

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

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

Rebecca Evans AM, Minister for Housing and Regeneration

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

16 November 2017

Dear Alun, Julie, Rebecca

## Scrutiny of the Welsh Government draft budget 2018–19

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

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

### Local Government MEG

#### Inspectorates:

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

#### Specific grants:

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



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

## Council Tax and Council Tax Reduction Scheme

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

## Local Government reserves

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

## Communities MEG

### Financial inclusion and advice services

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

### Third sector:

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



## Community Facilities Programme

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

## Community safety

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

## Supporting People

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

## Housing supply and standards

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

## Legislation

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

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

Yours sincerely



John

John Griffiths AM  
Chair

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.



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27 November 2017

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

## LOCAL GOVERNMENT MEG

### Inspectorates

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

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

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

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

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

## **Specific grants**

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

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

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

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

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

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

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

## **Council tax and council tax reduction scheme**

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

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

## **Local government reserves**

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

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

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

## **COMMUNITIES**

### **Financial inclusion and advice services**

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

## **Third sector**

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

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

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

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

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

## **Community Facilities Programme**

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

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

## **Community safety**

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

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

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

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

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

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

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

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

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

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

## **Supporting People**

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

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

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

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

## Housing Supply and Standards

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

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

## Legislation

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

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

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

## Action points from the Scrutiny Committee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We trust these address the additional points raised.



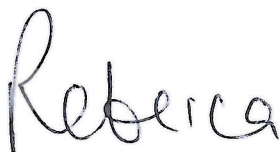
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## LOCAL AUTHORITY RESERVES

### Issue

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

### Reserves Latest position – Summary

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

## Earmarked Reserves

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



### **General Reserves**

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

### **Schools Reserves**

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

**Table 1**  
**Local Authority Reserves**

**Reserves**

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

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

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

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

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7 November 2017

*Dear David,*

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

#### Universal Credit

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sincerely,  
Rebecca

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