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Llywodraeth Cymru
Welsh Government

Our ref: MA/RE/0487/24

John Griffiths MS
Chair of the Local Government and Housing Committee
Welsh Parliament
Cardiff Bay
Cardiff
CF99 1SN

01 March 2024

Dear John,

Thank you for the Committee's report on the Scrutiny of the Welsh Government's Draft Budget 2024-25 outlining 16 recommendations for the Welsh Government.

We would like to thank members of the Committee for their report. Please find enclosed the Welsh Government response to these recommendations in advance of the vote on the Final Budget on 5 March.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca Evans." The signature is written in a cursive style.

Rebecca Evans AM
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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.

Written response by the Welsh Government to the report of the Local Government and Housing Committee on the 2024-25 Draft Budget

Recommendation 1.

The Welsh Government should continue to work closely with local government and develop a clear plan to support any local authority which may need to consider issuing a section 114 notice.

Response: Accept

One of the positives in Wales is the working relationships we have built between government and local authorities and between local authorities. These are critical to help manage in difficult times.

Through meetings with leaders - individually and collectively through the WLGA and the finance sub group – the Welsh Government is made well aware of the challenges facing the sector and individual Councils. Officials meet both local authority finance directors and Audit Wales regularly and a range of financial information is published by Audit Wales as part of its ongoing work on financial resilience as well as publications on expenditure, budgets and reserves by the Welsh Government. The role of Audit Wales in providing a single point of audit across local government is a strength in Wales, giving us consistent, authoritative information and assurance.

The £800,000 Improvement Programme, through the WLGA, funds a range of activities to support local authorities to improve and transform service delivery. The Improvement Programme seeks to balance targeted individual local authorities' improvement needs with a wider strategic agenda for collective improvement. Corporate improvements include encouraging a vibrant democracy, workforce development and improving digital services. In recognition of the critical underpinning to improvement of digital innovation, the Welsh Government provides over £2m via the Local Government Chief Digital Officer to provide strategic leadership to drive digital improvement and transformation within the sector.

Scenario planning is important. It is also important to recognise that declaring a section 114 notice does not solve financial problems. It effectively requires the Council to take steps, to make decisions to balance its books. It does not give councils access to new funding streams. There are some options available to provide potential financial support these include agreement to capitalising revenue and using capital receipts, increased flexibility on grant funding as well as the support available through the Improvement Support Programme.

Officials held a Chatham House rules workshop with the WLGA and CIPFA at the end of January to explore triggers for potential S114 notices and prevention work that could be taken forward.

Recommendation 2.

The Welsh Government should provide this Committee with an update on the work being carried out with local government to ensure that all those entitled to support with their council tax bills receive it.

Response: Accept

The Welsh Government is committed to ensuring that people in Wales claim the support they are entitled to. Our Council Tax Reduction Scheme currently supports around 261,000 eligible households across Wales, providing a reduction in their council tax bill and, in many cases, reducing it to zero. Our latest annual [report](#) shows that around 19% of all households in Wales receive support through this scheme. While it was encouraging to see the previous downward trend in caseload for the scheme reversed temporarily over the pandemic period of 2020 and 2021, the number of households supported is once again decreasing.

As part of the council tax reform programme, the Council Tax Reduction Scheme is being reviewed to ensure it continues to meet its policy objective to support those who need it most. The most recent Phase 2 [consultation](#) on the reforms provided a progress update on the review. It is considering how our scheme takes account of the impact of Universal Credit and other changes to the non-devolved welfare system. As part of that review, the Welsh Government is engaging with local councils and other stakeholders, such as Citizens Advice Cymru, to determine what more we can collectively do to reduce barriers to accessing the scheme, to improve administration and take-up.

The majority of responses to our Phase 1 [consultation](#) on council tax reform in 2022 were in favour of the proposals to put a duty on the Welsh Ministers to establish a single national scheme, administered locally by local councils and enabling in-year changes to be made. As a result, these changes were included in the Local Government Finance (Wales) Bill laid before the Senedd on 20 November 2023. The review of the Council Tax Reduction Scheme continues in parallel to Senedd scrutiny of the Bill, to enable the Welsh Government to identify specific actions to tackle low take-up and improve the regulations governing the scheme in the future. The Welsh Government plans to consult in more detail in due course.

Welsh Benefits Charter

The Welsh Benefits Charter was launched on 22 January by the Minister for Social Justice and Chief Whip. [Welsh Benefits Charter | GOV.WALES](#) The Charter is a set of underpinning commitments to work together towards a person-centred,

compassionate delivery of Welsh Benefits and is central to our work on streamlining the Welsh Benefits system. It applies to all the grants and payments to individuals that are governed by Welsh Government such as Council Tax Reduction Scheme, Free School Meals, Schools Essentials Grants and so on.

All 22 Local Authority leaders signed up and endorsed the Charter at the Partnership Council meeting in November 23 demonstrating the collective commitment to improving access to financial support for individuals.

The introduction of the Charter will ensure that the take-up of benefits is visible and transparent which will drive improvements to the accessibility of the system, enabling more people in Wales to take up their entitlement to financial support and ensure the efficient and consistent administration of Welsh benefits across Wales.

Streamlining Welsh Benefits

The launch of the Charter is the first step of the journey working towards a coherent Welsh Benefits system and not the end point. We will be working with an external steering group to develop practical actions towards our vision of a system where a person only has to tell their story once to access all their entitlements.

The group will have strategic oversight of the work to streamline the Welsh Benefits system and will use the Charter commitments to produce an implementation plan with targeted actions. The Group brings together experts from across central and local government and third sector. We recently appointed Fran Targett, with decades of experience in the field, as the Steering Group's Chair to drive the work forward at pace. The first meeting took place on February 14th.

Recommendation 3.

The Welsh Government should make available a simple explainer which sets out how the funding formula is calculated. This should be communicated to local government and updated annually to explain how any changes in data sets have impacted the formula.

Response: Accept

The green book, published each year sets out the detailed calculations that underpin the formula. A simple written guide can be added to this document. Additionally, the tables published as part of the settlement detail the breakdown in types of funding and service area funding. An improvement made in recent years was to add Table 8 to set out the main components that are causing movements in the allocation by authority, for example population movements, school age population changes, movements in relative tax bases.

The WLGA also run seminars to local authority members on the formula.

Recommendation 4.

The Welsh Government should ensure that the minutes of the Distribution Sub-Group meetings are published regularly to ensure complete transparency.

Response: Accept

The minutes of the Distribution Sub-Group are already published at the link below, the publications will be brought up to date as soon as possible.

[Distribution Sub-group | GOV.WALES](#)

The minutes of the Finance Sub group are published at:

[Finance Sub-group | GOV.WALES](#)

Recommendation 5.

The Welsh Government should report back to this Committee on any discussions held with the Scottish Government about its funding formula.

Response: Accept

We are currently working to set up a meeting with the Scottish Government at official level.

Recommendation 6.

The Minister should press the UK Government for clarity on consequential funding for teachers' pensions and keep this Committee informed of the outcome of those discussions and any impact on funding decisions this may have.

Response: Accept

I continue to press the UK Government for clarity on consequential funding for teachers' pensions through the appropriate channels, including the Finance: Inter-ministerial Standing Committee (F:ISC) and through bilateral meetings with the Chief Secretary to the Treasury (CST).

Whilst the former CST had said funding will be provided for the additional costs arising from the change to the SCAPE discount rate from 1 April, I sought urgent confirmation that these costs will be met in full during the F:ISC meeting on the 25 January, and that it applies to all unfunded public service pensions schemes.

I understand the intention is for Wales to receive a Barnett share of increases to relevant Departmental budgets and that is due to take place at UK Main Estimates. I asked for clarity of any funding as early as possible in order that the Welsh Government can take decisions and provide information to local authorities and other public sector bodies.

Ahead of the UK Spring Budget I wrote to the Chancellor of the Exchequer reiterating the need for urgent clarification.

I will inform the committee once we have clarity on this issue including any funding impacts.

Recommendation 7.

The Minister for Finance and Local Government should join discussions between the Minister for Social Services and local government to address tensions around funding and provision of care packages.

Response: Accept

The Minister for Finance and Local Government meets leaders through WLGA and the finance sub group, where social care pressure are discussed. The Minister for Health and Social Services and the Deputy Minister for Social Services are invited to these meetings where appropriate.

The Minister for Health and Social Services and Deputy Minister for Social Services meets with Local Government colleagues as part of their regular meetings with the WLGA Social Care and Wellbeing Cabinet Members Network. Similarly, invitations to the Minister for Finance and Local Government to attend can be made when the agenda is appropriate.

Recommendation 8.

The Welsh Government should give a full account of the reasons for the unacceptable situation whereby the Gypsy and Traveller Site Capital Grant has resulted in £0 being awarded to local authorities for the whole of the 2022-23 and 2023-24 financial years. This account should set out the reasons for this failure and how the Welsh Government intends to address them.

Response: Accept

The capital funding of £3.69m and £3.19m was available to local authorities in 2022-23 and 2023-24 respectively. There were no applications for capital funding in 2022-23. There were then no applications for funding from local authorities until late in 2023, by which time the funding had been offered up as part of the in-year cost saving exercise. The capital funding was offered up because the lead time for capital projects meant it was highly unlikely to be spent in 2023-24. However, funding of £3.44m is available in 2024-25 and local authorities will be strongly encouraged to submit applications alongside the current Gypsy and Traveller Accommodation Assessments (GTAA) process being completed.

Recommendation 9.

The Minister for Finance and Local Government should work closely with the Minister for Social Justice to keep abreast of the discussions taking place on applications to the Gypsy Traveller Site Capital Grant, and to monitor whether suitable applications are coming forward.

Response: Accept

Officials will regularly update both the Minister for Finance and Local Government and the Minister for Social Justice and Chief Whip on progress against applications for the Gypsy Traveller Site Capital Grant for 2024-25, including funding awarded.