

Agenda – Equality, Local Government and Communities Committee

Meeting Venue:

Committee Room 2 – Senedd

Meeting date: 29 November 2017

Meeting time: 09.00

For further information contact:

Naomi Stocks

Committee Clerk

0300 200 6565

SeneddCommunities@assembly.wales

Pre-meeting (09.00 – 09.15)

1 Introductions, apologies, substitutions and declarations of interest

2 Public Services Ombudsman (Wales) Bill: evidence session 1

(09.15 – 10.15)

(Pages 1 – 22)

Simon Thomas AM, Member in Charge

Gareth Howells, Legal Services, Assembly Commission

Joanne McCarthy, Research Service, Assembly Commission

[Public Services Ombudsman \(Wales\) Bill](#), as introduced

[Explanatory Memorandum](#)

Break (10.15 – 10.30)

3 Scrutiny of the Public Services Ombudsman for Wales annual report 2016–17

(10.30 – 11.30)

(Pages 23 – 33)

Nick Bennett, Public Services Ombudsman for Wales

Chris Vinestock, Chief Operating Officer and Director of Investigations

Katrin Shaw, Director of Policy, Legal and Governance

[Public Services Ombudsman for Wales: Annual Report and Accounts 2016/17](#)



Cynulliad
Cenedlaethol
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National
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Wales

4 Paper(s) to note

4.1 Additional information from the Welsh Local Government Association in relation to the Welsh Government draft budget 2018–19

(Pages 34 – 45)

4.2 Letter from the Cabinet Secretary for Finance to the Chair of the Finance Committee in relation to the Welsh Government draft budget 2018–19

(Pages 46 – 47)

4.3 Correspondence with the Cabinet Secretary for Local Government and Public Services, the Leader of the House and Chief Whip and the Minister for Housing and Regeneration in relation to the Welsh Government draft budget 2018–19

(Pages 48 – 73)

4.4 Letter from the Chair of the Public Accounts Committee to the Minister for Housing and Regeneration in relation to the Welsh Government draft budget 2018–19

(Pages 74 – 89)

5 Motion under Standing Order 17.42 (vi) to resolve to exclude the public from the remainder of the meeting

6 Scrutiny of the Public Services Ombudsman for Wales annual report 2016–17: consideration of evidence received under item 3 (11.30 – 11.35)

7 Public Services Ombudsman (Wales) Bill: consideration of evidence received under item 2 (11.35 – 11.40)

8 Scrutiny of the Welsh Government draft budget 2018–19: consideration of draft report (11.40 – 12.30)

(Pages 90 – 108)

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Agenda Item 4.1

Our Ref/Ein Cyf:

Your Ref/Eich Cyf:

Date/Dyddiad:

Please ask for/Gofynnwch am:

Direct line/Llinell uniongyrchol:

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JR/AS

SF/LA/3421/14

6 November 2014

Jon Rae

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WLGA • CLILC

Leighton Andrews AM
Minister for Public Services
Welsh Government

Cardiff Bay
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Y Pwyllgor Cydraddoldeb, Llywodraeth Leol a Chymunedau
Equality, Local Government and Communities Committee
ELGC(5)-34-17 Papur 1 / Paper 1

Dear Minister,

Thank you for your correspondence of 23 October on local authority reserves. It coincided with our own data collection exercise that was undertaken with the support of SOLACE and the Society of Welsh Treasurers (SWT). The attached briefing summarises that information and highlights recent studies and guidance from regulators and CIPFA. I thought it would be helpful to share it with you.

I hope this national context complements the individual responses that you receive from local authorities, including my own. I note your officials have reviewed the latest accounts and have concluded that there has been no improvement in presentation due to ambiguity in definitions. This may be down to differences in accounting treatment and guidance needs to be tightened

Like you, I think it is not unreasonable for us all to understand better, and explain better, the position on reserves. To that end, I have requested that Treasurers put this on their agenda for their December or January meeting, once officials have digested the individual authority responses.

Yours sincerely,

Councillor Aaron Shotton

WLGA Spokesperson for Finance and Resources

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WLGA Briefing

Society of Welsh Treasurers

Local Authority Reserves

7 November 2014



Jon Rae (jon.rae@wlga.gov.uk) 02920 468 620

Two recent Reports by the Wales Audit Office¹ and the Audit Commission² have emphasised the need for local authority reserves and why they may have risen in recent years. Appropriate levels of reserves are an important element prudent financial management and this is underpinned by legislation contained in various Acts. This is supplemented by guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) from its Local Authority Accounting Panel (LAAP)³.

Like CIPFA⁴, the WLGA would highlight 5 key points that are worth emphasising in the current economic context.

1. Reserves are an important component of councils' financial planning framework and are no panacea for financial problems created by austerity.
2. Judgements about reserves and to what extent they should be used or set aside to meet either specific or unforeseen future liabilities can only be made locally. Guidance on appropriate questions for members to ask is provided by the Audit Commission.
3. Local decisions should be taken by councillors having regard to clear and full information and advice provided by Chief Finance Officers (The WAO view is that there is room for improvement to make this more transparent and councils should ensure local protocols are in place).
4. Recent increases in aggregate levels of reserves reflect councils' good performance to date in coping with austerity but councils are reporting increased appropriations from reserves over the next two years.
5. The future funding outlook is such that uncertainty and risk is increasing.

Latest Data Collection

With the support of SOLACE and SWT, the WLGA has recently collected data on reserves based on information in Statements of Accounts. Data from the Whole of Government Accounts (WGA) comes from Group Accounts which includes funds held by arms-length bodies. We tried as much as possible to reconcile the two sources and there is a small residual difference of around £2m.

¹ [Wales Audit Office\(2012\), Local Authority Reserves and Unsupported Borrowing](#)

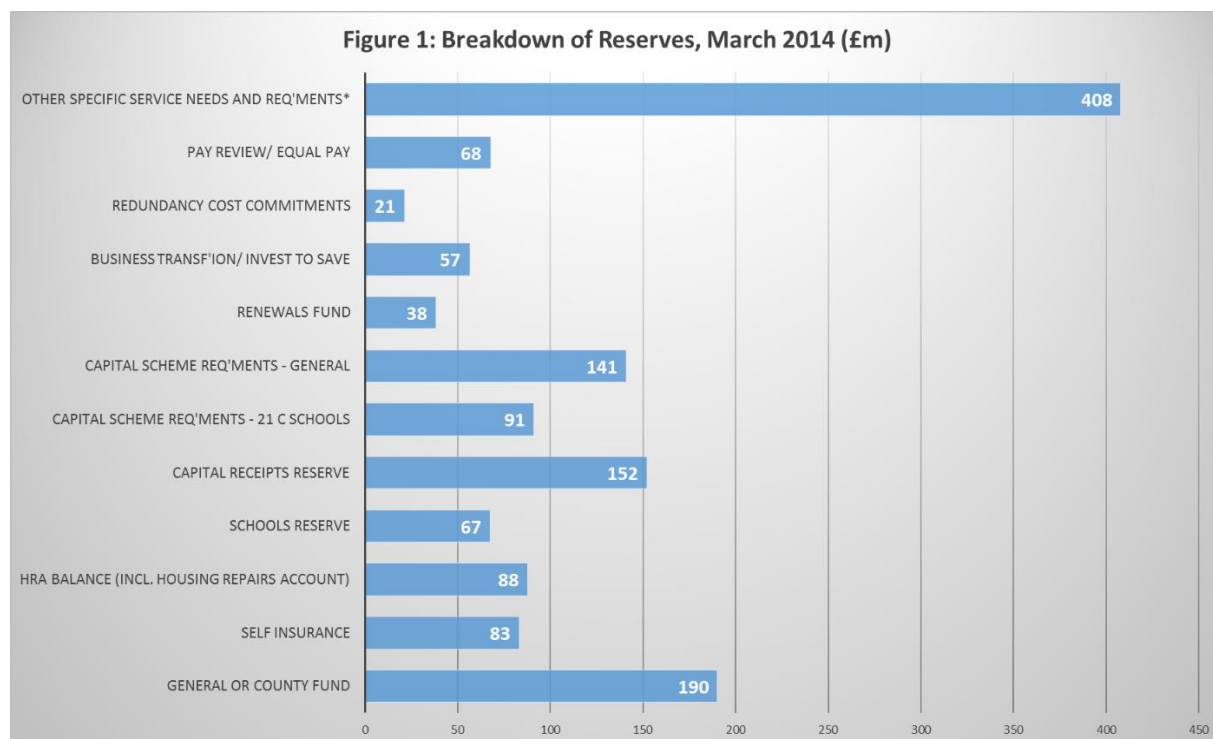
² [Audit Commission \(2012\), Striking a Balance](#)

³ [CIPFA \(2014\), LAAP Bulletin 99 Local Authority Reserves and Balances](#)

⁴ [CIPFA \(2012\), Press Release: CIPFA Sets out position on reserves](#)

While the WGA framework is useful, the terminology can be ambiguous or misleading. The term 'Usable' does not necessarily mean that cash-backed funds are available to the local authority to spend in a way that it can determine. Some funds support national initiatives such as Welsh Housing Quality Standards and Twenty First Century Schools which are integral to the Wales Infrastructure Investment Plan. Some of categories of funds are rather technical but we have sought to break down as much as possible the 'other category'.

Despite the issue with terminology, 'Usable' reserves are held for contingent or planned purposes and they currently total £1.4bn. This figure is broken down into various elements set out figure 1 below.



General Reserves

General funds are working balance to help cushion the impact of uneven cash flows. They are a contingency to cushion the impact of unexpected events or emergencies. Around 14% of the total is held for these purposes and the remainder is for planned purposes and is earmarked.

Self-insurance

Self-insurance is used by a number of local authorities to meet potential and contingent liabilities. They are reported as earmarked reserves where these liabilities do not meet the definition of a provision under the requirements of the Code's adoption of IAS 37 *Provisions, Contingent Assets and Liabilities*). These funds account for around 6% of the overall total.

Capital programmes & asset management

Earmarked reserves also includes funds set aside for capital investment and maintenance of assets. The Capital Receipts Reserve is money set aside from sale of property to build and maintain other property. Capital Scheme Requirements is money set aside to build roads, bridges, and schools including 21st Century Schools. Some authorities have a Renewals

Fund to replace 'depreciating' vehicles and other assets. These account for 30% of overall total of reserves.

Business transformation and workforce planning

Earmarked Reserves are also held for transformation initiatives especially in relation to workforce or service reform where there is an invest-to-save aspect to one-off expenditure. Many local authorities operate their own Invest to Save Funds similar to that operated by the Welsh Government. There may be other funds to facilitate efficiency savings including business transformation schemes. Many transformation initiatives are a response to continuing austerity and this will impact on the workforce. Consequently, many local authorities hold funds for redundancy costs. Workforce planning also includes claims under equal pay which must be financed. These account for around 10% of the total.

Schools & HRA

Some funds are less accessible than others and their use is heavily prescribed. Schools reserves are the unspent balances of delegated school budgets. The Housing Revenue Account is currently ring-fenced which means that it is separate from other local authority income and expenditure streams. These funds account for 11% of overall useable reserves.

Other earmarked reserves

This category of reserves covers all other funds. It accounts for nearly 29% or £408m of the total. From the data returns it wasn't possible to breakdown this any further but we know from additional memorandum items in the returns that there are significant sub-categories. Most prominent among these are PFI equalisation reserves and grants unapplied. PFI funds are held to even out the funding and expenditure profiles of PFI schemes. 'Grants unapplied' (revenue and capital) is an accounting treatment for receipts held in advance of spend. From additional comments we have had back in the data collection we know that both of these funds account for about a third of the total (around £142m).

There are potentially many other funds within this category. Many reported back funds held for arm-length bodies or partnerships such as joint committees. These can be quite significant, in one authority it represented 7.5% of overall reserves. Some authorities reported back service-specific reserves that address temporary demand peaks in high-risk, high-cost services such as special education needs. Others report specific projects such as ICT and waste that are part of service continuation rather than service transformation.

Variation across authorities and movements over time

Figures 2 and 3 below show how general and overall reserves vary by authority relative to gross revenue expenditure. General reserves at March 2014 appear to reflect the range that the WAO reported for 2009, 2010 and 2011. Figure 3 shows that overall reserves show considerable variation and is likely due to capital projects in some authorities.

Figure 4 shows variations in overall reserves evening out by the end of 2015-16 and the level of usable reserves is set to fall by £342m. In times of economic uncertainty, these estimates may potentially be overstated for the reasons CIPFA recognised in England two years ago. A large fall in reserves may be offset by early in-year savings.

Figure 2: 2014-15 General Reserves as a % of Gross Revenue Expenditure

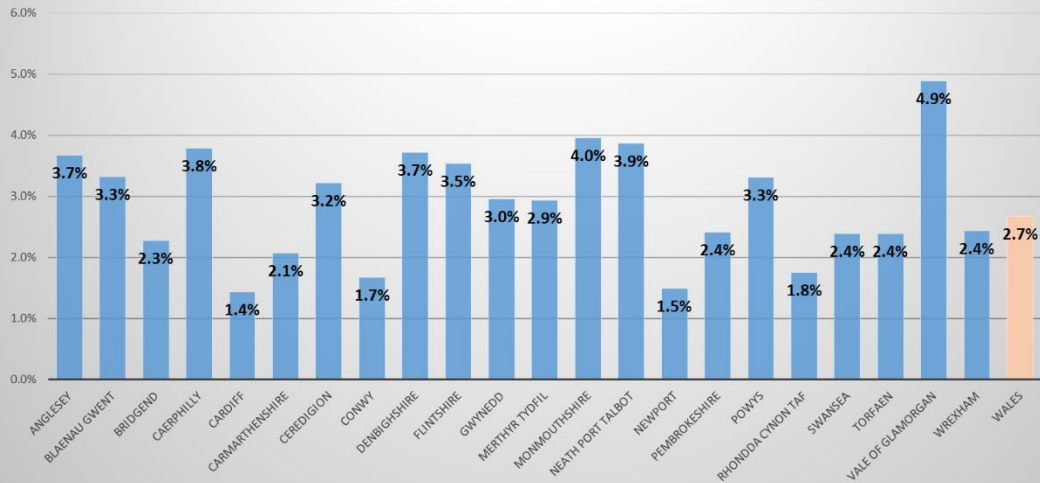


Figure 3: 2014-15 Overall Reserves as a % of Gross Revenue Expenditure

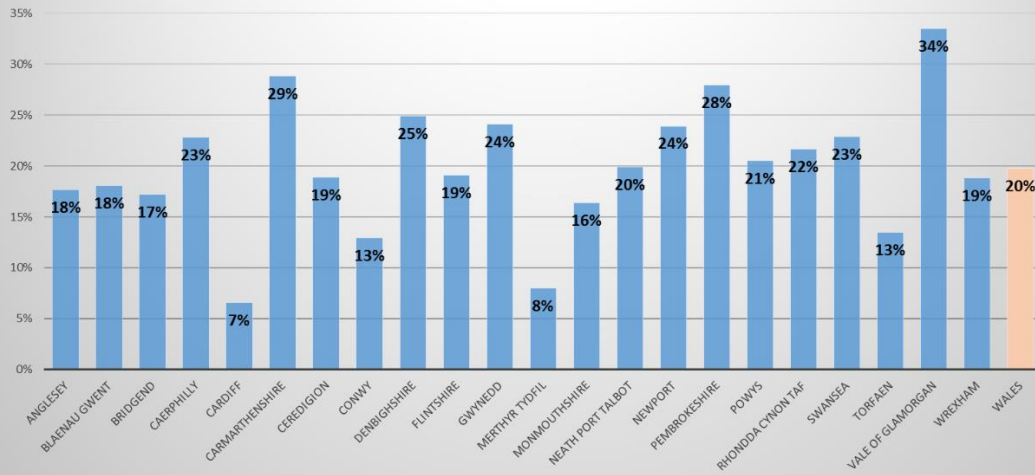
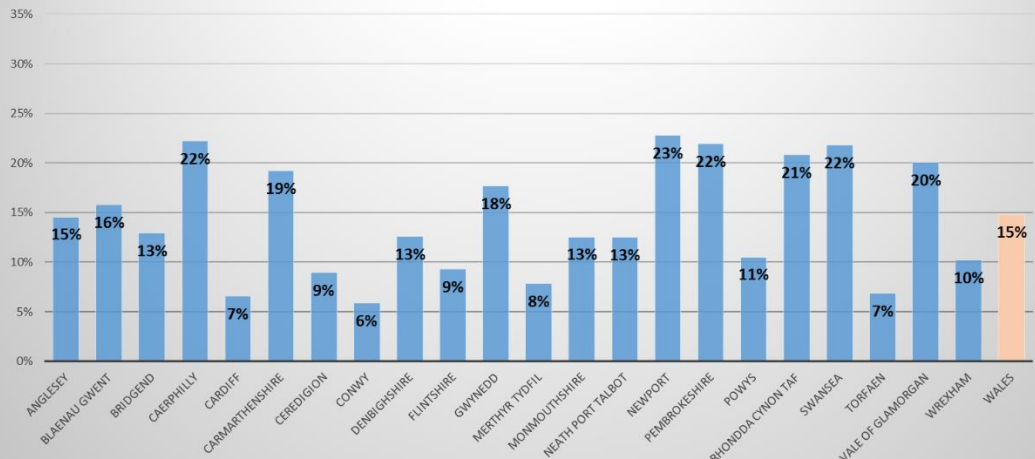


Figure 4: Overall Reserves (estimated March 2016) as a % of 2014-15 Gross Revenue Expenditure



Conclusion

It is important to emphasise the risks which arise when councils decide to draw down reserves to help fund their budgets. The nature of most council services is that they require recurring funding to meet staff and other running costs year after year.

Reserves are a one-off, finite source of funding. They can cover a shortfall in recurring funding for a specific period but, after reserves are exhausted, the underlying shortfall will still be there. This sentiment is echoed in the words of the former Chief Executive of CIPFA, Steve Freer:

"We have to be extremely careful about using one-off reserves to fund shortfalls in recurring funding. Reserves are not a long term solution. At best they buy time to enable service changes to be planned and implemented in an orderly way. In these circumstances it is important that councils explain clearly to the public the actions and implications for services which are expected to follow in the medium and longer term."

The risks to local authority budgets are increasing. Late notifications and in-year reductions to grant funding are increasingly common. Exposure to demand-led spend through, for example, the Council Tax Reduction Scheme also increases risk as it is not funded as a subsidy.

Ultimately, for local authorities, services will need to be reduced to a level which is affordable within the envelope of recurring funding available.

THE GENERAL POWER OF COMPETENCE

Purpose

1. To discuss the General Power of Competence.

Background

2. Launching the General Power of Competence in 2010, the then Community's Secretary Eric Pickles MP colourfully argued that councils would be able to do anything short of trying to "saddle up the horses, arm their citizens and invade France." ¹ Separating the myth from the reality of what the GPC can achieve is crucial not least since evidence suggests that current use of the power in England is limited. The reality is that GPC is playing more of a role as a catalyst especially allowing authorities to use existing powers contained in various Supply of Goods and Services Acts safe in the knowledge that a more risk based approach to provision can ultimately find a legal justification.
3. This has in turn partly accounted for a "new spirit of entrepreneurialism" in England sitting alongside other transformational programmes. The question therefore is whether the powers impact in England has been radical and if so whether its implementation in Wales will signal a similar shift in mind set and innovation in practice?

Issues

4. The General Power of Competence (GPC) is set out in Chapter 1, sections 1 to 6 of the Localism Act. The Government's declared aim is to give local authorities' in England the legal reassurance and confidence to innovate, drive down costs and deliver more efficient services. The GPC gives local authorities the power to do anything that an individual could lawfully do, anywhere, with or without charge, for any purpose, anywhere in the UK or elsewhere. However, the bill also specifies some boundaries to the power which may be imposed by statute, statutory instrument or by an order made by the Secretary of State. Such an order may apply to some or all local authorities and would have to be consulted on before being laid before Parliament. Charging for statutory services and making a profit on charged for services will not be within the GPC and such commercial services will only be able to be provided through a company. In theory the GPC replaces the common law 'ultra vires' rule under

¹ The irony that the power was contained in the Localism Act that actually kept over 140 powers back for the Secretary of State to intervene in local authorities should not however lead to a dismissal of its importance.

which local authorities can only do those things which legislation allows.

5. Although GPC is still relatively new, the Local Government Association (LGA) has said that it has given LAs the confidence to work in new ways and develop new services and partnerships. Equally, councils recognise the constraints on the use of GPC in practice, including:
 - the requirement of a company structure (precluding the use of community interest companies);
 - limitations on charges (discretionary services only, and no surplus permitted); and
 - the time taken to check for pre- and post commencement limitations (whereby a specific power may be identified anyway).
6. A survey by the magazine Local Government Lawyer and Freeth Cartwright (December 2013) found only 6% of councils said GPC had made 'a significant positive difference'. 45% said it made a 'slight' positive difference, and the remaining 49% said it made no difference. A series of case studies are set out in **Appendix A**.
7. Local authorities are able to rely upon the new general power in respect of charging and trading but certain conditions must be met. Local authorities can charge up to full cost recovery for discretionary services - that is those that they are not required to provide to a person, where that person has agreed to the services being provided. Like Section 93 of the Local Government Act 2003 there is a duty, within the Localism Act, to secure that "taking one financial year with another, the income from charges.....does not exceed the cost of provision", i.e. limited to cost recovery.
8. A substantial difference between the previous provisions under the Local Government Act 2003 and the new general power is that whilst section 93 of the 2003 Act only gives a power to charge 'where there is an existing power to provide a service' Section 3 of the Localism Act is not subject to that restriction – because councils can rely upon the general power of competence. The use of charging in this context is subject to certain provisions which are that:
 - a. the service is not one which the authority is required to provide by statute;
 - b. the person has agreed to its provision; and
 - c. (if section 3(2)) and section 93 of the Local Government Act 2003 - "the 2003 Act" – are left out of account), the authority would not otherwise have a power to charge for the service.

Conclusion

9. Experience in England suggests that the use of the power of General Competence remains limited not least because the boundaries of that

legislation are yet to be tested by case law. Whilst it is anticipated that the new general power will reduce the number of challenges and judicial reviews (reducing the effect of the uncertainties created by the LAML judgment) the situation remains unclear in key areas (for those with an appetite for the complexities of this judgement and the application of Teckal the following link provides a useful summary). <http://publicsectorblog.practicallaw.com/teckal-in-the-uk-following-the-laml-decision/>

10. As a result, discussions with Monitoring Officers in Wales suggest some nervousness about initial reliance upon the new general power.
11. Mo Baines who leads on the GPC for APSE has argued further that *"the power must be seen to be in line with ordinary principles of public law. The doctrine of 'ultra vires' remains and local authorities still have a fiduciary duty to local taxpayers not to act in an irresponsible or risky way and therefore, how the new general power is exercised, will be potentially subject to challenge through judicial review. As with previous restrictions on commercial trading through a company APSE would point out that the formation of a company for these specific purposes can be time consuming and cumbersome to set up. Companies should only be considered after a full market assessment, taxation and market analysis. However local authorities could put to great effect better use of charging powers to realize additional income (in a sensible and sensitive way) for example through selling services to the public or private sector to help balance budgets, improve productivity and maximize the use of assets and human resources. The new general power should help to alleviate, for English local authorities, any previous uncertainties about the powers to charge for certain non-statutory services"*.
12. The fact is that in some English authorities the GPC does seem to be playing the role of a 'comfort blanket' for those authorities that have otherwise been very cautious in their approach to innovative solutions, to take forward service transformation plans with charging as part of that service improvement strategy. The issue in Wales is to frame legislation is to learn from the English experience and put in place a legislative approach around the GPC which is more empowering and less subject to legal dispute.
13. The other issue is not to see the GPC as a "silver bullet". Case law remains unclear and as Tim Kerr QC has argued -
 14. *"The usual public law constraints (rationality, relevant considerations, procedural fairness, disregard of irrelevant considerations) will be applied by the courts to exercise of the power of general competence, even though an "individual" in the private sphere is not subject to them. An individual may justify a decision not by appealing to reason but by reference to "the power of intuition, the supra-logic that cuts out all routine processes of thought and leaps straight from problem to answer"*.

15. *Local authorities exercising the new general power would **not** be well advised to emulate such behaviour, nor to rely on intuition when defending any judicial review challenges. The familiar public law constraints are now so firmly embedded in the law that express words would be needed to exclude them and the equation with an "individual" is not itself sufficient to do so: an individual is not invested with heavy statutory responsibilities including stewardship of public funds".*
16. Bearing in mind these caveats it is vital that Welsh councils are given renewed confidence in their powers to continue this work to improve efficiency, for example through joint arrangements, in particular to provide back office and support services which may be defined as 'incidental' in law to their primary functions. Challenges such as climate change and energy security, changes in the make-up of the population, economic change, and technological developments, make it vital councils can take reasonable risks, and provide new services.
17. There is a welcome commitment by Welsh Government in the LG Mergers and Reform Bill to legislate to create a power of general competence for local government. It is anticipated that this would contribute to councils' confidence in their powers to tackle in new ways the challenges their communities face. It is important therefore to gain a full understanding of the limitations but also the considerable possibilities inherent in this approach.

Recommendations

18. Members are asked to:

- a. Consider a national training event on using the General Power of Competence, jointly with the Welsh Government;**
- b. Consider what further steps might be needed to support its use across the Welsh Government and continue to lobby for limited reserve powers in its legislative roll-out.**

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Appendix A

CASE STUDIES

Newark and Sherwood – Small Business Fund

Newark and Sherwood council chief executive Andrew Muter has argued that the "general power of competence provides a new stimulus to be innovative".

In his council it had become clear that small businesses were struggling to access finance for future growth. In response the council set up a £2m fund to address the problem.

The fund is managed by local people with business and financial experience who take individual lending decisions. Councillors set the lending policies and monitor the fund's performance. Since March, the fund has made three loans with more to come.

Essex County Council - Essex Cares.

Essex was the first local authority to set up a traded service focusing on social care. 850 staff moved across from the council to the new organisation, which was set up as an independent company owned by its shareholders. It offers support in the home and the community. It made a profit of £3-3.5 million last year, which was reinvested in the service and has reduced the cost of services for self-funders. It has been very successful from an organisational perspective: absenteeism is down, the turnover of staff has slowed and user satisfaction is now at 99 per cent

Breckland and South Holland – Charging for Services

Breckland has recently used the GPC (in conjunction with other legislation such as the Local Government Act 2003) to provide the legal justification for a scheme to charge for the provision of new and replacement wheeled bins. Both councils see scope for further use of the power. Breckland and South Holland District Councils have a shared management team and see increasing scope to apply the GPC. Breckland's policy to charge for the provision of new and replacement wheeled bins is intended to both help recover the costs of the service and to promote further recycling. They needed to design the scheme so that the council retained ownership of the bins to best manage the waste management stream whilst still securing users agreement to a discretionary service. Both councils have participated in energy switching schemes. There will be increasing scope to apply the GPC as the councils develop radical transformation plans in response to the challenging financial environment and both will continue to foster the entrepreneurial approach from members and officers that this will require.

Sevenoaks District Council - Swanley petrol station and convenience store

The council has been pouring millions of pounds into investment properties in a programme to secure self-sufficiency as RSG ends. Their latest purchase is the second major investment in Swanley.

The property, a garage and convenience store situated on the High Street, was bought for £2.45 million today and is expected to pay for itself within ten years, the council says.

The property is currently let to the Co-Operative Group on a 15 year lease.

The council claim the property will create a steady income, which they will reinvest into council services. Council leader Peter Fleming said the site was in a key position on the town's high street and the council obtained an independent valuation on the property before buying it.

"This opportunity presented as an excellent investment in our bid for self-sufficiency, with a guaranteed long term tenant. The Co-Operative group turned over £9.4 billion last year with a like for like sales growth in their convenience store business of 3.2%."

Agenda Item 4.2

Mark Drakeford AM/AC

Ysgrifennydd y Cabinet dros Gyllid
Cabinet Secretary for Finance

Y Pwyllgor Cydraddoldeb, Llywodraeth Leol a Chymunedau
Equality, Local Government and Communities Committee
ELGC(5)-34-17 Papur 2 / Paper 2



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref

Simon Thomas AM
Chair
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21 November 2017

Arwngl Siôn.

Ahead of this week's Budget scrutiny session at Finance Committee, I wanted to set out my intention to restructure the draft Budget 2018-19 in accordance with the new Ministerial portfolios following the Cabinet reshuffle.

Both the outline and detailed draft Budget proposals – published on October 3 and 24 respectively – reflect the structure of the Welsh Government Ministerial portfolios at the time.

In order to provide full transparency of the Welsh Government's Budget and our spending plans, it is my intention to restate the Main Expenditure Group (MEG) BEL tables, which were published as part of the detailed spending proposals on October 24, in line with the new portfolio structures.

This will be a purely administrative exercise to regularise changes to the new structures and Ministerial portfolios. In restating the budget tables, we will provide a reconciliation between those published in October and the new structures. As part of this exercise, we will also restate the 2017-18 Budget position to support the scrutiny of the Second Supplementary Budget later this financial year.

The revised MEG BEL tables are currently being reviewed by Cabinet Secretaries and Ministers. I will publish the tables ahead of the draft Budget debate on 5 December.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

Pack Page 46

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

I am copying this letter to the Chairs of the policy committees.

In gyroir,
Mark

Mark Drakeford AM/AC
Ysgrifennydd y Cabinet dros Gyllid
Cabinet Secretary for Finance

Agenda Item 4.3

Alun Davies AM, Cabinet Secretary for Local Government and Public Services;

Julie James AM, Leader of the House and Chief Whip;

Rebecca Evans AM, Minister for Housing and Regeneration

Y Pwyllgor Cydraddoldeb, Llywodraeth Leol a Chymunedau
Equality, Local Government and Communities Committee
ELGC(5)-34-17 Papur 3 / Paper 3

16 November 2017

Dear Alun, Julie, Rebecca

Scrutiny of the Welsh Government draft budget 2018–19

Thank you for attending the Committee's meeting on 15 November to give evidence on the draft budget. Following the meeting I am writing to you on the issues that were not reached during the session, to inform our scrutiny of the draft budget.

In the interest of saving time, I am writing one letter to include all of the questions not reached. I would be grateful to receive one co-ordinated response.

Local Government MEG

Inspectorates:

- Could you explain your decision to reduce the allocation for the three inspectorates (CSSIW, HIW and Estyn) within the MEG by 2.3% in cash terms in 2018–19 and 5.4% in 2019–20?

Specific grants:

- What consideration did you give to transferring other grants that currently sit outside the RSG?



- Are you considering allocating grants in the RSG in the future at the level seen this year? [£91.7 million worth of grants have been included in the RSG for 2018–19]

Council Tax and Council Tax Reduction Scheme

- Can you confirm that funding for the CTRS will be maintained at the existing level for 2019–20?

Local Government reserves

- What is your view on the WLGA’s concerns that the costs attributable to the workforce are likely to result in further cuts to frontline services? [In its paper the WLGA highlights workforce costs as a key cost pressure. It refers to the “inescapable costs attributable to the workforce” and states that, if realised, these will result in “inevitable cuts to frontline services”.]

Communities MEG

Financial inclusion and advice services

- How the Financial Inclusion Delivery Plan and Information and Advice Action Plan has influenced the draft budget allocations?
- How much additional funding has been allocated to the Asylum Rights Programme to address the issues raised in the Committee’s inquiry around improvements to legal advice, health screenings and mental health support?
- When the provisions in the UK Government’s Financial Guidance and Claims Bill regarding devolving funding for debt advice are expected to take effect?

Third sector:

- ‘Prosperity for all’ includes a commitment to ‘build a sustainable relationship with the voluntary sector [based on] the right funding model’- what does this mean and how is it reflected in your allocations?



Community Facilities Programme

- How will you ensure that the additional investment in the Community Facilities Programme provides value for money?

Community safety

- How much was the Violence Against Women, Domestic Abuse And Sexual Violence (Wales) Act estimated to cost the Welsh Government when it was passed in 2015, and how much has it actually cost per year, and why there are any differences?
- What are your views on Charlie Taylor's Review of the Youth Justice System in England and Wales, particularly the recommendation to roll funding for youth justice services into local government funding?

Supporting People

- What progress has been made in ensuring that funding for Supporting People is distributed on the basis of need, and what impact merging grants will have on this?

Housing supply and standards

- What evaluation has been undertaken of the Housing Finance Grant in terms of value for money?

Legislation

- Given over one million people will be affected by the implementation of the Renting Homes (Wales) Act 2016, what assessment has been made of the costs required to communicate the changes to affected parties?

We would appreciate if you could provide a response by the close of business on Thursday 23 November.

Yours sincerely



John

John Griffiths AM

Chair

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.



Alun Davies AC/AM
Ysgrifennydd y Cabinet dros Lywodraeth Leol a Gwasanaethau
Cyhoeddus
Cabinet Secretary for Local Government and Public Services



Julie James AC/AM
Arweinydd y Tŷ a'r Prif Chwip
Leader of the House and Chief Whip

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Rebecca Evans AC/AM
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John Griffiths AM
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27 November 2017

In response to your letter of 16 November 2017, we are pleased to provide you with the additional information you requested following our attendance at the Equality, Local Government and Communities Committee on 15 November 2017.

LOCAL GOVERNMENT MEG

Inspectorates

Could you explain your decision to reduce the allocation for the three inspectorates (CSSIW, HIW and Estyn) within the MEG by 2.3% in cash terms in 2018-19 and 5.4% in 2019-20?

The reductions to the allocations of the three inspectorates are consistent with the reduction to Welsh Government running costs. It is important that these bodies are required to make the same level of efficiency savings as other parts of Welsh Government. This is not to underplay the important roles these bodies play.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

Pack Page 52

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

The inspectorates are already taking action to secure efficiencies and target their resources more effectively. This will mitigate the impact of these budget reductions and ensure these inspection services continue to provide the necessary assurance that absolute priority is given to the safety of people using our services.

Specific grants

What consideration did you give to transferring other grants that currently sit outside the RSG?

I will be encouraging my Cabinet colleagues to continue to review the grants within their portfolios. As a Cabinet, we agree that the available funding should be managed as efficiently as possible to minimise the costs of administration and maximise the funding reaching frontline services. This includes looking at opportunities to amalgamate or streamline the relevant grants as well as considering the option of transferring them into RSG.

For the 2018-19 Draft Budget, the then Cabinet Secretary for Finance and Local Government looked at all specific grants across all Ministerial portfolios, with a view to seeking the transfer of as many of these as appropriate into the settlement, in order to free up funding that is currently used in administering the grants and to increase flexibility for local authorities across the funding streams.

The WLGA referred in its evidence to the Wales Audit Office's estimate of the potential for up to 10% administrative savings that could be realised through dehypothecation.

In addition to the funding transferring into the settlement, policy areas are also aggregating existing grants with a view to reducing administration and providing greater flexibility.

Are you considering allocating grants in the RSG in the future at the level seen this year? [£91.7 million worth of grants have been included in the RSG for 2018-19]

Local Government has continually asked for the dehypothecation of specific grants and, in line with the direction of travel of previous Ministers, I will be looking to work with my Cabinet colleagues to transfer further funding into the settlement in the future. This will involve looking in detail at the funding currently delivered through specific grants and assessing the most appropriate delivery mechanism to provide the desired outcomes.

Council tax and council tax reduction scheme

Can you confirm that funding for the CTRS will be maintained at the existing level for 2019-20?

The Cabinet Secretary for Finance announced the plans for the council tax reduction scheme on 9 October. We intend to maintain full entitlements to support for eligible households for 2018-19. There are no plans to reduce the support for low-income households. We will be looking at the longer term options for the scheme as part of the work to meet our commitment to make council tax fairer.

Local government reserves

What is your view on the WLGA's concerns that the costs attributable to the workforce are likely to result in further cuts to frontline services? [In its paper the WLGA highlights workforce costs as a key cost pressure. It refers to the "inescapable costs attributable to the workforce" and states that, if realised, these will result in "inevitable cuts to frontline services".]

The UK Government policy on public sector pay has created real and significant issues for local government staff and their families. Governments across the UK have a responsibility to treat public servants with fairness and equity. This must be funded by the UK Government.

The Welsh Government's priority continues to be to protect public services from the worst effects of austerity. This includes working with local government to protect vital frontline services such as schools and social care. However, reform is essential if local authorities are to be financially resilient and able to maintain and improve the quality of services to meet the needs of the citizens of Wales into the future. This is not just about money, it is also about a new way of working. We want to build resilience and support renewal in local government so that it is representative, efficient, effective, prudent, resilient and integrated.

COMMUNITIES

Financial inclusion and advice services

How the Financial Inclusion Delivery Plan and Information and Advice Action Plan has influenced the draft budget allocations?

The actions set out in the Financial Inclusion Delivery Plan and Information and Advice Action Plan (both published in December 2016) focus on tackling financial exclusion and ensuring strong and well integrated advice services. Both have strongly influenced the draft budget allocations.

Financial Inclusion has a vital part to play in improving the well-being of people living in Wales by, for example, giving them access to affordable finance and access to trusted and independent information and advice services. These are central to giving everyone in Wales a fair chance in life, by helping them to understand and exercise their rights and make informed choices.

We know from Citizens Advice and others that the full service roll-out of Universal Credit will place further challenges on our most vulnerable people. Many may find themselves at crisis point, so an additional £1m has been included in next year's budget to ensure we can continue to provide support to those who need it most.

At Annex 2 you will find a copy of the letter sent by the Minister for Housing and Regeneration to the Secretary of State for Work and Pensions on 7 November 2017 on the subject of Universal Credit.

How much additional funding has been allocated to the Asylum Rights Programme to address the issues raised in the Committee's inquiry around improvements to legal advice, health screenings and mental health support?

The Asylum Rights Programme (ARP) is funded through the Welsh Government's Equality and Inclusion Programme 2017-20. The ARP is delivered by a Welsh Refugee Council led consortium which includes Tros Gynnal Plant, EYST, Bawso, Asylum Justice, City of Sanctuary and Displaced People in Action. The new service commenced on 1 April 2017 for a period of 3 years, and has an indicative value of £1.065m.

This figure is an increase of £225k over three years on the amount originally allocated for this programme. The increase was agreed by the former Cabinet Secretary for Communities and Children in 2016, following engagement with stakeholders. The budget for the ARP has not been increased further following the publication of the Committee's report. However, the programme is now being shaped in the light of that report to ensure that resources are targeted as far as possible to address issues highlighted by the Committee, where the ARP is the best means to do so, alongside other provision.

The pan-Wales programme is inclusive of all asylum seekers and refugees in Wales as well as those in the four dispersal areas (Cardiff, Wrexham, Newport and Swansea). The ARP focuses on practical support issues, including advice with asylum claims, helping people to avoid destitution, access to health care and counselling, and encouraging integration. This joined-up approach helps to maximise the considerable contribution of community organisations in supporting refugees and asylum seekers.

The Welsh Government is working with stakeholders including local government, health services and the Welsh Refugee Coalition to develop a new refugee and asylum seeker delivery plan, with reference to the Equality, Local Government and Communities Committee report, "I used to be someone." As part of that work, officials are reviewing what more can be done to support refugees and asylum seekers.

We recognise the need for support in relation to physical and mental health but the Asylum Rights Programme is not the most appropriate means of providing this. We will work with the Cardiff Health Access Practice (CHAP), the UK Government and the asylum accommodation provider to ensure asylum seekers receive appropriate health appointment reminders.

The Welsh Government has recently published a mental health care pathway through Welsh Health Circular (2007) 009. We have recently made £40,000 available to support local health boards to train child and adolescent and adult mental health clinicians in treating PTSD in child and adult refugees and asylum seekers and have published a mental health care pathway to support more efficient and effective diagnosis and treatment.

The UK Government has recently indicated that it wishes to invest in training around these issues for front line staff in local authorities, aiming to develop a consistent UK-wide approach. We are in discussion with the Home Office, Wales Strategic Migration Partnership and Welsh Local Government Association, regarding what would be appropriate for Wales.

When the provisions in the UK Government's Financial Guidance and Claims Bill regarding devolving funding for debt advice are expected to take effect?

It is expected that the devolved debt advice funding will take effect from April 2019, but it is possible it could take effect sooner, possibly in late 2018 early 2019. My officials continue to work closely with Her Majesty's Treasury and DWP officials on this. We have emphasised the need to be involved in Transition Groups in advance of the Single Financial Guidance Body being established.

Third sector

Prosperity for all includes a commitment to 'build a sustainable relationship with the voluntary sector [based on] the right funding model'. What does this mean and how is it reflected in your allocations?

Prosperity for All refers to the need to consider carefully which funding model best suits effective outcomes, while being sensitive to the challenges many voluntary sector organisations face. Short term funding, insufficient notice of continuation or cessation of funding are all issues which can have a negative impact on the sustainability of third sector organisations. Procurement by public services rather than grant funding can also have an impact on smaller third sector organisations.

The right funding model will vary depending on the desired outcome and it is important funders think carefully about this. The Code of Practice for Funding the third Sector includes a sections advocating careful consideration of the right model.

Funding for the Third Sector Partnership Council is included in the support for volunteering and the voluntary sector support budget and we will work with the Third Sector Partnership Council and WCVA to identify the issues around sustainability of funding for the third sector.

Welsh Government are not the only funders of third sector organisations and alongside the work of the Partnership Council, my officials are working with stakeholders to prepare guidelines on local Compacts between local authorities and third sector organisations which will support sustainable funding.

Community Facilities Programme

How will you ensure that the additional investment in the Community Facilities Programme provide value for money?

As part of the assessment process, applicants are asked to evidence the anticipated costs, providing three business quotes, with an explanation of the reasons for their preferred choice. We also ask they demonstrate need, community support, long-term sustainability, as well as, where possible, match funding towards the total costs of the proposed project. In this way we look to achieve the balance between supporting projects that have great potential to improve opportunities within communities, against the need to protect the public purse.

Community safety

How much was the Violence Against Women, Domestic Abuse And Sexual Violence (Wales) Act estimated to cost the Welsh Government when it was passed in 2015, and how much has it actually cost per year, and why there are any differences?

The estimated total cost of the Violence Against Women, Domestic Abuse and Sexual Violence (Wales) Act was £1,406,800 over four years (2014-2015 to 2017-2018). The actual cost of the Act, without staff costs, is approximately £927,292 (including allocated funding for this financial year). These costs include development and delivery of the National Training Framework, Ask and Act, and the recruitment and role of the National Adviser.

Spend on the National Training Framework was higher than forecast in 2014-2015. Opportunity to utilise funding from elsewhere in the VAWDASV budget was taken to speed up delivery of the Framework and begin detailed development of particular parts of it.

Early adoption of “Ask and Act” began in 2015-2016 and a phased national rollout of “Ask and Act” has been undertaken, rather than full national rollout as forecast in the RIA. This has led to less spend on this policy per year than forecast. The reason for the phased roll out is:

- to ensure the learning of early adoption informed future work;
- to support relevant authorities to adopt “Ask and Act” at the same time as they regionalise service delivery; and

- to support relevant authorities to adjust to the requirements of legislation being adopted alongside other legislation (Social Services and Wellbeing Act and the Wellbeing of Future Generations Act).

What are your views on Charlie Taylor's Review of the Youth Justice System in England and Wales, particularly the recommendation to roll out funding for youth justice services into local government funding?

We continue to engage with the Ministry of Justice as they take forward the Youth Justice Reform Programme across England and Wales. Any change in the funding formula to the Youth Offending Teams in England will invariably have an impact in Wales.

In principle, we would support any recommendation to provide local authorities with greater flexibility proposed with the Charlie Taylor review. We would however need to consider carefully any change in policy as any change in funding cannot be looked at in isolation from the policy particularly within the non-devolved context.

Separate negotiations would be required regarding any change in funding arrangements and/or transfer of funds as an identical approach which may be developed for England cannot be assumed to be suitable within Wales. Officials will therefore continue to liaise closely with MOJ officials on all aspects of the reform particularly where there are impacts on devolved services.

Supporting People

What progress has been made in ensuring that funding for Supporting People is distributed on the basis of need, and what impact merging grants will have on this?

The Aylward Review proposed redistribution for Supporting People funding and this was progressing until budget reductions required the work to be paused. This pause was proposed by the Supporting People National Advisory Board, at which key stakeholders are represented, and accepted by Welsh Ministers. The Supporting People budget has been flat lined since 2015-16 no further work on redistribution has taken place since. If budgets are merged the amount going to each local authority will equate to this year's allocation.

In 2018-19 the terms and conditions for SP for the pathfinder authorities will remain broadly as per this year; Local Authorities will be held to account in the same way and expected to deliver the same outcomes.

We have committed to working with pathfinder and other stakeholders to ensure that if the decision is made to move to a single combined grant it is supported with suitable terms, conditions and accountability that ensures the combined grant continues to deliver the desired outcomes. This work with stakeholders has already commenced.

Housing Supply and Standards

What evaluation has been undertaken of the Housing Finance Grant in terms of value for money?

Each scheme approved under the Housing Finance Grant is required to meet the Welsh Government criteria on value for money which is published in our Acceptable Cost Guidance Figures. The Housing Finance Grant has an additional value for money measure in relation to how it is calculated. The borrowing rate for individual Registered Social Landlords is used. However, the rate is capped by Welsh Government in order to ensure value for money. The cap was determined as the best price that could be achieved in the market at the time the funding was sourced.

Legislation

Given over one million people will be affected by the implementation of the Renting Homes (Wales) Act 2016, what assessment has been made of the costs required to communicate the changes to affected parties?

In line with the Explanatory Memorandum that accompanied the Bill, the Welsh Government has allocated a total of £160,000 to the cost of communicating the changes to tenants, landlords and other stakeholders. £100,000 has been allocated in 2018-19 in preparation for implementation, with £20,000 in each of the following three years to continue to promote awareness and understanding.

A broad range of social and private landlords sit on our Renting Homes Stakeholder Group, together with tenant representatives and organisations such as Shelter Cymru and Citizens Advice. We will continue to engage closely with our stakeholders regarding implementation, including ensuring joined-up arrangements for communication.

Action points from the Scrutiny Committee

On 17 November, the Clerk of the Committee wrote to you with six action points. These were:

- The overall reserve figures for all local authorities for 2017 (please see response at **Annex 1**);
- An analysis of the reserves drawn upon by local authorities over the last few years (please see response at **Annex 1**);
- Detail of the terms of the specific grants to focus on homelessness, within the communities and children MEG;
- Any further information about the new publicly funded Gypsy and Traveller sites to be delivered in 2018-19, when available;
- The findings from the future analysis of data collected on all home adaptations, when available; and,

- The money allocated to the enforcement of Rent Smart Wales and, specifically, what it will be used for.

Detail of the terms of the specific grants to focus on homelessness, within the communities and children MEG

We are not yet able to provide the detailed terms of each of the grant programmes for 2018-19 as these are now under development, however, the primary focus will be on prevention of homelessness.

Other objectives to be pursued via the additional funding are expected to include sharpening the focus on ending youth homelessness, reducing rough sleeping, strengthening mental health responses and improving access to the private rented sector.

Any further information about the new publicly funded Gypsy and Traveller sites to be delivered in 2018-19, when available

Each year the Welsh Government undertakes at least one open bidding round for local authorities to apply for the Gypsy and Traveller Sites Capital Grant. The next bidding round will open in the coming weeks and conclude at the end of February 2018. Grant awards will be made in April 2018 for projects beginning in the 2018-19 year. We will write to you in April to notify you of the successful projects.

A site extension project in Gwynedd and a major site refurbishment in Pembrokeshire have already been approved for the 2018-19 financial year, as these projects have already begun.

Between 2017-21, we expect to have funded between 150-200 new pitches, with the remaining identified demand of 70-120 pitches being met by private site development. We know that the majority of Gypsies and Travellers would rather develop their own private sites but this is not always affordable. In 2017-18 alone, we know that 36 private pitches have received planning permission. Therefore, we are confident that our projected budget and the Housing (Wales) Act 2014 duties to support site development will fully meet demand.

The findings from the future analysis of data collected on all home adaptations, when available

We have received a considerable number of individual feedback reports relating to adaptations undertaken through our programmes. We are currently working to codify and analyse the rich data they provide.

Once this exercise has been completed we can, over time, use the information to inform our policy development, assess what constitutes a small, medium or large adaptation, how quickly the adaptation should be delivered, how the process should work, and, identify and address any bottlenecks in the delivery system.

The money allocated to the enforcement of Rent Smart Wales and, specifically, what it will be used for

Enforcement against non compliance with Rent Smart Wales is, in the main, funded by the fees payable for registration and licensing. The £275,000 being made available in 2018-19 helps with the continued promotion of the legislation. This money will be spent in a variety of ways. Some local authorities use the resource to pay for local advertising and mailshots, reminding agents and landlords of their obligations, and also notifying tenants how to check their landlord and/or agent is properly registered and/or licensed. Others will use the money to make direct contact with landlords and agents either by personal visits by staff or holding landlords and agents' forums.

We trust these address the additional points raised.



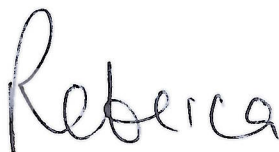
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Ysgrifennydd y Cabinet dros Lywodraeth Leol a Gwasanaethau Cyhoeddus
Cabinet Secretary for Local Government and Public Services



Julie James AC/AM

Arweinydd y Tŷ a'r Prif Chwip
Leader of the House and Chief Whip



Rebecca Evans AC/AM

Y Gweinidog Tai ac Adfywio
Minister for Housing and Regeneration

LOCAL AUTHORITY RESERVES

Issue

1. To provide an analysis of the reserves held by Welsh local authorities based on the position as at 31 March 2017.

Reserves Latest position – Summary

2. The data is sourced primarily from the local authority submissions for the Whole of Government Accounts (WGA) 2016-17 (excluding Police, Fire & National Parks). This provides the recorded position on local authority reserves as reflected in the authorities' audited statutory accounts.
3. Welsh local authorities held reserves totalling around £1.4 billion at the end of March 2017. Of this figure, £74 million was ring-fenced for use for housing purposes, £180 million and £56 million were restricted for use on capital expenditure in capital receipts and unapplied grants respectively.
4. Of the remaining £1.1 billion reserves, £46 million was held by schools and not available for general use by the authorities, £859 million was in earmarked reserves and £200 million in unallocated or general reserves.
5. Compared with the previous year, schools reserves have reduced by **£18 million**, earmarked reserves have **reduced** by **£15 million** and unallocated reserves by **£9 million**.
6. **Table 1** provides details of usable reserves as at 31 March 2017 for each local government body in Wales (including Police and Fire). In line with previous arrangements this is published on the Welsh Government website.
7. The advice from the Chartered Institute of Public Finance and Accounting (CIPFA), the main body supporting the local authority finance profession, advises that each local authority, on the advice of their finance directors, should make their own judgements on such matters taking into account all the relevant local circumstances.
8. Balances and reserves are the subject of CIPFA guidance and form part of authorities' consideration in terms of budget-setting and implementing the prudential system.
9. It is the responsibility of each Finance Director to advise his or her authority on the levels it should hold. In order to assess the adequacy of reserves the Finance Director should consider the strategic, operational and financial risks facing the authority.

Earmarked Reserves

1. Earmarked reserves are allocated for future identified major costs, for example, for a future construction project like a new school, insurance liabilities or a large legal case pending. It is important for local authorities to have a clear protocol setting out a process and timetable to review earmarked reserves to ensure continuing relevance and adequacy.
2. Compared to the previous year, twelve authorities reduced their levels of earmarked reserves held by a combined amount of £52 million. In percentage terms, **Pembrokeshire** and **Blaenau Gwent** saw the greatest reductions, of 29% and 39% respectively.
3. This amounts to a reduction of £20 million during 2016-17 in Pembrokeshire which has been used predominately to fund their 21st century schools programme.
4. Blaenau Gwent earmarked reserves reduced by £4 million during 2016-17 to £6.5 million representing 3.7% of gross revenue expenditure for 2016-17 compared to the Wales average of 12.2%.
5. **Torfaen** have reduced their earmarked reserves by 63% since March 2012 and at just £5.3 million are currently the lowest of all councils. However over the same period their general reserves have increased by 81% amounting to £10.2 million which makes them the only council to have levels of general reserves higher than their earmarked reserves.
6. Similarly **Monmouthshire** earmarked reserves have reduced by 58% since March 2012 and at £7.8 million represents 4.4% of gross revenue expenditure for 2016-17 compared to the Wales average of 12.2%.
7. The remaining ten authorities increased or maintained their earmarked reserves by a combined total of £37 million. The most significant increases were seen in **Bridgend** and **Carmarthenshire** of £7.5 million and £8 million respectively.
8. Modest increases were seen in the **Vale of Glamorgan** and **Newport** compared to the previous year. However this follows a pattern of incremental increases over a number of years and when aggregated, levels since 2012 have actually increased by £27 million in the Vale of Glamorgan (66%) and £28 million in Newport (50%). At 31 March 2017, Vale of Glamorgan earmarked reserves were £69 million which amounts to 25% of gross revenue expenditure for 2016-17 and Newport earmarked reserves were £84 million amounting to 23% of gross revenue expenditure, compared to the Wales average of 12%.
9. **Rhondda Cynon Taff** has increased its level of earmarked reserves and at £126 million are currently the highest of all councils representing 22% of their gross revenue expenditure.

General Reserves

10. This is a working balance to help cushion the impact of uneven cash flows to avoid unnecessary temporary borrowing and to provide a contingency to cushion the impact of unexpected events or emergencies.
11. Compared to the previous year, ten authorities increased their levels of general reserves by a combined amount of £14 million. Two authorities increased by more than 40%; **Caerphilly** by £5.2 million (41%), and **Conwy** by £2.3 million (95%).
12. Eight authorities reduced their levels by a combined amount of £23 million and four authorities, continued to maintain the same level of general reserves as the previous year.
13. General reserves held by local authorities as a percentage of their budgeted gross revenue expenditure for 2016-17 range from 5.7% in **Neath Port Talbot** to 1.8% in **Cardiff**.

Schools Reserves

14. Compared to the previous year, twenty authorities saw a reduction in the reserves held by schools. The greatest reductions were seen in Denbighshire where levels reduced by £2.6 million to a negative balance of £1.1 million and in Powys where levels reduced by £2.4 million to less than £10k.

Table 1
Local Authority Reserves

Reserves

	USABLE RESERVES						TOTAL USABLE RESERVES
	General or Unallocated Reserves	HRA Balance	Capital Receipts Reserve	Schools Reserve	Capital Grants Unapplied Account	Other Earmarked Reserves	
<i>carried forward at 31 March 2017</i>							
County & County Borough Councils	£m	£m	£m	£m	£m	£m	£m
Anglesey	8.4	7.5	0.0	2.1	0.0	13.4	31.3
Blaenau Gwent	6.2	0.0	8.4	0.5	0.5	6.5	22.1
Bridgend	8.0	0.0	21.4	0.9	0.2	50.3	80.7
Caerphilly	17.8	16.8	11.5	2.3	9.8	62.2	120.6
Cardiff	14.3	12.5	7.2	4.2	0.0	55.1	93.3
Carmarthenshire	9.3	14.0	15.0	1.7	0.6	74.1	114.7
Ceredigion	5.0	0.0	5.8	1.7	1.0	13.4	26.9
Conwy	4.8	0.0	2.5	3.2	1.0	13.2	24.8
Denbighshire	7.5	2.5	4.8	-1.1	3.8	30.3	48.0
Flintshire	11.2	1.6	10.7	1.6	4.0	18.8	47.8
Gwynedd	6.9	0.0	2.9	2.9	1.0	43.6	57.3
Merthyr Tydfil	5.2	0.0	0.0	1.0	0.0	16.1	22.2
Monmouthshire	7.1	0.0	19.2	0.3	0.0	7.8	34.3
Neath PT	19.7	0.0	5.6	2.8	7.9	28.8	64.8
Newport	6.5	0.0	11.7	4.8	0.0	84.1	107.2
Pembrokeshire	7.0	0.8	2.1	1.3	0.0	48.8	59.9
Powys	8.7	1.8	15.4	0.0	1.0	28.3	55.2
RCT	10.7	0.0	1.4	2.1	8.6	126.1	148.9
Swansea	12.4	9.8	6.1	7.6	14.9	48.2	98.9
Torfaen	10.2	0.0	6.3	2.1	0.1	5.3	24.1
Vale of Glam	5.9	1.0	9.8	2.3	0.7	68.5	88.2
Wrexham	7.0	6.0	11.9	1.6	0.7	16.2	43.6
All County & County Borough Councils	199.8	74.4	179.7	46.0	55.9	859.0	1,415

Source: Whole of Government Accounts 2016-17 Cycle 2 returns

Previous years publications can be found at
<http://gov.wales/topics/localgovernment/finandfunding/whole-government-accounts/publications/whole-government-accounts-reserves/?lang=en>

Rebecca Evans AC/AM
Y Gweinidog Tai ac Adfywio
Minister for Housing and Regeneration



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref IM/RE/01107/17

The Rt. Hon David Gauke MP
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7 November 2017

Dear David,

Thank you for your letters of 11 October and 17 October to Carl Sargeant AM, the former Cabinet Secretary for Communities and Children, regarding the roll out of Universal Credit and your plans for supported housing, respectively. Following the Welsh Government's Ministerial changes on 3 November I now have, as part of my portfolio responsibilities, Housing and Welfare Reform. I am responding to you on these two matters.

Universal Credit

Since your letter of response to the former Cabinet Secretary for Communities and Children explaining your decision to proceed with the accelerated roll out of Universal Credit, a number of refinements have been announced including making the Universal Credit call line free from this month, which I welcome. However, I consider that there is still much more that needs to be urgently addressed in order to fix the operational problems and difficulties which many of our most vulnerable people are currently experiencing.

The National Assembly for Wales held a Plenary debate on the UK Government's Welfare Reforms and Universal Credit on 25 October. They agreed that we express our concerns to the UK Government about the roll out of Universal Credit, with emphasis on the devastating impact this is having on vulnerable families including increased anxiety, debt, homelessness and mental ill-health which in turn is putting significant pressure on our devolved public services. I therefore urge you to take note of the National Assembly for Wales' views, to reverse the UK Government's damaging cuts to welfare, to halt the Universal Credit roll-out in Wales, and to address the fundamental concerns being raised with regard to it.

I am aware of concerns raised with you by the Work and Pensions Committee on 18 October, and in their interim report published on 26 October relating to the six week waiting period for Universal Credit claimants' first payment. You explained in your response that despite early "teething problems", you were content for the roll out of Universal Credit to proceed.

However, your evidence contradicts the actual experience of some Universal Credit claimants, and does not concur with the findings of the Work and Pensions Committee, as set out in the written and verbal evidence.

I recognise that in order to help claimants while waiting for their first payment, you have provided revised guidance to your Work Coach staff in Job Centres to offer people a 50% advance, or a fast-track interim payment. My officials within the supporting people teams, and also across our National Advisory network, are relaying this message to ensure that people in need can access these advance payments. However, this cannot be considered as a permanent solution, as it is only a loan. The loan repayment has a knock on effect on a claimant's future ability to cover living expenses and this can lead to additional borrowing from elsewhere, including loan sharks.

As I understand it, there are three specific aspects to the first payment: the 7 day waiting period in which claimants are not eligible for Universal Credit; the one calendar month's assessment period, during which the claimant's income is assessed to determine their first payment; and the 7 day processing of the claim. In addition to pausing the roll out of Universal Credit, I request that you consider ways to reduce this waiting period for a claimant's first payment. I would like to see the 7 day waiting period removed completely, the assessment period reduced from one calendar month to two weeks or less, and a shorter time to process the claim.

I would also like your officials to engage urgently with my officials to ensure claimants in Wales are getting the best possible guidance in relation to their Alternative Payment Arrangements (APAs). This will allow those people most in need to elect to have fortnightly payments, and their housing costs to be paid direct to their social landlord. There appears to be a lack of consistency on how this guidance is made known to claimants within Job Centres and Service Centres. The landlord portal will go some way to helping. However, as I understand it, this will not be available to all social landlords in Wales, and is not available to private sector landlords at all, and there are no plans to address this anomaly.

Universal Credit replaces Employment Support Allowance which helps people with disabilities and health conditions. The severity of their need is determined by the Department for Work and Pensions' Work Capability Assessment (WCA). The WCA places people in receipt of Universal Credit into one of two groups: limited capability for work which means a claimant may not be able to work now but can prepare for work in the future; and limited capability for work and work-related activity which means a claimant will not be asked to look for work, or prepare for work. For both of these groups, Universal Credit is not simply about moving into work quickly, it is about moving people into work when they are ready to do so, in many cases when their health has improved. This is another reason why the roll out of Universal Credit should be paused to address these issues which are causing anxiety and additional stress for vulnerable people.

I recognise that Local Authorities have received Universal Support grant funding for 2017-2018 to assist them with the roll out of Universal Credit, and this is primarily there to provide additional Personal Budgeting Support and Digital Support for claimants transitioning to Universal Credit. The original proposal for a Local Support Services Framework to provide holistic support for claimants to help them make, and manage, Universal Credit claims, and identify and address all barriers to employment, was widely welcomed.

However, the Universal Support grant is only dealing with two of the barriers. If a claimant has other difficulties such as addiction, ill health, or crisis debts which are not addressed at the same time, their ability to safely manage their Universal Credit claim will simply not be sustained. In respect of the Digital Support, the Local Authorities where Universal Credit full-service has been rolled out have seen a significant increase in the level of support and footfall in the local drop-in centres, particularly for those people with complex needs. Many of these people do not have access to their own computer or smartphone and are relying upon the Local Authority staff to help them make and maintain their claim through the online journal system. These claimants require more than just Digital Support and should at least be receiving one to one help from their Work Coach to help them with making and maintaining their Universal Credit claim.

I have outlined above some of the operational difficulties which Universal Credit claimants are experiencing. There are other more detailed issues emerging which my officials are raising through the Universal Credit Advisory Group for Wales, and through regular contact with the DWP Partnership Managers for Wales.

There are also a number of other policy decisions that I would like to raise with you for clarification and consideration. For example, in relation to the impact of Universal Credit on claimants who are self-employed, I note from a recent report, published by the Low Incomes Tax Reform Group, that self-employed claimants in receipt of Universal Credit could be £2k a year worse off than employees with the same level of earnings who are in receipt of legacy benefits.

Analysis by the Institute of Fiscal Studies (IFS) shows that there are winners and losers within the Universal Credit system. In terms of impacts on income, working lone parents and two-earner couples are relatively likely to lose, whereas one-earner couples with children are relatively likely to gain. Although Universal Credit strengthens the incentives for couples with children to have one adult in work rather than none, it weakens the incentive for both parents to work. It also weakens the incentive for single parents to be in work.

Universal Credit Work Allowances were cut in the UK Government's Summer Budget 2015. I accept that the taper rate for Universal Credit was reduced in April 2017 from 65 pence to 63 pence for each additional pound of net earnings, however I would ask that consideration is given to re-instating these cuts to Universal Credit Work Allowances and/or a further reduction of the taper rate is implemented to incentivise work within Universal Credit.

I welcome your announcement on 25 October reversing your policy regarding the application of Local Housing Allowances to supported housing and the wider social rented sector. This decision represents a significant reduction in the risks to existing and future social housing provision and to the provision of specialist accommodation for some of our most vulnerable citizens including older people.

As you are no doubt aware the impact of the former policy position on Wales was disproportionate due to low rents in the Private Rented Sector here. I understand you intend to transfer to Wales a sum equivalent to the total costs of welfare in 'short-term' supported accommodation. Whilst I will still want to discuss how growth in demand can be properly recognised in the settlement, I welcome the avoidance of the critical problems we had anticipated as a result of integration into Universal Credit of hostels and other provision.

There are some further aspects of related welfare policy I would urge you to reconsider. For example, the Benefit Freeze has resulted in many Local Housing Allowance rates (especially for smaller accommodation) being lower than the actual 30th percentile of rents in the Private Rented Sector. It is unclear if this is UK policy intention or simply a negative unintended consequence. Either way, it is set to cause hardship to private sector landlords and tenants alike. The report by Community Housing Cymru, *Postcode lottery: The impact of applying the Local Housing Allowance rates to general needs social housing tenants in Wales*, clearly identifies the inequity in the gap between Local Housing Allowances and actual contractual rents. While the concerns for the social sector no longer remain, families in the Private Rented Sector in the same position have to find more money to top up their housing related benefits to meet local rental costs in some areas than in others.

Furthermore, it seems wrong to treat Housing Benefit tenants differently based on when they made their claim for benefit. Pre April 2008, Local Reference Rents are not included in the Benefit Freeze whereas post April 2008, Local Housing Allowance is included. If it is possible to exclude Local Reference Rents from the Benefit Freeze surely it is within your gift to exclude Local Housing Allowances.

The increases in Discretionary Housing Payment for 2017/18, although welcome, are unlikely to be adequate as demand increases as a result of the Benefit Freeze. Unfortunately, Welsh Local Authorities returned approximately £102k in the last financial year, and I am concerned that future Discretionary Housing Payment funding will be compromised as a consequence. I seek your assurance that the Discretionary Housing Payment settlements will continue to increase to reflect demand.

I am sending a copy of this letter to the Secretary of State for Wales.

Sincerely,
Rebecca

Rebecca Evans AC/AM
Y Gweinidog Tai ac Adfywio
Minister for Housing and Regeneration

Rebecca Evans AM
Minister for Housing and Regeneration
Welsh Government
Cathays Park
Cardiff
CF10 3NQ

24 November 2017

The Welsh Government's Supporting People Programme

Dear Rebecca,

At its meeting on 20 November 2017 the Public Accounts Committee took evidence from Community Housing Cymru (CHC) and Cymorth Cymru on the Welsh Government's Supporting People Programme.

During the evidence session the witnesses raised significant concerns regarding the Welsh Government's budget proposals which describe how the Welsh Government is considering creating a single grant in the area of early intervention, prevention and support to replace a number of existing grants. The Committee were presented with compelling evidence to retain the current hypothecated funding arrangements for the programme.

The Committee note that the Welsh Government's Budget Proposals set out that:

"A single grant could enable local authorities and public service board partners to better align services in pursuit of their wellbeing objectives. Such a move would support service re-design in line with the principles and aims of the Well-being of Future Generations Act. With a larger, single grant, individual smaller grant constraints could be lifted and funds used to meet locally determined needs in a way that makes sense at a local level. This would remove artificial barriers to effective service delivery. Greater alignment and simplification of administration would also



enable a reduction in the bureaucracy associated with grants helping to deliver the needed efficiency savings of £13.4m.”

In written evidence to the Public Accounts Committee, CHC state that:

“Welsh Government is working, via the funding flexibilities pathfinder project, to roll Supporting People into one grant, along with other Tackling Poverty funds, across 7 LAs and in the other LAs to provide 15% flexibility between grant streams. While CHC welcomes any approach which will allow for alignment of strategic priorities and reduction in bureaucracy, we remain concerned about what this move means for the long-term protection of housing-related support in Wales.”

In oral evidence, CHC and Cymorth Cymru outlined in further detail their concerns that the proposal to merge Supporting People Programme with Families First, Flying Start and Communities First in year 2, has been undertaken without consultation with the Supporting People sector. This they believe risks the value of the Supporting People Programme to some of the most marginalised groups in Wales, which will have a serious consequences for the most vulnerable members of our society.

Given the strength of concern expressed by the witnesses with regards to the future of the Programme the Committee wish to draw your attention to the evidence provided to us and ask that you give thorough consideration to the issues raised as part of your deliberations in setting the final budget.

I attach a link to the [transcript](#) of the Committee’s meeting of the 20 November 2017 and enclose copies of both organisations supporting papers.

Yours sincerely,



Nick Ramsay AM

Chair

cc. Mark Drakeford AM, Cabinet Secretary for Finance

John Griffiths AM, Chair of the Equality, Local Government and Communities Committee

Simon Thomas AM, Chair of the Finance Committee





Community Housing Cymru response to the findings of the Wales Audit Office's report into The Welsh Government's Supporting People Programme

About us

Community Housing Cymru (CHC) is the representative body for housing associations and community mutuals in Wales, which are all not-for profit organisations. Our members provide over 158,000 homes and related housing services across Wales. In 2015/16, our members directly employed 9,109 people and spent nearly £2bn (directly and indirectly) in the economy, with 89% of this spend retained in Wales. Our members work closely with local government, third sector organisations and the Welsh Government to provide a range of services in communities across Wales.

Our objectives are to:

- Be the leading voice of the social housing sector.
- Promote the social housing sector in Wales.
- Promote the relief of financial hardship through the sector's provision of low cost social housing.
- Provide services, education, training, information, advice and support to members.
- Encourage and facilitate the provision, construction, improvement and management of low cost social housing by housing associations in Wales.

Please note, this is a brief response ahead of our full response to the public accounts committee's forthcoming consultation, in which we anticipate examining some of the key issues in greater depth.

Community Housing Cymru's members deliver support to all of the variety of groups that the report mentions, using Supporting People funding to pay, fully or in part, for this support. These services range from housing associations working with support providers to find housing solutions for armed services veterans and people with long-term learning disabilities to working directly to keep elderly people in safe, secure accommodation with appropriate levels of assistance. Without this programme, our members would be unable to provide crucial services, which benefit not only housing association tenants but wider society, with research indicating that every £1 invested in Supporting People services delivers £2.30 of savings to housing, health, social care and community safety, thus reducing pressure on a range of other public services. The programme helps over 60,000 of the most vulnerable and marginalised people to avoid homelessness and live independently in their communities. This includes older people, vulnerable young people, care leavers,



families fleeing domestic abuse, people with mental health problems, people with learning disabilities, people with substance misuse problems and more. Often those in receipt of support have multiple needs.

The Wales Audit Office report raises some points around governance and measurement that need exploring. However, it is vital that this fund is protected due to the positive impact it has on people and services, and also because it encourages people to engage with education, training and employment opportunities.

CHC's response to the committee's inquiry must be considered in the context of the expected changes to the Supporting People programme. Welsh Government is working, via the funding flexibilities pathfinder project, to roll Supporting People into one grant, along with other Tackling Poverty funds, across 7 LAs and in the other LAs to provide 15% flexibility between grant streams. While CHC welcomes any approach which will allow for alignment of strategic priorities and reduction in bureaucracy, we remain concerned about what this move means for the long-term protection of funding for housing-related support in Wales. The report notes (2.43) "We found near unanimous support for the Welsh Government's decision to retain the ring-fencing" and we agree that this reflects the outlook of our members. Following the release of the Detailed Draft Budget Proposals 2018-19, CHC understands that Welsh Government proposes to remove the budget ring fence for Supporting People in April 2019. Whatever form the Supporting People Programme takes in the future, Welsh housing associations need commitment that the services they provide to support vulnerable people will receive sufficient funding in the long-term and a sustainment of the ring-fence is the surest way to guarantee that commitment.

The context in which response to the WAO report is considered also includes a change in the manner in which funding for supported housing is delivered. The new funding model aims to secure supply of supported housing now and into the future; Welsh Government must ensure that the services, currently funded by SP, which are so often responsible for enabling people to move on from short-term supported accommodation, are appropriately funded in the long-term.

We are broadly supportive of the report's findings and recommendations, within the context noted above, and have responded below to the points we feel are most relevant to the work of our members.

We share the Auditor General's concerns (page 10, paragraph 10) as to the lack of explicit reference to prevention of homelessness in the programme's stated purpose and aims, though we are clear as to the transformative effect that Supporting People funded services have on enabling people to live independently and retain tenancies. The programme is unique among tackling poverty grants for its housing-related focus



and we call for this specialist focus on enabling people to access and maintain housing to be retained in future.

On the Auditor General's concerns about the RCC system (page 10, paragraph 13) we feel that these groups provide mixed outcomes from the perspective of housing representatives and we share the concerns about their impact. While there are examples of positive practice (see, for example the Gwent RCC's service user website), fundamentally the housing representatives on RCCs have limited powers to challenge the decisions made by local authorities. Although our members' input into RCCs has resulted in some examples of collaborative decision making, there are also instances we are aware of when the RCC has had no impact at all (or indeed not even been consulted) on local authority decision making with regard to SP procurement. As an example, Neath Port Talbot County Borough Council cut Tenant Support Scheme funding for three of CHC's members by 50% in January 2016 without any reference to the RCC; without going into the detail of this decision, the fact that they felt comfortable doing so without reference to the RCC is indicative of the level of consideration that some LAs give to the RCCs.

To address the points made about outcomes (page 11, paragraphs 14 and 15), we agree that developing a solid understanding of the impact of the programme is vital and has been a weakness, to date. However, we feel that the SAIL data linkage study demonstrated some initially very positive findings as to the impact that SP services have on reducing usage of health services. CHC would welcome further investment in similar data linkage research into the impact of the programme on other statutory services. We are concerned that the Welsh Government's decisions about the future of the SP programme, with regard to the funding flexibilities pilots, will be made without consideration of the outcomes of the full, four-year study into the programme's impact on health services.

Members report detrimental effects on staff of the heavy burden of monitoring which is currently expected of them. While we are firmly in favour of effective monitoring, which demonstrates the impact that SP funded support is having, given that the report states that it is still "difficult to form a comprehensive judgment of the success of the Programme" then we would be supportive of any work which enables easier collation of monitoring evidence 'in the field'.

On the points raised about the ring-fence and concerns as to the impact of budget reduction (page 11, paragraph 16), we welcome the ring-fencing of the budget over the next two years, but our members need longer-term assurance to enable the delivery of efficient and effective services. The fact that the size of the fund has been frozen once again, means that as costs go up, providers of services will continue to have to find efficiencies. Our members have noted concerns, previously, as to the limited size of the fund leading to procurement teams moving from prioritising quality of service to cost of service, which ultimately risk reducing the programme's impact.



Another area of concern is how our members can meet the rising cost of the Living Wage from a frozen grant fund.

Response to the Report's Recommendations

Recommendation 1

As with the local authorities (page 11, paragraph 18) CHC's members would welcome longer term indicative budgets, to enable our members to better plan services and provide certainty to investment decisions. This situation would remain the case in light of any new arrangement for funding of what are currently SP services. We thus welcome the Auditor General's first recommendation of indicative 3-year allocations being provided at the earliest opportunity and the suggested introduction of 3-year rolling LA spend plans.

Recommendation 2

We agree with the second recommendation of the report, that Welsh Government review whether the Regional Collaborative Committee arrangements remain fit for purpose in the context of other collaborative governance arrangements, such as the new statutory public service boards. In future, we would like to see Public Service Boards placing housing at the centre of their strategies, with a focus on how this results in better quality health and patient care and we feel that a report as to the lessons learned through the experience of the RCCs (and of the data linkage study) would be of significant benefit to the future of the Public Service Boards.

Recommendation 3

We agree that Recommendation 3, regarding the new formula for distribution of funds, should take into account the shifting political priorities, which affect the programme. Particularly, the fund's role in preventing homelessness must be considered in this redistribution, with specific weight placed on addressing areas of significant homelessness need. The role of current SP projects' in preventing homelessness also needs to be taken into account when considering the distribution formula as effective current projects will already be reducing homelessness need in their area of operation.

However, the shifting of funds to areas of greater need should be considered cautiously: concentrating services in high-need areas may attract people with those needs to locations with high support provision, creating pockets of mental ill health, substance dependency etc. We need clarity on how this calculation will be carried out as well as long-term certainty for both providers and service users.

Welsh Government should demonstrate clearly, if funds are redistributed, that all alternative approaches have been considered; aligning current SP services with new



strategic objectives may be more effective than redistributing funds across geographical areas, for example. This can be agreed by amending a project's SLA. The sector's response to the 2010 Aylward Review demonstrates that this is achievable.

Finally, we are clear that our members' views must be considered, whether via SPNAB or the RCCs, in any work that is done on this issue.

Recommendation 4

We support recommendation 4, on re-tendering and the need to minimise any uncertainty on the part of either contract holder or tendering authority. Clarity on the reasons for re-tendering and the legitimacy of such decisions is crucial for our members.

There is concern from our members that unnecessary re-tendering can lead to the diminution of providers' ability to effectively deliver support, with procurement teams, in some cases, not looking beyond reduced up-front cost to the long-term cost savings of providing sufficiently well-resourced support, which will result in fewer costs to the public purse further down the line. We are thus clear that the reasons for any such decisions to be made by local authorities must be transparent and that RCCs should be consulted on them. Welsh Government guidance should be updated to consider sustainable procurement of services which are sufficiently resourced to deliver effective service and have sufficiently long contracts to affect meaningful change, in tandem with other, related services.

Recommendation 5

We are supportive of recommendation 5, that the Welsh Government should identify and clearly communicate the implications of major policy reforms for the programme. As noted, the future of the programme hangs in the balance and we need urgent clarity as to the long-term role it plays in Welsh Government's plans, with regard to tackling homelessness and enabling vulnerable members of society to maintain secure accommodation.

The forthcoming changes to the manner in which supported housing is funded are of clear interest in the context of SP and we would welcome confirmation from Welsh Government that the fund will continue to be ring-fenced in light of these changes.

Recommendation 6

Regarding recommendation 6, which addresses the issue of variety of cost between similar services, we urge a cautious approach when reviewing and comparing services; no two services are identical and due to the complex needs of service users the support provided is often tailored to the individual, so comparison of like



with like is difficult. Factors that will result in varied costs, such as location (in rural areas, a support worker spends more time travelling, for instance so delivery of the same level of support as an urban equivalent takes longer), should be taken into account when making any such comparison. Transparency on costs is important, however, and though disparities may be understood as being appropriate, they should be explained in an open manner which ultimately demonstrates value for money.

Recommendation 7

On the point made in the report about the introduction of the new outcomes framework, we re-state the point made earlier in our response: the current monitoring requirements are burdensome and apparently not providing sufficiently high quality data to emphatically demonstrate the worth of the programme (although we are in absolutely no doubt as to its effectiveness, nor its transformational impact on the lives of vulnerable people). In line with our earlier call for the programme's governing documents to explicitly reference SP's impact on homelessness we would value Welsh Government consideration of how SP is used to support the homelessness prevention agenda. While we have no doubt that this is the case, we are concerned that the fact that homelessness data collection focusses on the 56 day window of prevention noted in the legislation means that SP's vital contribution is missed. We absolutely agree that WG should work with partners to embed and clarify any new arrangements. We are clear that Housing Associations need to be fully consulted on proposed changes.

Recommendation 8

Regarding the concerns raised about the issues of eligibility for support of (and disparities in the level of support provided to) some people with learning disabilities, we are in agreement that RCCs should ensure that SP funded services are being appropriately used. If this is found not to be the case we would expect that RCCs work with Welsh Government, as appropriate, to ensure that suitable services are delivered instead.

**National Assembly for Wales
Public Accounts Committee
The Welsh Government's
Supporting People Programme**



8 November 2017

Dear members of the Public Accounts Committee,

Thank you for the invitation to give evidence before the committee on 20 November 2017. Please see below for supporting information in advance of the committee session.

1. About Cymorth Cymru

1.1 Cymorth Cymru is the umbrella body for providers of homelessness and housing-related support services in Wales. We have over 100 members, including charities, registered social landlords and local authorities who support people to avoid homelessness and live independently in their communities. Cymorth Cymru acts as the 'voice of the sector', influencing the development and implementation of policy and legislation that affects our members and the people they support. We work in partnership with members and other stakeholders to prevent and reduce homelessness and improve the quality of life for people who are marginalised or at risk of housing crisis across Wales.

2. Cymorth Cymru's initial response to WAO report

2.1 On 31 August 2017 Cymorth Cymru provided an initial response to the publication of the Wales Audit Office report about the Welsh Government's management of the Supporting People Programme:

"We are pleased that the Auditor General recognises that the Supporting People Programme 'provides important support to those who need it the most'. As the Welsh Government develops its budget for 2018/19, we urge Ministers to show leadership and protect SP funding so that it can continue to transform the lives of 60,000 vulnerable people each year.

"We welcome the report's recommendation that the Welsh Government should re-introduce indicative three year funding allocations, as the current annual funding cycle results in uncertainty and instability, limiting both local authorities and providers' ability to plan for the long term. Although we recognise the financial constraints on Ministers, we believe that supporting vulnerable people to avoid homelessness and live independently should be a priority and given longer term assurances."

"It is important to recognise that this report does not criticise the services provided by the many dedicated staff across Wales, but makes a series of points about the governance and management of the programme.

"We welcome recommendations to provide more clarity, consistency and certainty about government priorities, procurement processes and data collection. I frequently speak to people using these services and know that it transforms and saves lives. We are committed to working with our members and the Welsh Government to demonstrate this impact.

"The Wales Audit Office is right to recognise the ongoing threats of welfare reform, particularly the UK Government's plans to apply the Local Housing Allowance rate to supported accommodation. We urge the UK Government to abandon these plans, which put the viability of supported accommodation projects at risk."

3. WAO recommendations

3.1 Recommendation 1: In recent years, the Welsh Government has provided local authorities with annual budget allocations for the financial year ahead, without providing any indicative budgets for future years. Reflecting the recommendations that we have made in some of our previous reports, and while recognising the uncertainties facing the Welsh Government's own revenues, we recommend that:

- the Welsh Government re-introduce indicative three-year Supporting People funding allocations at the earliest opportunity to assist local authorities in their planning; and
- at the same time, consider the merits of moving to three-year annual rolling local authority spend plans, to assist local authorities in planning services and to allow greater scrutiny by Regional Collaborative Committees.

3.1.1 We strongly agree with this recommendation. Annual funding allocations create huge uncertainty for a sector that is responsible for providing support to 60,000 of the most vulnerable people in Wales. Each year, local authority teams, support providers and landlords wait to hear whether they will receive the funding they need to continue running these services. This can hinder long term, strategic planning for all stakeholders at a time when welfare reform, homelessness and increasingly complex needs pose significant challenges to the most vulnerable people in Wales.

3.1.2 The uncertainty associated with annual budgets also has a negative impact on the wellbeing of frontline staff. This can result in skilled and committed support workers, team leaders and senior managers leaving the sector for employment that gives them and their families more certainty. Additionally, this uncertainty can impact directly on the people using services, as it increases the likelihood of changes to the service and their support workers. This was reflected by people at our service user engagement events in January 2017, who spoke of concerns about funding cuts and losing staff members with whom they had built trusting relationships. Given that stability can be vital to a person's recovery, the increased certainty offered by three year indicative funding and spend plans could also be beneficial to the people these services support.

3.1.3 While we appreciate that the Welsh block grant is dependent on UK Government allocations, we believe Ministers could and should give longer term assurances to Programmes such as Supporting People. This would provide more certainty and stability, enabling longer term strategic planning by both commissioners and providers, which could deliver better outcomes for vulnerable people.

3.2 Recommendation 2: The Welsh Government is proposing greater regional planning and delivery of services as part of its reforming local government policy. However, the Supporting People Regional Collaborative Committees have struggled to deliver at the scale and pace the Welsh Government would have liked. We recommend that the Welsh Government:

- identify and apply lessons learned from the experience of the Regional Collaborative Committees to inform its proposals for local government reform; and
- review whether the Regional Collaborative Committee arrangements remain fit for purpose in the context of other collaborative governance arrangements, such as the new statutory public service boards and its wider plans for regional working in local government.

3.2.1 We recognise that some Regional Collaborative Committees (RCCs) operate more effectively than others, but believe that the existing structure is of value and should be strengthened rather than removed altogether. With the UK Government proposals to devolve housing benefit funding for supported accommodation, and Welsh Government plans for further regionalisation, this may be the appropriate time to consider strengthening the powers and responsibility of RCCs to plan and commission the support and rent elements of Supporting People services on a regional basis. Strengthening the powers and responsibilities of RCCs may also help them to become more effective in their efforts to facilitate regional planning and commissioning.

3.2.2 **Housing expertise:** Retaining housing and homelessness expertise in the regional planning and commissioning of Supporting People services is absolutely essential, especially when homelessness is becoming an increasing challenge throughout the UK. Although RCCs vary in effectiveness, it is recognised that the housing expertise within their membership is a key strength.

3.2.3 **Links with Public Service Boards:** We would value stronger links between Regional Collaborative Committees and Public Service Boards (PSBs) and would also welcome an increased focus on housing by PSBs. However, PSBs have very broad ranging responsibilities and we therefore believe that the planning and commissioning of SP services must remain firmly rooted in bodies/structures dedicated to housing and homelessness. Another challenge is that the Public Service Boards are currently set up along local authority boundaries – this seems entirely out of step with the Welsh Government's regional agenda. If PSBs were regional, there could be a stronger link between RCCs and PSBs; RCCs could even report to PSBs in the future.

3.3 Recommendation 3: The Supporting People National Advisory Board has recognised the need for a new formula to help redistribute Programme funds to geographical areas of greatest need. The Welsh Government is also consulting on the strategic objectives for the Programme. We recommend that, once it has finalised the new strategic objectives for the Programme, the Welsh Government prioritise developing a new funding formula to redistribute funding in a way that most effectively delivers those objectives. In doing so, we recommend the Welsh Government give consideration to any transitional arrangements and wider policy developments that may impact on the Programme.

3.3.1 We believe that funding should be distributed to areas of greatest need, and that this should be based on robust needs assessment rather than historical spend. It should also ensure that client groups which are less 'politically popular' receive the support services

they need. We understand and appreciate the Welsh Government's decision to pause redistribution during a period of cuts, as this would have led to some areas facing a 'double whammy' of cuts. However, it can also be argued that the delay in redistribution means that other areas continue to face funding shortages that impact on their ability to meet vulnerable people's needs.

- 3.3.2 Any change to the funding formula must be done in collaboration with the sector and should be mindful of any unintended consequences such as the sudden removal of services for particular client groups. At a time when welfare reform and a lack of housing is resulting in increased homelessness, it would be preferable for redistribution to take place within the context of increased SP funding. This would enable more preventative service to be funded without decreasing existing service provision.

3.4 Recommendation 4: The Welsh Government's current and draft revised guidance on the procurement of Supporting People services is potentially misleading as it implies that retendering need only take place where a service review has found the service to be deficient. We recommend that:

- the Welsh Government's ongoing reviews of local authorities' management of the Programme should examine whether contracts are being extended in accordance with Public Contract Regulations; and
- in revising its Programme guidance, the Welsh Government redraft its advice on contract procurement to avoid the scope for any misinterpretation about when to retender for services, and to clearly articulate the rules around contract extensions.

3.4.1 We would welcome clear guidance on the issue of commissioning and procurement that clarifies the legal requirements of Supporting People commissioners but also encourages good practice. Reviewing and recommissioning schemes is an essential part of local authorities' responsibilities, and we know that they are under pressure. However, our members have shared concerns over recent years about some examples of:

- a) Prioritising cost over quality in tender evaluation processes. This risks a race to the bottom which compromises quality and outcomes for people using services.
- b) The trend towards commissioning fewer, much larger contracts, which inevitably results in the loss of some providers - and therefore skills and expertise. Where local authorities have chosen to award a single, large contract there is a risk that any problems encountered by the service will affect all clients and - other providers may no longer exist or be capable of stepping in to provide support.
- c) A lack of engagement with providers about what services are needed and what is possible/viable in advance of procurement. This can lead to the wrong services being commissioned or inadequate funds being available to deliver the service.
- d) A lack of meaningful involvement of people who use services.

e) A lack of clarity about TUPE processes and the impact on existing staff when contracts are awarded to different providers.

3.4.2 Supporting People services are delivered to some of the most vulnerable people in Wales and the unintended consequences of some practices need to be considered.

3.5 Recommendation 5: There have been a number of notable policy changes in recent years that affect the Programme. However, we have identified concerns about the scale of change and the way it has been communicated. In addition, other developments will have an impact on the Programme, for example, the Welsh Government's plans for local government reform and UK government reform of housing benefit. We recommend that the Welsh Government should identify and clearly communicate the implications of such reforms for the Programme.

3.5.1 **Welfare reform:** The UK Government's plans for the funding of supported accommodation have been a significant concern for the sector over the past two years. However, the Welsh Government has been extremely collaborative in their approach to dealing with the possible consequences for Wales and has actively involved representatives from the sector in their policy development process. Cymorth Cymru, Community Housing Cymru and the Welsh Local Government Association are key members of the Welsh Government's stakeholder steering group, along with additional representatives of local authorities, support providers, landlords, older people's provision and domestic abuse refuge providers. Welsh Government officials have engaged positively with events run by Cymorth Cymru and been very receptive to the issues and concerns raised by people working in the supported accommodation sector. The Welsh Government has also been engaged in conversation with the sector about other welfare reforms, such as the UK Government's plans to reduce housing benefit to people under the age of 35.

3.5.2 **Local Government reorganisation:** The lack of clarity regarding local government reorganisation continues to pose challenges to organisations working across a variety of sectors in Wales. The Welsh Government has been discussing this issue for many years, encouraging regional working and voluntary mergers - but very little progress appears to have been made. Our members often feel frustrated by the lack of clarity resulting from different approaches by different Ministers. It is not our place to specify whether the Welsh Government should force local authorities to merge or not – but it would be useful if they could make more progress than they have over the last few years. Our members who operate in several local authority areas often express frustration about the variation in process and practice between different local authorities and would welcome more consistency.

3.5.3 **Other Welsh Government policy and legislation:** With regards to changes in Welsh Government policy and legislation, this is actively discussed by Welsh Government officials and the sector on a frequent basis. The Cabinet Secretary/Minister responsible for SP addresses the Supporting People National Advisory Board (SPNAB) on an annual

basis and outlines his or her intentions for the sector in the context of Welsh Government policy and legislation. The implications of policy and legislation such as local government re-organisation, the Social Services and Wellbeing (Wales) Act, the Wellbeing of Future Generations (Wales) Act and welfare reform are frequently discussed at SPNAB, the Strategic Finance and Research Group and the Regional Collaborative Committees. Cymorth Cymru also runs a series of events throughout the year which include active participation from Welsh Government officials during presentations, discussions and workshops on Welsh policy and legislation such as the Housing Wales Act, Social Services Act, Adverse Childhood Experiences and welfare reform.

3.6 Recommendation 6: While the Welsh Government has identified that there are widespread variations in overall service costs, further analysis is required to understand the reasons for that variation. We recommend that the Welsh Government work with local authorities to examine in more detail whether there are significant variations in the costs of delivering Supporting People services of a similar type and duration.

3.6.1 It is essential that all stakeholders ensure value for money in the delivery of the most effective services to people who need them. However, it is important that the Welsh Government examines why there are variations in costs. Supporting People services vary considerably in order to meet the needs of a variety of client groups, which often include people with needs that vary in complexity and severity. A multi-faceted, flexible and responsive approach is one of the strengths, but this means that costs will vary within and across client groups. Any examination of cost variations must take this into account.

3.7 Recommendation 7: There remain concerns about data quality in the current Outcomes Framework, but with revised data collection arrangements being proposed. We recommend that the Welsh Government work with its partners to ensure that, once introduced, any new arrangements are clearly understood by providers and embedded as part of contractual arrangements.

3.7.1 We are acutely aware of the positive impact that Supporting People services have on people's lives. We often visit projects across Wales and see first-hand how these schemes change and save lives.

3.7.2 For the past few years we have organised service user engagement events on behalf of the Supporting People National Advisory Board. In January 2017 we spoke to approximately 175 people in Newport, Rhyl and Carmarthen about their experiences of Supporting People services. When asked 'Where do you think you'd be if you hadn't been able to access the SP service?' many replied that they would be dead, homeless, sectioned or suicidal. You can read the short report about these engagement events [here](#).

3.7.3 However, we agree that formal data collection to evidence the impact of Supporting People services needs to improve. Our members see the positive impact of their services every day, but are concerned that this is not evidenced clearly. Delays in consulting on

the new outcomes framework has frustrated providers, who are keen to demonstrate the impact of their schemes on people's lives and public services.

3.7.4 Homelessness prevention: In particular, we need to better evidence the impact of Supporting People services on the prevention of homelessness in Wales. The very nature of the Programme – supporting people experiencing homelessness or in need of housing-related support – means that it has a considerable impact on this area. For example, we know that every supported accommodation scheme puts a roof over people's heads and supports them to either remain in those communities, or move on to independent living with their own tenancy. We also know that floating support prevents people from losing their tenancy, or helps them to access a new tenancy. If the Programme is supporting approximately 60,000 people every year, then it would be reasonable to make the assumption that it is preventing homelessness for many thousands of people. However, the extent of SP's contribution to homelessness prevention is not captured in the Welsh Government's official statistics. Data collection varies between different teams in local authorities and many SP interventions happen in advance of the 56 day statutory duty to help prevent homelessness – on which the homelessness prevention statistics are based.

3.7.5 Impact on health services: Despite concerns about data collection, the SAIL data linkage project has provided some very interesting data about the impact of Supporting People interventions on the use of health services in Wales. The feasibility study indicated that interaction with Supporting People services resulted in a reduction in the use of GP services, A&E and emergency hospital admissions. The subsequent project is currently gathering and analysing data on a much greater scale from every local authority in Wales. The sector has welcomed the Welsh Government's commitment to this work.

3.8 Recommendation 8: Welsh Government reviews, and more detailed work at a regional level by two of the Regional Collaborative Committees, have highlighted some issues with the eligibility of support for people with learning disabilities and differences in the level of support provided. We recommend that the Welsh Government encourage all Regional Collaborative Committees to review arrangements for support for people with learning disabilities through the Programme and work with the committees to manage any potential negative consequences for service provision.

3.8.1 The Supporting People Programme should be funding housing-related support services. It is therefore absolutely right that the Welsh Government, Regional Collaborative Committees and local authorities do all they can to ensure that this funding is spent as intended. However, if any existing services for vulnerable people are found to be receiving SP funding for non-housing related support, the Welsh Government must ensure that the appropriate funder steps in to fund the service. Vulnerable people must continue to get the support and care they need to live independently in their communities. At a time when all budgets are under pressure, providers are concerned that any removal of SP funding may not be replaced.

4. Welsh budget: Supporting People funding

- 4.1** Although this inquiry is focused on the WAO report and not the draft budget, we feel it is important to raise our concerns about the possible future funding of the Supporting People Programme.
- 4.2** We are deeply concerned that the Supporting People budget line has disappeared from the Welsh draft budget for 2019/20 and appears to have been merged with funding streams that have no direct link to homelessness and housing-related support. The removal of the ring-fence has had a disastrous impact on many Supporting People services in England and we fear that over time, this could happen in Wales. It removes all accountability from Ministers about the amount they spend on housing-related support and risks the loss of vital services that support some of the most vulnerable people in Wales.
- 4.3** It is likely that the resulting merged grant will sit outside of the housing directorate of Welsh Government and housing departments of local authorities, resulting in the loss of housing expertise at a time when homelessness is an increasing challenge and concern. The focus on this issue will be diluted and the funding for SP client groups (particularly those who are less 'politically popular') could be lost, resulting in increased homelessness, particularly for people with the most complex needs.
- 4.4** In addition, the anticipated devolution of housing benefit funding for supported accommodation means that this is the wrong time to remove the ring-fence around the Supporting People budget and dismantle the mechanisms for distributing the support element of supported accommodation funding. Supported housing is in a state of flux and it is vital that Supporting People funding is maintained alongside the housing benefit element to ensure stability for landlords and lenders.
- 4.5** An alternative solution: While we understand the Welsh Government's intention to rationalise grant funding streams, we believe that placing Supporting People in a budget line with non-housing programmes is a huge mistake. However, we have made it clear to Welsh Government Ministers and officials that we are happy to engage constructively and discuss grant alignment in the context of other homelessness and housing-related support funding streams, such as the homelessness prevention grant and the devolution of housing benefit funding for supported accommodation. We believe that this is a much more sensible and appropriate approach to grant alignment within the context of housing and homelessness.

We look forward to seeing you on 20 November,

Katie Dalton
Director, Cymorth Cymru

Rhian Stone
Chair, Cymorth Cymru

Agenda Item 8

By virtue of paragraph(s) vi of Standing Order 17.42

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