

Dyddiad / Date: 17 November 2020

Rt Hon Mark Drakeford MS

Annwyl / Dear First Minister,

Universal Basic Income

I am writing to you following the letter dated 18 May 2020 that was sent to you earlier this year by UBI Lab Cardiff, which urged you to consider a Universal Basic Income (UBI) pilot in Cardiff.

I am on record as having expressed my interest in the concept of a UBI because responding to entrenched inequality and economic hardship will require bold solutions.

That is why, at a meeting of the Council's Cabinet on 11 June 2020, I confirmed that I was open to exploring the potential for Cardiff to participate in any future pilot. This approach would be similar to that taken by other UK Core Cities, such as Leeds, Liverpool and Sheffield, whose councils have passed motions in support of trialling a UBI in those cities. I am also aware of the recent motion by your Labour group colleague, Jack Sargeant MS, which was debated and agreed in the Senedd on 30 September 2020 and which called on the Welsh Government to establish a UBI trial in Wales and to lobby the UK Government for funding to establish a Wales-wide UBI.

I note the comments made by the Minister for Finance and Trefnydd in responding to the motion in the Senedd, which confirmed that the "Welsh Government would be open to such a trial taking place in Wales, but...such a trial would not be possible without the active co-operation of the UK Government". The Council's Labour administration would be supportive of any such UBI trial taking place in Cardiff in the future; however, I do recognise that matters relating to the benefits system are non-devolved and are the responsibility of the UK Government.

Furthermore, I'm not aware of any indication to date that proposals for a UBI would be supported or taken forward by the current UK Government. In addition, the potential cost implications of any such trial would clearly be huge and way beyond the budgetary framework of local authorities like Cardiff. It would therefore require the necessary financial commitment and resources to be provided by the UK and/or Welsh Governments.

In this context, I would be grateful if you could clarify what next steps can effectively be taken by the Welsh Government on this matter, particularly following the recent Senedd motion. For example, UBI Lab Cardiff proposed previously in their letter to you that this could potentially include the Welsh Government undertaking a feasibility study to examine whether a UBI pilot is possible in Wales, similar to that which has been undertaken by the Scottish Government.

Cardiff Council representatives would be happy to meet, at the appropriate time, with Welsh Ministers and/or Welsh Government officials to discuss any plans for a UBI trial in Wales specifically or as part of any future UK-wide pilot scheme.

Yn gywir,

Yours sincerely,

ARWEINYDD / LEADER

CYNGOR CAERDYDD / CARDIFF COUNCIL

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Letter to Leader of Cardiff Council

02 December 2020

Thank you for your letter dated 17 November addressed to the First Minister for Wales regarding a Universal Basic Income (UBI). I have been asked to respond due to my portfolio responsibilities.

In principle the idea of a UBI has much to commend it. However, the interaction between devolved powers and the benefits system which is not devolved means that it would be difficult to introduce in Wales without the active commitment of a UK Government. At this present time, we are focused on supporting employers and workers through the current COVID-19 pandemic crisis.

UBI could ensure that a reasonable standard of living is provided to all, without stigma, and could compensate for reduced employment opportunities for certain groups. Alongside the attractive features, the introduction of UBI would raise a number of challenges.

If set at a reasonable level UBI would be very expensive and would have to be paid for some combination of reductions in other benefits and increases in taxation.

This could create a complex pattern of winners and losers, with the winners including, for example, some people in high income households. It might be difficult to ensure that people on low incomes do not lose out (e.g. large households with disabled household members living in areas with high housing costs).

This means that any transition to UBI would need very careful planning and design, and would therefore be hard to implement as an “emergency” measure as part of a crisis response.

We are fully committed to supporting those living in poverty, by ensuring that they receive the financial support they are entitled to which could make a positive difference in their lives. Promoting fair work is a key objective in Wales, as part of wider efforts to achieving an economy that delivers individual and national prosperity, whilst spreading opportunity and tackling inequality.

We are acutely aware of the impact that the pandemic has had on levels of poverty in Wales and is likely to have in the future. In response to the pandemic, we boosted funding for the Discretionary Assistance Fund by £13.9 million. The rules for claiming support from the DAF have also been relaxed to support those that have experienced a loss of income or incurred additional expenses as a result of Covid-19.

Officials in the Welsh Government are working together and at pace with UK Government officials, particularly with those from the DWP, to ensure all measures being taken by the UK Government to mitigate the impact of the COVID-19

pandemic crisis are integrated with all current and new support being provided by the Welsh Government. The DWP has been able to respond, in some cases, through flexible administration of social security for those ill, self-isolating or unfortunately displaced from work.

The pandemic has shown us that the social security system needs to be sufficiently robust and flexible to respond to challenges both large and small. There will be many lessons to be learned from our response to Covid-19, and the extent to which changes to mitigate this crisis may permanently alter this safety net during the recovery, and post-recovery period.

Against this backdrop of such uncertain times now does not appear to be the best time, both in terms of available resource and availability of evidence, to consider fully long-term changes to social security.

We will revisit this important issue again when we have been able to fully consider any changes that have been made to the UK social security system and had the opportunity to review any evidence on how the challenges arising from the pandemic have been met by the different models operating for devolved social security arrangements in other devolved nations.

Yours sincerely

Ken Skates AS/MS

Gweinidog yr Economi, Trafnidiaeth a Gogledd Cymru

Minister for Economy, Transport and North Wales