate. She thought the difference between council tax levels between authorities was too great. She acknowledged CTRS was in place for those with the lowest incomes but thought that people in the middle layer were

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bearing the impact of council tax increases. She felt local authorities were often unable to freeze rises, but noted it would be very difficult to change the system.

22. The Minister for Finance and Trefnydd noted that several research papers on local tax reform had been commissioned and published by the Government as part of an extensive programme of work on options for potential local government finance and local tax reform. She offered a presentation if the group would find it useful. Councillors agreed that this would be beneficial.

Action: Welsh Government officials to arrange a technical briefing on the research into the reform of local government finance and local taxes

Agenda Item 6: Police and Crime Commissioners' update

23. Peter Curran presented the Police and Crime Commissioners' update, noting that Police and Crime Panels were underway and Commissioners would be writing to leaders and the Minister for Housing and Local Government on the precept increases. He said the UK Government had provided revenue to fund just under 300 additional officers across forces through the 2021-22 police settlement, but underlying funding was cash-flat.

Agenda Item 7: Any Other Business

24. There were no further comments or queries.

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