

Finance Sub Group of the Partnership Council for Wales - Minutes

Thursday, 13 March 2025 10:00-11:30 MS Teams

Attendees

Welsh Government Ministers

Jayne Bryant MS, Cabinet Secretary for Housing and Local Government – Chair
Mark Drakeford AS/MS, Cabinet Secretary for Finance and Welsh Language

Welsh Local Government Association

Cllr Andrew Morgan (RCT)
Cllr Paul Griffiths (Monmouth)
Cllr Mark Pritchard (Wrexham)
Cllr Darren Price (Carmarthenshire)
Cllr Lis Burnett (Vale of Glamorgan)
Cllr Charlie McCoubrey (Conwy)
Cllr Deborah Davies (Newport)

Welsh Local Government Association/ Local Government officers

Dr Chris Llewelyn – Chief Executive, WLGA
Jon Rae – Director of Resources, WLGA
Jane Thomas (Powys) - (Chief Finance Officer) Secretary SWT
Nathan Gardner – Finance Manager
Lisa Haywood - Finance Policy Officer (Revenues and Benefits)

Welsh Government officials (excluding Observers)

Rory Powell – Private Secretary
Nia Webb – Private Secretary
Stephanie Wood – Private Secretary
Martha O'Neil – Special Adviser
Judith Cole – Deputy Director, Local Government Finance Policy & Sustainability
Emma Smith – Local Government Finance Policy & Sustainability
Freya Gregory – Local Government Finance Police & Sustainability (Note taker)

Apologies

Cllr Rob Stewart (Swansea)
Cllr Anthony Hunt (Torfaen)
Cllr Dimitri Batrouni (Newport)
David Holloway-Young – CFO, South Wales Police & Crime Commissioner
Reg Kilpatrick – Director, Local Government and Planning

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Item 1: Welcome and Introductions

1. The Cabinet Secretary for Housing, Local Government (CSHLG) thanked members for attending. The group agreed to trial using Microsoft Copilot to draft the minutes for this meeting with thorough proof reading by officials.

Item 2: Minutes and matters arising from the previous meeting

2. The group agreed the accuracy of the minutes from the previous meeting noting that the two actions from the previous meeting had been completed.

Item 3: Update from CSHLG

3. The CSHLG noted the final budget included an additional £8.24 million to secure a funding floor in the final settlement at 3.8%, providing additional support for 9 local authorities across Wales. Additionally, £5 million capital was allocated to the low carbon heat grant for leisure services. There had been minor changes between the draft and final settlement, including £145,000 increase in National Park levies and updates to the General Capital Fund model data.
4. Cllr Paul Griffiths welcomed the floor at 3.8% which supported Monmouthshire's ability to set a budget and noted that this along with the additional funding for social care allowed the Council to set a budget that was relatively well received.
5. CSHLG said that she would be reallocating funds (at least £24m) from her MEG to provide additional funding for local authorities in the current financial year to support pressures, including social care and homelessness. In response to Cllr Darren Price Judith Cole and Emma Smith confirmed the in-year funding could be used flexibly within the defined programme of work for social care.

Item 4: Update from CSFWL on the Welsh Spending Review and Council Tax Debt Pilot

6. The CSFWL set out the arrangements for the Welsh Government's spending review which would be linked to, but not dependent on, the UK exercise (to be announced on 11 June). The review would provide opportunities to manage the budget over a medium-term horizon, with the current UK government planning to repeat this exercise every two years. The Welsh Government spending review aimed to:
 - examine how money is spent, particularly on cross-cutting ambitions that require collaboration across Welsh government portfolios and with partners.
 - shift spending towards prevention, investing in conditions that create success rather than dealing with the consequences of failure.
7. The CSFWL highlighted the importance of increasing the revenue base in Wales. As well as discussions with the UK Government over the fiscal framework he was keen to explore with local government ways to increase revenue flow into local authorities. As an example he updated on the new visitor levy Bill which would

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move into Stage two in the summer term. This aimed to create simple and usable powers to help authorities respond to the costs generated by tourism, particularly in areas with high visitor numbers and to invest in the local tourism industry.

8. The CSFWL updated on a modest debt rescue pilot for 2025-2026 to assist people who had exhausted all available help to pay their council tax. The pilot will involve credit unions buying out the council debt owed by individuals, allowing the council to receive the money in full. The credit unions would arrange a manageable repayment scheme to erode the debt and put money into savings, allowing credit through the credit union in the future. He confirmed the Welsh Government would be underwriting the debt taken on by the credit unions. The aim was to turn a negative cycle of debt into a positive one, providing a new tool for local authorities to help those who genuinely can't pay their council tax. He thanked the authorities taking part in the pilot (Newport, Merthyr Tydfil and Blaenau Gwent) which if successful may be made more widely available. He was grateful for authorities' contributions to discussions on council tax and NDR debt and how to improve local authorities' ability to aid those who cannot pay and strengthen their stance against those who choose not to pay these bills which funded essential services.
9. For Local Government, Cllr Charlie McCoubrey welcomed the approach to each area highlighted, especially the preventative element. He and Cllr Griffiths noted that the NHS had increased from 34% to 50% of Welsh Government funding, and highlighted the role of local authorities in preventing some of the need for this by keeping people healthy at home. Other examples were the role of youth clubs and community engagement, leisure centres and environmental services. Funding for these had been sharply squeezed over the last decade.
10. Cllr Griffiths raised concerns about overreliance on council tax income to fund public services noting that for example 60% of Monmouthshire's public services were funded by council tax and 40% by grant. At the point of devolution, council tax rates in Monmouthshire had been 25-30% lower than neighbouring counties in England but that gap was now completely closed. There were concerns now that equivalent houses could be taxed more in Wales than England.
11. The CSFWL agreed with the importance of preventative spend after over a decade of austerity. He hoped that, gradually, the Welsh Government would be able to reorientate spend towards preventative services through the spending review. This would be an ongoing process so that decision making took a long term perspective going beyond the timetable set by the UK Government. He noted that this also involved the public sector rethinking how demand is treated, to look at to meet demand in other ways.
12. The CSFWL appreciated Cllr Griffiths concerns on reliance on increasing council tax rates and that the closing gap between council tax rates in Wales and England may be concerning. He encouraged all local authorities to explore potential methods of raising funds outside of council tax, such as the visitor levy.

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13. Cllr Andrew Morgan welcomed the approach to the visitor levy allowing local authorities to determine their own needs regarding tourism. He also noted that he believed that out of town stores should pay more rates to enable the reduction of rates for town centres. He and Cllr McCoubrey expressed concern over the length of time taken to change fees and charges, when areas for increased charges have been identified by local authorities, for example, planning fees and domiciliary care. Cllr McCoubrey highlighted the savings that users of domiciliary care could make in moving from England to Wales. They called for a more streamlined method of increasing charges and whether a partnership of authorities or an all-Wales methodology could be beneficial.
14. The CSFWL agreed that the points raised by Cllr Morgan and Cllr McCoubrey should be captured within the spending review, for example by considering automating the setting of fees to reduce administrative burden each time they are readjusted. He highlighted Wales ability to apply a differential NDR multiplier from the first of April. This had allowed England to have different rates of NDR charged to out of town shopping and would now be possible in Wales.
15. In leaving the meeting the Cabinet Secretary thanked the group for the discussion.

Item 5: WLGA: 2025-26 budget setting and prospects for the medium term

16. Cllr Andrew Morgan summarised budget setting across Wales. All authorities had set budgets, with council tax increases ranging from 4.5% to 9.5%, an average increase of 7.2%. He suggested that despite this and extra funding from Welsh Government there would still likely be a £40million shortfall. Given efficiency savings already made, this would be expected to mean more cuts to services. He acknowledged the very welcome £52million funding for pressures including the impact of the NJC pay agreement which had been baselined.
17. Cllr Morgan highlighted the impact of pay increases. While Local Government always wanted to be able to fairly reward its workforce, the Unions' claim for an increase of at least £3,000 per employee would be unaffordable.
18. Cllr Morgan noted that 30 local authorities in England had now sought exceptional financial support and was pleased to add that despite the increasing pressures on local authorities, no authority in Wales was in that position. However, he noted that this was a looming concern for some authorities and highlighted the importance of regular dialogue through this group's discussions or a specific meeting to understand the impact of the UK government spending review and feed in local government's perspectives to the Welsh Government spending review. Local authorities needed to have time to allow for sufficient planning and engagement with residents.
19. Cllr Morgan gave ALN as an example of services that should be considered specifically as due to high demand and high costs. Although there was support

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for the principles of the ALN bill it had raised expectations that local authorities could not meet.

20. Cllr Mark Pritchard and Cllr McCoubrey further stressed concerns about ALN and other pressures. Further significant increases in Council tax were not politically tenable and authorities would have to cut back to statutory services. They expressed their concerns about the fairness of the funding formula between North and South Wales authorities.
21. The CSHLG thanked the group for these discussions and echoed Cllr Morgan's point of early communication with local authorities being important in the spending review process and wider financial planning mechanisms.

Item 6: Reducing the administrative burden on LAs - Update

22. The CSHLG gave an update on the work to reduce the administrative burden on local authorities, noting the transfer of homelessness related grant funding into the settlement and ongoing work on transport grants to ensure changes aligned with new regional ways of working. Cabinet had agreed a deep dive into six grants to assess the costs and resources of processing in both local authorities and Welsh Government. She asked local authorities to consider grants which could be usefully included and to feedback on the benefits of changes made to the education grants two years ago.
23. The CSHLG explained that this work was part of wider strategic discussions on how Welsh Government and local authorities work together. This would be covered at the WLGA Council meeting on 28 March.
24. Members stressed the need for a cross-Cabinet commitment to this work. New grants should be discouraged where funding could be added to an existing grant or distributed through the RSG. Grants transferred into the RSG should not be reduced. Greater consistency between departments on the level of work and audit attached to funding applications was needed to improve the balance between the resource involved and appropriate accountability. Cllr Griffiths noted that competitive bidding for one off capital grants was a significant issue and this had so far been excluded from this work programme.
25. The CSHLG thanked the group for the feedback on this item and committed to sharing this work with cabinet to improve the consistency across departments.

Item 7: Draft DSG Forward Work Programme

26. Judith Cole presented the forward work programme, highlighting the two highest priority items being to successfully deliver the annual local government settlement, and to continue the work to review the agreed elements of the funding formula, including, education, social care, sparsity, and deprivation. Judith was pleased to share that additional full time staff member had been secured to undertake this work after Easter.

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27. Judith noted that the current length of the programme was due to uncertainty on the level of data is currently available. If data did not need to be separately collected this would reduce the time needed.
28. She confirmed that as the impacts of updating different IBAs would be expected to differ between authorities the intention was to implement the planned formula reviews in one change.
29. Cllr Darren Price thanked Judith for the work being done. He and other members asked for the review to keep in view the balance of funding between rural and urban authorities. Members noted the need to understand the implications of population data, expressed concern at the suitability of free school meals data being used in the settlement as a measure of deprivation and asked that consideration was not limited to updating the current indicator data but considered the need for new indicators and the weighting applied. Cllr Andrew Morgan welcomed the work going into the formula review and asked for the group to consider how churn created by the review of the formula could be managed to ensure the newest and best data can be used without causing instability for affected authorities. For example, considering phasing or the use of averages.
30. Cllr Paul Griffiths echoed support for the work and the additional resource. He stressed the need for communications to promote the work and the annual ongoing work to support members in explaining the rationale the impacts on their authorities.
31. Judith said that work on free school meals data needed to be taken forward in collaboration with other departments who also rely on this as a deprivation indicator. She confirmed that work was not confined to the data that is currently used, and weightings will be derived from the most suitable data's alignment with the expenditure of local authorities. Judith assured the group that FSG would be consulted on the options relating to these indicators and on managing the overall impacts of implementation once agreed. Communication of this work to authorities would be vital and would need to include officers in the service areas.
32. The CSHLG thanked Judith and the settlement team for their work on this and thanked the group for their feedback throughout the meeting, highlighting the need for early communication being a theme throughout all the items discussed.

Item 8: Any other business

33. None raised.