

Meeting of the Finance Sub Group of the Partnership Council for Wales
Monday, 2 November 2020
11:00 – 12:30
MS Teams
Minutes

Welsh Government Ministers

Julie James MS, Minister for Housing and Local Government – Chair
Hannah Blythyn MS, Deputy Minister for Housing and Local Government
Rebecca Evans MS, Minister for Finance and Trefnydd
Lesley Griffiths MS, Minister for Environment, Energy and Rural Affairs
Jeremy Miles MS, Counsel General and Minister for European Transition

Welsh Local Government Association

Cllr Andrew Morgan (RCT)
Cllr Anthony Hunt (Torfaen)
Cllr Dyfrig Siencyn (Gwynedd)
Cllr Carol Clement-Williams (Neath Port Talbot)
Cllr Mark Pritchard (Wrexham)
Cllr Peter Fox (Monmouthshire)
Cllr Rob Stewart (Swansea)

Police and Crime Commissioners

Peter Curran – Chief Finance Officer, South Wales Police and 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)

Welsh Government officials

Judith Cole – Deputy Director, Local Government Finance and Workforce Partnerships Division
Debra Carter – Deputy Director, Local Government Strategic Finance
Name Redacted – Head of Local Government Funding
Paul Griffiths – Special Advisor
Name Redacted – Strategic Budgeting
Alex Bevan – Special Adviser

APOLOGIES

Cllr Paul Miller (Pembrokeshire)
Alun Michael, South Wales Police and Crime Commissioner
Reg Kilpatrick – Director Local Government, Welsh Government

Agenda Item 1: Welcome and Introductions

1. The Minister for Housing and Local Government (the Minister) welcomed members to the 4th Finance Sub Group meeting of 2020 and recorded apologies.

Agenda Item 2: Minutes and Matters Arising from the Previous Meeting

2. The minutes from the last meeting were agreed. The action under paragraph 8 was discussed at a meeting of the Welsh Police Finance and Resources Group, and there is now a police representative on the Society of Welsh Treasurers.
3. The action under paragraph 19 had been discharged. The Minister for Education was unable to attend the meeting as hoped but, following discussions with local government, had issued a written statement (14 October) detailing the 2020/21 teachers' pay deal and associated funding for local government. Grant award letters will be issued in due course.

Agenda Item 3: Finance Minister's Update

4. The Minister for Finance and Trefnydd (MFT) opened by reviewing the in-year position. In the summer the UK Government had provided an upfront guarantee of £4bn for Wales as a result of COVID-19 interventions in England. In response to the pandemic, Welsh Government had allocated £800 million to the NHS in Wales and £500 million to Local Government. Since then the UK Government had announced the enhanced Job Support Scheme from 1 November and a package of business support grants. The UK Government also announced an increase to the guarantee funding resulting in an extra £400m for Wales.
5. As a result of the firebreak, additional funding has been made available to businesses and employers in Wales, and this will be reviewed in light of recent developments in England. The MFT had announced on 23 October an extra £10 million to help protect workers at risk of falling through the gaps. In addition, Ministers were increasing the Discretionary Assistance Fund by £5 million to continue to provide grants to people in need of urgent help during the crisis.
6. The MFT said the second supplementary budget published on 20 October, would be debated on 17 November. It would not include details of the £320 million reconstruction package the MFT announced on 6 October. This package includes capital investment in low carbon housing, schools and primary care.
7. The MFT confirmed the UK Government had announced a spending review with 1-year revenue and capital budgets, but multi-year budgets for the NHS and schools' infrastructure. The MFT explained the Government would need to see the full budget before making decisions on multi-year allocations, as there could be negative consequential funding in other areas than schools and health. The spending review would be published on 25 November and the Welsh Government would be pressing, with Scotland and Northern Ireland, for greater clarity on issues such as European funding.
8. The MFT confirmed the new date for the spending review meant the draft Welsh Government Budget would now be published on 21 December. The MFT noted that this would allow for 7 weeks of scrutiny in the Senedd, but would fall short of the usual 8 weeks. This would ensure the Final Budget and final local

- government settlement were published and debated ahead of the statutory deadline for the agreement of local authorities' budgets. The MFT recognised that this posed particular challenges for local government, and to mitigate this, official-level briefings would be offered at the earliest opportunity.
9. The MFT acknowledged the impact that COVID-19 was having on the collection of local tax revenues for both council tax and non-domestic rates, as well as the increase in applications for council tax reduction schemes. She thanked local government for its support and close working with the Welsh Government. The Welsh Government had provided £2.8 million to authorities in quarter 1 and has agreed a further £2.6 million for quarter 2.
 10. The Minister advised the group she had agreed with WLGA leadership to set up a short term WLGA/Welsh Government group to explore barriers and opportunities to the use of capital funding late in financial years to best effect. This group would report to the Partnership Council.
 11. The MFT updated on Welsh Government consideration of priorities for the next financial year. She noted there was a wide range of possible funding scenarios for Welsh Government. Following the first cabinet consideration, portfolio Ministers were discussing upcoming pressures with her. The agreed top priorities for 2021-22 were the NHS and local government. The Minister stressed she was keen to be open and transparent on decisions with no "smoke and mirrors".
 12. Cllr Hunt and Cllr Stewart welcomed as much clarity as possible from Ministers. They noted need to gain greater clarity from H M Treasury and offered local government's support in making the case as needed. Cllr Hunt was keen to continue the collaborative approach between central and local government. Cllr Stewart said it would be important to distinguish between the general Settlement pressures and the ongoing impacts of the pandemic. He asked that any additional funding for local government this year was determined quickly, including any terms and conditions.
 13. The MFT recognised the need to ensure terms and conditions were in place early to support recovery and asked that specific issues were raised with Ministers. The MFT explained it was currently unclear how or whether funding for the response to the pandemic would be included in the spending round, but that the Welsh Government was continuing to press for clarity.

Agenda Item 4: WLGA Update

14. Cllr Hunt outlined the main points of the paper, specifically that underlying financial pressures for 2021-22 total £279 million, 63% of which were attributed to workforce costs. He stressed that lack of pay inflation in recent years had been instrumental in local authorities' ability to balance the books but that this was increasingly difficult. The paper described a rise in cumulative pressures to £822 million by 2023-24. He explained the key message was that local government is on the brink of having to make difficult decisions on services.
15. Jon Rae explained the estimates on pressures were informed by the report commissioned by the Welsh Government from NR on school spending in Wales and the work of LE Wales reported to the Finance Sub Group last year. These estimates were in line with the figures provided by local authorities.

16. Ministers stressed the Government's wish to continue to work closely with local government to understand, at an early stage, the pressures they face. The MFT asked for clarification on the workforce pay pressures included in the £174 million in the paper, and it was confirmed that the assumption was a 3% uplift.
17. Cllr Pritchard thanked Ministers for the close working. While he acknowledged the positive overall settlement uplift in 2020-21 of 4.3%, he continued to be disappointed no funding floor had been provided. He said his authority had made as many cuts as possible to services and, without a settlement increase of 5% at a Wales level for 2021-22 with a funding floor in place, it would need to stop delivering some services. Cllr Fox emphasised the pressures on homelessness and that both revenue and capital funding would be needed to continue this work to have a meaningful impact. He also supported the request for a funding floor in the upcoming settlement. Cllr Williams thanked the Minister for her response to a letter on the Children's Unit in Port Talbot and for her help in funding it. She noted that when new legislation comes into force, then this needs to be funded.
18. The Minister noted that the floor was an important consideration, but as there was no clarity yet on the block grant, the Welsh Government will continue to work closely with local government on this.

Agenda Item 5: Minister for Minister for Environment, Energy and Rural Affairs

19. The Minister for Minister for Environment, Energy and Rural Affairs (MEERA) reminded the Group it was Wales climate week and that recovery needed to be a green recovery. There was a target for the public sector in Wales to be carbon neutral by 2030. During this financial year, the Welsh Government Energy Service (WGES) had supported 14 projects through the provision of £8.5 million of zero-interest loans and will continue to work with Local Authorities to identify further energy efficiency and renewable energy opportunities. The Circular Economy fund had been expanded with a further £12.5m to fund 74 projects, both public and private sector.
20. The MEERA confirmed the Welsh Government had already met the commitment made at the beginning of this term of government to invest in flood defences to help protect our communities and will have invested over £350m in flood and coastal erosion risk management, helping to protect over 47,000 properties across Wales, by the end of this term. This year, the Welsh Government had increased revenue support by 33%; provided 100% funding for repairs to flood assets and defences following this year's flooding, totalling £4.4m; and introduced 100% funding for all preparatory work, from business cases through to detailed design and modelling, backdated to April 2019.
21. She acknowledged there was no room for complacency, and earlier in the year, significant changes had been announced to the Welsh Government's flood investment programme to provide additional support and flexibility to Local Authorities and Natural Resources Wales. She invited members to bring forward more flood defence projects, which the Welsh Government may be able to support with additional capital funding.
22. Cllr Siencyn welcomed the funding for flood defences, as this is a particular issue for Gwynedd Council. The MEERA clarified that the funding for coastal defences will be provided at 85% of the total cost of the works. Cllr Stewart said Swansea

Council would be announcing its net carbon target shortly. He was concerned that while the council purchased all of its energy from green resources, this did not score against the carbon target, and questioned whether this was a disincentive to buy energy from green sources. He would also welcome a discussion on tidal energy. The MEERA said her officials were considering his concerns around the purchase of energy from green resources, and that a meeting on tidal energy, with her, First Minister and the Minister for Economy, Transport and North Wales and herself was being set up.

23. Cllr Morgan welcomed the funding that has been, and will be, provided and queried what funding may be available for the coming financial year. The MEERA noted this point and reassured Cllr Morgan that the Welsh Government were considering this as part of their funding plans.

Agenda Item 6: Distribution Sub Group Report 2020

24. Name Redacted presented the DSG Report 2020 to the group, outlining the main sections of the report and emphasising that, while the table in annex C gave an indication of the likely changes in relative local authority Standard Spending Assessments for the upcoming year, there were still some key datasets that were yet to be collected and that these could have a significant impact on the actual settlement allocations. The Minister thanked Welsh Government officials and the Distribution Sub Group for the large amount of work carried out in producing the recommendations of the report, which was noted by the Finance Sub Group.

Agenda Item 7: Tackling Fraud in Wales

25. The Minister introduced the item on *Tackling Fraud in Wales* to the group, drawing attention to the pertinence of this report in light of the funding that has been distributed in response to the pandemic. Tackling fraud is an ongoing process and there were a range of recommendations in the report for all public bodies to consider. The Welsh Government will continue to work with local government to strengthen the prevention and mitigation of fraud across all areas. The report was noted by the Group.

Agenda Item 8: Counsel General and Minister for European Transition

26. The Counsel General and Minister for European Transition (CGMET) informed the group that he chaired an internal board on the combined effect of UK's exit from the EU and the COVID-19 pandemic and that the board had been considering the economic effect and resilience funding.
27. The CGMET welcomed continuing talks between the UK and the EU. While there were some differences remaining, they did not appear insurmountable. The Welsh Government's position was that the combination of COVID-19 coupled with "no deal" would be intolerable. WG was continuing to press for the removal of the elements of the UK Internal Market Bill which would break international law and for clarity to address concerns on business preparedness. He was continuing to push for detail on the shared prosperity fund. He did not consider a UK wide competitive fund would align with Wales' interest or priorities.

28. On COVID-19 preparedness, there are 8 priorities and the CGMET noted that the recovery plan would need to address inequalities, while stimulating the economy. The CGMET drew attention to the Business Wales EU Transition Portal, which provides a frontline source of advice and guidance for businesses and noted that the UK Government was ramping up its preparations for a potential civil contingencies response to the end of the transition.
29. Cllr Hunt thanked the CGMET for the update and offered local government's assistance, if there was anything they could do. Cllr Pritchard requested support for the shared prosperity fund. He suggested North Wales had been underfunded through the current approach. Cllr Stewart thanked the CGMET for the bilaterals that had been held and felt that the focus should be on the size, scale and function of the shared prosperity fund, as opposed to how the funding should be distributed within Wales. He expressed his frustration at the UK Government's handling of the fund. Cllr Stewart stated that the twin impacts of COVID and the UK's exit from the EU are inseparable and that the Welsh Government has WLGA full support on their approach to shared prosperity fund.
30. The CGMET thanked Cllr Stewart for his commitment. He did not recognise the inequality in the distribution of funding under current arrangements and stressed the Welsh Government was seeking to be open, collaborative and transparent in the way in which it approaches both the UK's exit from the EU and the recovery from the COVID-19 pandemic.

Agenda Item 9: Police and Crime Commissioner's update

31. Peter Curran, presented the report, citing the issues of the spending review, the response to the COVID-19 pandemic and ongoing pressures being faced by the Police and Crime Commissioners and invited questions from the Group.
32. The Minister thanked the Police and Crime Commissioners for the report and for their collaboration with central and local government. The report was well-received by the Group.

Agenda Item 10: AOB

33. The Minister noted that this was the last scheduled FSG meeting for 2020 and that officials would be in touch to take soundings on the potential for an additional meeting and for meetings in the new year.