

Finance Sub Group Meeting – 6 July 2023 - Minutes

Finance Sub Group of the Partnership Council for Wales - Minutes

Thursday, 6 July 2023 10:00-11:30 MS Teams

Attendees

Welsh Government Ministers

Rebecca Evans MS, Minister for Finance and Local Government – Chair

Welsh Local Government Association

Cllr Anthony Hunt, Torfaen
Cllr Jane Mudd, Newport
Cllr Ian Roberts Flintshire
Cllr Paul Griffiths, Monmouth
Cllr Rachel Garrick, Monmouth
Cllr Dyfrig Siencyn, Gwynedd
Cllr Mark Pritchard, Wrexham
Cllr Llinos Medi, Ynys Mon

PCC Official

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) Secretary SWT
Nathan Gardner – Office Manager, WLGA
Leah Whitty – Revenue and Benefits Team, WLGA

Welsh Government officials

Debra Carter – Deputy Director, Local Government Finance Reform
Judith Cole – Deputy Director, Local Government Finance Policy & Sustainability
Matthew Wellington – Welsh Treasury, Budget & Government Business

Welsh Government officials - observers

Emma Watkins – Budget & Government Business
Emma Smith – Local Government Finance Policy and Sustainability
Andrea Melvin – Local Government Finance Policy and Sustainability
James Koe – Local Government Finance Policy and Sustainability
Paula James – Local Government Policy
Lisa Hughes – Local Government Policy
Hannah Chivers – Welsh Treasury
David Greenhough – Visitor Levy Policy
India Kitchen – Visitor Levy Policy

Apologies

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Alun Michael – South Wales Police & Crime Commissioner
Andrew Morgan, Leader, (& Infrastructure & Investment) RCT CBC
Rob Stewart, leader, (& Economy, Finance & Strategy) Swansea CC

Item 1: Welcome and Introductions

1. The Minister for Finance and Local Government (the minister) opened the meeting, thanking members for attending. The minister expected the focus of the meeting to be an update on progress in reducing administrative burdens on local authorities, discussions on local authority and police pressures and a review of the distribution sub group analysis of data for future settlements.

Item 2: Minutes and Matters Arising from the Previous Meeting

2. The minutes from the last meeting were circulated and agreed.
3. There were no comments or points of accuracy.

Item 3: Minister's update

4. The minister gave a brief update on the local tax reform work. The minister confirmed her commitment to delivering a fairer council tax system in 2025 and hoped to set out a redesigned system of bands and tax rates later this year. She also confirmed her intention to bring forward legislation to set regular revaluation updates on a statutory footing.
5. The minister confirmed work is underway to review arrangements for council tax discounts, exemptions, premiums and reductions with progress in this area being reported later in the year. The Minister recognised local government expertise is invaluable in these conversations.
6. On non-domestic rates reform, the Minister referenced the revaluations exercise delivered in April, alongside an improved appeals process. She also stated the summary of responses to a consultation on wider NDR reforms was published in February.
7. The Minister thanked leaders and their officers for their contributions to the local tax reform work.
8. The minister updated the group on the future budget position, confirming a bleak fiscal outlook with inflation squeezing public finances across the board. She acknowledged the pragmatic and collaborative way the group has worked together to ensure we do all we can with the funding available.
9. The minister confirmed the prospect of a late UK Autumn budget, which would result in a Welsh Government draft budget being laid in early December and a draft settlement shortly afterwards. She acknowledged this timeframe was not

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ideal for local authority budget setting but confirmed there will be close engagement in the months leading up to the budget.

10. The minister acknowledged when it comes to responding to the cost-of-living crisis and tackling poverty, the main policy levers lie with the UK Government. The Minister stated she would welcome the group's on-going support in backing calls to the UK Government.
11. The minister confirmed progress was being made on work to introduce legislation for a discretionary visitor levy in Wales and wanted to thank the group and officials for their work on this area.
12. The minister confirmed if passed, local authorities will be able to choose to introduce a levy if they wished to do so, following consultation with their communities and local businesses. To join up efforts across Wales and maximise efficiencies in revenue collection, the Welsh Revenue Authority would be well placed to collect and administer the levy on behalf of local authorities.
13. The minister mentioned officials are currently hosting visitor levy workshops with each regional area to review the governance and delivery model, in the continued spirit of collaboration and co-creation of policy with local authorities.
14. The minister confirmed she will provide further updates to the group as the work continues.
15. Cllr Anthony Hunt expressed his thanks to Welsh Government officials for their joined-up approach and co-production, confirming this approach should be taken in dealing with the current budgetary issues.
16. Cllr Llinos Medi stated members should all stand together to put pressure on UK Government in light of the cost-of-living crisis and increase the public's knowledge of the impact on service delivery from the financial crisis.
17. The minister agreed many stakeholders do not understand the current financial position and the more that can be done to communicate the issue the better. She requested WLGA and WG officials work together to identify key things we want the UK Government to respond to.

Action – WLGA and WG officials to work together to identify key areas that require action by UK Government with a view to issuing a joint letter.

Item 4: Update on reducing admin burden on local authorities

18. The minister explained as part of the Welsh Government's Programme for Government, ministers had committed to reducing the administrative burden on local authorities. She reiterated her gratitude to those local government colleagues who had engaged with officials to identify opportunities for change.

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19. The minister handed over to Judith Cole to present a paper outlining the process and progress to date.
20. Judith asked members to note the work was on-going. She confirmed the Partnership Council for Wales, and particularly this group, will be key mechanisms for overseeing the process and for enabling timely discussions to ensure progress. The group was asked to agree to an additional finance sub group (FSG) meeting in October to give the proposals sufficient time for discussion.
21. The minister confirmed impact assessments will be key to this process as we don't want to make any changes that cause harm.
22. Cllr Anthony Hunt asked whether the project had measurable objectives such as the proportion of grants that would be rolled into the Revenue Support Grant (RSG). He also confirmed he welcomed working closely on this work.
23. The minister confirmed whilst there was no set target, the intention was to move grants into the RSG unless there was good reason not to. She thanked Cllr Anthony Hunt for offering to work with officials on this area.

Item 5: Update on Local Authority pressures

24. The minister confirmed she'd been able to visit a number of authorities over the past few weeks and hear about particular funding pressures and see some excellent projects and investment going on in their local areas.
25. The minister stated she was keen to hear thoughts on collective pressures and invited Anthony Hunt to present an oral update on behalf of the WLGA.
26. Cllr Anthony Hunt confirmed the overall position for local authorities was bleak, with an expected overall pressure of between £600m and £750m this financial year. He confirmed local authorities had drawn down £193m of reserves last financial year, which was not sustainable. He also stated the WLGA are awaiting local authority responses from a budget survey and will be able to provide more information for the next FSG meeting (but will update officials as they get more information through the summer period).
27. Cllr Mark Pritchard and Cllr Paul Griffiths highlighted pressures within social care and this could cause delays and pressures in the NHS. Concerns were also echoed from other Councillors who stated the impact of the current budgetary pressures would be a reduction in statutory services and consequential redundancies. Pressures arising from homelessness and pay were also raised by members.
28. Cllr Llinos Medi noted local government had already worked hard on delivering efficiencies and value for money and this was acknowledged by the minister.

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29. Councillors raised the perception of reserves being high, which had been raised by a number of Senedd members was misleading. Reserves can only be used once but could give more flexibility and time to make changes and take decisions.
30. The minister thanked the group for the helpful discussion on pressures and noted there was now work to do on refining the impact of the pressures over the summer (via the local government budget survey with treasurers). This information could be used to press UK Government and communicate impacts to the public. She confirmed Welsh Government was also having to review its budgets and asked for information from Local Government on the decisions and choices Councils were having to consider.

Action: WLGA to provide paper before next FSG meeting

Item 6: Update on data for future settlements

31. The minister handed over to Judith Cole to present a paper outlining the data to underpin future settlement formula.
32. Judith confirmed the purpose of the paper was to keep the group informed on the work officials have been doing, with the key area being consideration of the population data to be used in the next settlement calculation. Judith confirmed officials have started looking at population data options but as not all data is currently available officials will need to go back to that and make recommendations to FSG in the autumn meeting. Judith confirmed work had started on looking at a wider range of indicators based on 2021 census information but as this will take some work to bring in it is expected it will influence the 2025-26 settlement. She also confirmed work had commenced on looking at the impact of updated sparsity indicators, which is also unlikely to be in place until 2025-26 with a workshop being held in the autumn.
33. Jon Rae echoed Judith's point that there is significant work involved in updating the data within the settlement. He identified potential risks in terms of timing and turbulence and stated a phasing approach may need to be considered to reduce the impact of the turbulence.
34. The minister added the point about timing and turbulence was very relevant given the potential impact of the council tax reform work on the calculations.
35. Cllr Mark Pritchard thanked Judith and her team for work completed in this area and asked whether she was confident the population data would be correct by the autumn. In response, Judith confirmed she was confident the data would be available from ONS and there would be a rigorous process to analyse the impact of the data and bring it back to FSG in the Autumn.

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36. Cllr Llinos Medi noted concern about the impact of large increases in population over the holiday periods in some authorities. Judith confirmed some aspects of the formula take into account enhanced population numbers.
37. Cllr Paul Griffiths asked that the model reflects the most up to date data available and reviews are conducted as speedily as possible. Cllr Ian Roberts asked for a specific review of the social services element of the formula to reflect the aging population.
38. Judith confirmed the DSG work programme set out the planned review process.

Item 7: Police and Crime Commissioners' update

39. The minister handed over to Peter Curran to take the group through the latest update from the police and crime commissioners (PCCs).
40. Peter highlighted all PCCs in England and Wales have submitted a budget survey to the Home Office to inform its next spending review. He confirmed the current position is bleak and with no funding for capital or inflation there has been a need to draw on reserves. He confirmed there would be serious issues facing policing in Wales if the funding methodology isn't amended. In relation to the review of the police funding formula, he confirmed he still hasn't been informed of a consultation date and was therefore concerned a new formula might not be in place within the current term of the UK Government.
41. On a positive note, Peter confirmed the Home Office had agreed that Welsh forces have been underfunded in respect of the apprenticeship levy with an adjustment expected in the next financial year. In addition, comprehensive data has been sent to Home Office to reflect the case for increased funding for the capital city.
42. Peter highlighted a concern regarding ability to upgrade fleet of cars (to meet the decarbonisation agenda) without any capital funding.
43. The minister thanked Peter for his update and the work he has done for the group and wished him a happy retirement.

Item 8: Any other business

44. Cllr Llinos Medi confirmed she hadn't received the letter in relation to a visit by the minister but officers will be in touch to arrange.