

Finance Sub Group Meeting – 13 March 2025 - Minutes

Finance Sub Group of the Partnership Council for Wales - Minutes

Thursday, 15 July 2025 9:00-10:30 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 - Chair

Welsh Local Government Association

Cllr Darren Price (Carmarthenshire)
Cllr Lis Burnett (Vale of Glamorgan)
Cllr Charlie McCoubrey (Conwy)
Cllr Rob Stewart (Swansea)
Cllr Anthony Hunt (Torfaen)
Cllr Dimitri Batrouni (Newport)
Cllr Paul Griffiths (Monmouth)

Welsh Local Government Association/ Local Government officers

Dr Chris Llewelyn – Chief Executive, WLGA
Jon Rae – Director of Resources, WLGA
Nathan Gardner – Finance Manager
Lisa Hayward - Finance Policy Officer (Revenues and Benefits)
Jane Thomas – S151 Powys Council (Secretary SWT)

Welsh Government officials (excluding Observers)

Reg Kilpatrick – Director, Local Government and Planning
Clare Blake – Deputy Director, Council Tax Policy
Ben Crudge – Deputy Director, Non-Domestic Rates Policy
Judith Cole – Deputy Director, Local Government Finance Policy & Sustainability
Emma Smith – Local Government Finance Policy & Sustainability
Simon Edwards - Local Government Finance Policy & Sustainability
Freya Gregory – Local Government Finance Police & Sustainability (Note taker)
David Greenhough – Head of Tourism Levy
Elin Rowlands – Welsh Treasury, Head of Budget Delivery
Nia Webb – Private Secretary
Andrew Wagstaff – Private Secretary

Apologies

Cllr Andrew Morgan (RCT)
Cllr Mark Pritchard (Wrexham)

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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 the use of Microsoft Copilot to support officials in drafting the minutes for this meeting.

Item 2: Minutes and matters arising from the previous meeting

2. The group agreed the accuracy of the minutes from the previous meeting.

Item 3: Update from CSHLG

3. The CSHLG was pleased to have signed the Shared Partnership Agreement at the WLGA conference and committed to driving forwards the relationship between Welsh Government and Local Government across Wales. She advised that the Tidy Towns fund announced by the First Minister would provide a further £5million to local government to enhance communities, by cleaning streets, restoring shared spaces, and improving local centres. Local authorities were asked to work with community councils to ensure that work was coordinated and focused on areas where it would have the greatest impact. The funds would be distributed using the most appropriate IBA from the settlement formula.
4. Cllr Hunt welcomed the funding and urged that details were circulated quickly so that Local Authorities (LAs) could begin the work as soon as possible. Emma Smith confirmed the grant letters were being drafted at the time of this meeting.

Item 4: Paper 2: Funding for National insurance contributions

5. Emma Smith gave an overview of paper two which showed recommendations from DSG on the distribution of National Insurance funding allocated in the first supplementary budget. Emma explained that DSG considered the funds in three sections; NJC related pay costs, teachers pay costs and fire authority pay costs and looked at various distribution options based on actual estimates and formula-based distributions. DSG's recommendations were to distribute the NJC and education costs through the settlement formula elements most linked to pay and for fire authority funds to be distributed based on the fire IBA. Emma sought comments and approval to proceed with the funding distribution.
6. Cllr Hunt welcomed the additional funding from Welsh Government in this area while recognising that there would still be pressure on LAs. He asked for continuing discussions on how to bridge the financial gap created by the UK Government's approach to funding. The CSHLG agreed ongoing conversations would be helpful and confirmed the group agreed DSGs recommendations to distribute NI funding on the relevant elements of the settlement formula.

Item 5: Paper 3: Formula Review (Including update on conversations with Scottish Government)

7. Simon Edwards provided an update on the ongoing work to review the local government settlement funding formula. He highlighted the priority of updating sparsity data, some of which dates to the 1991 census, which distributes around £450million of the SSA as well as deprivation indicators. He confirmed the formula recalibration methods outlined in the PION review had been applied to the Nursery and Primary education formula. He explained that data collection for the personal social services elements of the formula review would need to proceed in tandem with the work on education formulae. He noted the expectation that changes would be implemented for the 2028-2029 settlements, with a phasing or damping mechanism to manage short-term impacts. He briefly outlined learning from developments in Scotland, where the funding model is more detailed and updated more frequently, though is also flawed in other areas.
8. Cllr Price queried the timeline and whether there would be scope to strengthen the capacity of the review with resource from local authorities, or Data Cymru to shorten the timeline. He also queried the use of alternative sparsity indicators as in the Scottish settlement and whether the use of regression analysis was needed. Cllr Price also urged for more political oversight of the formula review.
9. Simon Edwards agreed to add Cllr Price's queries to the considerations of the work plan, though cautioned that investigating more potential indicators would have an impact on the timeline of the work. Simon cautioned the reduction of regression analysis as reducing the statistical evidence behind indicator decisions could make agreement more difficult. He offered to provide a note on the governance between DSG and FSG and written briefings between DSG and FSG between meetings.
10. Cllr McCoubrey noted that in Scotland 80% of LA funding is grant funded, whereas in Wales this sits between 40-30%, which impacts council tax rates, which in Scotland are around a third lower on average. He saw this as a social justice concern, as council tax hit the poorest in communities the hardest and suggested that this should be recognised in any work on the funding formula. The CSHLG acknowledged these points noting that the extensive work to make council tax fairer and the revaluation planned for 2028 would address these concerns.
11. Cllrs Stewart and Batrouni welcomed the work on the formula review but cautioned the group that unless the overall funding for LAs increased this work would just shift the 'winners and losers' of the settlement. They encouraged the group to work together to increase resources for LAs. The CSHLG assured the group that she would continue making the case for increased LA funding.

Action – Simon Edwards to provide note to FSG on the governance between FSG and DSG, and ongoing written briefings on the ongoing work involved in the formula review.

Item 7: Update from WLGA

12. Cllr Hunt highlighted the financial pressures for the year 2026-2027, which amount to £454 million based on previous estimates, approximately 5.5% of the total spend. He noted a new survey was out with local authorities at the time of the meeting. He noted that schools and social care account for 68% of this pressure, driven by pay, contract inflation, and demand. Over the summer, the WLGA planned to update these figures for the September meeting, with a focus on preventative spending and long-term investments. Cllr Hunt recognised the challenge of balancing long-term spending with budget constraints and supporting acute services like the NHS but noted, for local government, the uncertainty surrounding pay negotiations with unions and the pressure of around £57 million related to National Insurance costs, despite assistance from the Welsh Government. The medium-term outlook remained challenging, and he stressed the importance of securing funds for social care and schools without resorting to council tax increases or service cuts, especially in the lead-up to Welsh Government elections.

13. Cllr Burnett noted the dependent relationship between spend on preventative services and the impact on more reactive services like health and social care. Cllr Burnett suggested looking into these relationships further, possibly through Simon Edwards work on the funding formula, to understand the complexities of spend and its impact on LA pressures and communities.

14. The CSHLG thanked Cllr Hunt for the update and said she would be grateful for the September paper and other evidence on both pressures and preventative services to inform her discussions with cabinet. The CSHLG thanked Cllr Burnett for raising this point, agreeing that the relationship between preventative services and the costliest services is important and should be monitored.

15. The Cabinet Secretary for Housing and Local Government thanked the group for the discussion. She left the meeting at this point. The CSFWL joined the meeting.

Item 6: Update from CSFWL

16. The CSFWL gave an update on the UK Government's comprehensive spending review, which set revenue budgets for three years and capital budgets for four years. Over this period, the Welsh Government's budget increases by £5 billion. While this is better than the period of austerity, in real terms, it represented an increase of around 1% a year. The Cabinet Secretary recognised costs were increasing beyond this rate in some areas, making the settlement challenging. He highlighted other significant benefits from the spending review - the allocation of

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£180 million over three years for coal tip safety and £445 million for rail investment.

17. The CSFWL confirmed that the approach to the Welsh budget for 2026-2027 would be a reinstated budget that is, the current budget with a circa 2% uplift for inflation. This reflected the political balance in the Senedd which always required agreement between parties to pass a budget. The budget for the current year, a more generous uplift than the levels implied by the UK Government spending review, had passed by only one vote. He considered the proposed roll over budget would be agreed through the Senedd and on an earlier timetable than other years. This would mean a final budget debate on the 27 January. However, there was no indication that other parties would support or abstain on more ambitious proposals. The reinstated budget would create a pool of unallocated funding, estimated at up to £400 million, which would be available for an incoming government to allocate to its priorities. He expected that this would include a range of local authority services.
18. He said that while he recognised a reinstated budget with an inflationary uplift would be challenging, it would be better than failing to pass a budget. If no budget could be approved by the Senedd, the Government of Wales Act provided to budgets based on 75% of the current year's budget. This would be catastrophic for local services. The Government remained open to a more ambitious budget if other parties would agree.
19. The CSFWL explained the ongoing work on the Welsh spending review. The aim of this was take a longer-term look at challenges and opportunities. For example, long-term demographic changes, the impact of artificial intelligence on services, and revenue-raising possibilities. The review will aim to focus on demand as well as supply, with an emphasis on early intervention to prevent problems from escalating. The CSFWL emphasised the importance of involving stakeholders, including the WLGA, in this consideration.
20. Finally, the Cabinet Secretary updated on the Visitor Accommodation (Register and Levy) Etc. (Wales) Bill, which had been passed by the Senedd and was expected to receive Royal Assent over the summer. This would allow local authorities to raise revenue through a visitor levy, to be invested in the tourism industry. The levy had been set at 75 pence per night for non-self-contained accommodation and £1.30 per night for self-contained accommodation. He believed this bill could serve as a template for future local taxation powers.
21. For Local Government Cllrs Hunt, Stewart, and Griffiths expressed concerns that councils would be advised against making assumptions on the possibility of future funding and this could lead to decisions which might not be repairable by specific grants within the year. Members urged the Cabinet Secretary to continue to seek a less damaging solution.
22. The Cabinet Secretary shared these concerns and confirmed he would continue to explore mitigations of the impact of a restated budget. He urged members of

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the group to ensure that their local politicians at all levels of government understood the implications. He remained open to making agreements on how to use the additional £400million within the budget.

23. Cllrs Burnett, Stewart, and McCoubrey emphasised the importance of the visitor levy in generating additional revenue for LAs, helping manage the impact of tourism on communities, infrastructure and ensuring the equal distribution of the benefits of tourism. Cllr Stewart sought confirmation that the visitor levy would not be a replacement for Welsh Government funding, and it would remain additional in future years. Cllr McCoubrey discussed the practical aspects of implementing the visitor levy, including the importance of transparency in how the funds will be used, to gain public and industry support. Cllr McCoubrey also mentioned the need to consider the potential impact on visitor numbers and ensure that the levy does not deter tourists from visiting.
24. The CSFWL thanked the group for the discussion. He stressed that that although he could not speak for future governments, the current government was committed to the funds raised by the visitor levy being additional. He noted that the transparency of treatment required in the Bill would make it difficult for future governments to treat it differently.

Item 8: Any other business

25. None raised.