



John Griffiths, AM
Chair of the Equalities, Local Government
and Communities Committee
National Assembly for Wales

14 September 2018

Dear John

Thank you for your letter of 17 August asking me to clarify Welsh Government's response to some of your Committee's recommendations in the report 'Making the economy work for people on low incomes in Wales'.

You asked for clarity on why the Welsh Government believes that a dedicated tackling poverty strategy is not required. Our National Strategy *Prosperity for All* provides a framework for our whole-government approach to increasing prosperity and addressing the root causes of poverty in a more effective, joined-up way.

We want to avoid separate strategies that fail to take a holistic approach to complex issues. We can only effectively address the long-term challenge of poverty by joining up everything we do. In terms of measuring progress, the National Indicators underpinning the Well-being of Future Generations Act will help measure our progress as a country towards achieving the seven well-being goals.

Many of these indicators will help us assess progress in tackling poverty. They will measure for example, relative poverty, material deprivation, levels of employment and healthy lifestyles amongst others.

Since devolution, Welsh Government has introduced a range of strategies, policies and programmes to promote prosperity and to prevent and mitigate poverty but, despite these, the overall prevalence of poverty has not fundamentally altered. Poverty in Wales remains stubborn and persistent.

It was clear that the best levers we have for tackling poverty are our long term interventions in building human capital, strengthening our infrastructure and boosting our economy.

As a consequence, when the Tackling Poverty Action Plan came to an end in 2016, the decision was taken not to renew it. It was felt that our approach to tackling poverty should

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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.

not be determined by a separate strategy; it should be inherent in the way that government and its partners work and deliver for the people of Wales.

Recognising that reducing levels of poverty and growing our economy are interdependent, the decision was taken to use our National Strategy, *Prosperity for All*, to set out those actions we will take as a government to create the conditions and opportunities for people and communities to succeed, flourish and thrive, especially in financial terms. The National Strategy takes a long term view, laying the foundations for greater equality of opportunity and fairer distribution of income for future generations.

The fundamental commitments of the Tackling Poverty Action Plan - to prevent poverty, especially through investment in giving children the best possible start in life; to help people to improve their skills, recognising that the best route out of poverty is through employment; to take action to mitigate the impact of poverty here and now – are embodied in our National Strategy.

The Committee will be aware that the Children and Families (Wales) Measure 2010 places a statutory duty on Welsh Ministers and named public bodies to publish a child poverty strategy which sets objectives and outlines actions for tackling child poverty in Wales.

The objectives of the Welsh Government's Child Poverty Strategy are wide reaching, taking an holistic approach to improving outcomes for low income households with actions focussed on the whole family and the communities in which they live. They focus on reducing the number of children living in workless households, increasing the skills of parents and young people, reducing inequalities in education, health and economic outcomes, creating a strong economy and labour market and action to increase household income.

Our National Strategy supports the delivery of the objectives of our statutory Child Poverty Strategy and responsibility for delivering progress sits with every Cabinet Secretary and every Minister.

Secondly you have asked whether Welsh Government will consider undertaking an analysis of the risks and benefits of devolving the administration of Universal Credit.

The Welsh Government rejected this recommendation on the basis that it does not support the devolution of welfare benefits or their administration to Wales. As a matter of principle we should all be entitled to an equal claim from our welfare state. The needs of citizens within the UK, wherever they live, should be equally met. The approach to the devolution of welfare benefits to the Scottish Government has transferred the financial risk associated with the demand for welfare benefits growing faster per head in Scotland than in England from the point of devolution. For Wales this would pose a significant financial risk.

As set out in our original response, the Welsh Government does wish to see all Universal Credit claimants being offered an informed choice regarding how their Universal Credit is paid to them through flexible payment options. These options would see more frequent payments, more than just once per month, the housing costs being paid directly to the landlord and split payments for those who wish to see this.

Universal Credit is generally paid in England, Wales and Scotland to claimants monthly in arrears. This includes the housing element, with claimants responsible for making payments to their landlord to cover their housing cost liabilities. This is provided by regulation 47 of the Universal Credit, Personal Independence Payment, Jobseeker's

Allowance and Employment and Support Allowance (Claims and Payments) Regulations 2013 (SI 2013/380). Payments can be paid to someone on behalf of the claimant where appropriate under regulation 58, SI 2013/380. The Alternative Payment Arrangement regime has been established under this provision.

Currently for individuals and couples claiming Universal Credit in Wales, England and Scotland, the Department for Work and Pensions (DWP) have a number of ways to support the most vulnerable claimants through the Alternative Payment Arrangements (APAs) process. These APAs can be:

- Direct Payment of the Housing Costs of Universal Credit to a landlord;
- More frequent payment of Universal Credit than monthly; and
- Split payment arrangements of Universal Credit for couples.

At the start of a claim for Universal Credit everyone has to have an initial face to face interview with their Job Centre Work Coach. It is at this initial meeting when the details for any Universal Credit claim are verified, such as rental information, that there is a mechanism in place for the Work Coach to trigger a discussion with the claimant (s) regarding how Universal Credit will be paid, or if APAs need to be put in place.

For example, a claimant would be asked if their Housing Benefit was previously paid direct to their landlord, or whether the claimant has two months of rent arrears. If the claimant answers 'yes' to either of these questions then the Work Coach will refer them for an APA. This would normally mean that the housing costs in Universal Credit would then be paid direct to the landlord.

There are other times when a conversation between the Work Coach and the claimant can trigger a discussion about APA's, for example, when:

- a claimant requests and Advance payment and has requested support with Personal Budgeting Support;
- if the claimant has a change of circumstances where they have secured a tenancy after previously being homeless;
- if the customer has any Mental Health issues or has difficulty managing a budget (this might be asking for Food Bank Vouchers);
- in certain circumstances the landlord will automatically request a 'managed payment' of housing costs direct to them if they are aware that the claimant has a history of rent arrears OR to prevent any rent arrears occurring;

DWP has explained that this is not prescriptive of the conversation which can trigger a discussion about APAs with the claimant, this can occur at any point during an individual's/couples 'claim' for Universal Credit.

The Minister for Housing and Regeneration has repeatedly written to DWP Ministers asking for greater consideration for proactively offering these 'payment' choices on a more informed basis to claimants in Wales, and has been advised that the APAs process is there in place for this purpose. However, there does appear anecdotally to be an inconsistent approach to how APAs are being applied by the DWP across Wales. The Minister has also asked the Secretary of State for Work and Pensions to make Universal Support for people who claim Universal Credit available as widely as possible to help those people who are experiencing difficulties in managing their finances, and for those who are struggling with digital access.

Further to my previous response, we have now established a joint Board with the DWP, which is looking at the operational implementation issues for Universal Credit. I can confirm that this Board will look as a priority at what more can be done to ensure that the awareness and communications on the availability of APAs are stepped up and improved, particularly for landlords, advisory services and third sector organisations, which are supporting vulnerable people, including the homelessness and housing sector.

The Scottish Government do not administer payments for Universal Credit, these are administered by the UK Government through its Department for Work and Pensions (DWP). Following the Smith Commission, sections 29 and 30 of the Scotland Act 2016 has given some powers to the Scottish Government to introduce certain flexibilities in relation to the payment of Universal Credit in Scotland. Collectively these are known as Universal Credit Flexibilities. In summary, these powers allow the Scottish Government to:

- vary the frequency of payment;
- pay the relevant housing costs within the Universal Credit award direct to the landlord;
- decide the criteria when a split payment to joint claimants can be made; and
- amend the housing cost calculation for claimants living in rented accommodation, including varying the spare room subsidy reduction.

These flexible payment options can only commence after the first payment of Universal Credit has been made, and only if claimants are not considered for an Alternative Payment Arrangement as per the DWP's eligibility criteria.

Thirdly, you asked why Welsh Government did not fully accept recommendation 2. I recognise the Committee's view that providing clear deliverables and milestones supports the realisation of the Economic Action Plan and Employability Plan. I am also mindful of aligning how we report progress within the overarching framework provided to both plans and to our wider activity by the national strategy, Prosperity for All. I think it important that we give recommendation 2 further consideration within that context and that is why, at this stage, the Welsh Government has not fully accepted the recommendation.

You have also asked for further details on how the location strategy will relocate jobs to areas in Wales that will lose EU structural funding, and whether there are any plans to review the strategy.

In shaping future plans for our own office estate our commitment remains to be located across Wales ensuring benefits are spread through an appropriate distribution of presence and employment nationally.

Our strategy positions our administrative estate right across the main geographical areas of Wales with sizeable modern offices established in Merthyr Tydfil, Bedwas, Aberystwyth, Carmarthen, Swansea, Caernarfon, Llandudno Junction, and Cardiff. There are no plans in the medium-term to change these locations however we are reviewing options for Welsh Government's future presence in Powys and the South Wales valleys.

It is worth noting too, that in addition to the focus on our own office estate we are also engaged with the UK Government on their location strategies. Following the announcement and now development of the UK Government Hub in central Cardiff, we are looking to establish whether a second hub can be developed in Wales. We are also discussing their Public Bodies Relocation strategy which considers the dispersal of a number of public

bodies and agencies from London and the south east to other parts of the UK, to establish whether any could be relocated to Wales.

Through the work of the National Assets Working Group, which is focussed on making the best use of the wider welsh public sector estate, we are also considering how these forward plans can further support our wider economic regeneration aims.

You also asked about information on the Fair Work Board and I will ask Julie James, Leader of the House to respond separately about the Fair Work Board. I will also ask Mark Drakeford, Cabinet Secretary for Finance to write to you in response to your request for detailed responses to recommendations 14 – 16 following the publication of the procurement review

You have asked for a commitment to detailed responses to recommendations 18, 20, 21 and 22 following completion of the Fair Work Commission's work. The Commission met for the first time on 10 August. On the basis of evidence and analysis the Commission has been asked to make recommendations to promote and encourage fair work in Wales. The Commission has been asked to consider your recommendations as part of its analysis and evidence gathering. The Commission has also been asked to consider and make recommendations as to how we might drive and encourage payment of the voluntary living wage. It is due to report by March 2019.

Finally, you asked for details of the outcomes from the Symposium held on 13 July which went very well. It was well attended by policy makers, academics, employers and training providers. The event allowed experts to review job progression barriers in low-skilled and low-paid work and consider the available evidence on how to promote progression.

The WCPP is currently drafting a report to be published in the autumn. The Welsh Government will formally respond to the WCPP's report recommendations following its publication.

In the meantime, Welsh Government officials are meeting with key foundational economy sector bodies to review current and anticipated future workforce needs as well as taking advice from other experts to consider what support should be provided in the future.

Yours sincerely



Ken Skates AC/AM

Ysgrifennydd y Cabinet dros yr Economi a Thrafnidiaeth
Cabinet Secretary for Economy and Transport

