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Llywodraeth Cymru
Welsh Government

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

08 March 2021

Dear John

Thank you for the Committee's report on the Draft Budget 2020-21. We would like to extend our thanks to members of the Committee for their time. The attached paper sets out our response to the report's ten recommendations.

Yours sincerely,

A handwritten signature in blue ink that reads "Julie James".

Julie James AM
Minister for Housing and Local Government

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

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



Rebecca Evans AM
Minister for Finance and Trefnydd



Jane Hutt AM
Deputy Minister & Chief Whip



Hannah Blythyn AM
Deputy Minister for Housing and Local Government

WELSH GOVERNMENT RESPONSE TO THE RECOMMENDATIONS FROM THE EQUALITY, LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE REPORT: SCRUTINY OF THE WELSH GOVERNMENT DRAFT BUDGET 2021-22

LOCAL GOVERNMENT – SECTION 1

Recommendation 1
We recommend that the Welsh Government assess the impact of reduced Non-Domestic Rates collection to fully understand the actual costs, and should ensure that any further resources required to cover additional loss of income are provided to local authorities.

Response: Accept in Principle

The Welsh Government is closely monitoring the impact of Covid-19 on the non-domestic rates (NDR) tax-base. A monthly monitoring process was put in place with local government early in 2020-21. This has provided regular insight into how the pandemic is affecting NDR collection rates compared to previous years. We will continue to monitor this information on a monthly basis throughout 2021-22.

To recognise the impact of reduced NDR income, we allocated an additional £100m of central funds to the local government and police settlements in the third supplementary budget, while reducing provision from NDR funds by the same amount. This action reduces any deficit position on the NDR pool from lower collection rates this year and alleviates any ongoing impact on the NDR funding available for the local government and police settlements in future years.

Risks associated with non-domestic rates collection are ultimately managed by the Welsh Government. The monitoring arrangements will enable us to identify any in-year cash-flow issues which local authorities might experience and respond accordingly. Future local government settlements will continue to consider the overall funding position of local authorities and provide the best possible settlement based on the resources available.

Recommendation 2

We recommend that the Minister for Finance reviews the allocation in the provisional Local Government Settlement for the Council Tax Reduction Scheme and increases this allocation in the final budget for 2021-22. The Welsh Government should work with local government to assess how much additional resource is required to cover the increase in demand for the scheme

Response: Accept in principle

The Welsh Government has been working closely with local authorities to monitor the impact of Covid-19 on the demand for council tax support. We will continue to do so through 2021-22.

The £244 million provided in the settlement has been maintained to reflect the total value of council tax reductions for households at the point of introduction of the council tax reduction scheme (CTRS).

Since the scheme was introduced in 2013, CTRS caseload has fallen but council tax levels have increased and the overall value of reductions has therefore also increased. It was recognised from the outset that this would be a feature of CTRS in Wales. Local authorities need to plan for any additional costs arising from their local decisions on increases in council tax, reflecting the shared ownership of the national approach to CTRS which operates in Wales.

In recognition of the impact of Covid-19, the Welsh Government has provided local authorities with almost £11m in additional funding in 2020-21 to help them cater for the increased demand on the council tax reduction scheme – providing a lifeline to the additional 10,000 households that have been directly affected by the coronavirus pandemic and are struggling to cope financially during these difficult times. This approach ensures that the need for additional funding is measured accurately and targeted effectively between authorities.

We will continue to monitor the position in all these areas while the pandemic continues to have an impact on household, business and public finances.

Recommendation 3

We recommend that the Welsh Government takes action to increase take-up of the Council Tax Reduction Scheme to ensure access for all who are eligible.

We reiterate the recommendation from our report on benefits in Wales that the Welsh Government takes action to improve the take-up of all benefits in Wales, both devolved and non-devolved. We ask that the Welsh Government provides us with an update in progress in improving take-up of benefits.

Response: Accept

We will continue to produce regular detailed reports on the financing and caseloads for the council tax reduction scheme and to maintain our campaign to raise public awareness of the availability of CTRS and other council tax support (discounts and exemptions) to increase take-up.

We have already also worked with authorities, advisory services and MoneySavingExpert.com to develop simple and consistent advice to ensure all households in Wales have access to information about their entitlements. This included a joint campaign to promote the council tax discount available to people diagnosed as having a severe mental impairment. This campaign attracted national TV coverage and provisional figures suggest that SMI exemptions have increased by over 1,000 since 2018 to over 5,200 in December 2020.

We have rerun our online campaign to raise further and continued awareness of the support households may be entitled to, including those receiving Universal Credit. These webpages have had over 80,000 unique views since they were launched in 2018.

It is important to note that Council Tax Benefit was not devolved to the Welsh Government and CTRS is not a social security benefit but an integral part of the council tax system.

HOUSING – SECTION 2

Recommendation 4

We recommend that the Welsh Government increases allocations that contribute to tackling homelessness in the final budget.

Response: Accept

In line with our commitment to make homelessness rare, brief and unrepeatable, Welsh Government has and continues to invest substantially in homelessness prevention.

To build on the progress made this year we have allocated an additional £40m in the draft budget to the Housing Support Grant. Together with the Homelessness Prevention Grant, which we have increased by £4m, this is an investment of £188.6m into our 2 main homelessness prevention funding streams for 2021/22.

The Covid-19 pandemic has demonstrated the high level of previously unmet support needs and whilst the emergency additional funding has assisted in helping to meet these in the short term to keep people safe during the pandemic, we have recognised that this longer term investment in housing support is required if we are to build on the progress made and not go backwards. This funding will enable us to maintain and build on the inclusive approach taken during the pandemic to ensure no-one is left without accommodation. It will also support implementation of the transformational shift to a rapid-rehousing approach, as set out in the Homelessness Action Group recommendations, and which is required in order to end homelessness in Wales.

As set out in the draft budget, £4m of the covid-19 reserve was allocated to the Homelessness Prevention Grant to enable us to maintain the emergency provision of accommodation and support in the early part of the next financial year as required, and ensure continuity of provision. The Final Budget for 2021-22 published on 2 March allocated an additional £206.6m to the Local Authority Hardship Fund to meet anticipated costs and loss of income the first six months of the financial year, this will include the additional costs associated with providing emergency accommodation and support to those who are homeless over and above the £4m already allocated.

Recommendation 5

We recommend that the Welsh Government continues to urgently explore all legal avenues to resolve the complexities of improving the safety of high rise buildings and to work with the UK Government on how this work can be progressed at pace. We would request and update from the Minister for Housing and Local Government ahead of the debate on the final budget.

Response: Accept

We are continuing to work on funding offers to support remediation of high rise residential buildings in both the private and public sector. Of the £10.5m allocated to social sector remediation in 2020-21 we will be providing £8.266m which will support improvements in fire and structural safety for 12 buildings. We are disappointed not to be able to allocate the full amount of funding available, but given the challenges to capital infrastructure projects as a result of Covid-19 this is a remarkable achievement and we hope that those living in those buildings will see the works progress at pace.

A further £32m has been allocated to remediation as part of the draft budget.

Welsh Government officials continue to work on the detail of this further further funding package which will cover both the private and social sector in 2021. Such an offer is not easy. We want to ensure that the funding package proposed allows those managing and living in high rise buildings to comprehensively address building safety issues, not just those caused by cladding. Our package will support remediation in relation to cladding and compartmentation, as well as providing funding for fire suppression systems where not already fitted and fire evacuation sounders where appropriate. Only by taking this holistic approach can we genuinely ensure buildings are made safe.

To support this work we are working with partners to establish a Joint Inspection Team. The work of this team will help inform our work by providing far clearer details of the scope and scale of works required to our high rise buildings. Such an evidence base approach will be vital in assessing the future level of support needed in this area.

An announcement will be made on how applicants can access this fund as soon as possible. The Committee will be kept updated on this issue and we look forward to your ongoing contribution as we develop this policy area.

Recommendation 6

We recommend that, ahead of the debate on the final budget the Welsh Government provides an update on action it has taken to raise awareness of the Discretionary Assistance Fund among those eligible to apply for its support.

Response: Accept

The Welsh Government is committed to ensuring that the Discretionary Assistance Fund (DAF) is accessible to everyone who needs it. We work to ensure through our own awareness raising, and by promoting the fund via partners such as local authorities, food banks and social media that everything is done to identify and reach target groups, this will continue.

The DAF continues to be supported by its Partner Network containing more than 570 organisations who are key to reaching the most vulnerable in society. We will continue to explore further increasing of communications where needed and where appropriate.

The DAF has been able to adapt its criteria to ensure the fund reflects the circumstances and lived experiences of service users and is supported by a network of partners which signpost and apply on behalf of their clients. The DAF Partner Network contains more than 570 front-line organisations across Wales, including food banks, advice agencies, local authorities, domestic violence organisations, homeless charities, direct and indirect disability organisations, and many more organisations who support clients with a wide range of vulnerabilities including disabilities. These organisations are best placed to help clients, given their expertise in supporting more vulnerable groups and their learned knowledge of their clients and the pressures they are facing on a daily basis.

In addition to the work with and the role played by the partner network, Welsh Government has used social media frequently since the start of the pandemic to help raise awareness of the fund including those new to Universal Credit and awaiting their first payment. The DAF is also included in the Welsh Government Financial Support leaflet which was published last year and recently updated and [republished](#).

As part of the Final Budget published on 2 March, we allocated an additional £10.5m to the DAF to continue the flexibilities around accessing the funding to the end of September 2021 along with measures aimed at addressing underlying causes of poverty. This additional funding and the DAF support measures will be promoted through all of the appropriate channels.

EQUALITY CONSIDERATIONS IN THE DRAFT BUDGET – SECTION 3

Recommendation 7

We recommend that, ahead of the Senedd debate on the final budget, the Welsh Government provides further information to demonstrate how its strategic integrated impact assessment has influenced the allocations in the budget.

Response: Accept

We remain committed to reviewing our approach to assessing impacts. For the 2021-22 Draft Budget we took a number of steps to improve the way we present the impact of our spending decisions in the budget.

This year, we included details of the impacts of specific spending decisions as part of the main narrative in chapters four and six to enhance transparency. This was complemented by a summary of the contextual evidence that informed these strategic spending decisions - presented in Annex C. This included evidence about the disproportionate impacts by different protected characteristics, including gender, race and socio-economic disadvantage

We also presented more-detailed case studies on the impacts of specific spending decisions to better demonstrate how assessment is undertaken in more detail. This includes a case study on the Personal Learnings Account programme, which includes early results from the 'gender focused' approach we took for this pilot.

Chapters four and six of the Budget narrative set out a number of strategic spending decisions which are designed to respond to the evidence that the most disadvantaged people in Wales will be experiencing the most severe financial impacts caused by the crisis.

We also published Ministers' written evidence papers to Senedd scrutiny committees as part of the 2021-22 Draft Budget package, which includes information about how impact considerations have informed budget allocations within each MEG.

Recommendation 8

We recommend that the Welsh Government's draft budget for 2022-23 includes examples to demonstrate how the Distributional Impact model has influenced decisions taken in that budget.

Response: Accept in Principle

The distributional analysis included in the Draft Budget is an exploratory exercise to see what can be done in this area, although it includes some interesting results in its own right. It has not been used to directly assist with budget allocations for 2021-22. However, this type of analysis has the potential to inform future Welsh Government budgetary decisions.

The aim is to incorporate distributional analysis in the suite of information accompanying future budgets. Its capacity to inform budgetary decisions will depend on the availability of data in specific areas.

The Government has included provision in the Draft Budget to fund a boost to the Family Resources Survey in Wales. This will improve the data available to support this type of analysis in future years, as well as supporting a range of other analytical priorities. There may also be the potential to make use of other data sets to widen the scope of this work. However the results of this investment in improved data will only be available after a few years.

Recommendation 9

We recommend that the Welsh Government, ahead of the Senedd debate on the final budget, outlines its position as to whether it believes, in principle, public spending should be completely progressive across all quintiles of equivalised household income

Response: Accept in Principle

As shown in the distributional analysis published alongside the Draft Budget, the relationship between the provision of public services and income varies across different programmes. Some services are provided on a universal basis and others are subject to means tests. The distributional impact of services which are provided on a universal basis will depend on which groups in society make most use of them. Those that are subject to a means test are, by design, more likely to be progressive with respect to income. However, means testing is not deemed a suitable approach across all services.

Furthermore, not all types of public spending are amenable to distributional analysis. For example, the impact of capital or preventative spending on different households is far from direct. The future benefits and beneficiaries of such spending are difficult to capture in this type of analysis. More generally, there are aspects of public spending which provide wider societal benefits which are also difficult to reflect within this framework.

Recommendation 10

We recommend that the Welsh Government uses the distributional analysis of public spending to identify the changes needed to ensure that spend is completely progressive across all quintiles of equivalised household income.

Response: Reject

The distributional analysis published alongside the draft budget shows that spending is generally progressive with respect to income across the public service areas included. However, it is not uniformly progressive by quintile of income.

The progressivity of some aspects of spending will depend on the types of household which make use of the service, as well as the design of the service itself. There are very good reasons to provide some public services on a universal basis. For example, universal healthcare provision ensures all members of society have access to the same services irrespective of their ability to pay. In these cases it cannot be guaranteed that need for the service will always be higher among those from the lower end of the income distribution and reduce uniformly as incomes rise. In addition, certain areas of public spending are difficult to capture in this type of model.

Distributional analysis provides a useful way to assess public service usage across the income distribution. This gives policy makers an additional perspective when considering the design and delivery of public services. It is, however, one of a suite of tools available for use in the process of policy formulation. Using it in the way suggested here would be a very blunt approach and would not necessarily fit with other legitimate policy goals.