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Agenda - Equality, Local Government and Communities Committee

Meeting Venue:

Committee Room 3 - Senedd

Meeting date: 19 June 2019

Meeting time: 09.15

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Committee Clerk

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Pre-meeting (9:15 - 9:30)

1 Introductions, apologies, substitutions and declarations of interest

(09.30)

2 Inquiry into benefits in Wales: options for better delivery - Evidence Session 1

(09.30-10.30) (Pages 1 - 78)

Guto Ifan, Wales Governance Centre

Cian Sion, Wales Governance Centre

Break (10.30 - 10.40)

3 Inquiry into benefits in Wales: options for better delivery - Evidence Session 2

(10.40-11.40) (Pages 79 - 86)

Dr Victoria Winckler, Bevan Foundation

4 Papers to note

(11.40-11.45) (Page 87)

4.1 Correspondence from Jane Hutt, Deputy Minister and Chief Whip regarding statistical data and equalities - 4 June 2019

(Pages 88 - 91)

Paper 1

Cynulliad Cenedlaethol Cymru
National Assembly for Wales

4.2 Correspondence from the Chair of the Public Accounts Committee regarding the Auditor General for Wales' discussion paper - 6 June 2019

(Page 92)

Paper 2

5 Motion under Standing Order 17.42 (vi) to resolve to exclude the public from the remainder of the meeting and item 1 of the meeting on Thursday 27 June

(11.45)

6 Inquiry into benefits in Wales: options for better delivery - consideration of evidence received and the visit to Scotland

(11.45-12.15)

7 Consideration of Committee report on Census (Return Particulars and Removal of Penalties) Bill LCM

(12:15-12.20) (Pages 93 - 94)

Agenda Item 2

Document is Restricted

BW 07

Ymchwiliad i Fudd-daliadau yng Nghymru: opsiynau i'w cyflawni'n well Inquiry into Benefits in Wales: options for better delivery

Ymateb gan: Canolfan Llywodraethiant Cymru

Response from: Wales Governance Centre

PRIFYSGOL CAERDYDD CARDIFF UNIVERSITY

Dadansoddi Cyllid Cymru

Wales Fiscal Analysis

Written evidence to Equality, Local Government and Communities Committee

Benefits in Wales: options for better delivery

The following evidence paper has been prepared by the *Wales Fiscal Analysis* team at the Wales Governance Centre, Cardiff University. It summarises the findings of our report into the fiscal sustainability of devolving aspects of welfare to the Welsh Government. The full report, *Devolving Welfare: How well would Wales fare?*, is available for download at the following web address:

https://www.cardiff.ac.uk/__data/assets/pdf_file/0010/1476352/devolving_welfare_final2.pdf

1. Introduction

1.1 The Scotland Act (2016) made provisions for devolving control over 11 welfare benefits to the Scottish Government. Among these were ill health and disability benefits (including Disability Living Allowance, Personal Independence Payment, and Attendance Allowance) and several miscellaneous, smaller benefits (including Cold Weather Payment, Discretionary Housing Payment and Winter Fuel Payment).

1.2 The Act also conferred several other powers including the ability to create new social security benefits in non-reserved policy areas, vary elements of Universal Credit and top-up existing benefits.

1.3 This evidence paper summarises findings from our report, *Devolving Welfare: How well would Wales fare?*, examining the fiscal implications of devolving these benefits (hereafter referred to as S-benefits) to Wales.

1.4 We do not endorse a recommendation either a way on whether S-benefits ought to be devolved to Wales. There are other considerations besides the fiscal sustainability of the proposal that ought to inform that decision. Rather, we seek to answer whether devolving S-benefits to Wales would be fiscally sustainable and outline the risks and opportunities associated with their devolution.

2. Spending on S-benefits in Wales

2.1 In 2017-18, identifiable Welsh expenditure on those benefits that have been devolved to Scotland amounted to £2.03 billion (Figure 2.1). Total devolved and non-devolved social protection spending in Wales in that year was £14.57 billion, meaning that S-benefits accounted for 13.9% of that total.[1]

2.2 Had S-benefits been devolved, Welsh-administered welfare payments would have accounted for 35.8% of devolved and non-devolved Welsh social protection spending in 2017-18.

Figure 2.1

Total Welsh identifiable expenditure on benefits devolved to Scotland (S-benefits), 2017-18

Benefit	Outturn 2017-18 (£'000s)	Share of total (%)
Personal Independence Payment and Disability Living Allowance	1,264,071	62.3
Attendance Allowance	378,589	18.7
Carer's Allowance	176,996	8.7
Winter Fuel Payment	110,247	5.4
Industrial Injuries Disablement Allowance[2]	55,501	2.7
Cold Weather Payment	21,520	1.1
Severe Disablement Allowance	10,249	0.5
Discretionary Housing Payment	9,744	0.5
Sure Start Maternity Grants	1,295	0.1
Total	**2,028,212**	**100.0**

Source: HM Treasury (2018) Country and Regional Analysis

2.3 In 2017-18, per capita spending on S-benefits in Wales was £649, markedly higher than the equivalent figure for England, which was £434.

2.4 Per capita spending on S-benefits in Wales has been falling relative to the English level since 2010-11. Welsh spending on S-benefits has fallen from 154.5% of the English level to 149.7% between 2010-11 and 2017-18.

2.5 The recent convergence in per capita spending levels can largely be attributed to an even more dramatic convergence in per capita spending on Personal Independence Payments and Disability Living Allowance — this has decreased from 171.4% to 156.9% of the English level between 2010-11 and 2017-18. Reasons for this

[1] Unless otherwise noted, all figures cited in this section are based on *Country and Regional Analysis* datasets published by HM Treasury.

[2] The Scottish Government recently announced the abandonment of plans to devolve the Severe Disability Allowance citing a small and declining caseload. See, https://www.gov.scot/publications/severe-disablement-allowance-policy-position-paper/

convergence include the fact that claimant rates for these benefits are growing relatively slower in Wales, and there is significantly less variation in claimant rates between the two countries among younger generations.[3]

2.6 Even in the absence of S-benefit devolution, past trends and future projections suggest that we can expect the convergence in per capita spending on S-benefits to continue (Ifan & Siôn 2019: 18).

3. Trends and patterns in the characteristics of S-benefit claimants in Wales

Personal Independence Payment (PIP) and Disability Living Allowance (DLA)

3.1 Between February 2004 and February 2018, the number of Welsh claimants for Disability Living Allowance (DLA) and Personal Independence Payment (PIP) increased by 41,677, representing an average growth rate of 1.4% a year. This is markedly less than the equivalent growth rate in England over the same period which was 3.1% a year.[4]

3.2 Were S-benefits devolved and assuming that current trends continue, the slower rate of increase in the size of the Welsh caseload could help mitigate some of the effects of the "Barnett Squeeze" by allowing Wales to take advantage of relatively larger yearly increases in spending on PIP and DLA payments in England and relatively smaller annual increases in the caseload size in Wales.[5]

3.3 Although PIP and DLA claimant rates are higher in Wales across all age groups, this is particularly so among the over 65 cohort. In Wales, over 65s are nearly twice as likely to be claiming PIP or DLA as in England, whereas for those under 25, the rate is roughly similar for both countries (Figure 3.1).

3.4 Claimant rates among the 45 – 64 age cohort have been in steady decline in Wales over the past 18 years whereas in England, there has been relatively little change in this figure (Figure 3.1). The declining claimant rate in Wales may reflect the population who used to work in heavy industries (disproportionately affected by disabilities) making the transition to the over 65 cohort (Ifan & Siôn 2019: 24-26).

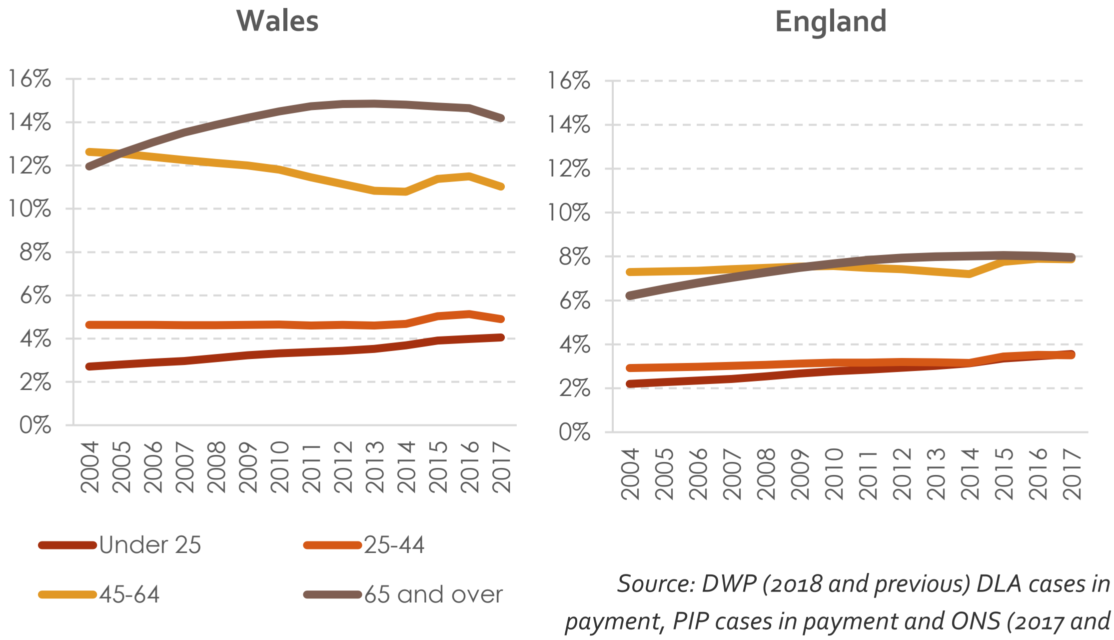
3.5 PIP/DLA claimant rates are highest in Merthyr Tydfil (12.4%) and Neath Port Talbot (12.1%) and lowest in Gwynedd (5.5%) and Monmouthshire (5.6%). Generally,

[3] See, Paragraph 3.3 and Figure 3.1 for further details.
[4] Claimant data presented in this section has been sourced from datasets produced by the Department for Work and Pensions (DWP) and published online on *Stat-Xplore*.
[5] The *Barnett Squeeze* refers to an in-built property of the Barnett formula which means that if spending is growing in England, it results in convergence in per person spending over time between Wales and England (Poole & Ifan 2016: 10).

claimant rates are higher in the densely populated, post-industrial communities of south Wales and lower in rural local authorities.

Figure 3.1

DLA and PIP claimant rates by age group, 2004-2017



Source: DWP (2018 and previous) DLA cases in payment, PIP cases in payment and ONS (2017 and previous) Population mid-year estimates

Attendance Allowance (AA)

3.6 In February 2018, there were 94,759 people in receipt of AA in Wales. This is down from a high of 115,637 in November 2009.

3.7 In 2004, the AA claimant rate among over 65s was 20.0% in Wales, compared to 14.4% in England. By 2017, this gap had narrowed and the claimant rates were 14.8% and 12.1% respectively.

3.6 The absolute size of the AA caseload is projected to increase by roughly 7,000 (7.2%) in Wales between 2017 and 2030 whereas in England, the caseload is projected to grow by 173,000 (14.2%) (Ifan & Siôn 2019: 26-27).[6]

3.7 The relatively modest projected increase in Wales is partly a result of claimant rates declining relatively faster in Wales in recent years and projections that the over 65 population will grow more quickly in England than in Wales over the next decade.[7]

[6] See Appendix 1 in the full report for forecast methodology.
[7] As a share of the total population, the population over 65 will continue to grow more quickly in Wales.

3.8 Conwy has the highest AA claimant rate of all Welsh local authorities (4.0%). Conwy is also the local authority with the highest share of over 65s as a proportion of its total population.

3.9 Conversely, Cardiff's low claimant rate (2.2%) will be attributable to the capital having a relatively small share of over 65s as a proportion of its total population.

Carer's Allowance (CA)

3.10 Between 2004 and 2017, the CA caseload size in Wales has increased by 21,691 (74.0%) compared to 341,602 (97.0%) in England.

3.11 Using our forecast model, the Wales caseload will have increased to 84,000 by the end of the next decade (four times the 2004 level) (Ifan & Siôn 2019: 30).

3.12 The local authority with the highest CA claimant rate is Neath Port Talbot (2.6%) and the lowest is Monmouthshire (1.0%).

4. The fiscal implications of welfare devolution

4.1 The devolution of specific social security benefits to the Welsh Government would require a transfer of funding from the UK government and an appropriate fiscal framework thereafter. These fiscal arrangements would determine the type of financial risks borne by the Welsh Government after devolution.

4.2 Under the **Barnett formula**, subsequent changes to the block grant would equate to a Welsh population share of changes in spending on S-benefits in England

4.3 An in-built property of the Barnett formula is that if spending is growing in England, it results in convergence in per person spending over time between Wales and England. This is because the same pounds-per-person increase in spending in Wales and England represents a smaller percentage increase in Wales (Poole et al. 2016: 10). Over time therefore, one would expect per person spending levels on S-benefits to converge unless resources are found from elsewhere in the Welsh budget.

4.4 As a result of the fiscal framework agreement of December, increments to the Welsh block grant triggered by the Barnett formula are now multiplied by a **Needs-Based Factor (NBF)** of 105%.[8] This leads to larger increases in the Welsh block grant and thus limits the rate of convergence in relative spending levels.

4.5 An alternative method of calculating subsequent block grant changes discussed in the Scottish Fiscal Framework negotiations was the **Indexed Per Capita (IPC)** method. Under this method, if spending per person on S-benefits grows by 5%, then Wales'

[8] The NBF level will switch to 115% if total relative spending per person in Wales on devolved areas converges to 115% of the English level.

block grant change for S-benefits would also grow by 5% per person. The IPC method does not therefore have the same convergence property as the Barnett formula, and Wales' initial per person spending difference would essentially be 'locked in' after devolution. Under this method, the Welsh Government would not face the risk of convergence in relative funding, but would still bear the risk and rewards of differential growth in needs.

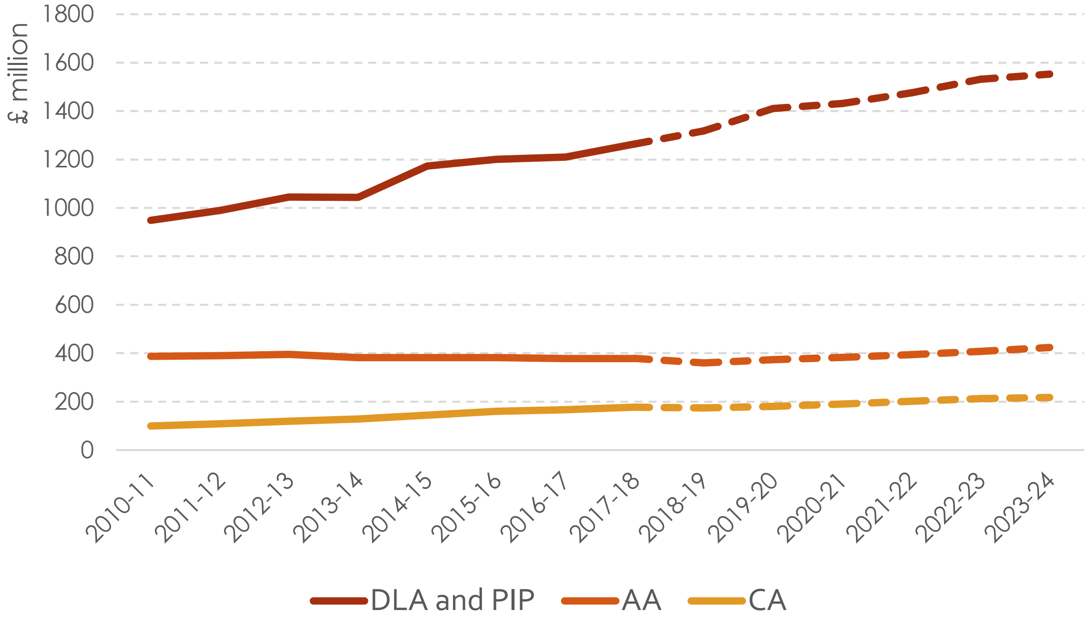
4.6 Another method of determining changes to the Welsh block grant would be the **Comparable Model (CM)**. This method would mirror the arrangements for adjusting the Welsh block grant to account for tax devolution. Under the CM method, this comparability factor would be adjusted to reflect relative spending per person in Wales compared with England at the point of devolution (e.g. 146% in the case of the Attendance Allowance), in the same way that the comparability factor used in the tax devolution calculations are set to reflect relative tax revenues per person in Wales.

4.7 Assuming that S-benefits had been devolved in 2011-12, we can use outturn data to calculate the hypothetical net effect of devolving these benefits. Using the simple Barnett Formula with the Needs-Based Factor of 105% in place, these net 'losses' would have amounted to £8 million a year on average from 2011-12 to 2017-18, or around 0.4% of what was actually spent on S-benefits in Wales over this time period. However, had the method agreed for Scotland been in place - the IPC method - the Welsh Government would have been substantially better off. The surplus to the Welsh Government would have amounted to £132 million a year in 2017-18. The CM would have yielded similar results.

4.8 Using our caseload projections for England and Wales and applying these to the OBR forecasts of projected UK expenditure on DLA/PIP, CA and AA, we can forecast spending on these benefits in Wales up to 2023-24 (Figure 4.1). Between 2017-18 and 2023-24, spending on DLA and PIP is projected to increase by £288.6 million (22.8%). Over the same period, spending on AA is projected to increase by £45.1 million (11.9%) and CA spending is projected to increase by £40.3 million (22.8%).

Figure 4.1

Projected expenditure on DLA/PIP, AA and CA in Wales, 2018-19 to 2023-24



Source: See Appendix 1 of full report for forecast methodology

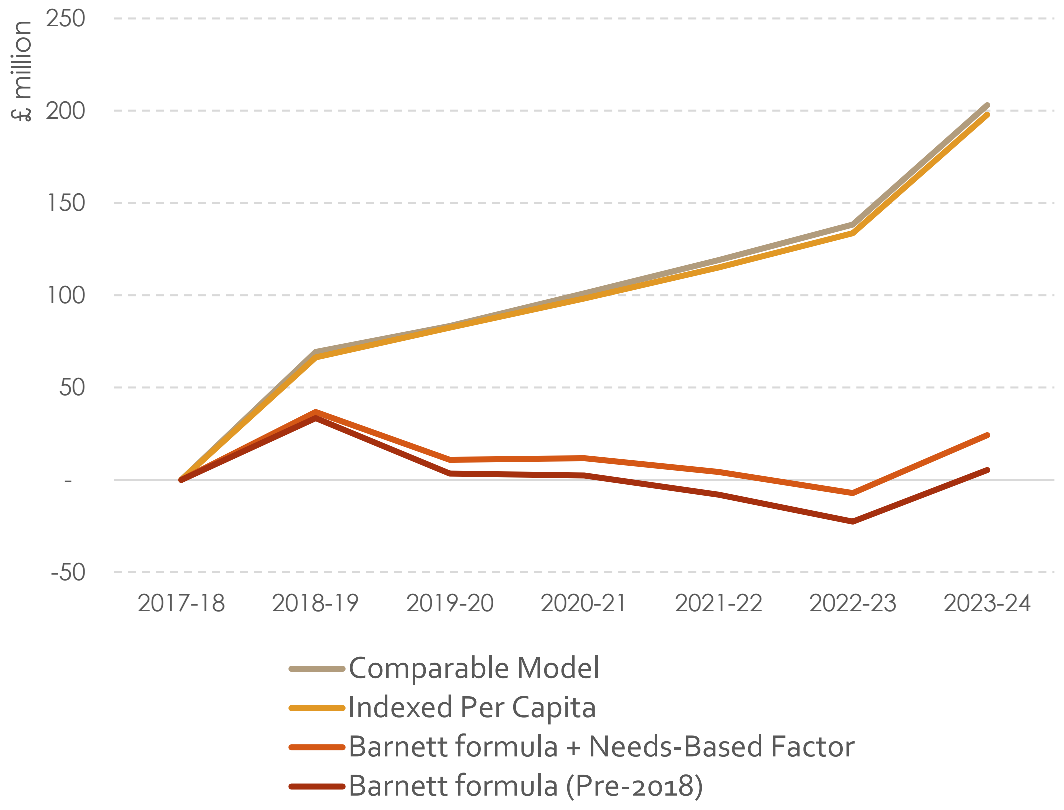
4.9 Using 2017-18 as a baseline year (the latest year for which outturn data is available) and assuming that DLA/PIP, CA and AA were devolved to Wales in 2018-19, we can calculate the projected net effect of devolving these benefits, by calculating the funding the Welsh Government would receive based on projected spending in England.

4.10 Determining block grant changes using the IPC method (as was agreed in Scotland) or CM would result in a large projected surplus from the devolution of these benefits. By the end of the forecast period, this surplus would amount to around £200 million a year (Figure 4.2).

4.11 Even using the Barnett formula with the additional Needs-Based Factor of 105%, we project that the Welsh Treasury would be better-off by an average of £13.8 million a year over the forecast period as a result of S-benefit devolution.

Figure 4.2

Projected net effect of devolving PIP/DLA, CA and AA, using 2017-18 as a baseline year, 2018-19 – 2023-24



Source: See Appendix 1 of full report for forecast methodology

4.12 The devolution of S-benefits to Wales would also involve administration and implementation costs. As part of the Scottish Fiscal Framework, it was agreed that the UK government would provide £200 million to support the implementation of new powers in Scotland and a baseline transfer of £66 million to cover ongoing administration costs (Scottish Government & HM Government 2016: 5). It has since been estimated that the implementation costs for the new social security powers to Scotland will amount to £308 million over four years (Audit Scotland 2018: 13).

5. Welfare devolution: risks and opportunities

5.1 The demand-led nature of benefits would make it appropriate to increase the Welsh Government's resource borrowing powers to use as a budget management tool. Some additional borrowing powers were conferred to the Scottish Government as part of the fiscal framework agreement (HM Government and Scottish Government 2016: 9-10).

5.2 Since the net effect of devolution is likely to differ between benefits, this strengthens the case to devolve a package of benefits to manage the risk.

5.3 It would also make sense for the Welsh Government to lead a campaign to increase uptake of benefits to be devolved in the year immediately preceding their devolution to ensure that number of claimants during the baseline year closely reflects the number of eligible claimants in that year. In particular, the *Bevan Foundation* has previously expressed concern that Attendance Allowance is under-claimed in Wales (Bevan Foundation 2016: 26).

5.4 If a similar fiscal framework agreement to the one negotiated by the Scottish Government had been agreed by the Welsh and UK government, and powers over S-benefits were devolved to Wales in 2018-19, we project that the Welsh Treasury would have been cumulatively better off by £700 million by the end of 2023-24.

5.5 If the Welsh Government were to commit to devolving elements of the welfare system, it would be prudent to adopt a strong negotiating position that favours the Indexed Per Capita mechanism or Comparability Model for allocating funds via the block grant. The fact that one of these arrangements is currently in place in Scotland means that there is precedent for such an agreement.

5.6 We find no evidence to suggest that devolving these powers to the Welsh Government would be fiscally unsustainable. Moreover, depending on the precise Barnett mechanism used and the outcome of negotiations with the UK government, the Welsh Treasury could stand to benefit considerably from the devolution of welfare powers. This is in addition to any benefits associated with having control over new policy levers.

Cian Siôn & Guto Ifan
10 April 2019

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About Wales Fiscal Analysis

Wales Fiscal Analysis (WFA) is a new research body within Cardiff University's Wales Governance Centre that undertakes authoritative and independent research into the public finances, taxation and public expenditures of Wales.

The WFA programme adds public value by commenting on the implications of fiscal events such as UK and Welsh budgets, monitoring and reporting on government expenditure and tax revenues in Wales, and publishing academic research and policy papers that investigate matters of importance to Welsh public finance, including the impact of Brexit on the Welsh budget and local services, options for tax policy, and the economics and future sustainability of health and social care services in Wales.

Working with partners in Scotland, Northern Ireland, the UK and other European countries, we also contribute to the wider UK and international debate on the fiscal dimension of devolution and decentralisation of government.

The programme continues the work of Wales Public Services 2025 hosted by Cardiff Business School, up to August 2018, and funded through a partnership between Cardiff University, the Welsh Local Government Association and Solace Wales.

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Dadansoddi Cyllid Cymru
Wales Fiscal Analysis

Devolving Welfare: How well would Wales fare?

Assessing the fiscal impact of devolving welfare to Wales

GUTO IFAN & CIAN SIÔN

Dadansoddi Cyllid Cymru
Wales Fiscal Analysis

APRIL 2019

Preface

Declaration of funding

Wales Fiscal Analysis is hosted by the Wales Governance Centre and the School of Law and Politics at Cardiff University, and funded through a partnership between Cardiff University, the Welsh Local Government Association and Solace Wales. The programme continues the work of Wales Public Services 2025 hosted by Cardiff Business School, up to August 2018

About us

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DEVOLVING WELFARE: HOW WELL WOULD WALES FARE?

Assessing the fiscal impact of devolving welfare to Wales

GUTO IFAN & CIAN SIÔN

Wales Fiscal Analysis

Wales Governance Centre

Wales Governance Centre Director
Prof Richard Wyn Jones

Wales Fiscal Analysis Academic Lead
Dr Ed Gareth Poole

Honorary Senior Research Fellow – Wales Fiscal Analysis
Michael Trickey

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1. Introduction – which benefits and why now?

1.1 The Scotland Act (2016) made provisions for devolving control over 11 welfare benefits to the Scottish Government. Among these were ill health and disability benefits (including Disability Living Allowance, Personal Independence Payment, and Attendance Allowance) and several miscellaneous, smaller benefits (including Cold Weather Payment, Discretionary Housing Payment and Winter Fuel Payment).

1.2 The Act also conferred several other powers including the ability to create new social security benefits in non-reserved policy areas, vary elements of Universal Credit and top-up existing benefits.

1.3 In the context of an inquiry into benefits administration by the National Assembly's Equality, Local Government and Communities Committee, this report assesses the fiscal implications of devolving these benefits (hereafter referred to as S-benefits) to Wales.

1.4 The report focuses on these particular welfare payments for three main reasons. First, they are relatively less cyclical and easier to budget for compared to other benefits such as unemployment benefits and Income Support. Second, it is difficult to envisage that the UK or Welsh Government would agree to the devolution of any benefit that has not been devolved to Scotland. Third, the UK government has previously expressed an interest in devolving one of these benefits, namely Attendance Allowance, to Wales.

2. Spending on S-benefits in Wales

2.1 In 2017-18, identifiable Welsh expenditure on those benefits that have been devolved to Scotland amounted to £2.03 billion (Figure E1). Total devolved and non-devolved social protection spending in Wales in that year was £14.57 billion, meaning that S-benefits accounted for 13.9% of that total.

2.2 Per capita spending on S-benefits in Wales has been falling relative to the English level since 2010-11. Welsh spending on S-benefits has fallen from 154.5% of the English level to 149.7% between 2010-11 and 2017-18. Per capita spending on Disability Living Allowance (DLA) and Personal Independence Payment (PIP) has fallen from 171.4% of the English level to 156.9% over the same period.

2.3 Even in the absence of S-benefit devolution, past trends and future projections suggest that we can expect the convergence in per capita spending on S-benefits to continue.

Figure E1

Total Welsh identifiable expenditure on benefits devolved to Scotland (S-benefits), 2017-18

Benefit type	Outturn 2017-18 (£'000s)	Share of total (%)
Personal Independence Payment and Disability Living Allowance	1,264,071	62.3
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Discretionary Housing Payment	9,744	0.5
Sure Start Maternity Grants	1,295	0.1
Total	**2,028,212**	**100.0**

Source: HM Treasury (2018) Country and Regional Analysis

3. Trends and patterns in the characteristics of S-benefit claimants in Wales

3.1 In Wales, over 65s are nearly twice as likely to be claiming Personal Independence Payment or Disability Living Allowance as their counterparts in England, whereas among the under 25 cohort, the claimant rate is roughly similar for both countries.

3.2 Relatively slower projected increases in the future size of the Welsh PIP and DLA caseload could help mitigate some of the effects of the "Barnett Squeeze" by allowing Wales to take advantage of relatively larger yearly increases in spending on PIP and DLA payments in England.

3.3 PIP and DLA claimant rates among the 45 – 64 age cohort have been in steady decline in Wales over the past 18 years whereas in England, claimant rates have increased slightly. The declining claimant rate for this age group in Wales may reflect the population who used to work in heavy industries (disproportionately affected by disabilities) making the transition to the over 65 cohort.

3.4 In recent years, claimant rates for Attendance Allowance have been falling relatively faster in Wales than in England. In 2004, the AA claimant rate among over 65s was 20.0% in Wales, compared to 14.4% in England. By 2017, the claimant rates were 14.8% and 12.1% respectively.

3.5 The absolute size of the Welsh AA caseload is projected to increase by roughly 7,000 (7.2%) between 2017 and 2030 whereas in England, the caseload is projected to grow in size by 173,000 (14.2%).

3.6 By the end of the next decade, the Carer's Allowance (CA) caseload in Wales is projected to be 84,000 (four times the 2004 level).

4. The fiscal implications of welfare devolution

4.1 The type of financial risk borne by the Welsh Government after devolution would be determined by the fiscal arrangements agreed with the UK government.

4.2 Assuming that S-benefits had been devolved in 2011-12, and using the simple Barnett Formula with the Needs-Based Factor of 105% in place, the net 'losses' of welfare devolution would have amounted to £8 million a year on average between 2011-12 and 2017-18. However, had the method agreed for Scotland been in place – the Indexed Per Capita method – the Welsh Government would have been substantially better off. The surplus to the Welsh Government would have amounted to £132 million a year in 2017-18.

4.3 Had DLA, PIP, CA and AA been devolved to Wales in 2018-19, and the block grant changes were determined using the Indexed Per Capita method (as was agreed in Scotland), the Welsh Treasury would be projected to amass large surpluses as a result of welfare devolution. By the end of 2023-24, this surplus would amount to around £200 million a year (Figure E2).

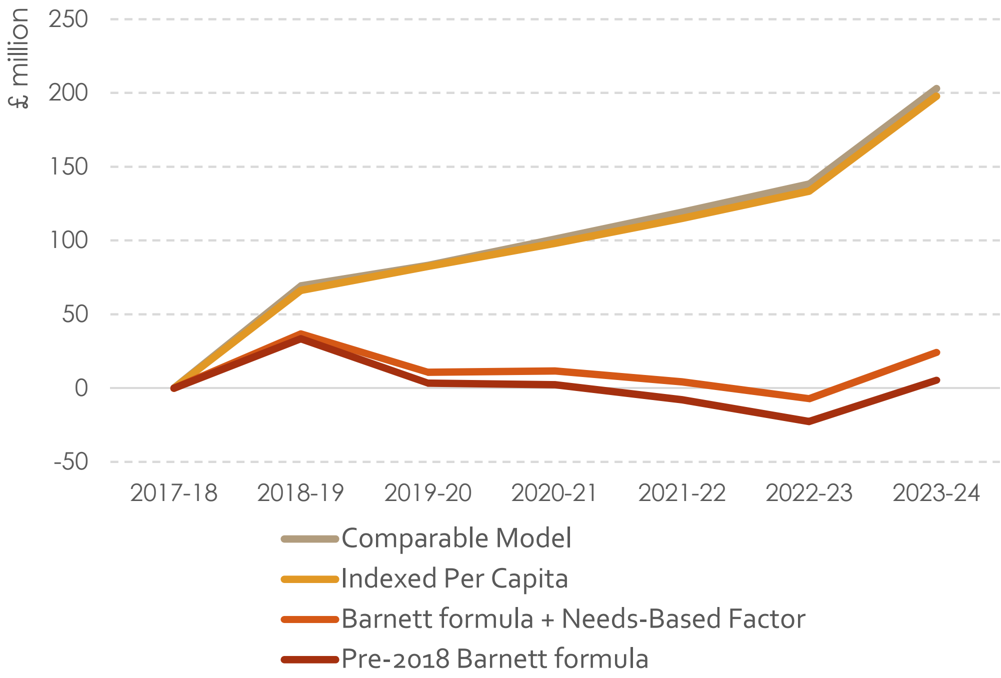
4.4 The devolution of S-benefits to Wales would also involve administration and implementation costs. As part of the Scottish Fiscal Framework, it was agreed that the UK government would provide £200 million to support the implementation of new powers in Scotland and a baseline transfer of £66 million to cover ongoing administration costs. It is possible that the Welsh Government would be required to meet any shortfall in implementation and administration costs if the compensation negotiated with the UK government is insufficient to cover these costs.

4.5 Since the net effect of devolution is likely to differ between benefits, this strengthens the case to devolve a package of benefits as opposed to a single one.

4.6 It would be sensible for the Welsh Government to lead a campaign to increase uptake of benefits to be devolved in the year immediately preceding their devolution to ensure that number of claimants during the baseline year closely reflects the number of eligible claimants.

Figure E2

Projected net effect of devolving PIP/DLA, CA and AA, using 2017-18 as a baseline year, 2017-18 to 2023-24



Source: See Appendix 1

5. Conclusion

5.1 If the Welsh Government were to commit to devolving elements of the welfare system, it would be prudent to adopt a strong negotiating position that favours the Indexed Per Capita mechanism or Comparability Model for allocating funds via the block grant. The fact that one of these arrangements is currently in place in Scotland means that there is precedent for such an agreement.

5.2 Although per capita spending on S-benefit is significantly higher in Wales than in England, this is not in itself a barrier to their devolution. In fact, depending on the precise Barnett mechanism used and the outcome of negotiations with the UK government, the Welsh Treasury could stand to benefit considerably from the devolution of welfare powers. This is in addition to any benefits associated with having control over new policy levers.

1 Introduction – which benefits and why now?

The Scotland Act (2016) made provisions for devolving control over several welfare benefits to the Scottish Government. Among these were ill health and disability benefits (including Disability Living Allowance, Personal Independence Payment, and Attendance Allowance) and several miscellaneous, smaller benefits including the Cold Weather Payment, Discretionary Housing Payment and Winter Fuel Payment.[1] Additionally, the Act conferred several other powers including the ability to create new social security benefits in non-reserved policy areas, vary elements of Universal Credit and top up existing benefits. In this report, we assess the fiscal sustainability of devolving these benefits that are set to be devolved to Scotland (hereafter referred to as S-benefits) to Wales.

There are three main reasons why we have chosen to focus on this particular package of benefits:

First, ill-health and disability benefits are relatively less cyclical compared to other benefits such as unemployment benefits and Income Support. This is an important consideration given the financial strains these benefits would likely impose on devolved resources (Lodge & Trench 2014: 24). As in any multi-tiered state, the central government is in a much better position to use its enhanced budget management tools and borrowing capabilities to respond to economic shocks that may result in spikes in demand for these benefits. Thus, from a risk-pooling standpoint, it makes sense that benefits such as Job Seeker's Allowance remain UK–wide. Major benefits that are contributory in character such as the State Pension may not be good candidates for devolution either since devolving these may undermine the social union. On the other hand, benefits that are tied to predictable indicators such as demographics are often easier to budget for and are thus more suitable for devolution (ibid. 24).

Second, it is difficult to envisage that the UK or Welsh Government would agree to the devolution of any benefit that has not been devolved (or is not in the process of being devolved) to Scotland.

Third, the UK government has previously expressed interest in devolving one of these benefits to Wales. In December 2015, the UK government announced that

[1] The Scottish government has confirmed that responsibility for all of these welfare payments will sit with the Scottish Parliament from April 2020. See, https://www.bbc.co.uk/news/uk-scotland-scotland-politics-47402292

it was considering devolving Attendance Allowance (AA) to Wales and local authorities in England.[2] This was met with resistance by the Welsh Government who noted that they were 'extremely cautious' about the proposals.[3] In a roundtable discussion hosted by the Bevan Foundation and Welsh Local Government Association, participants expressed concerns about the adequacy of any financial settlement to cope with an increasing claimant rate (Bevan Foundation 2016a). Despite this, to date, no comprehensive studies have been conducted on the fiscal implications of devolving this benefit or other disability benefits to Wales. Although there have been no further proposals made by the UK or Welsh Government to devolve AA to Wales, understanding the fiscal implications and the risks involved with AA devolution and the devolution of other disability benefits is vital should similar proposals be brought forward again in the future.

This report does not seek to endorse a recommendation either a way on whether S-benefits should be devolved to Wales. There are many factors that should inform this decision, the fiscal sustainability of the proposal being merely one of them. Rather, we seek to answer whether devolving S-benefits to Wales would be fiscally and practically sustainable and outline the risks and opportunities associated with their devolution.

The rest of the report is structured as follows:

- **Chapter 2:** looks at trends in total spending on S-benefits in Wales;
- **Chapter 3:** analyses trends and patterns in the characteristics of S-benefit recipients in Wales;
- **Chapter 4:** considers the fiscal implications of devolving S-benefits to the Welsh Government; and
- **Chapter 5:** summarises the key risks and challenges associated with the devolution of S-benefits and outlines the prospects for welfare devolution to Wales.

We find no evidence to suggest that devolving the same package of welfare powers devolved to Scotland to the Welsh Government would be fiscally unsustainable. Moreover, depending on the precise Barnett mechanism used and the outcome of negotiations with the UK government, the Welsh Treasury could stand to benefit considerably from the devolution of welfare powers.

[2] https://www.theguardian.com/society/2015/dec/17/5bn-social-care-shifts-local-government-attendance-allowance
[3] https://www.bbc.co.uk/news/uk-wales-politics-35305722

2 Spending on S-benefits in Wales

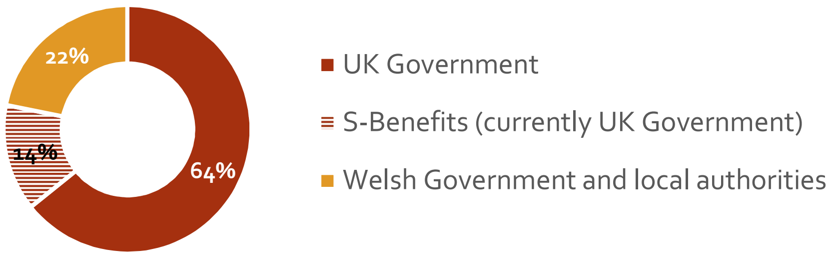
In this section, we look at trends in total spending on S-benefits in Wales. The data is sourced from the *Country and Regional Analysis* datasets produced annually by HM Treasury. They estimate the allocation of identifiable UK expenditure by country and English region.

2.1 Total expenditure on S-benefits in Wales

In 2017-18, identifiable Welsh expenditure on S-benefits amounted to £2.03 billion. Total devolved and non-devolved Welsh social protection spending in that year was £14.57 billion, meaning that S-benefits accounted for 13.9% of that total (Figure 2.1).

Figure 2.1

Administration of social protection spending in Wales by level of government, 2017-18



Source: HM Treasury (2018) Country and Regional Analysis

In the same year, £3.18 billion (21.8%) of social protection spending was administered by the Welsh Government or local government. This amount mainly comprises of spending on social services and housing benefits, both administered by local authorities. Responsibility for social services is currently devolved to the Welsh Government and funding is allocated to local authorities via the local government settlement each year. Funding for housing benefit payments is transferred directly from the Department for Work and Pensions (DWP) to match demand, meaning that, although included in the Welsh Government and local authorities segment of the chart, housing benefits are not currently devolved.[4] Once the Universal Credit rollout is complete, in most cases, housing benefit payments will be made directly to the head of household, bypassing local authorities.[5]

Had S-benefits been devolved, Welsh-administered welfare payments would have accounted for 35.8% of devolved and non-devolved Welsh social protection spending in 2017-18. S-benefits alone would have accounted for 63.7% of Welsh-administered welfare payments. The majority of social protection spending (including state pensions, unemployment benefits, income support and housing benefits) would have still been reserved to the UK government.

Figure 2.2

Total Welsh identifiable expenditure on benefits devolved to Scotland (S-benefits), 2017-18

Benefit type	Outturn 2017-18 (£'000s)	Share of total (%)
Personal Independence Payment and Disability Living Allowance	1,264,071	62.3
Attendance Allowance	378,589	18.7
Carer's Allowance	176,996	8.7
Winter Fuel Payment	110,247	5.4
Industrial Injuries Disablement Allowance	55,501	2.7
Cold Weather Payment	21,520	1.1
Severe Disablement Allowance	10,249	0.5
Discretionary Housing Payment	9,744	0.5
Sure Start Maternity Grants	1,295	0.1
Total	**2,028,212**	**100.0**

Source: HM Treasury (2018) Country and Regional Analysis

As shown in Figure 2.2, by far the largest components of the Welsh bill for S-benefits are Personal Independence Payments and the Disability Living Allowance, collectively making up £1.26 billion (62.3%) of the total in 2017-18. Other sizeable components of the bill include the Attendance Allowance (18.7%), Carer's Allowance (8.7%) and Winter Fuel Payments (5.4%). Collectively, expenditure on

[4] The Council Tax Reduction Scheme (CTRS), which offers relief for people on low income and/or certain welfare payments to pay their Council Tax bills, is devolved and the majority of the scheme's funding is delivered to local authorities via the Welsh Government's Revenue Support Grant (RSG).
[5] Pensioners and claimants on certain tenancies will continue to claim Housing Benefit.

these five benefits amounted to £1.93 billion, or 95.2% of total spending on S-benefits in Wales in 2017-18.

Other S-benefits include the Industrial Injuries Disablement Allowance, Cold Weather Payment, Severe Disablement Allowance, Discretionary Housing Payment and Sure Start Maternity Grants.[6]

It should be noted that the Cold Weather Payment is particularly volatile as it is only paid out if the weather is forecast to be / recorded as below zero degrees Celsius for seven consecutive days. In 2017-18, spending on Cold Weather Payments in Wales was at its highest level since 2010-11.

Welsh spending on S-benefits has increased by £287.1 million (16.5%) in cash terms since 2010-11. This is lower than the percentage increase in England, where spending has increased by £4.7 billion (24.0%) over this period. This partly reflects the fact that England has a higher rate of population growth than Wales. However, there is also evidence that, in recent years, **per capita spending on S-benefits in Wales has been falling relative to the English level**.

2.2 Per capita expenditure on S-benefits in Wales

In 2017-18, per capita spending on S-benefits in Wales was £649, markedly higher than the equivalent figure for England, which was £434. Some of this difference can be attributed to Wales having a higher share of over 65s as a proportion of its total population (20.6%) compared to England (18.0%) and that take-up of many S-benefits is relatively higher among this age cohort.[7] Additionally, disability prevalence is significantly higher in Wales (25%) than in England (21%) and, as we have seen, disability benefits account for a significant portion of the S-benefit bill.[8]

However, the per capita spending gap has narrowed since 2010-11. As shown in Figure 2.3, Welsh spending on S-benefits fell from 154.5% of the English level to 149.7% between 2010-11 and 2017-18. This can largely be attributed to an even more dramatic convergence in per capita spending on Personal Independence

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[6] Responsibility for *Funeral Expenses Payment* has also been devolved to the Scottish government, however, due to the lack of payment data for Wales, we have excluded this payment from our report. Welsh spending on this benefit is likely to be negligible relative to total S-benefit expenditure.

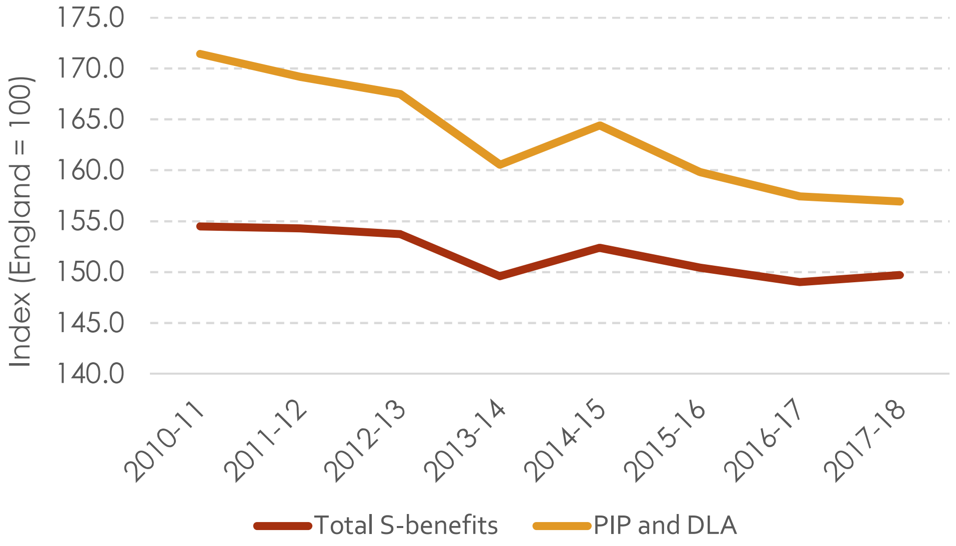
[7] ONS (2017) *Mid-year population estimates*: https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/bulletins/annualmidyearpopulationestimates/mid2017

[8] DWP (2016-17) *Family Resources Survey*: https://www.gov.uk/government/statistics/family-resources-survey-financial-year-201617

Payments and Disability Living Allowance – this has decreased from 171.4% to 156.9% of the English level during the same period. Reasons for this convergence include the fact that claimant rates for these benefits are growing relatively slower in Wales, and there is significantly less variation in claimant rates between the two countries when looking at younger generations. These reasons are explored in detail in **Chapter 3**.

Figure 2.3

Per capita Welsh identifiable spending on S-benefits, Personal Independence Payment and Disability Living Allowance, 2010-11 to 2017-18 (England = 100.0)



Source: HM Treasury (2018) Country and Regional Analysis

Even in the absence of S-benefit devolution, past trends and future population projections suggest that we can expect this convergence in per capita spending levels to continue.

3 Trends and patterns in the characteristics of S-benefit claimants in Wales

In this section we look at trends in the characteristics of S-benefit recipients in Wales, draw comparisons with England and project how demand for individual benefits is likely to change in the future. Were S-benefits devolved, changes to the size of the Welsh caseload relative to England would play a crucial role in determining whether the Welsh Treasury gains or loses out financially from the devolution settlement, therefore understanding the variables affecting the S-benefit caseload is critically important. The discussion that follows focuses on the four highest-valued S-benefits: Personal Independence Payment (PIP) and Disability Living Allowance (DLA), Carer's Allowance (CA) and the Attendance Allowance (AA).

3.1 Personal Independence Payment (PIP) and Disability Living Allowance (DLA)

In April 2013, the UK government started rolling out a new benefit, Personal Independence Payment, to replace the Disability Living Allowance for people of working age. Those in receipt of DLA or PIP prior to their 65th birthday will continue to receive the award after they have turned 65. Although the transition was originally expected to generate efficiency savings (around £1.5 billion in 2015-16), these savings have failed to materialise. Instead, the introduction of PIP has dramatically increased spending on disability payments by around £1 to £2 billion a year (OBR 2019: 10-12). The OBR cites a large volume of new claims, higher than expected success rates at reassessments, and average awards being higher than anticipated as some of the reasons for this overspend. Both awards will be considered jointly in this report.

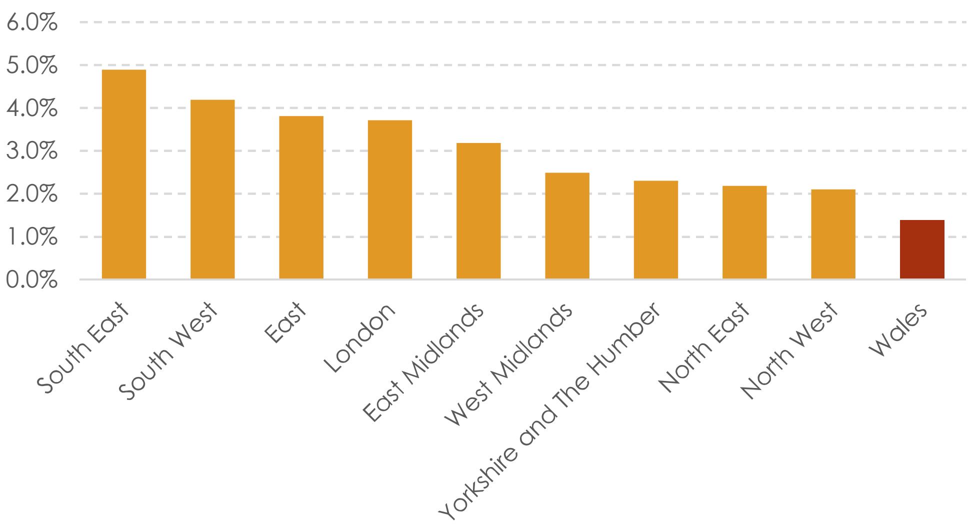
3.1.1 Caseload size

Over the past 15 years, there has been a relatively modest but steady increase in the number of PIP and DLA claimants in Wales. Between February 2004 and February 2018, the number of Welsh claimants increased by 41,677, representing an average growth rate of 1.4% a year. This is markedly less than the equivalent growth rate in England over the same period which was 3.1% a year. Although the number of PIP and DLA claimants per 1,000 of the Welsh population increased from 72.7 to 81.8 (12.5%) between February 2004 and February 2018, this represents a significantly smaller percentage increase than in England where the figure rose from 42.2 to 54.3 (28.5%) over the same period. Simply put, the rate of increase in the number of PIP and DLA claimants is much higher in England than in Wales, even after accounting for the difference in the rate of population growth between the two countries. In fact, as Figure 3.1 shows, since 2014, the rate of increase in the size of the PIP and DLA caseload in Wales has been significantly less than any other English region.

Were S-benefits devolved and assuming that current trends continue, the slower rate of increase in the size of the Welsh caseload could help mitigate some of the effects of the "Barnett Squeeze" by allowing Wales to take advantage of relatively larger yearly increases in spending on PIP and DLA payments in England and relatively smaller annual increases in the caseload size in Wales.[9]

Figure 3.1

Average annual rate of increase in PIP and DLA caseload, Wales and English regions, 2004 - 2018



Source: DWP (2018 and previous) DLA cases in payment and PIP cases in payment

[9] The "Barnett Squeeze" is a term used to describe the phenomenon where per capita spending levels in England and Wales tend to converge over time under the present block grant arrangement. However, depending on the precise method for calculating changes to the block grant agreed in future negotiations with the UK government, the Barnett Squeeze may not apply. See, **Chapter 4** for further details.

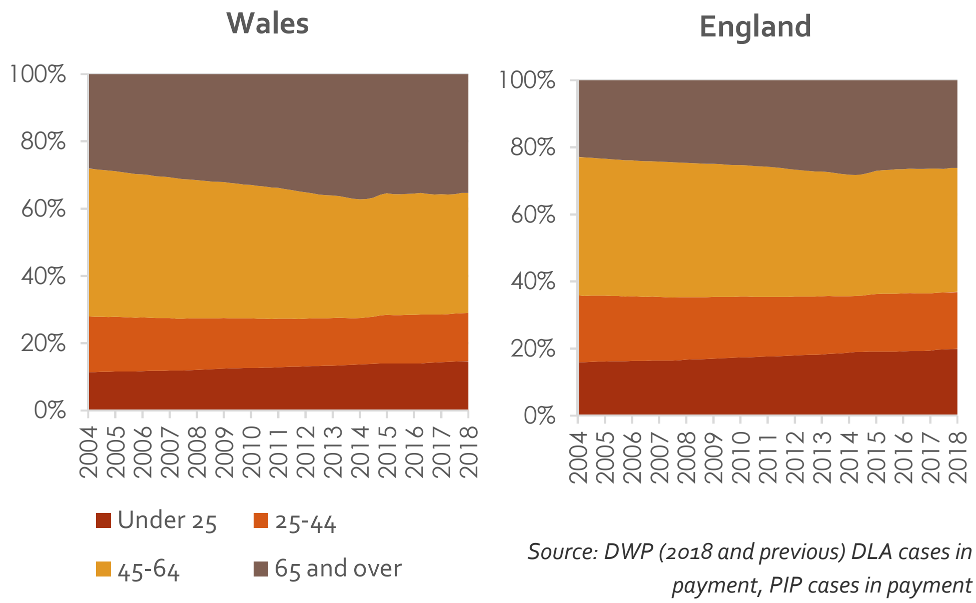
3.1.2 Age profile of claimants

In Wales, the share of DLA and PIP claimants over 65 has increased from 28.1% to 35.3% since 2004 (Figure 3.2). The extent to which Wales' demographics differs from the rest of the UK is clearly evident when we look at the comparative figures for England (22.9% and 26.2% respectively). Figure 3.2 also shows that the share of Welsh claimants who are under 25 has increased from 11.4% to 14.6% during this period. This trend can also be seen in the English data. The share of claimants under 25 in England has risen from 16.0% to 19.9%.

The rise in the share of claimants aged 25 and under can be explained by rising prevalence of disabilities within this age cohort and growing public awareness of certain types of disabilities (especially social disorders and mental illness). According to a recent report published by the OBR (2019: 25), the most common conditions reported among disabled children across the UK were social / behavioural and learning impairments. These have all been trending upwards since 2012-13.

Figure 3.2

Age profile of PIP and DLA recipients in England and Wales, 2004 - 2018



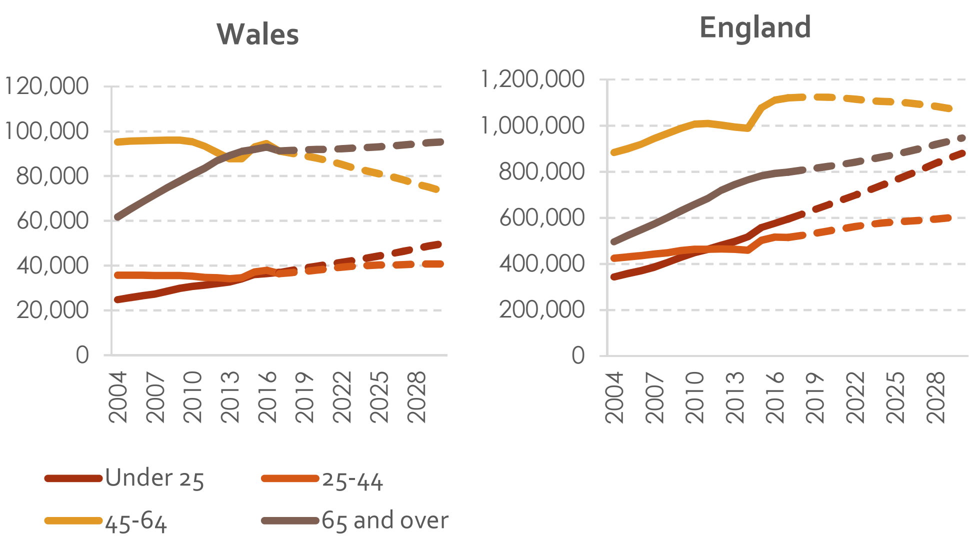
Source: DWP (2018 and previous) DLA cases in payment, PIP cases in payment

The Welsh data closely aligns with UK-wide trends. The total number of children (under 16) in Wales in receipt of a DLA award increased by 7,168 (43.5%) between February 2004 and February 2018. Among this age cohort, the number of recipients with ADHD listed as their main disabling condition in February 2018 was 3,028. This figure had never exceeded 100 until 2007. While some of this increase can be attributed to disabilities being reclassified, the combined figure for children with behavioural disorders has still risen by 60.6% since 2004. Meanwhile, the number of children claiming DLA in Wales citing learning difficulties as their main disabling condition has increased from 4,167 to 9,776 (134.6%) over the same period.

Assuming that recent trends in the claimant rates for PIP and DLA continue, we can use population projections published by the ONS to forecast the size and composition of the caseload up to 2030 (Figure 3.3).[10] In 2017, claimants over 65 years old made up the largest share of claimants in Wales and this trend is likely to continue as this age cohort continues to grow relative to the size of the total population.

Figure 3.3

Projection of DLA and PIP caseload, by age group, in England and Wales, 2004-2030



Source: DWP (2018 and previous) DLA cases in payment, PIP cases in payment; ONS (2017 and previous) Population mid-year estimate; and ONS (2016-based) Population projections. See Appendix 1 for forecast methodology.

[10] Claimant rates refer to the percentage of the population with benefit cases in payment. They do not include those with entitlement but are not currently in receipt of a benefit.

Children and young adults under 25 are projected to account for an ever larger share of total claimant rates as awareness of social disorders and mental illness increase. This is likely to be a bigger source of pressure in England where the size of this age cohort is predicted to grow relatively quicker than in Wales and reflecting the fact that claimant rates have been rising relatively faster in England in recent years.

The steep reduction in the projected caseload for those within the 45 – 64 age cohort in Wales should be treated with some caution. Although recent trends suggest that there has been a significant reduction in claimant rates among this age group, it is not assured that this trend will be sustained in the future.

Between 2017 and 2030, the number of PIP and DLA claimants in Wales is projected to increase by roughly 3,400 (1.3%) compared to 469,000 (15.5%) in England. Even after accounting for Wales' slower population growth, caseload pressure is projected to increase much more quickly on the English side of the border.

We now turn to look at claimant rates among different age groups (thereby conditioning for demographic differences between the population in England and Wales) (Figure 3.4). In Wales, the PIP and DLA claimant rates among over 65s peaked at 14.9% in 2013 and have since fallen to 14.2%. In England, the claimant rate among the over 65 cohort has also plateaued in recent years. New claims for PIP / DLA cannot be made by those over the state pension age, although people who develop disabilities after turning 65 may still be eligible for an Attendance Allowance award. State pension age claimants with long-term disabilities who had been in receipt of DLA / PIP prior to their 65th birthday will continue to receive these payments.

Although PIP and DLA claimant rates are higher in Wales across all age groups, this is particularly so among the over 65 cohort. **In Wales, over 65s are nearly twice as likely to be claiming PIP or DLA as in England, whereas for those under 25, the rate is roughly similar between the two countries.** While Wales' relatively older population can go some way in explaining why per capita spending on disability benefits is significantly higher than in England, it cannot be the only reason. Prevalence of disabilities is higher in Wales (25%) than in England (21%) but Figure 3.4 suggests that there is a stark generational divide in this figure, with claimant rates diverging further from the English level among older generations.[11]

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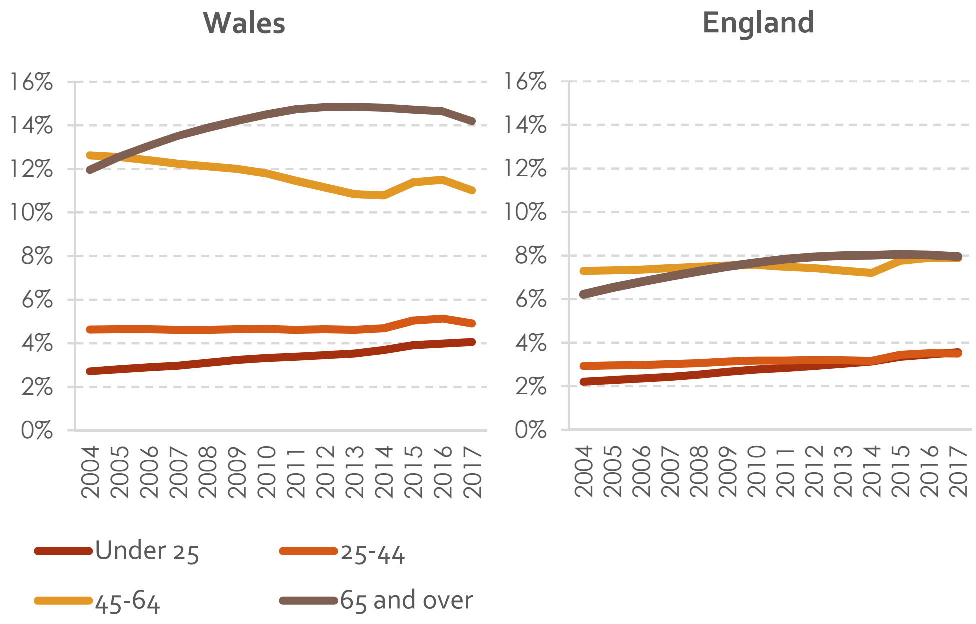
[11] DWP (2016-17) *Family Resources Survey*: https://www.gov.uk/government/statistics/family-resources-survey-financial-year-201617

A further point to note is that, in general, the upward or downward trend in prevalence are reflected in both the Welsh and English data. However, this has not been the case within the 45 – 64 cohort. Claimant rates among this age cohort has been in steady decline in Wales over the past 18 years whereas in England, there has been relatively little change in this figure. It is difficult to definitively account for this trend; however, one hypothesis is that the declining claimant rate in Wales may reflect the population who used to work in heavy industries (disproportionately affected by disabilities) making the transition to the over 65 cohort. This hypothesis is supported by the fact that claimant rates among the over 65 age cohort grew significantly quicker in Wales than in England over the first half of this period. It would also explain why there is such a stark generational divide in claimant rates in Wales.

Of course, definitively proving this correlation is beyond the scope of this report, however, the geographical profile of claimants may offer additional clues to support this hypothesis.

Figure 3.4

DLA and PIP claimant rates by age group, 2004-2017



Source: DWP (2018 and previous) DLA cases in payment, PIP cases in payment and ONS (2017 and previous) Population mid-year estimates

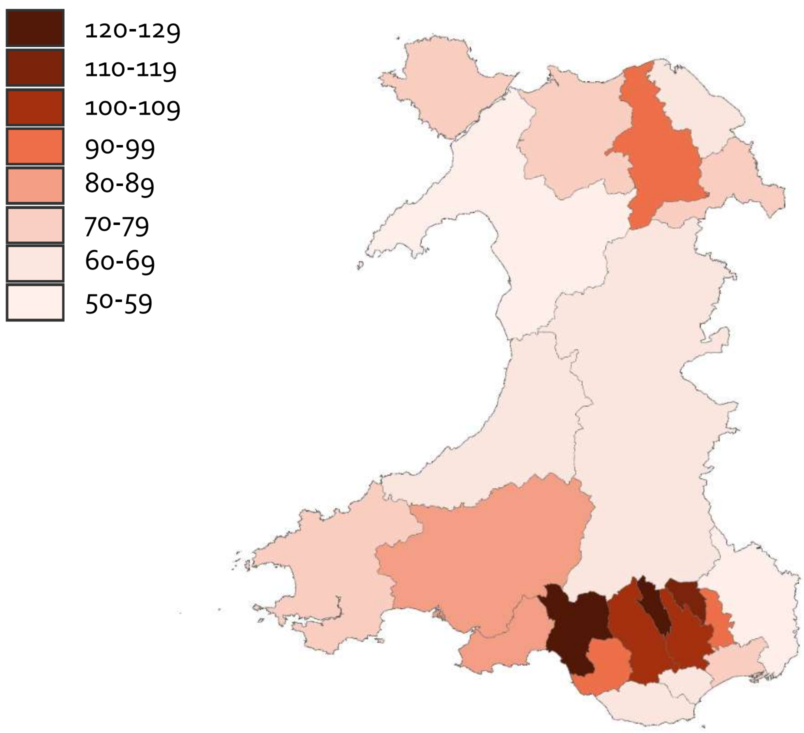
3.1.3 Geographic profile of claimants

The DWP publishes data for DLA and PIP claimants disaggregated by Welsh local authority. Using population estimates, we can calculate the ratio of DLA and PIP claimants per 1,000 member of the population.

There is significant variation in claimant rates across local authorities, as shown in Figure 3.5. The ratio of claimants to population per thousand is highest in Merthyr Tydfil (124.1) and Neath Port Talbot (120.7) and lowest in Gwynedd (54.6) and Monmouthshire (55.8). As a general rule, the ratio is higher in the densely populated, post-industrial communities in the south and lower in rural local authorities. The local authorities with the highest claimant rates tend to score lower on healthy life expectancy measures and have higher levels of income deprivation.

Figure 3.5

Number of PIP and DLA claimants per 1,000 of population, 2018



Source: DWP (2018 and previous) DLA cases in payment, PIP cases in payment and StatsWales (2017) Population estimates by local authority and year

The exceptionally high figures for Neath Port Talbot and Merthyr Tydfil support our earlier hypothesis that the importance of heavy industry in the local job market has a perceptible impact on claimant rates for disability benefits. There is also significant evidence of a correlation between disability and income poverty. In Wales, 28% of families with at least one member with a disability live in income poverty, compared with 21% of families who have no declared disabilities.[12]

These trends have been identified elsewhere in the literature. Beatty & Fothergill (2016) argue that post-industrial communities in south-east Wales have been hardest hit by UK welfare reforms. Given the extent to which the prevalence of PIP and DLA claimants varies across Wales, any future changes to eligibility criteria or awards will also have a disproportionate effect on these communities due to their relatively high claimant rates.

3.2 Attendance Allowance (AA)

Attendance Allowance (AA) is a benefit available to people of state pension age who have an illness or disability which means that they require care or supervision for more than six months. It is also available for those who are terminally ill. People who are currently in receipt of DLA or PIP awards are not eligible for this benefit.

Given that PIP/DLA is not available to those over 65, people who develop long-term disabilities later in life are restricted to claiming AA.

The award is paid at two rates: a lower rate of £57.30 a week for those who require supervision during the day and a higher rate of £85.60 a week for those who require supervision during the day and night.

3.2.1 Caseload size

In February 2018, there were 94,759 people in receipt of AA in Wales. This is down from a high of 115,637 in November 2009. In 2004, the claimant rate for Attendance Allowance among over 65 year olds was 20.0% in Wales, compared to 14.4% in England. By 2017, this gap had narrowed and the claimant rates were 14.8% and 12.1% respectively.

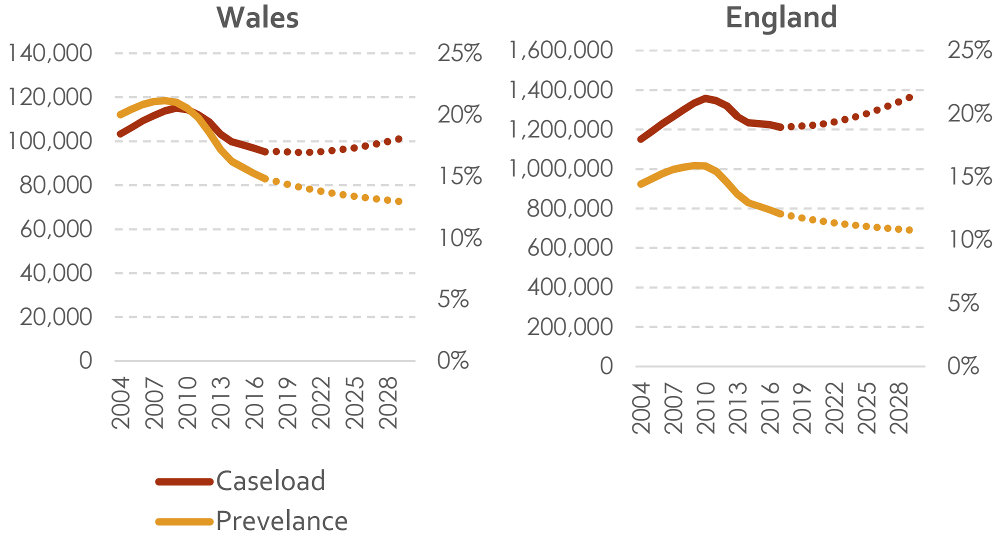
[12] DWP (2016-17) *Family Resources Survey*: https://www.gov.uk/government/statistics/family-resources-survey-financial-year-201617

Higher claimant rates are not the only reason why Wales has a relatively high number of AA claimants. This also due to Wales having a larger share of the population in the over 65 cohort (20.6%) compared to England (18.0%).

As in the previous forecasts, by assuming that recent trends in claimant rates continue we can use ONS population projections to estimate the size of the caseload up to 2030. The absolute size of the caseload is projected to increase by roughly 7,000 (7.2%) in Wales between 2017 and 2030 whereas in England, the caseload is projected to grow by 173,000 (14.2%). The fairly modest projected increase in Wales is partly a result of claimant rates declining relatively faster in Wales in recent years and projections that the over 65 population will grow more quickly in England than in Wales over the next decade. As a share of the total population, the population over 65 will continue to grow more quickly in Wales.

Figure 3.6

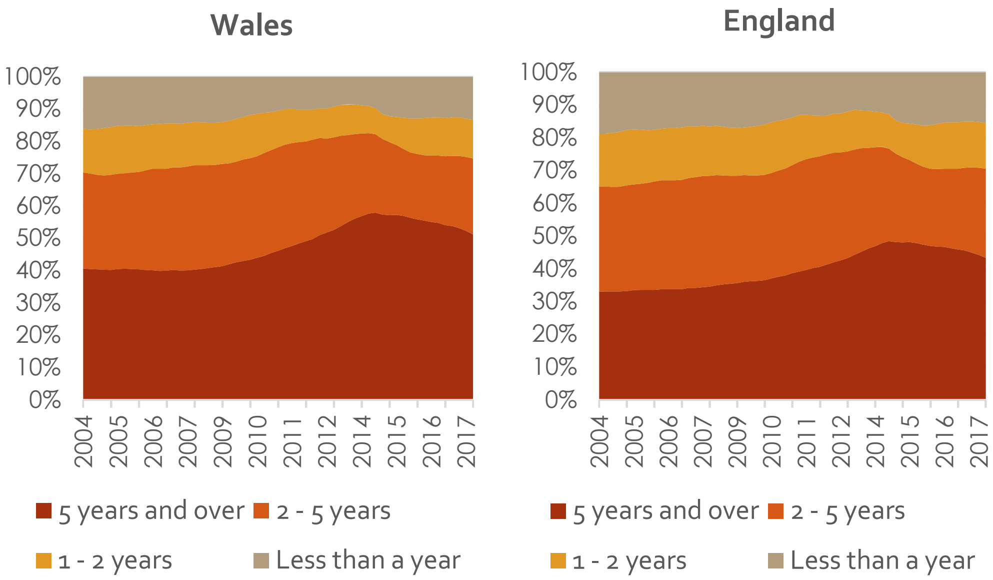
Projected Attendance Allowance caseload and claimant rate, 2004 – 2018



Source: DWP (2018 and previous) AA cases in payment; ONS (2017 and previous) Population mid-year estimate; and ONS (2016-based) Population projections. See Appendix 1 for forecast methodology.

A further recent trend in the data is that individuals have been claiming Attendance Allowance for longer periods of time, although there is some evidence that this pattern has started to reverse. Furthermore, the duration of AA claims in Wales tend to be longer than in England, although there is no evidence that there is a fundamental difference in patterns between the two countries.

Figure 3.7
Trends in duration of AA claim, 2004 - 2018



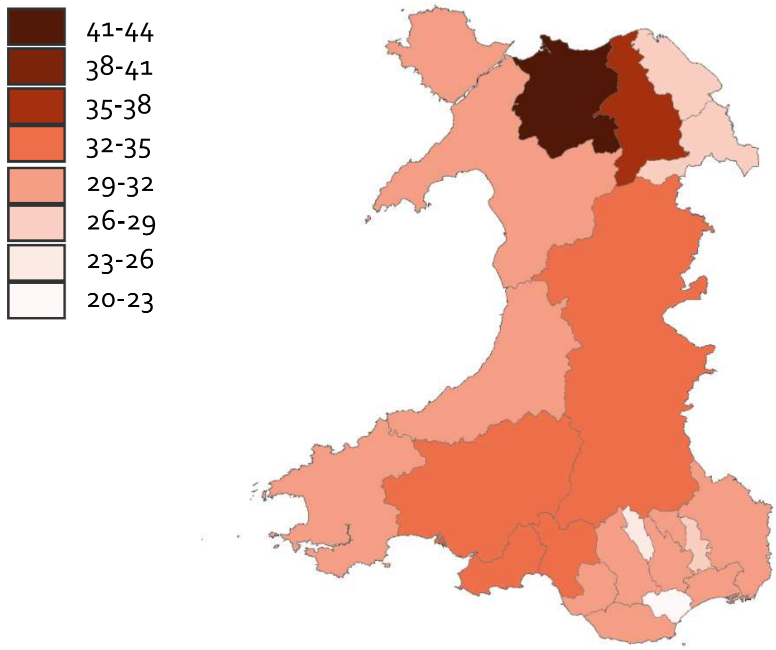
Source: DWP (2018 and previous) AA cases in payment

3.2.2 Geographic profile of claimants

As with the geographical profile of DLA/PIP claimants, there is significant variation in the claimant rates for Attendance Allowance on a local authority level. Conwy has – by a wide margin – the largest number of AA claimants per 1,000 of population, at 40.1. Conwy is also the local authority with the highest share of over 65s as a proportion of its total population. Indeed, a recent Wales Governance Centre report confirmed that Conwy scores higher than Japan on this measure (Ifan & Siôn 2019a: 32). This may explain Conwy's high prevalence rate. Conversely, Cardiff's low rate (21.6) will be attributable to the capital having a relatively small share of over 65s as a proportion of its total population.

Figure 3.9

Number of AA claimants per 1,000 of population, 2018



Source: DWP (2018 and previous) AA cases in payment and StatsWales (2017) Population estimates by local authority and year

3.3 Carer's Allowance (CA)

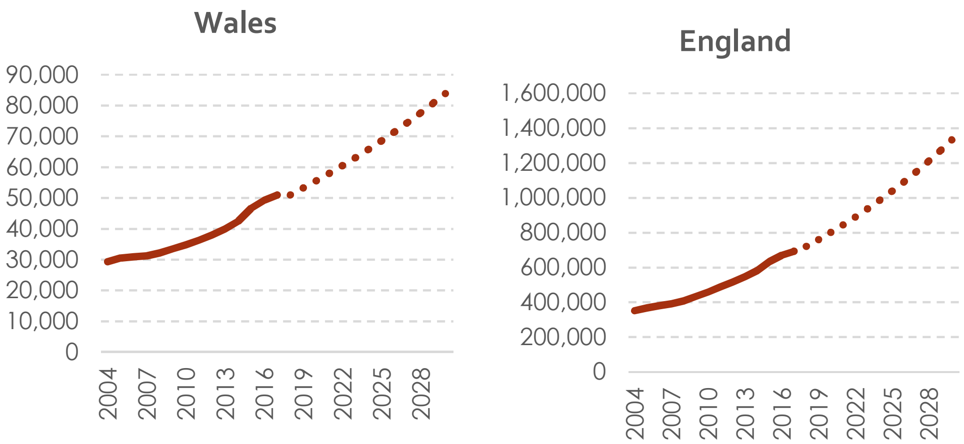
Carer's Allowance (CA) is a benefit available to people who spend at least 35 hours a week caring for someone. To be eligible, the carer must earn less than £120 a week after tax and expenses and the person being cared for must be in receipt of certain benefits e.g. DLA/PIP or AA. The typical award is £64.40.

3.3.1 Caseload size

Between 2004 and 2017, the CA caseload size in Wales increased by 21,691 (74.0%), compared with 341,602 (97.0%) in England. Assuming that claimant rates continue to rise in line with recent trends, we can project that the number of claimants will markedly increase over the next decade. Using our model, the Wales caseload will have increased to 84,000 by the end of the next decade (four times the 2004 level). This upward trend can be attributed to an ageing population as well as the fact that people are expected to live longer and require care for longer periods in old age.

Figure 3.10

Projected Carer's Allowance caseload, 2004 – 2018



Source: DWP (2018 and previous) AA cases in payment; ONS (2017 and previous) Population mid-year estimate; and ONS (2016-based) Population projections. See Appendix 1 for forecast methodology.

In February 2018, 70.0% of Welsh CA claimants were women, a reduction from 73.3% in February 2004. The gender imbalance is slightly less pronounced than in England where women comprised 73.1% of the caseload in 2018.

The age profile of CA claimants has not changed significantly during this time. In 2018, 93.2% of claimants were between 25 and 64 years old, 5.6% were under 25 and 1.2% were 65 and over. In February 2018, there were 197 people under 18 in receipt of CA in Wales.

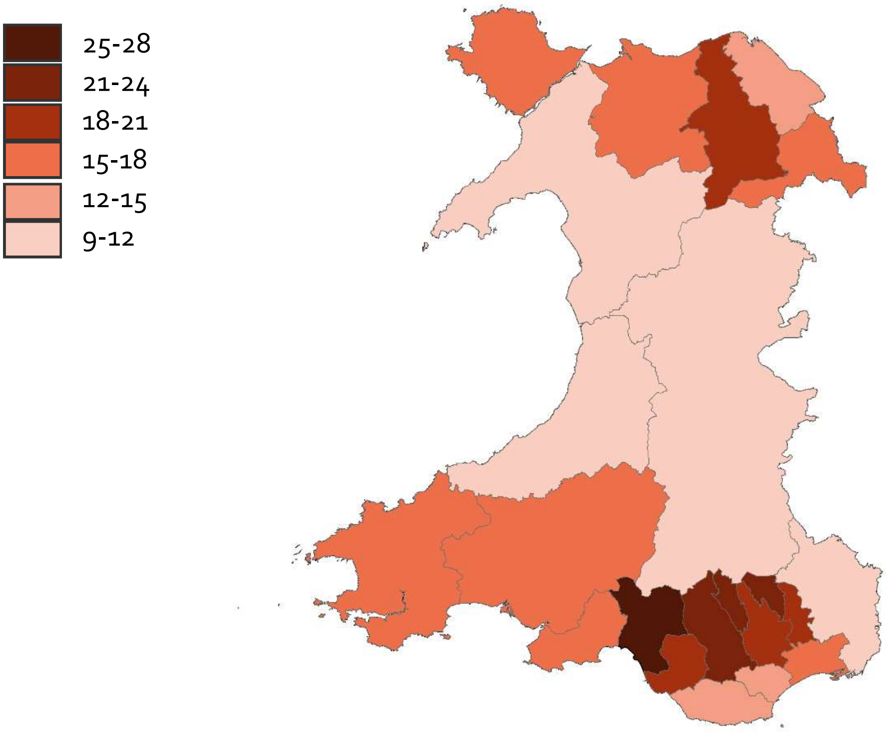
Claimant rates for CA are not a good indicator of the share of the population providing informal care. Many carers will be providing fewer than 35 hours of care a week, or this responsibility will be split between family members. It is worth noting that the Scottish Government has used its newly devolved welfare powers to introduce a Young Carer Grant for those aged 16-18 who provide care for someone for an average of 16 hours a week.[13]

3.3.2 Geographic profile of claimants

The ratio of CA recipients to local population closely reflects the data on the claimant rates for DLA and PIP. As shown in Figure 3.11, the local authority with the highest share of CA claimants per 1,000 member of population is Neath Port Talbot (26.4) while the lowest is Monmouthshire (10.4).

Figure 3.11

Number of CA claimants per 1,000 of population, 2018



Source: DWP (2018 and previous) CA cases in payment and StatsWales (2017) Population estimates by local authority and year

[13] https://young.scot/information/rights/young-carer-grant/

3.4 Other S-benefits

Collectively, the four benefits already covered in this chapter account for nearly 90% of the total S-benefit bill in Wales. In this section, we briefly outline the intended purpose, award and current eligibility criteria for the six other benefits that have been devolved to Scotland. Were these payments devolved to Wales, the Welsh Government would be able to use its legislative powers to make changes to the rules on eligibility and awards if it so wished.

Winter Fuel Payment is available to those born on or before 5 November 1953 to help with the cost of winter heating bills. To qualify, claimants must be living in the UK for at least one day during the 'qualifying week' in September. The payment is not means-tested, although the award level varies depending on the claimant's age, living situation and whether they claim other benefits. The award is currently between £100 and £300 a year.

Industrial Injuries Disablement Benefit is available to those who have had an accident at work or developed a long-term illness as a direct result of their employment. The current award ranges from £35 to £175 a week depending on the claimant's level of disability, as assessed by a medical advisor.

Cold Weather Payments are available to those in receipt of certain benefits if the average temperature is recorded as, or forecast to be, below zero degrees Celsius for seven consecutive day between the start of November and the end of March. The value of the award is £25 for each seven day qualifying period. Unlike the other S-benefits, this payment is particularly volatile. For instance, no recorded Cold Weather Payment was made in Wales between 2015-16 and 2016-17. However, in 2017-18, total Welsh identifiable spending on this benefit amounted to £21.5 million. As explained in **Chapter 4**, the Scottish Fiscal Framework included a special provision for calculating the baseline payment for this benefit to mitigate some of the risk involved with its devolution.

Severe Disablement Allowance has been replaced by Employment and Support Allowance for new claimants and is gradually being phased out. This benefit was available for working age individuals who were incapable of working for at least 28 consecutive weeks. The Scottish Government recently announced the abandonment of plans to devolve this benefit, citing the absence of new claims and a small and declining caseload.[14]

[14] See the policy position paper published by the Scottish government in February 2019: https://www.gov.scot/publications/severe-disablement-allowance-policy-position-paper/

Discretionary Housing Payments are intended for those in receipt of Housing Benefit or Universal Credit but require extra help with rent or housing costs. Under the current system, the Department for Work and Pensions allocates funds to Welsh local authorities which then decide how those are allocated to applicants.

Sure Start Maternity Grants are one-off payments of £500 to help with the cost of having a child. To qualify, there must be no other child in the family and at least one parent must be in receipt of certain benefits such as Universal Credit.

4 The fiscal implications of devolving S-benefits to Wales

The devolution of specific social security benefits to the Welsh Government would require a transfer of funding from the UK government and an appropriate fiscal framework thereafter. These fiscal arrangements would determine the type of financial risks borne by the Welsh Government after devolution.

This chapter explores the various options which may be on the table if the devolution of some social security benefits were ever negotiated. It also discusses which government might bear the administration costs associated with devolution. While it is difficult to precisely estimate the net financial effect of devolution in the future, this chapter provides an illustrative look at what would have happened had benefits been devolved in the past, and provides spending projections over the next five years under reserved and devolved scenarios.

4.1 Devolving social security and the Welsh block grant

There is a long history of powers over spending areas being transferred from the UK government to the devolved governments in Wales, Scotland and Northern Ireland.

The recent Fiscal Framework Agreement between the Welsh and UK governments (2016: 10) stated:

> *"When further areas of spending are devolved, the changes to the Welsh Government's block grant funding comprise two elements:*
>
> - *Initial baseline adjustment – this reflects UK government spending plans at the point of devolution*
> - *Subsequent block grant change – these are based on changes in equivalent UK government spending in the rest of the UK (via the Barnett Formula)"*

One example of this process was the devolution of Council Tax Benefit to Wales in 2013. In that case, the baseline adjustment added to the Welsh Government's block grant was less than the amount spent on the benefit, a result of UK government cost-cutting measures.

However, when social security benefits were devolved to the Scottish Government, the baseline adjustment would be based on "the UK government's spending on these areas in Scotland in the year immediately prior to the devolution of powers". The second element outlined above - subsequent block grant changes - became a contentious issue in the fiscal framework negotiations between both governments (Bell et al. 2016a).

Under the **Barnett formula**, subsequent changes to the block grant would equate to a Welsh population share of changes in spending on S-benefits in England. As previously discussed in **Chapter 2**, spending per person on S-benefits in Wales (£649) is markedly higher than in England (£434). An in-built property of the Barnett formula is that if spending is growing in England, it results in convergence in per person spending over time between England and Wales. This is because the same pounds-per-person increase in spending in England and Wales represents a smaller percentage increase in Wales (Poole and Ifan 2016: 10). Over time therefore, one would expect per person spending levels on S-benefits to converge unless resources are found from elsewhere in the Welsh budget. This is the infamous 'Barnett squeeze' effect, as emphasised by the Holtham Commission report (2010) in relation to total devolved spending.

The extent to which convergence in relative funding occurs depends on a number of factors. Rapid growth in spending in England accelerates convergence in relative funding, while lower spending growth reduces the rate of convergence. Decreases in spending in England cause a divergence in relative funding levels.

Relative population growth in Wales compared with England also determines the rate of convergence. This is because the Barnett formula only determines *changes* in the block grant, reflecting the latest population shares; the size of the previous year's grant that constitutes the majority of the current grant is not adjusted to account for the new population ratio. If the Welsh population grows relatively slowly (as it has done for over a decade), the rate of convergence decreases.

Furthermore, as a result of the fiscal framework agreement of 2016 (HM Government & Welsh Government 2016), increments to the Welsh block grant triggered by the Barnett formula are now multiplied by a **Needs-Based Factor (NBF)** of 105%.[15] This leads to larger increases in the Welsh block grant and thus limits the rate of convergence in relative spending levels.

Figure 4.1 shows the long-term trend in spending on S-benefits in Wales were they devolved to Wales from 2017-18, under the Barnett formula. We assume that

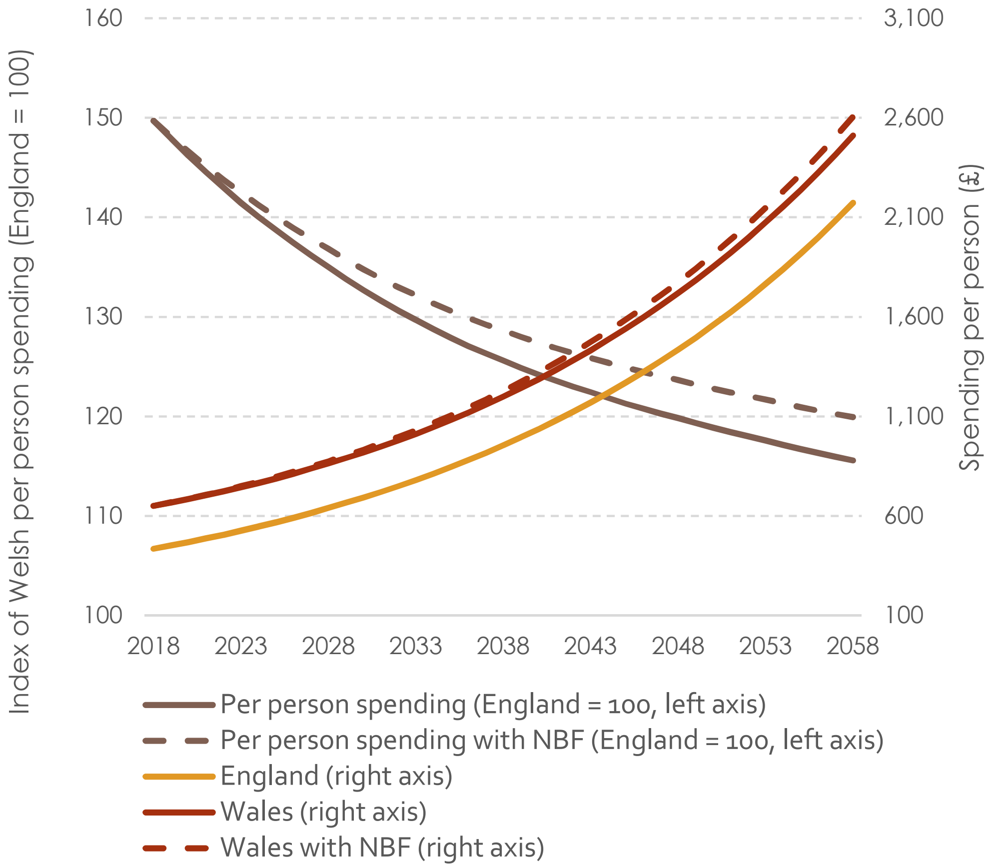
[15] The level of the NBF will change to 115% if total relative spending per person in Wales on devolved areas converges to 115% of the English level.

spending on S-benefits in England increases by 4.5% a year in cash terms (the average rate of increase over the Office for Budget Responsibility's current forecasts), and use the latest population projections for England and Wales produce by the Office for National Statistics.

Under these assumptions, per person spending on S-benefits in Wales (red line) - although increasing – would slowly converge towards the English level. With the NBF slowing the rate of convergence, spending per person would converge from its current level of nearly 150% to 120% by 2057-58 (dashed grey line).

Figure 4.1

Per person spending on S-benefits in England and Wales were S-benefits devolved to Wales from 2017-18, 2017-18 to 2057-58



Source: HM Treasury (2018) Country and Regional Analysis, ONS (2016-based) Population Projections, OBR (2018) Economic and Fiscal Outlook and authors' calculations

However, even if convergence in relative funding occurs, it is impossible to say definitively whether Wales would be worse or better off as a result of S-benefit devolution. The extent to which Wales is better or worse off financially after devolution depends on what would have been spent in Wales under the reserved system. Given the common entitlement to benefits when reserved, the amount spent in Wales relative to England is determined by the level of relative need (and relative take-up rates). **Relative spending levels can therefore converge or diverge under the reserved system too.** As previously shown in Figure 2.3, relative spending per person on S-benefits in Wales has converged from 155% of the level in England in 2010-11 to 150% in 2017-18 even in the absence of devolution.

An alternative method of calculating subsequent block grant changes discussed in the Scottish Fiscal Framework negotiations, is the **Indexed Per Capita (IPC)** method. Under this method, if spending per person on S-benefits grows by 5%, then Wales' block grant change for S-benefits would also grow by 5% per person. The IPC method does not therefore have the same convergence property as the Barnett formula, and Wales' initial per person spending difference would essentially be 'locked in' after devolution. Under this method, the Welsh Government would not face the risk of convergence in relative funding, but would still bear the risk and rewards of differential growth in needs.

The Scottish Fiscal Framework agreement states that for a transitional period covering the next Scottish Parliament, a reconciliation will be made to achieve the "outcome delivered by the Indexed Per Capita (IPC) method for tax and welfare".[16]

Another method of determining changes to the Welsh block grant is the **Comparable Model (CM)**. This method would mirror the arrangements agreed for adjusting the Welsh block grant to account for tax devolution. The 'comparability factor' used in the Barnett formula for a spending area which is wholly devolved is usually 100%. Under the CM method, this comparability factor would be adjusted to reflect the relative spending per person in Wales compared to England at the point of devolution (e.g. 146% in the case of the Attendance Allowance), in the same way that the comparability factor used in the tax devolution calculations are set to reflect relative tax revenues per person in Wales. As can be seen in the scenarios explored later in this chapter, this method would result in very similar block grant changes to the IPC method.

[16] This agreement will be subject to renegotiation in 2022.

4.2 Hypothetical devolution scenarios

While it is difficult to gauge for certain the potential effect of S-benefit devolution, we can take an illustrative look at past years to examine a hypothetical scenario in which devolution had taken place. In doing so, we compare the funding levels the Welsh Government would have received against what was actually spent on S-benefits over this time period. A shortfall indicates a situation in which the Welsh Government would have had to pay for the same level of benefit provision from elsewhere in its budget. Conversely, a surplus indicates that the Welsh Government could have either increased spending on S-benefits or spent the money on other devolved areas. Although performance under hypothetical past scenarios is not a definitive indicator of future devolved performance, it does give an insight into whether S-benefit devolution could be fiscally sustainable.

Using outturn data from 2010-11, we model a scenario in which S-benefits had been devolved in 2011-12. The baseline adjustment to the Welsh block grant in 2011-12 would equal the amount spent on each S-benefit in the previous year, updated to reflect the changes in spending in England for that year (in line with the Scottish Fiscal Framework).

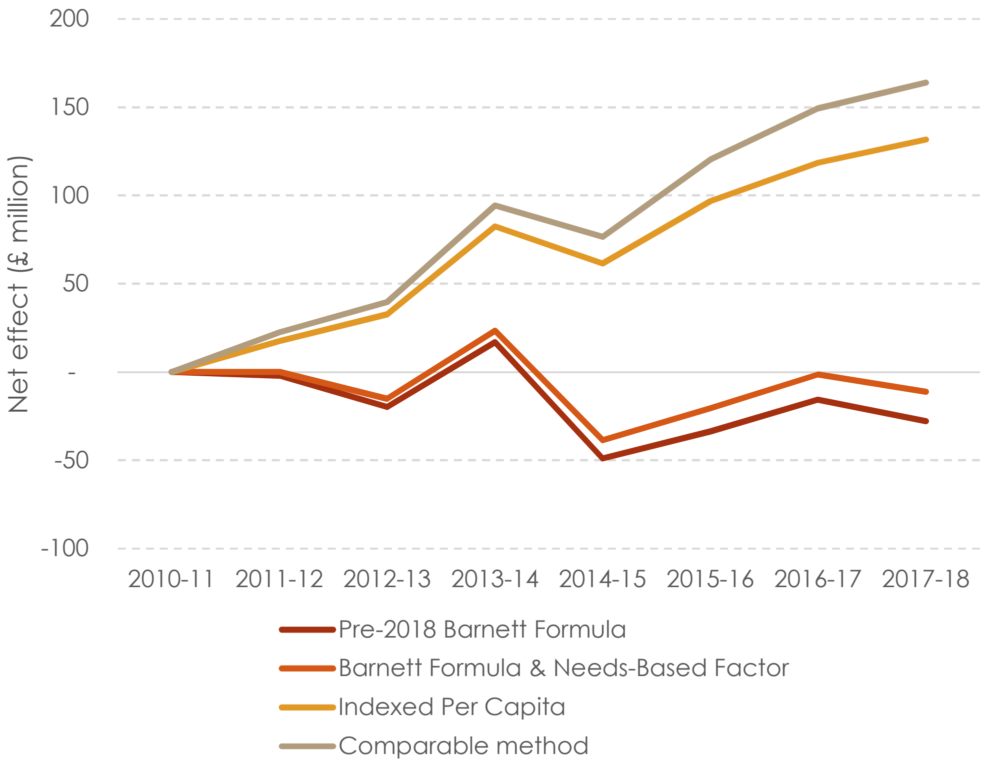
For Scotland, the baseline expenditure level for Cold Weather Payments was to be calculated using the average expenditure over the ten years prior to devolution (to reflect the volatile nature of this benefit). We exclude this from our scenarios due to a lack of historical data. Discretionary Housing Payments are also excluded because of a discontinuity in the data. Funding for this benefit was substantially increased in 2013-14 and subsequent years as a result of measures introduced in the Welfare Reform Act (2012).

Figure 4.2 presents the hypothetical net effect of S-benefit devolution between 2010-11 and 2017-18 using various methods for changing subsequent block grants. Under the simple **Barnett formula**, the amount of funding the Welsh Government would have received would not have kept pace with actual spending on S-benefits in Wales as a result of convergence. In most years therefore, the Welsh Government would have been somewhat worse off. With the **Needs-Based Factor** (of 105%) in place, these net 'losses' would have amounted to £8 million a year on average from 2011-12 to 2017-18, or around 0.4% of what was actually spent on S-benefits in Wales over this time period.

However, had the method agreed for Scotland been in place - the **Indexed Per Capita (IPC)** method - the Welsh Government would have been substantially better off. This is because its initial relative level of funding per person would have been maintained, while in reality relative spending per person for Wales fell over these years. The surplus to the Welsh Government would have amounted to £132 million a year by 2017-18. The **Comparable Model (CM)** produces a slightly better outcome by accounting for Wales' higher initial level of spending need and limiting the effect of convergence, and also doesn't take into account Wales' slower population growth, as in the case of IPC.

Figure 4.2

Average annual net effect of S-benefit devolution to Wales from 2011-12 (excluding Cold Weather Payments and Discretionary Housing Payments)



Source: HM Treasury (2018) Country and Regional Analysis, ONS (2017 and previous) Mid-year population estimates and authors' calculations

As argued by Bell et al. (2016a) in the case of Scotland, the extent to which this surplus might have been justified depends on the extent to which the fall in relative spending need was attributable to policy interventions by the Welsh Government.

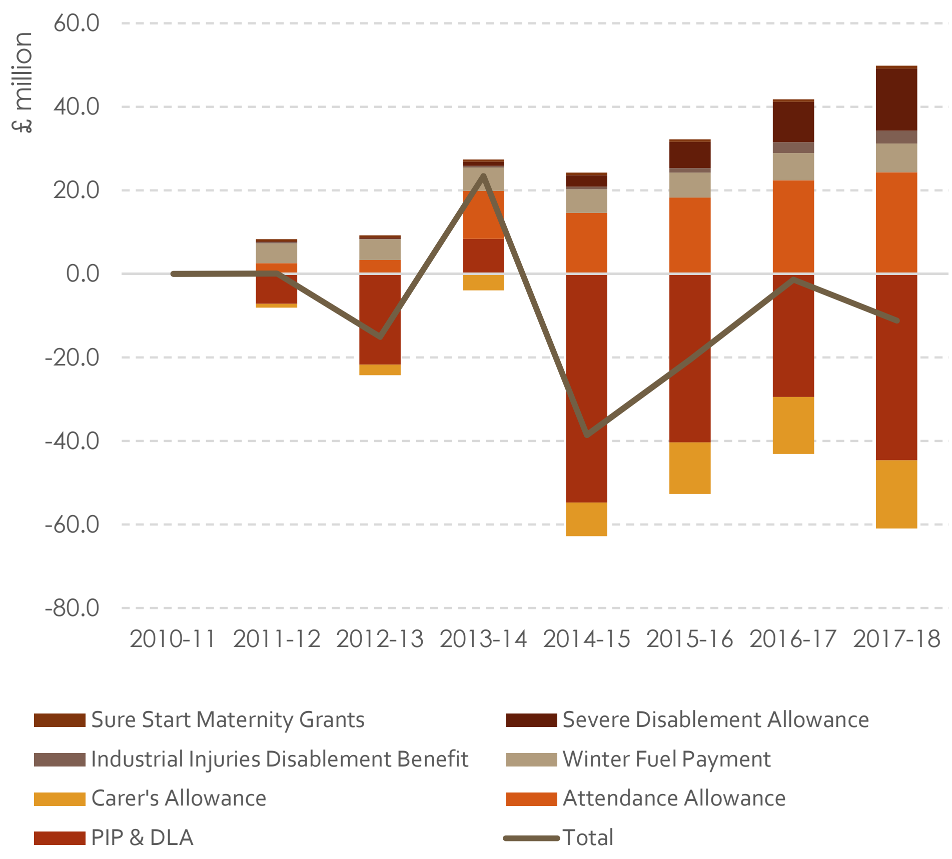
Figure 4.3 illustrates the net effect of devolving each benefit individual if block grant changes were determined by the Barnett formula with a NBF of 105% in place. The net effect of devolution varies considerably depending on the benefit. In general, the devolution of the Personal Independence Payment, Disability Living

Allowance and the Carer's Allowance would have had a net negative effect on the Welsh budget, while the effect of devolving other benefits would have been positive.

It should be stressed that the past performance of any given benefit on this measure is not an indicator of its future performance or indeed whether it is a good candidate for devolution. This will depend on future trends in caseload size and relative changes to the populations of Wales and England.

Figure 4.3

Net effect of S-benefit devolution taking 2010-11 as a baseline year (including Needs-Based Factor), 2010-11 to 2017-18



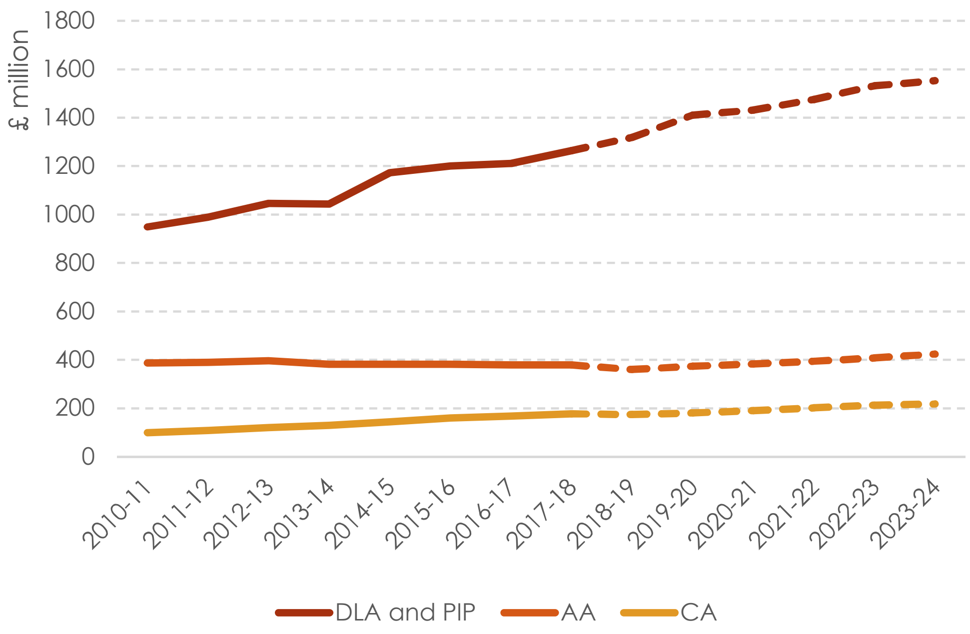
Source: HM Treasury (2018) Country and Regional Analysis, ONS (2017 and previous) Mid-year population estimates and authors' calculations

4.3 Spending projections

Using the caseload projections for England and Wales from the previous chapter and applying these to the OBR forecasts of projected UK expenditure on DLA/PIP, CA and AA, we can forecast spending on these benefits in Wales up to 2023-24.[17]

Figure 4.4

Projected expenditure on DLA/PIP, AA and CA in Wales, 2018-19 to 2023-24



Source: See Appendix 1

Under these projections, spending on each benefit is projected to increase in cash terms over the next five years in Wales. Between 2017-18 and 2023-24, spending on DLA and PIP is projected to increase by £288.6 million (22.8%). Over the same period, spending on AA is projected to increase by £45.1 million (11.9%) and spending on CA is projected to increase by £40.3 million (22.8%). In each case, the percentage increase in spending is smaller than the equivalent increase in England. This is to be expected as the English population is projected to grow quicker than in Wales.

Using 2017-18 as a baseline year (the latest year for which outturn data is a available) and assuming that DLA/PIP, CA and AA were devolved to Wales in 2018-

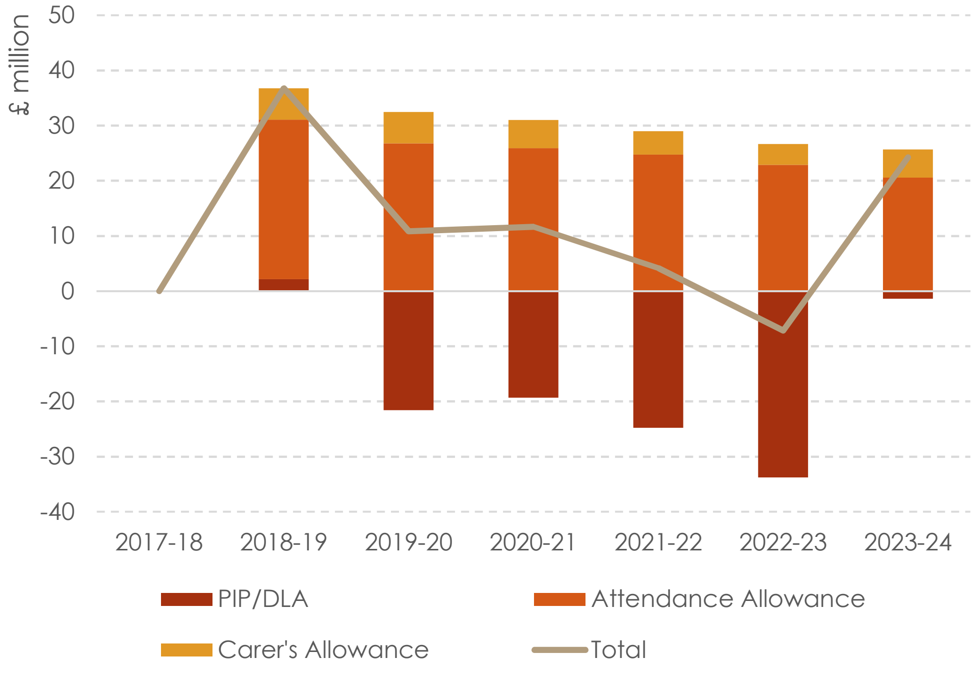
[17] See Appendix 1 for full forecast methodology.

19, we can calculate the projected net effect of devolving these benefits, by calculating the funding the Welsh Government would receive based on projected spending in England.

Figure 4.5 shows the projected net effect of devolution if block grant changes were determined by the Barnett formula with a NBF of 105%. In this scenario, the Welsh Treasury is projected to be better off by an average of £13.8 million a year as a result of welfare devolution. Although PIP/DLA would continue to make a net negative contribution to this total, the devolution of Assistance Allowance would yield positive returns to the Welsh Treasury. This is because our model reflects the fact that the claimants' rate has been falling relatively faster in Wales in recent years. However it should be emphasised that our projections are underpinned by the assumption that historical trends in the claimant rate will continue.

Figure 4.5

Projected net effect of devolving PIP/DLA, CA and AA, using 2017-18 as a baseline year, 2018-19 – 2023-24



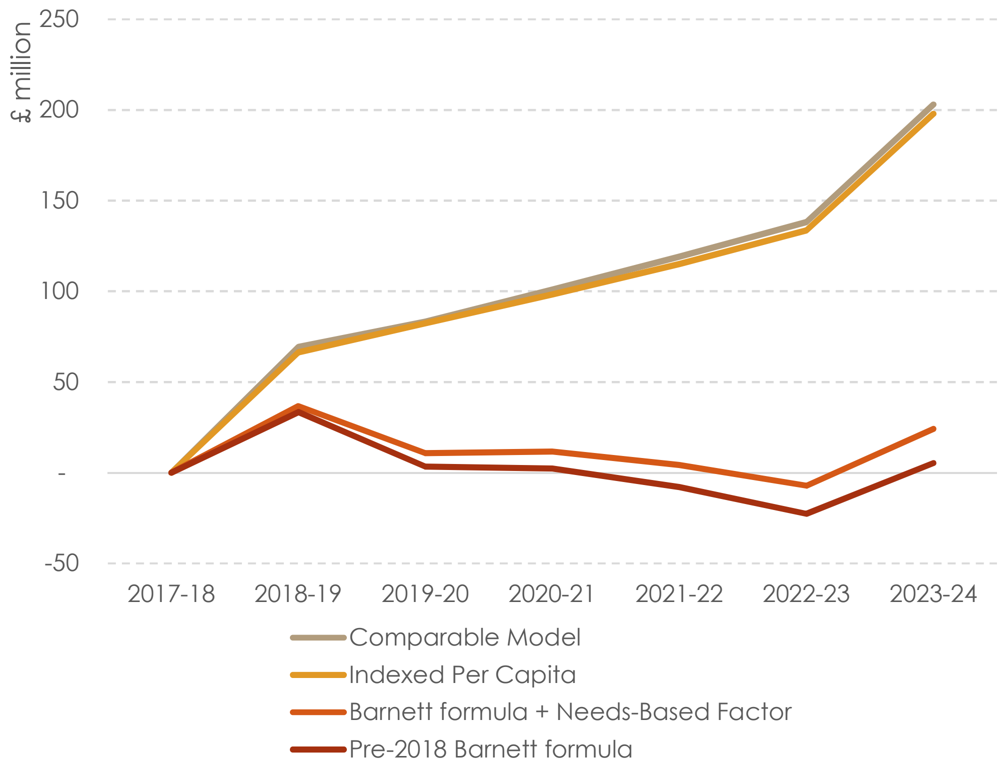
Source: See Appendix 1

It has been claimed that Attendance Allowance is under claimed in Wales (Bevan Foundation 2016b). If the benefit turned out to be relatively more under claimed in Wales than in England, this could prove to be a financial risk. In any case, it would make sense for a future Welsh Government facing the prospect of AA devolution to increase take-up of this benefit in the years leading up to the baseline year.

Similar to the past scenarios presented in the previous section, determining block grant changes with the Indexed Per Capita (as in Scotland) or Comparable Model would result in a large projected surplus to the Welsh Treasury. By the end of the projected time period, this surplus would amount to around £200 million a year.

Figure 4.6

Projected net effect of devolving PIP/DLA, CA and AA, using 2017-18 as a baseline year, 2018-19 – 2023-24



Source: See Appendix 1

4.4 Administration costs and other considerations

The devolution of S-benefits to Wales would require the Welsh Government to set up new administrative bodies to implement and oversee the devolved welfare system. Under the terms negotiated as part of the Scottish Fiscal Framework agreement, the UK government committed a one-off payment of £200 million towards the implementation costs of new powers set out in the Scotland Act (2016). The agreement also included a baseline transfer of £66 million to the Scottish Government to cover ongoing administration costs (HM Government and Scottish Government 2016: 5-6). It has since been estimated that the implementation costs for the new social security powers to Scotland will amount to £308 million over four years (Audit Scotland 2018: 13). While it is reasonable to assume that some of the implementation and ongoing administration costs that would come along with a devolved Welsh welfare system would be covered by a future UK government to reflect any marginal savings in their administration costs, the Welsh Government may be required to meet any shortfall from its own budget.

Another consideration relates to the effect that the devolution of welfare powers might have on the Welsh Government budget. Since most benefit payments are demand-led and form a part of a government's Annually Managed Expenditure (AME), there is likely to be a degree of volatility in the total cost to government each year.[18] This is because the government cannot know precisely how many people will make a claim during the year when they are setting their annual budget. The Scottish Government were provided limited resource borrowing powers to accompany other budget management tools in order to smooth out cash flow (HM Government and Scottish Government 2016: 9-10). It is likely that similar arrangements would be put in place for the Welsh Government if S-benefits were devolved. On a technical point, devolving S-benefits would have a significant effect on the size of the Welsh Government's resource AME budget. In 2017-18, the resource AME budget stood at £1.31 billion, S-benefit devolution would have increased this total to £3.33 billion.

As highlighted earlier in this chapter, the net effect of benefit devolution is likely to vary according to individual benefits. **This strengthens the case in favour of devolving a package of benefits as opposed to a single one.** As an example, the most recent forecasts for tax devolution suggest that the Land Transaction Tax is projected to have a net negative contributory effect to the Welsh Budget over the current five-year forecast period whereas this is offset by the positive net effects of devolving the Welsh Rate of Income Tax (Ifan & Siôn 2019b: 7-9). Devolving multiple benefits would enable the Welsh Government to diversify its risk pool.

In addition to control over eleven benefits, the Scotland Act 2016 also made provisions for devolving a range of other powers relating to welfare payments to

[18] The administration costs associated with the payment of benefits form a part of the UK government's Departmental Expenditure Limit (DEL) budget. Discretionary Housing Payments and Sure Start Maternity Grants are also included in the resource DEL budget.

the Scottish Government. These included powers to top up reserved benefits, vary elements of Universal Credit, the means to create new social security benefits in non-reserved policy areas and an enhanced ability to provide discretionary payments. It was agreed that any additional administration costs incurred would be borne by the Scottish Government (HM Government and Scottish Government 2016: 5).

The Scottish Government has already exercised some of these powers. In 2018, a Carer's Allowance supplement was introduced to increase weekly payments from £62.10 a week to £73.10 a week (the same rate as Job Seeker's Allowance).[19] Since Carer's Allowance was still being administered by the Department for Work and Pensions (DWP) at the time and the negotiated Fiscal Framework agreement stipulated that the Scottish Government would be responsible for any additional administration costs, the top up amount was paid separately to claimants via two annual instalments by Social Security Scotland. As previously mentioned, from autumn 2019, a new benefit will be introduced to 16 and 17 year olds in Scotland who care for 16 hours or more a week, but are not currently in receipt of Carer's Allowance.[20] Additionally, the Scottish Government has introduced the *Universal Credit Scottish Choices* scheme giving Universal Credit claimants in Scotland the option of being paid fortnightly rather than monthly and to have the housing element transferred directly to their landlord.[21]

It has been recognised that welfare devolution could lead to more complicated interactions between various parts of the benefit system. For instance, supposing that the Scottish Government decided to relax the eligibility criteria for PIP, this could result in increased take-up of reserved benefits such as the disability premium element of Housing Benefits, Tax Credit and Universal Credit (which require claimants to be in receipt of PIP to qualify) (Bell et al. 2016b: 38 – 39). These complex interactions would be compounded if different eligibility criteria for benefits emerged in Wales, Scotland and England.

In this chapter, we have looked at the potential net monetary effect of devolving S-benefits to Wales. Of course, there may well be additional non-monetary value attached to having control over policy levers. If a similar fiscal framework was negotiated for Wales, the Welsh Government could follow the Scottish Government's lead by topping up existing benefits, either by reallocating funds from elsewhere in the budget or by making use of any potential net gains accrued as a consequence of welfare devolution.

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[19] https://www.mygov.scot/carers-allowance-supplement/
[20] https://www.carersuk.org/scotland/help-and-advice/social-security/young-carers-grant
[21] https://www.gov.scot/policies/social-security/universal-credit/

5 Conclusion

The devolution of elements of the welfare system to Scotland and the recent introduction of a Welsh Rate of Income Tax have rekindled a debate around the devolution of powers to national legislatures around the UK. Although there are many considerations that ought to inform the decision about whether similar welfare powers ought to be devolved to the Welsh Government, the fiscal sustainability of the proposal would play a key role in its success. Having focused on the package of benefits being devolved to Scotland, **we find no evidence to suggest that devolving these powers to the Welsh Government would be fiscally unsustainable**. Moreover, depending on the precise Barnett mechanism used and the outcome of negotiations with the UK government, **the Welsh Treasury could stand to benefit considerably from the devolution of welfare powers.** This is in addition to any benefits associated with having control over new policy levers.

If a similar fiscal framework agreement to the one negotiated by the Scottish Government had been agreed by the Welsh and UK government, and powers over S-benefits were devolved to Wales in 2018-19, we project that the Welsh Treasury would have been cumulatively better off by £700 million by the end of 2023-24. This is because the Indexed Per Capita method used in Scotland would protect Wales' higher per capita spending level from the effects of the Barnett Squeeze. Even if the simple Barnett formula and 5% needs-based factor applied, the Welsh Treasury would not be systemically worse-off as a result of welfare devolution. If the Welsh Government were to commit to devolving elements of the welfare system, it would be prudent to adopt a strong negotiating position that favours the Indexed Per Capita mechanism or the Comparable Model for allocating funds via the block grant. The fact that one of these arrangements is currently in place in Scotland means that there is precedent for such an agreement. Arguably, Wales' higher per capita benefit spending levels strengthens the case in favour of this mechanism as it stands to be relatively more affected as a result of the Barnett squeeze.

Welfare devolution would not come without associated risks and other considerations. It is possible that the Welsh Government would be required to meet any shortfall in implementation and administration costs if the compensation negotiated with the UK government is insufficient to cover these costs. The demand-led nature of benefits would make it appropriate to increase the Welsh Government's resource borrowing powers to use as a budget management tool to help smooth cash flows. Since the net effect of devolution is likely to differ between benefits, this strengthens the case for devolving a package of benefits as opposed to a single one. It would also be sensible for the Welsh Government to lead a campaign to increase uptake of benefits to be devolved in the year immediately preceding their devolution to ensure that number of claimants during the baseline year closely reflects the number of eligible claimants.

In addition to any potential devolution dividend, there would likely be additional, non-monetary value to having control over new policy levers. Powers over devolved benefits, the ability to top-up existing benefits and some discretion on Universal Credit payment arrangements may help the Welsh Government better realise its own policy objectives, thus helping to deliver good social and economic outcomes as well as improving the life chances of Welsh citizens.

As stated in the introduction, it is not the intention of this report to offer a recommendation on whether S-benefits ought to be devolved to Wales. There are other considerations besides the fiscal sustainability of the proposal that ought to inform that decision. It is likely that many policy makers and third sector organisations would approach the idea of setting up a devolved welfare system with justifiable trepidation given the recent controversies surrounding the roll out of Universal Credit and Personal Independent Payment. Policy makers in Wales would be well-advised to keep a close eye on how the roll-out of devolved benefits is managed in Scotland over the next few years.

Perhaps the primary conclusion of this report is this – although per capita spending on S-benefits is significantly higher in Wales than in England, this is not in itself a barrier to their devolution. Depending on the terms of the negotiated fiscal framework, the Welsh Treasury could stand to significantly benefit from the devolution of welfare powers. Although much would depend on the outcome of negotiations with the UK government, we conclude that Wales-tailored, devolved welfare programmes are a realistic and fiscally sound proposal.

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Appendix 1: Methodology for calculating caseload and spending projections

Calculating caseload projections

To estimate future caseloads, we first reviewed historic trends in the claimant rate for each benefit and assumed that these trends would continue into the future. We then used population projections published by the ONS in conjunction with the projected claimant rates to forecast future caseload size. The projections were calculated separately for England and Wales and for our DLA/PIP forecasts, we repeated this process for four separate age groups (under 25s, 25-44, 45-64 and over 65s).

Some factors that could impact the reliability of these forecasts include:

- Future trends in claimant rates diverge significantly from historical trends
- Future demographic patterns substantially differ from OBR forecasts

Determine historic claimant rates → Produce claimant rate projections by assuming that historic trends continue → Multiply projected claimant rates with relevant ONS population projections

Calculating spending projections

The spending forecasts outlined in **Chapter 4** of this report are underpinned by benefit spending projections published by the OBR and our own projections of the future caseload size in Wales.

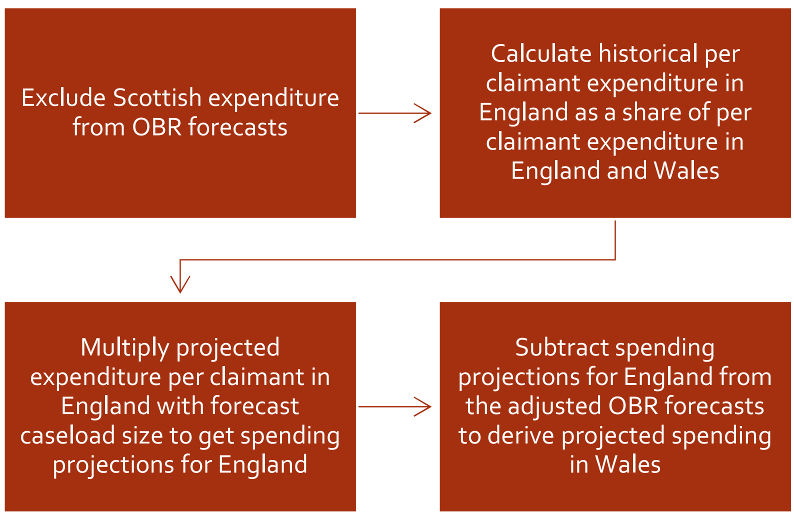
Since the benefit spending projections published by the OBR cover England, Scotland and Wales, we began by looking at the outturn data and isolating the share of UK expenditure spent in England and Wales. We calculated the average over five years (which was roughly 90% in each case), and adjusted OBR forecasts downwards accordingly to exclude Scottish expenditure.

Then, for each benefit, we used five years of outturn data to calculate average expenditure per claimant in Wales, England and England and Wales. Given that spending levels per claimant are usually higher in Wales, we calculated per claimant expenditure in England as a share of per claimant expenditure in England and Wales and assumed that this share will remain constant over the forecast period (i.e. assumed that any growth in expenditure per claimant will be uniformly distributed across England and Wales).

We then multiplied the expenditure per claimant figures for England between 2018-19 and 2023-24 with our caseload projections derived earlier. This gave us projected benefit expenditure in England. Figures for Welsh expenditure were derived by subtracting the English total from the adjusted OBR forecast for each year of the forecast period.

Some factors that could impact the reliability of these forecasts include:

- Future trends in claimant rates diverge significantly from historical trends
- Future demographic patterns substantially differ from OBR forecasts
- Growth in expenditure per claimant is not uniformly distributed across England and Wales
- Substantial divergence of total UK-wide expenditure on benefits from OBR forecasts



Dadansoddi Cyllid Cymru
Wales Fiscal Analysis

Ymchwiliad i Fudd-daliadau yng Nghymru: opsiynau i'w cyflawni'n well
Inquiry into Benefits in Wales: options for better delivery
Ymateb gan: Sefydliad Bevan
Response from: The Bevan Foundation

Bevan Foundation and Joseph Rowntree Foundation consultation response to The Equality, Local Government and Communities Committee inquiry - Benefits in Wales: options for better delivery

Introduction

The Bevan Foundation is an independent, charitable think-tank that develops solutions to Wales' most challenging problems.

The Joseph Rowntree Foundation is an independent organisation working to inspire social change through research, policy and practice.

We are grateful for the opportunity to respond to the Equality, Local Government and Communities Committee's call for evidence as part of its inquiry "Benefits in Wales: options for better delivery". Our response is based on the insights gathered through our extensive work on poverty, and draws on expertise that was shared at a recent seminar organised by the Bevan Foundation on devolving powers over the administration of Universal Credit to Wales.

The response is formed of two parts and an annex. Part 1 considers the importance of welfare benefits and sets out some of the shortcomings with the present system in Wales. Part 2 examines some of the key questions that must be considered when deciding whether powers over welfare benefits should be devolved to Wales. Annex 1 is drafted by the Joseph Rowntree Foundation which sets out some lessons that can be learned from the devolution of some social security powers to Scotland.

1. Why do welfare benefits matter?

Welfare benefits are of critical importance to the people of Wales. They provide a social anchor, guaranteeing a safety net for everyone at time of need. Of people of working age, over 200,000 people claim some form of out of work benefit,[1] with many thousands more claiming other types of benefit e.g. Working Tax Credit or Housing Benefit.[2] When the rollout of Universal Credit is complete it is estimated that some 400,000 households in Wales will be eligible to some form of support, nearly 30% of all households.[3] [4]

With so many people of working age receiving some form of social security payment, we believe it is vital that the system is designed so as to provide the best possible support.

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[1] Bevan Foundation, State of Wales Briefing, Out of Work Benefits, March 2019
[2] Including housing benefit and disability benefits.
[3] https://gov.wales/sites/default/files/publications/2019-03/impact-of-welfare-reform-on-households-in-wales.pdf
[4] In addition, almost all people over retirement age receive a state pension as well as universal benefits such as Winter Fuel Allowance. Those eligible may also receive means-tested benefits such as Pension Credit or disability benefits such as Attendance Allowance.

To ensure that the social security system works effectively, our view is that the system should be based on a set of principles. The Social Security (Scotland) Act 2018 sets out principles which could be a sound basis upon which any social security system should be built. The principles are:

- social security is an investment in the people of Scotland,
- social security is itself a human right and essential to the realisation of other human rights,
- the delivery of social security is a public service,
- respect for the dignity of individuals is to be at the heart of the Scottish social security system,
- the Scottish social security system is to contribute to reducing poverty in Scotland,
- the Scottish social security system is to be designed with the people of Scotland on the basis of evidence,
- opportunities are to be sought to continuously improve the Scottish social security system in ways which—
  (a) put the needs of those who require assistance first, and
  (b)advance equality and non-discrimination,
- the Scottish social security system is to be efficient and deliver value for money.

The social security system in Wales does not reflect these principles despite some welcome changes in approach by the Department for Work and Pensions. For example, many claimants report feeling that they are not treated with dignity and respect, and some families are left with as little as £2 per month after covering their essential housing costs.[5]

2. Devolving powers over welfare benefits – the key issues to consider

In 2016 we published a report looking at whether benefits for working age people should be devolved to Wales.[6] We considered some of the advantages and disadvantages of devolving powers over welfare benefits and concluded that whilst some aspects of the welfare benefits system could better meet the needs of the people of Wales if powers were fully devolved, other aspects of the system could be more effectively managed if only administrative powers were devolved, whilst some benefits were best remaining reserved to the UK Government.

Since the publication of the report there have been significant changes to the UK's welfare benefits system, in particular the roll out of Universal Credit. The findings of the original Bevan Foundation report remain relevant however.

We suggest that there is a series of questions that the Committee should consider. The first is whether devolving powers over a welfare benefit to Wales would allow better alignment with the principles set out in section 1. Experience from Scotland does suggest that devolving powers over some welfare benefits can allow for the development of a system that is more consistent with them. For example, the Scottish Government has introduced 'Scottish Choices' which provides Universal Credit claimants with the option to have their housing benefit paid directly to their landlord and to

[5] Presentation by Michelle Lewis of Citizens Advice Cymru at Bevan Foundation seminar on devolving powers over the administration of Universal Credit to Wales. (27th March 2019)

[6] https://www.bevanfoundation.org/publications/making-welfare-wales-benefits-people-working-age-devolved/

receive their Universal Credit payment fortnightly. These flexibilities tackle two of the major weakness within Universal Credit.[7]

The second question is whether devolving powers would strengthen alignment between social security benefits and powers that have already been devolved to Wales. In a 2018 report the Bevan Foundation found evidence that Universal Credit impacts on as many as ten different devolved policy areas.[8] Our latest project on the various support schemes delivered by the Welsh Government and local authorities, such as Council Tax benefit, Free School Meals and the Pupil Development Grant, [9] is expected to highlight that there are significant issues for families at the interface of the two systems. Devolving powers over a welfare benefit to Wales could allow the Welsh Government to better manage the interaction between the social security system and devolved policy areas.

A third consideration is whether devolving powers over a welfare benefit to Wales would provide claimants with a greater opportunity to shape the system. One of the key arguments in favour of establishing the National Assembly for Wales was that it would move decision making closer to the people. Devolving powers over welfare benefits could also offer similar advantages. For example, following the devolution of powers over welfare benefits to Scotland, the Scottish Government have established a claimant panel of some 2,500 claimants to gather their views on policy proposals and to gather their experiences of engaging with the welfare benefits system.[10] With a wealth of research suggesting that people's experiences of interacting with the welfare benefits system on a day to day basis matters greatly to them, having an opportunity to develop a more sympathetic approach in Wales could be a significant advantage of devolving powers over welfare benefits to Wales.

Fourth, a key consideration is the financial implications of the decision. Fiscal accountability was one of the key reasons why powers over taxation were recently devolved to Wales, and there are similar arguments in favour of devolving some powers over welfare benefits. If through their policies the Welsh Government is able to reduce expenditure on a particular benefit – e.g. by increasing employment of disabled people or reducing housing costs - the Welsh Government should benefit.

At the same time, full devolution of powers potentially brings the risks of additional and potentially significant costs. In our 2016 report, we highlighted that devolving benefits that reflect the economic cycle of a particular risk.[11] The Welsh economy is relatively sensitive to cyclical changes that are beyond the control of the Welsh Government, so there would be some risks from devolving full powers over JSA (and the UC equivalent) to Wales. The report did highlight, however, that devolving powers over other forms of benefit such as housing benefit would present a lower risk, and could result in financial gains. More recent analysis by the Wales Governance Centre has found that devolving similar powers over welfare benefits to Wales as has been devolved to Scotland, on the

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[7] Joseph Rowntree Foundation, Briefing: where next for Universal Credit and tackling poverty? 20 February 2019. Available for download at - https://www.jrf.org.uk/report/where-next-universal-credit-and-tackling-poverty

[8] https://www.bevanfoundation.org/publications/universal-credit-implications-for-devolved-policies-and-services/

[9] https://www.bevanfoundation.org/current-projects/support-schemes-for-low-income-families/

[10] Presentation by Dr Jim McCormick and Deborah Hay at the Bevan Foundation's seminar on devolving powers over the administration of Universal Credit to Wales.

[11] https://www.bevanfoundation.org/publications/making-welfare-wales-benefits-people-working-age-devolved/

same financial settlement, could lead to a £200 million a year budget surplus for the Welsh Treasury by 2023-24.[12]

The final question that we believe that must be considered is the possible impact on the UK's social union. It has been argued that devolving benefits could weaken the social union, leading to citizens in Wales having different rights from citizens elsewhere in the UK. [13] However divergence in the NHS and in the education system is long established and has not eroded a common entitlement. This concern has been further weakened by the devolution of some welfare benefits to Scotland, which means that there is already degree of variation. In this discussion, we suggest there is a distinction to be made between those benefits which are arguably part of the 'social contract' e.g. benefits which are based on National Insurance contributions and those which are variable top-up payments designed to support people in specific circumstances, e.g. to manage high housing costs.

[12] https://www.cardiff.ac.uk/__data/assets/pdf_file/0010/1476352/devolving_welfare_final2.pdf
[13] For example see the Welsh Government's evidence to the Silk Commission

Annex 1

LEARNING FROM SCOTLAND

Legislative Context

The Scotland Act 2016 devolved significant new welfare powers to the Scottish Parliament, enshrined in the Social Security (Scotland) Act 2018[14]. Eleven benefits were to be fully devolved, largely those related to disability and carers, but also including Sure Start maternity grant and discretionary housing payments.

Full details of the benefits will be set out in Regulations made under the Act. For a comprehensive list of the benefits to be devolved and the current policy papers relating to each benefit, please see: https://www.gov.scot/publications/social-security-policy-position-papers/

In addition, other powers were devolved:

- Power to provide discretionary payments and assistance (beyond those under which the Scottish Welfare Fund is currently delivered)
- Power to top-up reserved benefits
- Power to create other new social security benefits (other than pensions) in areas not otherwise connected with reserved matters
- Power to legislate for welfare foods
- Powers to vary the housing cost element of Universal Credit for rented accommodation and
- Powers to change the payment arrangements for Universal Credit

Powers to vary housing costs element and payment arrangements: Scottish Choices

Universal Credit Scottish Choices gives people living in Scotland the option of:

- Being paid their Universal Credit (UC) twice a month, rather than monthly
- Having their UC housing element paid directly to their landlords (social and private).

The power to vary how UC is paid, and to whom under the Scotland Act (2016) also gives Scottish Ministers the ability to offer 'split payments' – i.e. to split the payment of a couple's UC award, into individual payments. These powers are still being designed and discussed.

Scottish Choices were sought explicitly to address concerns raised in evidence to the Smith Commission and the subsequent consultations around devolution of social security powers, about the impact that the design of UC would have on claimants (namely single monthly payments, housing costs paid to claimants and single payments to couples).

These choices, then, are intended to offer UC claimants greater choice and control – which is an important feature but requires claimants to have access to high quality advice and support throughout their claim (not least to understand the implications of each combination).

Scottish Choices also sit alongside existing UK payment flexibilities (Alternative Payment Arrangements). These can be requested by claimants or landlords, or instituted by work coaches if there are clear reasons (related to arrears, or vulnerability) why direct payments to landlords, more frequent payments or indeed split payments within a household are required. They are discretionary, however and if implemented, reviewed periodically to check they are still relevant.

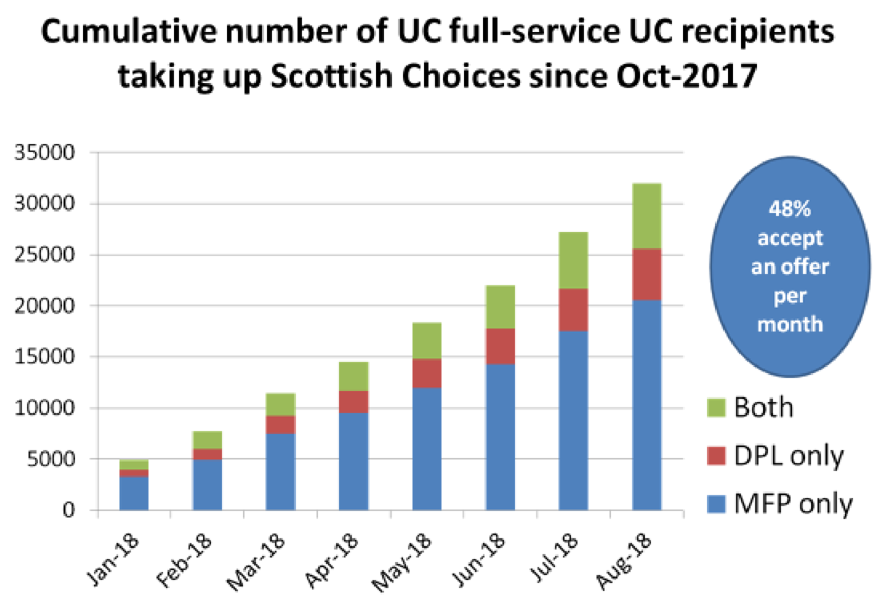
[14] Social Security (Scotland) Act 2018 http://www.legislation.gov.uk/asp/2018/9/contents/enacted

Scottish Experience of payment flexibilities

A review of the evidence available so far suggests that the impact of Scottish Choices flexibility is positive, although not without strain:

- Take up is relatively high
- More frequent payments can see claimants having to survive lengthy periods on reduced awards, early on in their claim
- Payment system is not currently working well enough for landlords or tenants
- Their impact could be improved with better integration with proposed 'run on' of benefits

Take up is relatively high



Approximately half of all eligible UC claimants are taking up one or more option (48%).

Twice monthly payments (MFP) are the more popular choice, confirming that for many low income households, more frequent payments can be a key tool in helping them manage their finances. A significant number are also opting for payments direct to landlords (DPL).

What the published data shows is a cumulative total of all those opting for a Scottish choice. DWP and the Scottish Government should also explore (and publish) the extent to which claimants opt back out of those choices, and the reasons why. We have some anecdotal evidence that this is happening but not the sense of the scale or rationale.

It is worth noting that while Scottish Choices are now available to all UC claimants, the profile of UC claimants is still heavily weighted towards single, unemployed people and therefore the full impact on a wider set of household types working and not working (women, disabled people, couples with children, self-employed) hasn't yet been seen.

More frequent payments can see claimants having to survive lengthy periods on reduced awards

As is clear from the examples used in the UK Government guidance[15], if you opt for more frequent payments in Scotland, you can wait two weeks longer for your full month's award (once those choices are implemented) than those receiving a single monthly payment – potentially causing greater hardship early in the claim, even if longer term the payment pattern would be helpful.

This underlines the need for choices to be better integrated into the other design features of UC (see final section).

Payment system is not currently working well enough for landlords or tenants

In their evidence to the Scottish Parliament Social Security Committee inquiry into social security support for housing, SFHA[16] suggest that the effectiveness of UC Scottish Choices has been adversely affected by the way in which housing costs are paid directly to the landlord and the misalignment in the systems through which payments are made e.g. Third Party Creditor (Deductions) scheme.

Relevant housing costs are deducted from a tenant's UC payment, but are made to landlords some time later as part of a 'batch' payment to landlords which does not relate to rent due dates and can require significant manual reconciliations (to ensure the right payment is attached to the right tenant, for the correct period). The (12) monthly awards of UC do not match with the (13) four week cycles of the Third Party database, creating a gap in payment, where tenants appear in arrears. In some instances, these delays and misalignments can see tenants issued with arrears notices and threatened with eviction.

This risk of indebtedness-by-design is compounded by tenants having to pay their first rent themselves with their initial award (as choices are only offered from the second payment cycle onwards) and made more complex, where tenants have taken up advance payments, or have variable income and thus reduced or fluctuating awards. We know that as Universal Credit has rolled out, local authorities and landlords have highlighted the spike in rent arrears and impacts on their own costs and risks they're carrying.

SFHA highlight that the new proposed payment system[17], if successful, could make direct payments to landlords more attractive for both landlords and tenants, as they move to monthly cycles and offer the opportunity to better align individual payments, but further detail is required.

The design and delivery of split payments

The payment of the household UC entitlement to only one account has been particularly controversial from the beginning of UC, potentially undermining women's independence and putting at particular risk women in households where there is domestic or financial abuse.

While the existing UK Alternative Payments Arrangements allow for split payments to be made, the number of arrangements in place is unfeasibly small[18] (20 households, as of November 2018).

[15] See 'If you live in Scotland' https://www.gov.uk/universal-credit/how-youre-paid

[16] https://www.parliament.scot/S5_Social_Security/Inquiries/SSCS519SSH10_Scottish_Federation_of_Housing_Associations.pdf

[17] See https://www.insidehousing.co.uk/news/news/dwp-agrees-to-change-universal-credit-direct-payments-schedule-59623

[18] See https://www.gov.uk/government/statistics/universal-credit-29-april-2013-to-14-march-2019

The design and delivery of this aspect of Scottish Choices is under careful consideration at present, with on-going negotiations between the Scottish Government, the UK Government and DWP on the right policy, implementation timetable and IT solutions.

The principle of effective social security as an individual entitlement is enshrined in Scotland's social security and devolution legislation, but fully realising that right in the context above can be problematic.

Conclusion

JRF have commissioned Glasgow University and the Poverty Alliance to conduct a small qualitative study exploring the experiences of Universal Credit in Glasgow (January 2019 – September 2019) from the perspectives of claimants, work coaches and support agencies. One key area will be their knowledge of, and experience with Scottish Choices and we would be happy to share what we area learning, so far. We expect to be able to publish the finalised research in Autumn 2019.

The flexibilities around payment are designed to try and improve the effectiveness of support for claimants, but their ability to do this is constrained by the way Universal Credit is currently designed and delivered.

More frequent payments, payments of housing costs directly to both social and private landlords and individualised payments cannot of themselves address the issues around lengthy delays to first or subsequent payments, the adequacy of those payments, allowable deductions, or the transfer of risks to landlords, local authorities and claimants themselves.

However

1) If the new payments system for landlords is designed effectively, in conjunction with landlords and tenants, and results in faster and more accurate payments that may begin to de-risk UC for landlords and improve the situation for claimants. And

2) If we extended the run-on payments of other low-income benefits (IS, ESA, JSA) alongside HB for the first two weeks, now rather than in July 2020, that starts to improve the transition for claimants - and changes how fortnightly payments are experienced (as no longer in arrears compared with those receiving UC monthly).

Finally, it is worth reflecting again that the capacity for UC to offer all claimants 'choices' exists already through the APA and there may be a number of options for ensuring that claimants in Wales (or elsewhere) can access those choices.

Equality, Local Government and Communities Committee

19 June 2019 – papers to note cover sheet

Paper no.	Issue	From	Action point
ELGC(5)-19-19 Paper 1	Legislative Consent: Census (Return Particulars and Removal of Penalties) Bill	Jane Hutt, Deputy Minister and Chief Whip	To note
ELGC(5)-19-19 Paper 2	Financial Management and Governance in Community Councils	Nick Ramsay, Chair of the Public Accounts Committee	To note

Jane Hutt AC/AM
Y Dirprwy Weinidog a'r Prif Chwip
Deputy Minister and Chief Whip

Llywodraeth Cymru
Welsh Government

John Griffiths AM
Chair
Equality, Local Government and Communities Committee
National Assembly for Wales
SeneddCommunities@assembly.wales

4 June 2019

Dear John,

As the Committee will be aware, we are often faced with limitations in terms of statistical data around equalities due to our reliance on survey data and the fact we are often interested in small groups of the population. I'm writing to update you on various aspects of work being undertaken by the Office for National Statistics and our own statisticians that will help support our understanding of outcomes by different equality characteristics. This follows a very positive meeting I held recently with Iain Bell, the Deputy National Statistician for Population and Public Policy.

Preparations for the 2021 Census

In December, the UK Government issued a White Paper[1] containing the proposals for the 2021 Census of Population in England and Wales and the First Minister issued a written statement. The White Paper includes welcome proposals for the first time around collecting data on sexual orientation and gender identity as well as the inclusion of Roma as a category within the Ethnicity question.

On 1st May the UK Government introduced the Census (Return Particulars and Removal of Penalties) Bill. The main purpose of the Bill is to amend the Census Act 1920 to remove the penalty for not responding to new census questions on sexual orientation and gender identity, and to add sexual orientation and gender identity to the Schedule of that Act. This will mean that the 2021 Census can include questions on sexual orientation and gender identity that can be answered on a voluntary basis.

I understand that the Business Committee has referred scrutiny of the Legislative Consent Motion for the Bill to the ELG Committee.

[1] https://www.gov.uk/government/publications/the-2021-census-of-population-and-housing-in-england-and-wales

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More widely, in 2020 the Minister for Finance & Trefnydd will be laying Census regulations for Wales and it is important that we scrutinise plans well ahead of then to ensure that appropriate consideration is being given in good time to issues in Wales.
Therefore, whilst the scrutiny of the LCM will be limited to the legislative competence in relation to this particular bill, I would also encourage the Committee to read the White Paper and consider inviting ONS to provide evidence to the committee on progress towards the next Census. This would be a useful follow on from their evidence to the Culture, Welsh Language and Communications committee last year.

ONS and the Centre for Equalities and Inclusion
At our meeting, the Deputy National Statistician described how ONS have recently established a new ONS Centre for Equalities and Inclusion. The aim of the Centre is to improve the evidence base for understanding equity and fairness in the UK today, enabling new insights into key policy questions. The intention is for the small team in ONS to convene relevant expertise from across central and local government, academia, business and the third sector.

There is potential for the Centre to work with us to help us develop insight that will support our understanding of equalities in Wales and public bodies in their work on well-being assessments.

For example, over the summer the Centre will be publishing an article bringing together different sources of data on religion to better understand how religion relates to a range of key equalities outcomes and to identify where gaps in the data still exist.

The Welsh Government Chief Social Research Officer is on the Strategic Advisory Group of the Centre. It is of course welcome that the Centre has been established in the ONS' Newport headquarters and its location in South Wales provides us with an excellent opportunity to work in partnership.

ONS are also taking forward work in a number of other areas that will be of interest to the Committee. For example they have been looking at the quality of employment for disabled people, and are well linked in to UK Government work on understanding outcomes for asylum seekers and refugees.

Ethnicity and disability pay gap
In our recent consultation on national milestones[2] we committed to investigating the feasibility of expanding the national well-being indicator on gender pay gap to identify disparities by ethnicity and disability. The Deputy National Statistician reported that this is also something that ONS have been investigating and over the summer hope to publish for the first time.

Data linking
As I stated above there are often issues in analysing data by protected characteristics as we are reliant on surveys where questions may not be asked or the sample size might mean robust data cannot be produced, in particular for detailed categories or when seeking to analyse intersections of population groups.

By linking datasets together, and in particular using administrative data already held by government, it is possible to undertake research in a secure and ethical manner that will allow us to understand far more about the outcomes of different groups. When using administrative data, although there are often data quality issues, analysts are far less restricted by small numbers.

[2] https://gov.wales/measuring-our-nations-progress

There is a great deal of work being undertaken in ONS and Welsh Government on this agenda. ONS are using powers under the Digital Economy Act to gather data from government that will help them improve official statistics. As an example project they provided support to the UK Government's Race Disparity Audit by linking together different datasets that better helped them understand outcomes for different ethnic groups.

The Welsh Government and ONS are also both part of the Administrative Data Research – UK partnership that is intended to maximise the use of administrative data for research. Welsh Government has received funding from ESRC for this work and we are developing a programme of research to support our Prosperity for All priorities – and a key focus will be on understanding inequality of outcomes.

Well-being of Wales

In September last year, the Welsh Government Chief Statistician published the second statutory annual well-being report, *Well-being of Wales 2018*[3]. This report provides a state of the nation analysis of our progress towards the seven well-being goals which includes a chapter of analysis on our progress towards "A more equal Wales". This brings together a wide range of data on well-being – including but not only the national well-being indicators – and considers them according to the different protected characteristics. For example last year the report covered issues such as hate crime and data from Stonewall Cymru which are not included in the national indicator set but add important insight into our understanding of well-being.

As far as possible, data on the national indicators are made available for different population groups. Almost all of the national indicators are easily available by gender (where it was appropriate or practical).

Through working in partnership with the ONS we will hopefully be able to identify opportunities to add insight to the Well-being report in future. The Chief Statistician has also been in dialogue with Chwarae Teg as part of their current Gender Equality Review to consider how our statistical products can be improved to add insight through a gender lens.

Our statisticians are also looking into the feasibility of providing a catalogue of datasets that are available according to different protected characteristics, to supplement the Well-being of Wales and other reports in future.

National Survey for Wales

Despite the limitations described above, surveys do continue to provide valuable information which cannot be obtained from other sources; and for some equalities characteristics (e.g. age, disability, and sex), the group of interest is sufficiently common that robust results can be produced. Samples can also be combined across years to increase the precision of results further.

The National Survey for Wales[4] is a key source for equalities information in Wales. It is used to report on 15 of the 46 national indicators and covers a wide range of topics, so equalities characteristics can be investigated for a whole range of issues. Relevant recent outputs include bulletins on Hospital and GP services and on access to services.

[3] https://gov.wales/well-being-wales
[4] https://gov.wales/national-survey-wales

I hope the Committee finds this information useful. I have asked for an update from the Deputy National Statistician later this year on various aspects of this work and will keep the Committee updated.

Yours Sincerely

Jane Hutt AC/AM
Y Dirprwy Weinidog a'r Prif Chwip
Deputy Minister and Chief Whip

Cynulliad Cenedlaethol Cymru
Y Pwyllgor Cyfrifon Cyhoeddus

National Assembly for Wales
Public Accounts Committee

John Griffiths AM
Chair, Equality, Local Government & Communities Committee
National Assembly for Wales

6 June 2019

Dear John

Auditor General for Wales Discussion Paper: Six themes to help make scrutiny 'Fit for the Future'

In light of the anticipated Local Government and Elections (Wales) Bill, I thought you may be interested in the following publication and Committee correspondence.

The Auditor General for Wales published a discussion paper and six-point checklist for councils in Wales in February. Its aim is to help improve overview and scrutiny functions. The paper brings together some common themes and issues that were been identified during audit work across the 22 local authorities during 2017-18.

I wrote to the Welsh Government asking for their reflections on the paper which the Public Accounts Committee considered on 3 June. Members agreed that we will hold an evidence session with the Welsh Government in the autumn term to explore their reflections together with the Phase 1 Report the Auditor General anticipates publishing in the autumn on the review currently being undertaken on Public Service Bodies.

Yours sincerely,

Nick Ramsay AM
Chair

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Agenda Item 7

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