

**17<sup>th</sup> Meeting of the Finance Sub Group of the Partnership Council for Wales  
Wednesday, 27 September 2018  
Conference Room, Tŷ Hywel, Cardiff Bay  
Minutes**

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**MEMBERS**

**Welsh Government**

Alun Davies AM, Cabinet Secretary for Local Government and Public Services – Chair  
Mark Drakeford AM, Cabinet Secretary for Finance

**Welsh Local Government Association**

Cllr Andrew Morgan, WLGA Presiding Officer (Rhondda Cynon Taff)  
Cllr Aaron Shotton, Deputy Leader of the WLGA (Flintshire)  
Cllr Peter Fox OBE (Monmouthshire)  
Cllr Marc Pritchard (Wrexham)  
Cllr Dyfrig Siencyn (Gwynedd)  
Cllr Mark Whitcutt (Newport)  
Cllr Huw David WLGA Deputy Presiding Officers (Bridgend)

**ATTENDING**

**Welsh Government Officials**

Rachel Maycock – Special Adviser  
Reg Kilpatrick – Director, Local Government  
Judith Cole – Deputy Director, Local Government Finance & Workforce Partnerships  
Debra Carter – Deputy Director, Local Government Strategic Finance  
Simon Edwards – Local Government Finance & Workforce Partnerships

**Welsh Local Government Association Officials**

Steve Thomas CBE – Chief Executive, WLGA  
Nigel Aurelius – SWT Representative  
John Rae – Director of Resources, WLGA

**Police and Crime Commissioners**

Rt Hon Alun Michael – South Wales Police and Crime Commissioner

**APOLOGIES**

Cllr Debbie Wilcox, WLGA Leader (Newport)  
Cllr Paul Miller (Pembrokeshire)  
Cllr Anthony Hunt, WLGA Finance Spokesperson (Torfaen)

**Summary of Actions:**

- **Para 15:** WLGA and Welsh Government officials will continue to consider practical steps in addition to existing standing finance groups to support closer engagement.
- **Para 26:** WLGA to consider council tax debt management at its Executive Committee; Welsh Government officials to provide the WLGA with supporting material to inform a discussion.

**Agenda Item 1: Welcome and Introductions**

1. The Cabinet Secretary for Local Government and Public Services (the Cabinet Secretary) welcomed members to the 17<sup>th</sup> meeting of the Finance Sub Group.

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

2. Rt Hon Alun Michael commented that he had raised at the previous meeting the underfunding of South Wales Police due to the failure to recognise the policing needs arising from Cardiff's status as a capital city. He continued to raise this with the Home Office and Stephen Doughty MP was now taking this up with the Minister for Policing & the Fire Service.
3. **Actions arising: Paragraph 15:** Reg Kilpatrick confirmed Welsh Government officials would continue talks with WLGA in support of closer engagement with local government. Talks had taken place between WLGA and Police and Crime Commissioners to consider budget pressures. **Complete.**
4. **Paragraph 26:** WLGA had considered council tax debt management at its Executive Committee. There had been broad support from members for the proposals which reflected the existing approach in some Councils and a protocol on council tax enforcement has been drafted. **Complete**
5. Cllr Pritchard requested it was noted his apologies were sent for the previous meeting but not recorded.

**Agenda Item 3: Update from the Cabinet Secretary for Finance (Oral item)**

6. The Cabinet Secretary for Local Government and Public Services thanked the Cabinet Secretary for Finance for his shared ambition and commitment to provide an improvement on the indicative local government settlement, despite the challenging times for public finances.
7. The Cabinet Secretary for Finance announced the budget would be published on 2<sup>nd</sup> October, with the UK budget being published on 29<sup>th</sup> October. He laid out his plans to lay the Final Budget before Christmas to provide time for planning.

8. The Cabinet Secretary for Finance confirmed the Welsh budget continued to decrease in real terms; if it had simply stood still there would be £800m more to spend on public services, if it had kept pace with the growth in the economy, there would have been £4bn more. The final budget announced in 2018 had indicated a reduction of £43m in the local government settlement for 2019-20 and a number of grants to local government were also reduced. His first task was to close that gap. The Cabinet was agreed all the changes in the budget in relation to local government would be to erode those existing reductions.
9. The Cabinet Secretary Finance acknowledged this would still be a tough settlement. Cabinet was agreed that local government would be the first to benefit from any additional funding from the UK Government budget. He confirmed that following representations, funding will be provided by the UK Government for the uplift in teachers' pay and this will be passported to local government.
10. The Cabinet Secretary for Finance thanked political leaders for their input into positive discussions on responding to those in debt with their council tax bills and thanked the WLGA for their letter. There had been positive discussions and he would take this into account when seeking to make changes to the arrangements in council tax enforcement in future. The consultation on non domestic rates avoidance had now closed and a statement would be made in October. The changes to be announced would make non-domestic rates avoidance more difficult and support Local Authorities in tackling this more effectively.
11. Cllr Pritchard welcomed the commitment that any additional funding would be put into the settlement but highlighted concerns around the rumours of a 6% increase in the funding for the NHS in Wales, whilst it was expected there would not be an increase in funding for social care. It was essential that the health and social care system be considered as one.
12. The Cabinet Secretary for Finance noted that of the anticipated health consequential half of the money was already accounted for by increases in pay and pensions. He and the Cabinet Secretary for Health had recognised in discussion the need to consider the health and social care system in the round. He said the commitment to help with social care pressures would be reflected in the budget announcement the following week through a mixture of AEF and grants. He hoped that the eventual publication of the UK's Green Paper would provide a better answer to these pressures than the existing approach.
13. Cllr Pritchard highlighted concerns around funding the increase in pensions costs due to SCAPE. The Cabinet Secretary for Finance shared his concerns on this matter and estimated it was likely to cost around £300 million across the devolved Welsh public sector. The Welsh Government's view was that as this was a unilateral decision of the UK Government with direct financial consequences for the Welsh Government budget, the UK Government should fund this cost.
14. Cllr Fox said there had been a one billion pound cash reduction in Local Government funding since 2010, however the Welsh Government's budget had not seen this level of reduction. He stressed the difficulties local government was

facing. Cllr Shotton gave as an example of the challenge the position in his own Authority where he estimated there was a £15 million gap in funding and the opportunity to increase council tax to raise additional funds was a difficult message to take back to councils and constituents. He thought that the additional funding for teachers' pay would not cover the full cost and anything less than a 3 per cent increase in RSG would put Local Authorities in a difficult position.

15. The Cabinet Secretary for Finance stressed there was no need to persuade him, or Cabinet colleagues, of the challenges local government were facing or of the critical importance of local government services. He acknowledged the reductions in budgets and specific grants. He had drawn funding from the Welsh reserve to respond to some of the current pressures, but this was not a long term solution.
16. The Cabinet Secretary for Local Government and Public services recognised the challenge for Local Government and the impact these decisions have on people's lives. He acknowledged the impacts of formula changes which reflect changes in underlying data and highlighted the importance of the funding floor which is added to the top of the settlement, rather than recycling from other Authorities.
17. Cllr Pritchard said that increasing council tax in Wrexham could not prevent cuts. The easy cuts had already been made and his Authority was now having to look at reductions on critical services such as Disabled Facility Grants. Cllr David echoed these points and stressed the impacts on schools. While he recognised the need for Welsh Government to present its position, the language used around extra money was unhelpful to local government when councils were forced to make difficult decisions and cuts. Cllr Siencyn supported this. He felt this damaged trust and the relationship with local government and called for increased transparency.
18. The Cabinet Secretary for Local Government and Public Services acknowledged the difficulties councils were facing and the need for clarity in communication. The Cabinet Secretary for Finance stated he was keen to work with local government to ensure the correct language is used. He acknowledged that additional money was often not an increase in funding but was to help mitigate cuts.

### **Agenda Item 3: Police and Crime Commissioners' update**

19. The RT Hon Alun Michael expressed concerns about regarding the funding gap for police and thanked leaders for their help in supporting effective partnerships between the police and local Authorities. He expressed the continuing desire for further devolution in relation to policing and justice and regretted that this was not shared by central government.

### **Agenda Item 4: DSG Final Report 2018**

20. Simon Edwards informed leaders the recommendation regarding council tax discounts has been removed as this required further modelling. This will be considered further by the group early next year and decisions taken for the 2020-21 settlement.

21. He explained the reasoning behind the turbulence between the 2018-19 and the 2019-20 settlements was as a result of annual changes in the indicator data and the underlying financial data. Reg Kilpatrick explained the objective in updating the data is to ensure the formula takes into account the relative changes between local authorities from year to year. For example, the impact a new housing estate would have on the authority. These changes are agreed by DSG members and included in the report to FSG for approval.

22. FSG members accepted the recommendations in the DSG report.

#### **Agenda item 5: Update from the Cabinet Secretary for Local Government and Public Services: Working Group on Local Government**

23. The Cabinet Secretary for Local Government and Public Services outlined the discussions in the working group with local government. He hoped this group would provide for positive discussions on shared ambitions and vision for the future. He asked Reg Kilpatrick and Steve Thomas to consider how the group's considerations could be communicated more widely. Reg Kilpatrick suggested that papers and minutes should be published online.

#### **Agenda Item 6: WLGA paper/update**

24. Steve Thomas introduced the paper on local government pressures and impacts. To inform the paper the WLGA had surveyed all 22 Authorities. All 22 had responded highlighting the importance Leaders ascribed to laying out the impacts of the current financial situation. He noted that future UK budgets will be heavily responsive to the implications of Brexit" but at the same time there would be enormous pressures on health budgets and looked after children. He highlighted the importance for councils of more money being put into RSG rather than specific grants so that there was flexibility to manage service delivery and change.

25. The Cabinet Secretary for Finance said that he would be publishing an impact assessment alongside the draft budget. He agreed that the forthcoming budget would be in the context of Brexit and leaders should not be optimistic about a review of austerity. Cllr David offered cross party local government assistance in lobbying UK government for the funding to cover pressures.

26. Cllr Pritchard highlighted the importance of working in partnership. He noted that while he understood that elected members needed to reflect local constituency concerns where councils and Leaders were taking tough decisions it was not helpful if Assembly Members or Ministers campaigned locally against these decisions. The Cabinet Secretary for Local Government and Public Services noted the point.

#### **Agenda Item 7: Any Other Business**

27. No other business was noted.