



To:
Leaders of County and County Borough Councils in Wales

Copied to:
Chief Executives and Directors of Finance, County and County Borough Councils in Wales
Chief Executive and Director of Finance, Welsh Local Government Association

14 February 2019

Dear Leader,

At the Finance Sub Group on 23 January, I outlined the work the Welsh Government is undertaking to assess the impact of the UK Government's welfare reforms on households in Wales. In particular, I am keen to understand in more detail the impact of the rollout of Universal Credit on eligibility for the council tax reduction scheme (CTRS), on housing rent arrears, and on the risk of households falling into debt. Decisions taken by the UK Government about welfare benefits are having a direct impact on areas of devolved responsibility, and we are beginning to see adverse effects across Wales.

There is a growing body of evidence which shows that the impact of welfare reform is being felt in a number of ways. It is directly reducing the number of households who are automatically passported into the council tax reduction scheme, making it more difficult for local authorities to contact eligible households and making the application process more complicated. There is a loss of information held by local authorities as the administration of Housing Benefit is being gradually removed from local authority control. The switch to Universal Credit is also resulting in a negative short-term shock to household finances, which may be causing or escalating wider debt issues. In particular, we are concerned that the administration of payments for Universal Credit, and particularly the housing costs element, could be leading to additional rent arrears for some people. Advice services report that they are being overburdened by Universal Credit cases and are seeing increased requests for support.

I recently appointed Policy in Practice to undertake a detailed year-long assessment. As different parts of Wales have experienced the rollout to Universal Credit 'Full Service' at different times, the assessment will enable us to make detailed comparisons across areas and groups. As well as providing the Welsh Government with the evidence it needs to respond to policy issues, the project is designed to provide individual local authorities with some local evidence which will enable you to understand the effects in your area and feed into your plans for services.

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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 project will look in detail at the effect of Universal Credit on council tax reduction applications, caseloads and award levels, on the patterns of council tax debt and on rent arrears. The analysis will help us to develop the council tax reduction scheme to ensure it maintains entitlement to support, to improve the management of council tax arrears and to consider the policy options for reducing the incidence and impact of rent arrears.

As I mentioned at Finance Sub Group, the detailed assessment will need to draw upon data held by each local authority, such as the Single Housing Benefit Extract, council tax data and social housing information (eg. rent arrears). The local authority representatives at Finance Sub Group supported this work and responded positively to my request for cooperation in the sharing of data. I understand that a number of local authorities already have data-sharing arrangements with Policy in Practice to facilitate analysis locally. You can find further information on the data-sharing that will enable Policy in Practice to undertake this research by visiting:

<http://policyinpractice.co.uk/wales/>

My officials will establish a small steering group which will include officials from local government and the Welsh Local Government Association to ensure stakeholders are kept informed of progress. We have asked Policy in Practice to report on their findings by the end of the year but anticipate the contract will be punctuated by interim reports during 2019.

We expect the findings from the research to inform our development of CTRS from 2020-21 onwards to provide parity of treatment between people who have transferred onto Universal Credit and people who have not. We will also use the findings to consider whether more fundamental development of the scheme is needed over the medium term to make council tax fairer.

I am grateful for your continued support in ensuring we use all our levers to mitigate the impact of the UK Government's ongoing welfare reforms on vulnerable and low-income households across Wales.

Yours sincerely,



Rebecca Evans AC/AM
Y Gweinidog Cyllid a'r Trefnydd
Minister for Finance and Trefnydd