

Finance Sub Group Meeting – 25 October 2023 - Minutes

Finance Sub Group of the Partnership Council for Wales - Minutes

Thursday, 25 October 2023 9:15-10:45 MS Teams

Attendees

Welsh Government Ministers

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

Welsh Local Government Association

Cllr Andrew Morgan, Rhondda Cynon Taff

Cllr Mark Pritchard, Wrexham

Cllr Jane Mudd, Newport

Cllr Llinos Medi, Ynys Mon

Cllr Rob Stewart, Swansea

Cllr Anthony Hunt, Torfaen

Cllr Dyfrig Siencyn, Gwynedd

Cllr Ian Roberts Flintshire

Cllr Paul Griffiths, Monmouth

PCC Official

David Holloway-Young – Treasurer, South Wales Police & Crime Commissioner

Local Government officers

Dr Chris Llewelyn – Chief Executive, WLGA

Jon Rae – Director of Resources, WLGA

Nigel Aurelius – Torfaen CBC (Chief Finance Officer) Secretary SWT

Nathan Gardner – Finance Manager, WLGA

Naomi Alleyne – Director of Social Services and Housing, WLGA

Lisa Haywood – Finance Policy Officer, WLGA

Welsh Government officials

Reg Kilpatrick – Director General, Covid Recovery and Local Government

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 (observing)

Phillipa Marsden – Special Adviser

Emma Smith – LGFPS

Andrea Melvin – LGFPS

James Koe – LGFPS

Freya Gregory – LGFPS

Amanda Whittle – Local Government

Finance Reform (LGFR)

Ben Crudge – LGFR

Kathryn Watkins – LGFR

Clare Blake – LGFR

Helen Childs – Private Secretary

Rebecca Pinder – Private Secretary

Lisa Hughes – Local Government

Performance and Partnerships

Apologies

Alun Michael – South Wales Police & Crime Commissioner

Finance Sub Group Meeting – 25 October 2023 - Minutes

Item 1: Welcome and Introductions

1. The Minister for Finance and Local Government (the minister) thanked members for attending. The focus of the meeting would be the upcoming budget and the implications for Wales, local government pressures and the progress in reducing administrative burden for local authorities.

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

2. The minutes from the last meeting were circulated and agreed. There were no comments or points of accuracy.
3. The minister addressed the action for WLGA and WG officials to identify key areas where action by UK Government was desired with a view to issuing a joint letter. The minister confirmed following joint work it was agreed a direct letter by Local Government gave WLGA more freedom to highlight all pressures faced.

Item 3: Minister's update

4. The minister noted the Welsh Government's settlement in 2023-24 is up to £900m lower in real terms than expected at the time of the 2021 spending review and worth £2bn less than it would have been if it had grown in line with GDP since 2010. The additional funding from the UK Government in the last budget for had fallen far short of what is needed given the level of inflation.
5. The minister confirmed Welsh Government's commitment to seek to mitigate these pressures, and protect frontline public services as much as possible, and to target support towards those at greatest need. Cabinet had worked throughout the summer to consider how to reprioritise to balance the budget. This had taken into consideration opportunities to deliver outcomes more slowly.
6. The Minister confirmed local authority funding had been largely sustained and further clarification on all the budget lines affected would be provided when the supplementary budgets were published. Welsh Ministers had made some difficult decisions but there was unlikely to be any additional funding in the Chancellor's Autumn Statement on 22 November.
7. The minister acknowledged that without extra UK Government funding, both Welsh Government and partners would face difficult choices about where to prioritise funding but this remained the context for the 2024-25 Budget. The Welsh Government intended to publish full spending plans with the Strategic Integrated Impact Assessment with the Draft Budget 2024-25 on the 19 December. The local government draft settlement will follow on the 20 December.
8. The minister confirmed that she had written to the Chancellor, ahead of the UK Autumn Statement, to emphasise the need to invest in public services to meet spending pressures faced as a result of high inflation and unfunded pay awards.

Finance Sub Group Meeting – 25 October 2023 - Minutes

She had also met the Chief Secretary to the Treasury and Scottish finance minister. These meetings had discussed public spending pressures, Reinforced Autoclaved Aerated Concrete (RAAC), budget flexibilities, energy security, impact of the late timing of the Autumn statement and the Wales Fiscal Framework, the reserve and borrowing limits. She expected to meet with the CST again shortly and would highlight the points raised in this meeting. The minister welcomed the WLGA's continued support on many of these issues and the opportunities to work together to amplify the messages.

Item 4: Update on reducing administrative burden on local authorities

9. The minister updated on the Welsh Government's Programme for Government commitment to reduce the administrative burden on local authorities. She thanked colleagues who had worked with officials to identify issues and the opportunities for change. She highlighted that the overwhelming feedback from colleagues was that the greatest opportunity for change, with wide ranging benefits relating to grants management and administration.
10. The minister noted that the planned meeting to discuss the progress on grants work had been postponed to allow Cabinet's budget discussions to take place first. She noted that this would enable funding to local government for 2024-25 to be considered in the round, rather than looking at grants through one lens and RSG separately.
11. She confirmed that there have always been three main options with grants, to transfer into the RSG, consolidate funding streams or status quo. The minister proposed publication of the draft budget and the detailed settlement information in the current format i.e. including information on specific grants. Any changes would be made at final budget and settlement (or in supplementary budgets) which would provide transparency on the decisions made. There would be a special FSG meeting in the new year to consider this work. In the meantime work will start to develop on the second workstream of the programme, about new ways of working and enhancing the trusted partnership that we have with local government.
12. Cllr Andrew Morgan thanked the minister for the update. He stressed local government's request that grants for core services were not reduced as part of the budget process. He also noted the inconsistency in relation to the relative size and reporting requirements of some grants and asked if this could be reviewed. The minister agreed that grants should be reviewed to ensure the administration is proportionate to the size of the grant. This was a clear message in the programme of work but it would be stressed again as work progressed.
13. David Holloway-Young agreed with Cllr Andrew Morgan's point on grant administration but expressed concern about loss of transparency if grants transferred to the RSG.

Finance Sub Group Meeting – 25 October 2023 - Minutes

Item 5: WLGA update on local government funding pressures (Paper 2)

14. Cllr Anthony Hunt provided an update on the pressures faced by local authorities as summarised in paper 2. He confirmed pressures across local government of around £720m for the next financial year due to inflationary pressures and demand increases.
15. He highlighted that social care accounts for 36% (£261m) of pressure in 24-25, schools account for 23% (£164m) of the pressure and other services account for the remaining 41% (£295m).
16. He confirmed that whilst the pressures in the current financial year were offset by a better-than-expected settlement, there are still additional in-year pressures amounting to circa £219m. Social care makes up 50% (£109m) of the overspend, Education and schools accounts for around 22% (£47m) overspend and other council services account for just under 30% (£63m). Also noted was the pressure from councils having to subsidise the UPFSM where the unit cost was lower than the actual cost, the uplift in the real living wage as well as teachers' pay increases not being funded separately.
17. Cllr Anthony Hunt highlighted that given the scale of the challenge, while councils will be seeking further efficiencies and service transformation, many councils will need to make large scale service cuts and a loss of jobs that will run into thousands.
18. Cllr Mark Pritchard thanked Cllr Anthony Hunt for the presentation and WLGA for work on local government pressures. He highlighted the pressures on social care (caused by increasing demand and inflation) as a serious issue across Wales which was not sustainable.
19. Cllr Andrew Morgan focused on pay issues, the increased cost of teachers' pay and the announcement of the increase in real living wage - which is a 10% rise for lowest paid members of staff. He stressed that a 3.1% increase in RSG will not pay for a 5% pay rise across the sector which implied significant job losses. Cllr Ian Roberts raised anticipated changes in employer rates on teacher pensions and pupil attendance target change from 90-95% increases costs.
20. Cllr Llinos Medi echoed the point raised by Cllr Mark Pritchard on social services, highlighting the high cost for individual children with advanced needs and the costs and undesirability of out of county placements. Also noted was the ongoing pressure on staff and reliance on goodwill to maintain delivery.
21. Cllr Rob Stewart said there was a risk that LAs may need to go below statutory levels of provision. Cllr Jane Mudd noted long term impacts of adverse childhood experiences and consequent impact on local government finances in the future. She emphasised that every head teacher in the LA had written to the Council about ALN funding.

Finance Sub Group Meeting – 25 October 2023 - Minutes

22. Cllr Mark Pritchard added that pressures at the level identified were requiring councils to consider cuts in areas previously protected such as to disabled facilities grants. Such cuts would have both immediate impacts on families and implications for the NHS. Cllr Paul Griffiths emphasised the baseline pressure on all budgets and noted estimated redundancies of 400 teachers across Wales if pressures were not funded. Cllr Dyfrig Siencyn said that his council, like others were making efforts to consult widely with elected members on these difficult decisions but for some, particularly new members, it was challenging and demotivating.
23. The minister thanked colleagues reflecting that while these were again challenging and difficult times the discussion had rightly been about impacts on people and the need to take decisions through the lens of helping the most vulnerable. The minister said that she would ensure her cabinet colleagues understood the position across the breadth of local government services and would share the WLGA paper with Ministers.
24. The minister asked members for their views on ways to increase local government funding for example, revisiting the cap on social care. Cllr Anthony Hunt agreed this needed to be done as inflation was running above 10%. Cllr Paul Griffiths suggested there was a case for increasing fees in line with this or last year's inflation. He suggested whilst a smaller funding total, the cap on planning fees should increase in line with inflation.
25. Cllr Ian Roberts raised the childcare element of breakfast clubs and whether a fee could be charged for this. Cllr Llinos Medi agreed with planning, and social care caps being revisited. Members noted that care needed to be taken to if increased fees impacted vulnerable groups already facing increases in the cost of living.
26. The Minister thanked the group for the helpful discussion and asked them to copy her in on any correspondence they might be sending to her colleagues on these issues.

Item 6: Draft Distribution Sub Group Progress Report (Paper 3)

27. Judith Cole presented the paper outlining the progress on the Distribution Sub Group work programme for 2023. She highlighted that the paper is in draft as, some decisions on the 24-25 Settlement remain outstanding and confirmed that it would be circulated in final form once DSG had considered the remaining decisions on data for the 2024-25 Settlement. This included the eFSM data, the decision on unfreezing some of the frozen data and the population data. Jon Rae emphasised the challenges faced around eFSM data as well as the knock on effects for the PDG grant.

Finance Sub Group Meeting – 25 October 2023 - Minutes

28. The group thanked Judith for the presentation of the paper. Cllr Mark Pritchard queried the release of the ONS population data. Judith confirmed that the latest mid-year 2022 population estimates will be published in the middle of November.
29. The minister reminded the group that the ONS consultation on the future of population and migration statistics was due to end on 26 October.

Item 7: Police and Crime Commissioners' update (Paper 4)

30. The minister welcomed David Holloway-Young to the group to provide an update from the police and crime commissioners. David Holloway-Young gave a brief update noting the ongoing dialogue with Welsh Government on the PCSO numbers target of 1,100 noting the practical implications. It was expected that numbers would reduce to 900 through natural churn and this will be funded,
31. Cllr Jane Mudd highlighted that she speaks for WLGA on community safety. She emphasised LA duties on community safety. She noted that if there was to be a freeze on PCSO funding then serious consideration needed to be given to retaining the grant funding to support community safety partnerships.
32. The minister asked for an update on the review of the police funding formula. There was no current change but David will update the group at the next meeting.
33. The minister thanked David for the comprehensive update and for the work the police had done to manage the current and future year budget pressures. She confirmed the Minister for Social Justice and Chief Whip was working closely with Policing in Wales leads to monitor the impact of the pause on recruitment for PCSOs, including the impact on each individual force in Wales.

Item 8: Any other business

34. The minister raised one item around the risks of equal pay claims. She highlighted that although Birmingham Council had a very specific set of circumstances, there are other councils reporting risks with equal pay. The minister asked members if they could consider whether Leaders have been sufficiently briefed on their risk relating to equal pay and whether there is action being taken in light of lessons learnt from Birmingham council.
35. Cllr Andrew Morgan noted that WLGA was organising a seminar with Leaders, finance leads and officers and would be grateful if Welsh Government could attend. The minister agreed it would be useful and Judith confirmed she can attend.

Action: WLGA to report back at the next meeting regarding equal pay risks across LAs