

Rebecca Evans MS
Minister for Finance and Local Government
Welsh Government

27 October 2022

Dear Rebecca

Corporate Joint Committees

You may be aware that we held evidence sessions with the Chairs of the four Corporate Joint Committees and representatives from the WLGA on 12 October. The session was an opportunity for Members to discuss with the CJC Chairs their key objectives and ambitions over the short and medium-term and the main challenges they face over the coming year.

The CJC Chairs raised technical issues around the VAT status of CJs and corporation tax as being among the main challenges currently faced by the CJs. The Chair of the North Wales CJC told us that without borrowing rights and solving the issues around corporation tax and VAT, it will be unable to implement its growth deal. He also told us that failure to resolve the VAT issue may result in "an additional cost of £40,000, out of a spend of £360,000" for this CJC alone. This is a significant sum at a time when local authority finances are already stretched to the limit.

You will recall that we discussed these matters with you during our scrutiny session on 29 September. We were pleased to hear that a resolution to the VAT issue has been found, based upon the UK Government laying legislation, which you said is expected to be in place by the next financial year. You acknowledged that there are outstanding issues around corporation tax, but you were positive that those issues could also be resolved. We would like to emphasise the importance of urgently finding a resolution to this matter. We heard that such issues were likely to inhibit progress with the development of the CJs and may limit their ability to reach their full potential. We would be grateful if you could provide an update before the end of the year on discussions to resolve the issues around corporation tax.

Chairs were concerned by the administrative costs involved in establishing and running the CJs. We heard that in North Wales, the budget agreed for 2022-23 is around £360,000, but that it will have to

increase to £640,000 to enable it to "stand still". The Chair of North Wales CJC raised concerns around local authorities' ability to fund CJs under the current economic conditions:

"Our councils are facing a genuine crisis situation this year and next year and in the years to come, and if there is to be a list of cuts, the CJC will be at the top of that list, I think."

We are concerned that some local authorities are already discussing the possibility of rolling back on their levy contributions to fund the CJs due to the economic climate and stretched resources. This could potentially undermine their work as regional bodies, and potentially compromising their ability to deliver effectively on their functions. As a result, questions were raised about the added value offered by establishing CJs with such financial pressure, albeit accepting that these bodies are still in their infancy. We would be grateful for your thoughts on these matters, particularly in relation to the added financial value of CJs in the current economic climate.

We have agreed that we will continue to monitor the progress of the CJs over this Senedd term.

Yours sincerely



John Griffiths MS

Chair, Local Government and Housing Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.