

Agenda – Local Government and Housing Committee

Meeting Venue:

Committee Rooms 1 and 2

Meeting date: 12 January 2023

Meeting time: 08.45

For further information contact:

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Committee Clerk

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Pre-meeting (08.45 – 09.00)

- 1 Introductions, apologies, substitutions and declarations of interest**

- 2 Scrutiny of the Welsh Government Draft Budget 2023–24 – evidence session 1: local government**
(09.00 – 10.15) (Pages 1 – 39)
Councillor Andrew Morgan, Leader, Rhondda Cynon Taf County Borough Council
Councillor Anthony Hunt, Leader, Torfaen County Borough Council
Councillor Llinos Medi, Leader, Isle of Anglesey County Council
Christina Harrhy, Chief Executive, Caerphilly County Borough Council
Chris Llewelyn, Chief Executive, Welsh Local Government Association

- 3 Motion under Standing Order 17.42(ix) to resolve to exclude the public from items 4, 7 and 8 of the meeting**

- 4 Consideration of the evidence received under item 2**
(10.15 – 10.45)

- 5 Scrutiny of the Welsh Government Draft Budget 2023 – 24 – evidence session 2: Minister for Finance and Local Government**
(10.45 – 12.15) (Pages 40 – 51)



Rebecca Evans MS, Minister for Finance and Local Government

Emma Smith, Head of Local Government Finance Policy, Welsh Government

Reg Kilpatrick, Director General, Covid Recovery & Local Government, Welsh Government

6 Papers to note

(Pages 52 – 53)

6.1 Letter from the Llywydd to all Members in relation to Committee business

(Pages 54 – 55)

6.2 Letter from the Chair of the Public Accounts and Public Administration Committee in relation to its inquiry into Public Appointments

(Pages 56 – 57)

6.3 Correspondence between the First Minister and the Chair of the Finance Committee in relation to the financial implications of Bills

(Pages 58 – 62)

6.4 Letter from the Chair of the Finance Committee to all Committee Chairs in relation to the Welsh Government Draft Budget 2023–24

(Pages 63 – 66)

6.5 Joint letter from Cymorth Cymru and Community Housing Cymru to the Minister for Climate Change and the Minister for Finance and Local Government in relation to the Welsh Government Draft Budget 2023–24

(Pages 67 – 68)

6.6 Letter from the Chair of the Health and Social Care Committee to the Chairs of the Children, Young People and Education; Equality and Social Justice; and Local Government and Housing Committees in relation to mental health inequalities

(Pages 69 – 70)

6.7 Joint letter from the Minister for Social Justice and the Scottish Government's Minister with Responsibility for Refugees from Ukraine to the Secretary of State for Levelling Up, Housing and Communities and Minister for Intergovernmental Relations in relation to housing Ukrainian refugees

(Pages 71 – 72)

- 6.8 Letter from the Minister for Climate Change in relation to building safety**
(Pages 73 – 74)
- 6.9 Letter from the Welsh Cladiators in relation to Building Safety**
(Pages 75 – 76)
- 6.10 Further information from Shelter Cymru in relation to homelessness**
(Pages 77 – 78)
- 7 Consideration of the evidence received under item 5**
(12.15 – 12.45)
- 8 Consideration of the draft report on the Social Housing
(Regulation) Bill LCM and SLCMs**
(12.45 – 13.00) (Pages 79 – 81)

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Finance Committee: Scrutiny of Welsh Government's Draft Budget Proposals 23-24

Jon Rae, Director, Director of Resources

Welsh Local Government Association - The Voice of Welsh Councils

The Welsh Local Government Association (WLGA) is a politically led cross party organisation that seeks to give local government a strong voice at a national level.

We represent the interests of local government and promote local democracy in Wales.

The 22 councils in Wales are our members and the 3 fire and rescue authorities and 3 national park authorities are associate members.

We believe that the ideas that change people's lives, happen locally.

Communities are at their best when they feel connected to their council through local democracy. By championing, facilitating, and achieving these connections, we can build a vibrant local democracy that allows communities to thrive.

Our ultimate goal is to promote, protect, support and develop democratic local government and the interests of councils in Wales.

We'll achieve our vision by

- Promoting the role and prominence of councillors and council leaders
- Ensuring maximum local discretion in legislation or statutory guidance
- Championing and securing long-term and sustainable funding for councils
- Promoting sector-led improvement
- Encouraging a vibrant local democracy, promoting greater diversity
- Supporting councils to effectively manage their workforce



Introduction

1. This evidence paper addresses the questions posed by the committee in annex 2 of the commissioning letter. It is largely based on the paper that we presented to Welsh Government in a meeting of the Finance Sub Group on 13 October. Most of it comprised our assessment of local government spending pressures that have escalated significantly over the current financial year. We have updated our estimates of the pressures in 23-24 and 24-25 based on local authorities' medium-term financial plans. These are based on the results of a full survey of councils and fire services carried out during August/September with the help of the Society of Welsh Treasurers (SWT).

Summary

2. Cumulatively, the pressures building up in the system are starting to look potentially catastrophic. Recent experience tells us that pressures in local government budgets vary from anything between £250m to £300m in any one financial year. Even though pressures in the current financial year were offset by a generous settlement, it is becoming clear that there are additional in-year pressures amounting to £257m. This becomes a cumulative pressure £784m by the end of 23-24. Surging inflation continues to drive the cost base up by £439m in the subsequent year, which gives a cumulative pressure of £1.23bn by the end of 24-25 according to the SWT survey.
3. On the funding side, planned increases in Aggregate External Finance (AEF) of 3.5% and 2.4% in 23-24 and 24-25 respectively, will yield an additional £293m in additional grant. Councils are planning for £121m worth of council tax increases over the same period. Taking these and other funding streams together means that there is £421m of additional income available leaving a cumulative shortfall of £802m by the end of 24-25.
4. Every authority is now reporting an overspend in the current financial year and budget gaps in the future years. Other than the experience of the early months of the pandemic, there is no precedent for pressures of this scale escalating so quickly. Without additional funding the risks to all local government services including the larger ones of education and social care cannot be understated.

Analysis

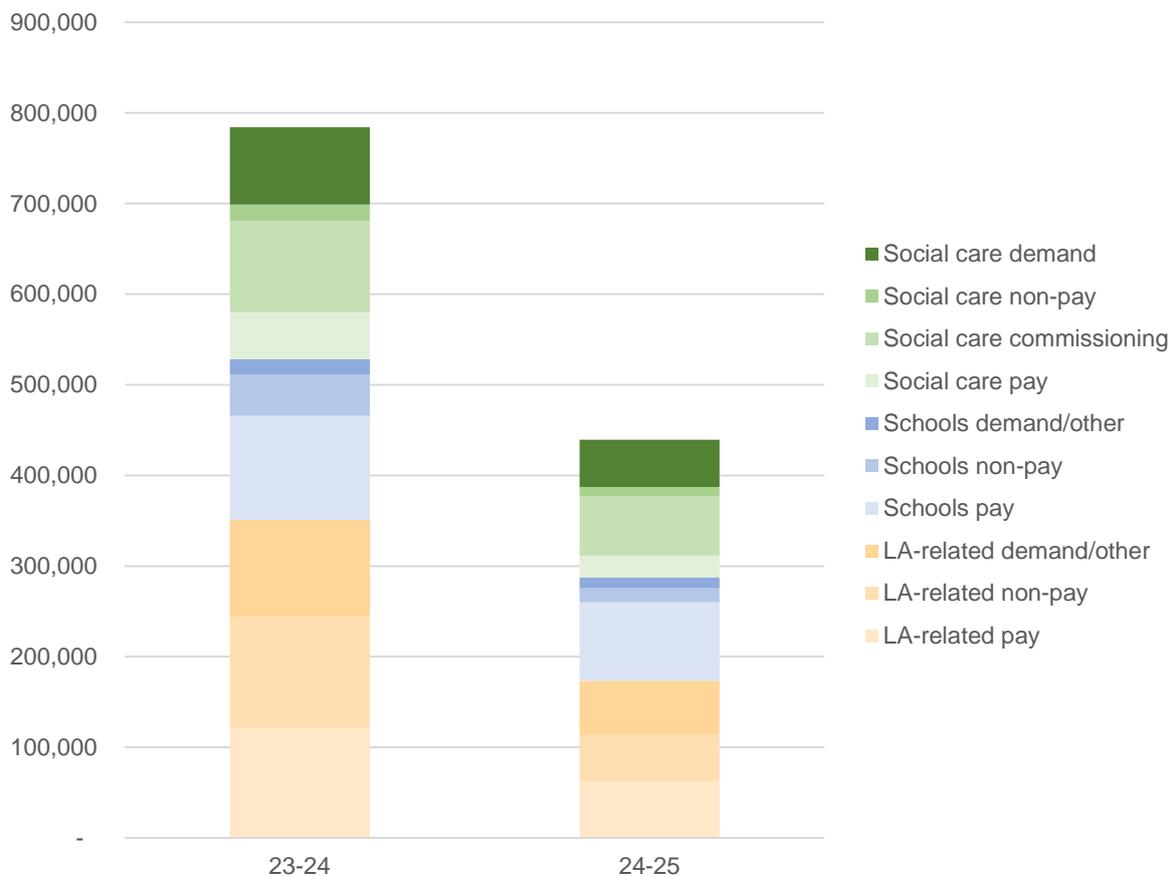
5. In August the [Institute of Fiscal Studies](#) (IFS) described the UK economy as 'under the cosh'. Referring to the Bank of England's latest economic forecasts the IFS describes the UK set to face both a recession and an extended period of high inflation and this presents a serious challenge to households, businesses



and public services. For local public services, cash-based budgets do not automatically increase for unexpected inflation and councils purchase fewer goods and services, and budgets shrink in real terms.

6. Inflationary pressures in council budgets arise from 4 main sources: pay, energy, transport, and food. Additional inflationary pressures that were initially flagged up at the end of the last financial year are starting to feed into this year’s spending commitments and affect future financial plans in a significant way. This will impact on budgets both in the current financial year, and in 2023-24 and 24-25.
7. Figure 1 shows how the pressures, in both financial years, breaks down by service and theme. The pressure in the current financial year is close to £257m and is rolled into next year’s pressure of £527m which makes the cumulative pressure £784m at the end of 23-24. The additional pressure of £439m in the subsequent year, gives a cumulative pressure of £1.23bn by the end of 24-25.

Figure 1: Councils’ Budget Pressures, 2023-24 and 2024-25, £000s



Source: SWT Survey 2022



8. Although there is speculation as to whether the spending review may be reopened, the profile of increases for AEF is 3.5% (£177m) and 2.4% (£128m), for 23-24 and 24-25, respectively. Assumptions around council tax are mostly based on a range and could yield around of £60m for each of those years. Taking these and other funding streams together means that there is £421m of additional income available leaving a cumulative shortfall of £802m by the end of 24-25.

Pay Inflation

9. During the summer, the immediate challenge was a need to recruit and retain staff to aid with the pandemic recovery and we reported significant supply constraints in areas like social care. The Welsh Government has already committed to uplifting care workers' pay in line with the cost-of-living-indexed Real Living Wage (RLW) and that is helpful. However, the increase in the RLW to £10.9 is a pressure that needs to be built into the funding for 23-24 especially in respect of commissioned social care services.
10. During the year the three NJC unions (UNISON, GMB and Unite) had tabled their pay claim for local government services ('Green Book') employees for 2022-23. The claim states that council workers have '...endured a decade of pay freezes and below average pay awards...[and]...have lost on average 27.5% from the value of their pay spine since 2010. The pay claim is set in the context of the cost-of-living crisis and inflationary pressures.
11. At the end of July, the national employers responded to the unions pay claim with an offer of £1,925. Overall, this puts an additional 6.5% to 7.5% pressure on the local government pay bill with the majority of authorities assuming between 3% to 4% at the time budgets for 22-23 were set in early 2022. The Welsh Government accepted the recommendations of the Independent Wales Panel for Teacher's Pay and offered 5%. Again, most councils were assuming between 3% and 4%.
12. UNISON and GMB members have voted to accept the National Employers' final pay offer for local government services ('Green Book') employees, however, Unite rejected it. This is disappointing but does not prevent a collective agreement from being reached and implemented by employers as Unison and GMB represent the majority on the Trade Union Side and have formally accepted the offer. Councils were notified on the 1 November.
13. The national employers for Fire and Rescue Services revised their pay offer and proposed a 5% uplift across all pay points on 4 October 2022, this is now with the FBU for consideration. Whilst the cost of this may be met through existing budgets for 2022-23, there will be an impact on the fire contribution levy in future years, with an increase anticipated of between 10-16%.



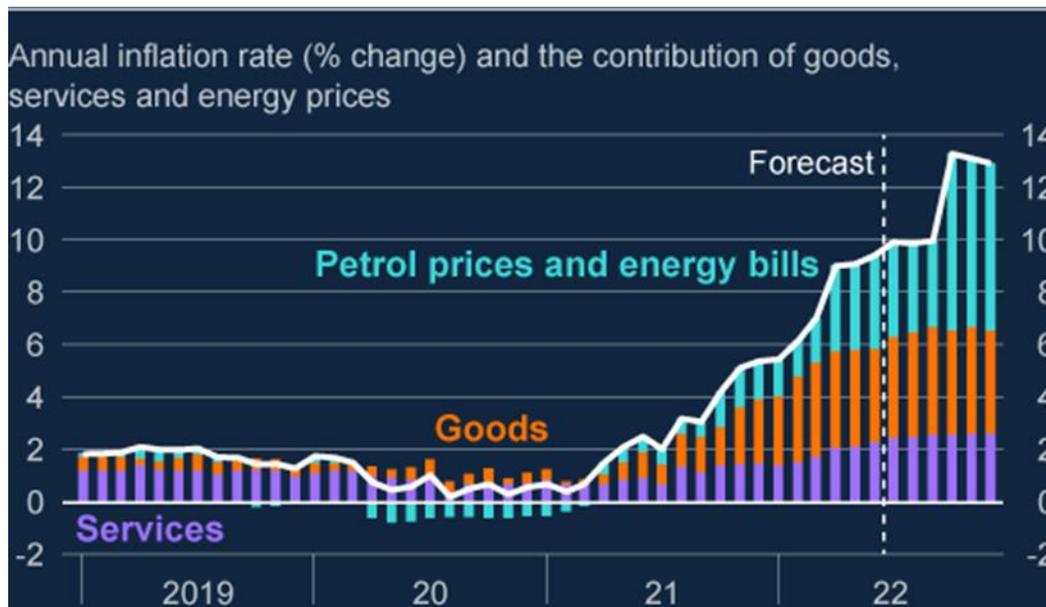
14. Overall, the survey returns are telling us that the unplanned increase in the wage bill in 22-23 comes to £109m: £32m for schools, £20m in social care and £57m in other council services. As responsible employers, committed to social partnership, we will be fully engaged in discussions with the unions over the coming period. Councils are making plans for £462m of pay pressure by the end of 24-25, nearly 40% of the overall cumulative pressure of £1.18bn

Non-pay Inflation

15. According to the Office for National Statistics (ONS) the Consumer Prices Index rose by 10.1% in the 12 months to September 2022. The rapid increase in inflation is evident when comparing this figure with 3.1% CPI in September 2021. Energy cost increases consistently feature in the reasons for the considerable increase seen in 2022.

16. In August 2022 the Bank of England's Quarterly Monetary Policy report indicated inflation was well above their 2% target. It stated, 'Higher energy prices are one of the main reasons for this'. Russia's invasion of Ukraine has led to more increases in the price of gas. Since May, the price of gas has more than doubled. We think those price rises will push inflation even higher over the next few months, to around 13%. The following chart was included in the report.

Figure 2: Bank of England's Inflation analysis and forecast August 2022



Source: Bank of England

17. The impact of rising costs due to the rapid increase in inflation has led to the significant recalculation of the estimated non-pay inflation costs faced by councils in 2023-24. At the time of the previous SWT survey in 2021 the non-pay



inflationary pressure for 2023-24 was calculated at £65m. The recent survey has seen this rise to £124m creating an estimated £58m of additional pressure.

18. The emergence of inflation at levels outside of previous estimates comes at a time when the significant and welcome temporary financial support provided by Welsh Government during the pandemic has ended. Increased inflation will also drive increased demand for services at a time when councils are facing inflationary pressures.
19. It is also clear that the inflation position has quickly deteriorated in 2022 requiring financial projections contained within medium term financial plans to be significantly updated. For many councils this means a 100% increase in the projected non pay inflation costs for 2023-24.
20. The survey indicates the impact of inflation is driven by the impact of global events that councils can do little to mitigate. With average council tax assumptions set at just under 4% councils have to balance raising funding with cost-of-living pressures faced by residents. Regardless of Council Tax assumptions, the current estimated pressures both in the current and future financial years are surpassing the estimates made last year that fed into the spending review.
21. There is a consistent message about pressures currently faced by councils who report that areas such as home to school transport, school catering and energy costs are already causing pressure on revenue budgets. One authority indicates that home to school transport inflationary pressure is £950k above the current budget. Inflation has seen the handing back of contracts by some transport providers. Inevitably there is a general trend of contracts being repriced at time of retender.
22. The findings of the SWT survey are in line with those made by the Market Intelligence Expert Group (MIEG), a subgroup of the WLGA National Procurement Network, formed in June 2022 to coordinate and share market intelligence. MIEG's briefing in September indicated inflation was affecting categories of council expenditure from utilities to food. It highlighted some parts of the economy are suffering inflation in excess of headline CPI or RPI rates. For example, food inflation was over 10% on August 2022, a new 40 year high. This will impact areas such as school meals as well as the lives of the most vulnerable who depend on council services.
23. Some councils are able mitigate the increased costs in the current year through existing fixed energy contracts. However, these price fixes will not cover the 2023-24 financial year. At present, there is no certainty regarding the UK Government's Energy Price Guarantee for public services after March 2023. Depending of the framework adopted, some authorities are facing surging costs from the second half of the current year, even though they may be below the cap.



24. The position for 2024-25 is also impacted by increasing inflation. The estimated impact of an additional £56m brings the two-year impact for non-pay inflation to £179m

Education (Schools)

25. The survey indicates that Schools are facing estimated inflationary financial pressure of £161m in 2023-24 with a further £102m in the following year. The impact of inflationary pressures is evident given that the previous year's survey estimated inflationary pressures would be £49m in 2023-24, a third of the current estimate. Schools also face demand and other pressures bringing the overall totals to £177m and £114m in 23-24 and 24-25 Respectively. Cumulatively is a pressure of £291m over the two-year period.

26. Schools' estimates include the impact of energy price rises although some authorities are awaiting new contract rates. One authority is estimating that increased energy costs of over 60% for electricity and a 160% increase for gas will apply from October 2022 (this does not take into account any cap put in place by the Government).

27. Councils are building into estimates the general trend of contracts being repriced at higher values when services / works are re-tendered. This also includes food contracts as well as maintenance contracts.

28. Pay inflation for schools of £115m includes the assumed pay award for 2023-24. Authorities are also including 'catch up' funding for the 2022-23 proposed pay offer. There is some pressure being faced by schools for additional learning needs requirements.

29. Concerns regarding home to school transport costs are increasing. Councils are seeing contractors significantly increasing their costs and are feeling vulnerable as some contractors have more than 50% of the council's schools contracted to them. This has worked in the past to keep costs down, but the risk now is the sustainability of the contractors. One authority is facing market failure and has not received any bids from contractors. They are seeking alternative arrangements, even the possibility of setting up their own market operators.

30. New school builds are adding pressure to budgets as original build costs have significantly increased due to inflationary costs which are increasing each quarter.

Social care



31. The pandemic has exacerbated many of the existing challenges within social care that we were already well aware of, including increasing demand for services coupled with increasing complexity, insufficient funding and significant workforce pressures. The SWT survey indicates that social care is facing a considerable financial challenge in 2023-24 and 2024-25. The pressure being faced by both adults' services and children's services includes recruitment and retention of staff with this issue also affecting commissioned services from providers. Consequently, councils are factoring in the need to use agency staff and these costs further add to future years financial pressure. Councils comment that the pandemic increased financial pressure for social care services, and this continues to be evident even as councils move into the recovery phase.
32. The survey identified £95m worth of in-year pressures in social care with pay and non-pay inflation accounting for around £41m. Demand pressure in adults' services account for £25m and children's services account for £30m. Cumulatively these pressures rise to £256m and £156m in 23-24 and 24-25 respectively giving a cumulative total of £361m. Commissioned services, which are essential to the provision of social care, from independent providers are also affected by similar issues to local authority social care services with increased running costs for staffing and energy, as well as increases in relation to insurance and fuel which are further adding to significant financial pressure.
33. The fragility of the market, in particular in relation to domiciliary care (both in house and commissioned), where increased demand, along with a lack of suitable providers has previously been identified as an issue. The survey indicates that the social care market remains fragile, and this has impacts for the long-term sustainability of the sector. Local authorities have experienced domiciliary care packages being handed back by providers which has a wider impact on reablement provision, hospital discharges, prevention of admissions and responding to urgent need and some councils will inevitably face pressure to provide reablement provision if home care packages are handed back.
34. There are also increasing concerns for unpaid carers who have continued under severe pressure throughout the pandemic. While carers' services have continued to support people, there has been an increase in demand, with concerns that if unpaid carers are unable to continue to care effectively, then there will be increased demand for support placed on already overstretched services.
35. The loss of one year (2021-22 only) Welsh Government funding of the Social Care Recovery Fund and the Social Care Pressures Grant has impacted the ability to fund pressures such as high-cost placements within Adult Services (such as 24-hour care at home care packages) and Councils are dealing with, and factoring into future pressures costs previously met by former hardship funding to support pandemic related costs. One council notes some clients who have had delayed health care are now presenting to Social Care with higher dependency requiring more costly care provision.



36. Some councils indicate clients are moving over from England to benefit from the more generous capital threshold limits in Wales when moving into a care home setting. Some face demand pressures from Health and hospitals to provide care to speed up discharge.
37. Concerns continue to be highlighted over challenges finding appropriate and quality placements for children and young people. In particular, a lack of provision for children with complex needs with a lack of both fostering and residential placements available. Children's services estimated cost pressure reflects high-cost bespoke care. This is in high demand, but supply of appropriate services is low. As a result, one council has seen a 25% increase in the average cost of placements in the last 12 months. The high placements costs for care reflects a lack of availability making commissioning placements a challenge.
38. There are also significant issues in relation to the recruitment and retention of experienced social work staff in children's services with demand for permanent, experienced workers outstripping supply, this also leads to a greater reliance on more expensive agency staffing. In addition, councils are reporting an impact as a result of Welsh Government's 'not for profit' pledge with signs that progression of this commitment is having a destabilising impact on availability of residential provision.
39. Higher levels of referrals have been seen for early help / intervention services, with COVID-19 having an impact on children and family's stability, development and security. Along with increased volume of cases has been an increase in complexity of need which require specialist interventions / workers. Councils have long recognised that there needs to be an increased focus and investment on prevention and early intervention services. A move to more upstream interventions and approaches to support families at earlier stages, preventing escalation of issues and the need for crisis responses. Such an approach will lead to better outcomes and experiences for families and less pressure on social services as a whole (and likely also leading to less children coming into care). However, this requires significant investment into new and existing preventative services.
40. In October 2021 Audit Wales published 'A Picture of Social Care' that summarised key information about Social Care in Wales. It noted that demand for adult social care is likely to increase significantly. The report states 'The challenge of addressing the indirect impact of COVID-19 will likely continue for years into the future. The problem is compounded by the fact that there are significant, long-standing issues in the social care sector which pre-date the pandemic', with the report identifying the need to achieve financial sustainability and funding arrangements as one of the key issues. The financial estimates of the 22 Welsh authorities adds further support to the conclusions drawn by Audit Wales.



Ukraine and wider migration

41. The response from Wales to support those fleeing the war in Ukraine has impacted significantly upon councils who have been responsible for a range of functions in ensuring those arriving in Wales are accommodated safely and receive the necessary support to settle and re-establish their lives. While funding is currently provided to councils by the UK Government to support this work, including funding for education, there is no committed funding post the end of March 2023. Should no continued funding be provided this will impact significantly on the capacity of councils to continue to support this work.
42. Councils are also facing increased pressures from other migration related programmes, including the provision of placements for unaccompanied asylum-seeking children and the UK Government policy of 'full dispersal' of asylum seekers which will see an increased number of up to 2,344 additional asylum seekers accommodated in Welsh communities by the end of December 2023. It is noted that these programmes are operated by the UK Government and are non-devolved, however, support services such as education, homelessness and rehousing services are devolved and will be impacted by extra demand.

Housing and homelessness

43. Driven initially by the pandemic and changes to the statutory guidance from Welsh Government, there has been a significant change in approach to the provision of emergency temporary accommodation for homeless households. Increasing numbers of people are being accommodated in emergency temporary accommodation provided by Councils (8,468 individuals as at end of July 2022). Since the start of the pandemic over 25,200 people who were previously homeless have been supported through emergency temporary accommodation. There is a consistent upward trend around the numbers of people in emergency temporary accommodation which shows no sign of reducing.
44. As well as increased household costs for everyone, including rising energy costs, there have been significant increases in rents in most areas, with an increasing gap over Local Housing Allowance support means that the Private Rented Sector is increasingly difficult for many households to access and afford. A sustained period of rising consumer costs and increased interest rates, without any increase in household incomes, is also very likely to impact on owner-occupiers who will find their mortgage payments more difficult to meet. All leading to increased demand for homelessness services and the use of temporary accommodation.



45. The Housing Support Grant (HSG) is the Welsh Government's principal funding stream for preventing homelessness, supporting more than 60,000 people each year to live independently in their communities. Through the provision of refuge, supported accommodation and tenancy support services, the HSG allows people to exit homelessness, leave abusive relationships, maintain their tenancies, overcome mental health and substance abuse issues, build on their strengths and fulfil their aspirations. The current annual HSG funding of £166m is under considerable pressure to meet the increased demand related to these homelessness pressures outlined above, and the need to ensure that services commissioned by Councils receive enough funding to pay their staff a fair wage and provide them with the support they need.

Capital

46. The survey also gathered evidence on capital programmes and pressures. The responses indicate that a tightened revenue settlement will impact capital programmes. The funding of borrowing from the revenue budget will be a potential source of funds to fill gaps in the day-to-day expenditure budgets resulting from a tight funding settlement. This may lead councils to delay or remove capital programmes to deliver key local priorities. It will also put pressure on match-funding for projects that require councils to contribute to the overall cost. Overall, it seems likely that council capital programmes will be downsized.

47. There is strong evidence that inflation is impacting building costs of existing projects. Councils have raised concerns about significant additional costs to meet 2030 net zero requirements especially for 21st Century Schools. In addition, a number of contractors across Wales have gone into administration, leading to the contract re-tendering and subsequent additional costs. Where this has been grant-funded councils have sought additional grant, but there are no guarantees of support leading to potential additional pressure on capital programmes.

48. The main source of funding is the Public Works Loan Board and long-term rates are currently around 5% although there is a lot of volatility in the markets. This is significantly above rates when capital programmes were set in March 2022. This carries significant risk to affordability and sustainability, particularly in respect of housing schemes and extensive core asset infrastructure assumed to be paid for by borrowing.

Climate change

49. Councils have made a number of commitments to contribute towards the target of net zero emissions in the public sector by 2030. Many of the steps required



involve capital investment (e.g. in relation to property and energy, fleet transition, land-based decarbonisation). A wide range of funding streams will be required to make the sort of changes needed at the pace required. That could include borrowing to meet upfront costs that will then have to be repaid from revenue budgets over a number of years. It could also involve leasing or hire (e.g. for vehicles) rather than a capital outlay. There are workforce implications that will need to be addressed, working with unions in a social partnership approach, including retraining and recruitment in many cases (e.g. vehicle maintenance; energy and environmental management; financial accounting methods). Current labour shortages in many 'green' jobs in councils have highlighted not only the shortage of staff with the required skills but also wage differentials with the private sector, with retention of trained staff a growing issue.

50. Other important measures relate to procurement, where councils need to reduce 'Scope 3' emissions, which relate (amongst other things) to their purchased goods and services. Where suppliers have developed carbon plans to reduce emissions associated with their goods and services, the direct costs will tend to be higher (although there are compensating environmental, and often social and wider economic benefits – e.g. arising from local purchasing). At a time of significant financial pressure, it will be a challenge for councils to 'do the right thing' as opposed to choosing the most affordable option.
51. There will be a payback from climate change actions (in terms of adaptation as well as mitigation). However, the issues are, first, the timescales for that payback and, second, that many of the benefits do not accrue to the council in a direct or financial sense. Rather, they will often contribute to well-being goals for the wider community – for example more local jobs, healthier food, better quality environment, biodiversity gains, greater resilience against future extreme weather events. The risk is that the necessary measures will be a casualty of current financial pressures causing them to be deferred, whereas ideally they should be prioritised to ensure timeliness and maximum potential impact.

Conclusion

52. At the meeting of the WLGA Executive on Friday 30 September, it became clear that the situation is very fluid and the estimates in the survey had been superseded in a matter of weeks. Council leaders reported that the impact of the mini budget was still being assessed with some authorities reporting that their budget gaps had grown by around a quarter since the survey was returned.
53. Over the last fortnight, the media has reported the challenges faced by half a dozen councils; it is a picture replicated across Wales, and it is becoming increasingly bleak. Moreover, Welsh Government ministers are reporting that inflation will erode their budget by £4bn over the current spending review period.



ANNEX I

In-year (2023-24) projected financial pressures (in excess of budget)

Projected Pressures, 20-23
£000s

| | | |
|---|---|----------------|
| <u>A. LA-related (excl. schools and social services)</u> | | |
| | Pay inflation pressures | 56,806 |
| | Non pay inflation pressure | 29,705 |
| | Inflation (Stand Still) pressures | 86,511 |
| Non Inflation Financial pressures | | |
| | a. Demand related pressures | 22,892 |
| | b. Capital financing pressures | 831 |
| | c. Reduction in specific grants | 1,497 |
| | d. Local priorities | 1,361 |
| | e. Other | 7,654 |
| | Total LA-related (excl. schools and social services) | 34,235 |
| <u>B. Schools</u> | | |
| | Pay inflation pressures | 31,756 |
| | Non pay inflation pressure | 6,578 |
| | Fees/Charges inflation (positive) | - |
| | Inflation (Stand Still) pressures | 38,334 |
| Financial pressures | | |
| | a. Demand related pressures | 1,844 |
| | b. Capital financing pressures | - |
| | c. Reduction in specific grants | 275 |
| | d. Local priorities | - |
| | e. Other | 610 |
| | Total Schools | 2,729 |
| <u>C. Social Services</u> | | |
| | Pay inflation pressures | 20,121 |
| | Commissioning Cost Pressures - Adults' | 11,246 |
| | Commissioning Cost Pressures - Children's | 7,473 |
| | Non pay inflation pressure | 1,781 |
| | Inflation (Stand Still) pressures | 40,621 |
| Financial pressures | | |
| | a. Demand related pressures | |
| | <u>Adults Services</u> | |
| | Domiciliary Care (incl supported living) | 7,454 |
| | Residential Placements | 11,913 |
| | Other | 5,180 |
| | <u>Childrens Services</u> | |
| | Domiciliary Care | 379 |
| | Residential Placements | 19,687 |
| | Foster Care | 682 |
| | Other | 9,289 |
| | Total Social Services | 54,584 |
| | Total projected financial pressures (A+B+C) | 257,014 |



ANNEX II

Projected financial pressures, 2023-24 and 2024-25 (cont.)

| | Projected Pressures | | |
|--|---------------------|------------------|----------------|
| | 2023-24 £000s | 2024-25 £000s | Total £000s |
| <u>A. Local Authority Related (excluding schools and social services)</u> | | | |
| Pay inflation pressures | 122,121 | 62,555 | 184,677 |
| Non pay inflation pressure | 127,446 | 56,183 | 183,629 |
| Fees/Charges inflation (positive) | - 5,539 | - 5,071 | - 10,610 |
| Inflation (Stand Still) pressures | <u>244,028</u> | <u>113,667</u> | <u>357,696</u> |
| Budget pressures | | | |
| a. Demand related pressures | 37,988 | 30,634 | 68,622 |
| b. Capital financing pressures | 14,145 | 11,695 | 25,840 |
| c. Reduction in specific grants | 5,160 | 1,170 | 6,330 |
| d. Local priorities | 21,442 | 4,050 | 25,492 |
| e. Other | 28,259 | 12,202 | 40,461 |
| Total Local Authority Related | <u>106,994</u> | <u>59,751</u> | <u>166,745</u> |
| <u>B. Schools</u> | | | |
| Pay inflation pressures | 114,685 | 86,631 | 201,316 |
| Non pay inflation pressure | 46,061 | 15,989 | 62,050 |
| Fees/Charges inflation (positive) | - 347 | - 365 | - 712 |
| Inflation (Stand Still) pressures | <u>160,399</u> | <u>102,255</u> | <u>262,654</u> |
| Budget pressures | | | |
| a. Demand related pressures | 13,221 | 9,259 | 22,481 |
| b. Capital financing pressures | - 1,090 | - 890 | - 1,980 |
| c. Reduction in specific grants | 585 | 205 | 790 |
| d. Local priorities | 2,013 | 1,609 | 3,622 |
| e. Other | 1,925 | 1,729 | 3,654 |
| Total Schools | <u>16,654</u> | <u>11,912</u> | <u>28,567</u> |



| Projected Pressures | | | |
|--|----------------|----------------|------------------|
| | 2023-24 | 2024-25 | Total |
| | £000s | £000s | £000s |
| <u>C. Social Services</u> | | | |
| Pay inflation pressures | 51,858 | 23,918 | 75,776 |
| Commissioning Cost Pressures - Adults' | 86,939 | 55,201 | 142,140 |
| Commissioning Cost Pressures - Children's | 14,066 | 10,449 | 24,515 |
| Non pay inflation pressure | 20,712 | 12,423 | 33,135 |
| Fees/Charges inflation (positive) | - 2,677 | - 2,192 | - 4,869 |
| Inflation (Stand Still) pressures | 170,898 | 99,799 | 270,697 |
| Budget pressures | | | |
| a. Demand related pressures | 3,828 | 4,628 | 8,456 |
| <u>Adults Services</u> | | | |
| Domiciliary Care (incl supported living) | 7,662 | 7,776 | 15,438 |
| Residential Placements | 11,886 | 8,955 | 20,841 |
| Other | 12,604 | 8,103 | 20,707 |
| <u>Childrens Services</u> | | | |
| Domiciliary Care | 2,500 | 1,770 | 4,270 |
| Residential Placements | 1,309 | - 685 | 624 |
| Foster Care | 22,688 | 8,277 | 30,965 |
| Other | 5,352 | 3,870 | 9,222 |
| | 5,386 | 5,872 | 11,258 |
| b. Capital financing pressures | - | - | - |
| c. Reduction in specific grants | 5,914 | 1,646 | 7,560 |
| d. Local priorities | 4,418 | 1,651 | 6,069 |
| e. Other | 1,699 | - | 1,699 |
| Total Budget Pressures | 85,246 | 51,863 | 137,109 |
| Total Social Services | 256,144 | 151,662 | 407,806 |
| Total Pressures (incl. schools and Social Services) | 784,220 | 439,248 | 1,223,468 |
| <u>D. Funding changes</u> | | | |
| Council Tax (net of CTRS) | 59,092 | 61,879 | 120,971 |
| RSG | 169,632 | 123,125 | 292,757 |
| Use of Reserves | 7,894 | - 490 | 7,404 |
| | 236,618 | 184,514 | 421,132 |
| Total (A+B+C-D) | 547,602 | 254,734 | 802,336 |

Paper 2
Agenda Item 5

Local Government and Housing Committee

Date: 12 January 2023

Time: 10.45am – 12.15pm

Title: Welsh Government Draft Budget Scrutiny 2023-24

Introduction

The Draft Budget includes spending plans for 2023-24 which make changes to the indicative budgets published as part of the 2022-23 draft budget. This paper provides evidence to the Committee on the future programme budget proposals in relation to the Local Government budgets within the Finance and Local Government MEG as outlined in the Draft Budget which was laid on 13 December 2022.

Annex A provides a breakdown of the relevant Draft Budget figures for the Finance and Local Government Main Expenditure Group (MEG) by Spending Programme Area, Action and Budget Expenditure Line (BEL). These figures are reflected in the table below.

Financial Tables

Table 1: Overview of changes to the BEL tables

| | 2023-24 Indicative Budget £'000 | 2023-24 Draft Budget £'000 | Change £'000 | % Change |
|------------------------|--|---|-------------------------|---------------------|
| Revenue | 4,346,119 | 4,829,952 | 483,833 | 11.1% |
| Non Cash | 0 | 0 | 0 | 0 |
| Total Resource | 4,346,119 | 4,829,952 | 483,833 | 11.1% |
| Capital | 222,000 | 222,000 | 0 | 0 |
| Financial Transactions | 0 | 0 | 0 | 0 |
| Total Capital | 222,000 | 222,000 | 0 | 0 |

Budget allocations

Three key changes were actioned as part of this draft budget:

- Some revenue budgets within the MEG have been reprioritised with baseline reductions taking place to these budgets; these totalled £1.709m with £609k of these reductions applied to budgets that support Local Government. There were no reductions to capital budgets required as part of this exercise. This was part of a wider Welsh Government exercise to reprioritise budgets to target limited resources to where it was most needed.
- Allocations from reserves were made; and,
- Some reprioritisation took place within the MEG to re-allocate revenue and capital budgets for one year only.

All of these changes are set out in the tables below and are also captured in the BEL tables published on 13 December 2022.

The Finance and Local Government MEG received the following allocations from reserves as part of the 2023-24 Draft Budget:

Table 2: Allocations made through 2023-24 Draft Budget

| Allocation | 2023-24 £'000s | 2024-25 £'000s |
|--|-------------------|-------------------|
| Revenue Support Grant (Inc real living wage for social care workers) | 150,000 | 150,500 |
| Business Rates | 292,000 | 144,500 |
| Ukraine | 40,000 | 20,000 |
| Cost of Borrowing | 897 | 4,496 |
| Inflation uplift | 2,000 | 2,000 |
| Non cash adjustments to WRA, CIW and HIW | 124 | 137 |
| Total allocation | 485,021 | 321,633 |

Revenue allocations are offset by an adjustment of £215m to the non-domestic rates line in AME in 2023-24. This adjustment takes account of the reduction to the distributable amount since Final Budget for 2023-24 and 2024-25, and nets off the Retail, Leisure and Hospitality Rates Relief provided for 2023-24.

The inflation uplift of £2m was intended to assist with some of the impacts of inflation felt outside of the local government settlement. The £2m uplift was allocated across the MEG as follows:

Table 3: Allocation of the £2m inflationary uplift for the MEG

| Allocation | 2023-24 £'000s | 2024-25 £'000s |
|---|-------------------|-------------------|
| Commercial Procurement Programme Funding to provide funding for the Procurement Centre of Excellence and Procurement Capability and Skills Programme. | 907 | 907 |
| Welsh Revenue Authority relating to pay, inflationary and other pressures. | 941 | 941 |

| Allocation | 2023-24 £'000s | 2024-25 £'000s |
|---|---------------------------|---------------------------|
| Local Democracy and Boundary Commission due to increased resource and inflationary pressures as a result of taking forward changes in practice relating to electoral and community reviews and significant work on preparing for Senedd reform. | 152 | 152 |
| Total allocation | 2,000 | 2,000 |

Due to the economic context and the pressures felt across Welsh Government to respond to inflation, cost of living and pay pressures as well as to deliver our ambitious Programme for Government, all portfolio ministers were asked to identify revenue savings within their MEG to support cross governmental priorities. A target of £100m savings was achieved across the Welsh Government with the Finance and Local Government contributing £1.709m towards this target. This was achieved by making recurrent savings in the following areas:

Table 4: Savings identified within the MEG on a recurrent basis

| Saving identified | 2023-24 £'000s | 2024-25 £'000s |
|--|---------------------------|---------------------------|
| Invest to Save – considered affordable due to reduced amount of loan agreements in the pipeline. | 750 | 750 |
| e-Procurement – saving will be achieved by replacing a contract with one of better value. | 350 | 350 |
| Improvement and Support – a European transition project with a budget of £1.2m has now come to an end. The remaining funding will be utilised to support the decarbonisation of the local government estate. This saving will reduce the level of revenue support in 2023-2024, which would otherwise be available to local authorities to develop significant projects/ business cases for decarbonising their corporate estate. The effect could be to slow work in this area unless local authorities fund themselves reflecting their own commitments and the potential for long term savings. This is mitigated by the ongoing work with the Ystadau Cymru work on estates rationalisation and the WLGA programme supporting Local Government work on its Net Zero commitments. | 609 | 609 |
| Total savings actioned at draft budget | 1,709 | 1,709 |

Some budgets within the Finance and Local Government MEG have also been reprofiled in 2023-24 where savings could be identified on a time limited basis to support pressures in other areas of the MEG. As part of this exercise a decision was made to reprofile budgets as follows within the Finance and Local Government MEG for one year only:

Table 5: Budgets repurposed within the MEG for one year only (2023-24)

| Budget Expenditure Line | Repurposing 1 Year Only £'000 |
|--|-------------------------------------|
| Transformation and Legislation - a reduction to this budget will mean that some activity will need to be scaled back or delayed until 2024-25. | (613) |
| Emergency Financial Assistance - allocation for remediation costs that will be incurred by local authorities as a result of the February 2020 floods. | 491 |
| Election policy which will be achieved by scaling back activity for one year only. | (1,000) |
| Welsh Revenue Authority - pressures related to implementation and ongoing delivery of various activities. | 1,122 |
| Invest to Save (Capital) – considered affordable | (195) |
| Welsh Revenue Authority (Capital) – pressures relate to the renewal of licences as well as other activity. | 195 |
| Total | 0 |

Local Government Settlement

Despite significant pressures reported by the Welsh Local Government Association across local authorities, our settlement from the UK Government did not enable us to meet these pressures arising from inflation and increased demand for services in full. In a bid to protect public services as far as possible no reductions to the local government settlement were considered as part of the wider Welsh Government exercise to repurpose budgets.

In 2022-23, the Local Government settlement increased by £437million (9.4%) on a like-for-like basis to £5.1 billion to support front line services. As part of the 2022-23 Budget further increases to the settlement were planned at 3.5% (£177m) in 2023-24 and 2.4% in 2024-25.

Local authorities have been affected by the soaring cost of energy and inflation across all services including two of their biggest service areas schools and social care. This is alongside overall increases in demand in many service areas.

Schools in Wales are directly funded by local authorities – funding for schools is provided mainly through the local government settlement. The Welsh Government's education budget also supports spending in and on schools, teachers, and wider education programmes, including free school meals, the rollout of the new curriculum, teacher training and support to help learners recover post-pandemic.

As a result of spending decisions made in relation to education in England, Wales received additional funding in the Autumn Statement. This is being provided in full to local government through increases to the settlement and through the education budget.

In making decisions about the level of funding for local government I have responded to the need to support key front line services. In particular I have included funding to enable authorities to continue to meet the additional costs of introducing the Real Living Wage for care workers.

As a result of the decisions I have taken, I am providing an additional £227m in 2023-24 and £268m in 2024-25 to the local government settlement; this builds on the £0.75bn we outlined up to 2024-25 as part of our 2022 spending review.

Non-domestic rates relief package

All businesses in Wales will benefit from the £460m package of non-domestic rates support we will be providing over the next two financial years. The package will operate in addition to our permanent relief schemes which provide around £240m of relief to ratepayers across Wales every year.

We will continue to provide support for those sectors most directly affected by the pandemic through a 2023-24 retail, leisure, and hospitality rates relief scheme. This will provide more than £140m of non-domestic rates relief for eligible businesses.

Retail, leisure, and hospitality ratepayers in Wales will receive 75% non-domestic rates relief throughout 2023-24. Like the similar scheme announced by the UK Government, the Welsh Government's scheme will be capped at £110,000 per business across Wales. Our approach ensures that businesses in Wales will receive comparable support to that provided in other parts of the UK.

In addition to the retail, leisure and hospitality rates relief scheme, the non-domestic rates multiplier in Wales will be frozen in 2023-24. This will support all ratepayers in Wales at an estimated cost of more than £200m over the next two years.

The next non-domestic rating list will come into force on 1 April 2023, following revaluation. The Welsh Government will provide all ratepayers whose liability is increasing by more than £300, as a result of revaluation, with transitional relief. Any increase in non-domestic rates liability as a result of revaluation will be phased in over two years.

A ratepayer will pay 33% of their additional liability in the first year (2023-24) and 66% in the second year (2024-25), before reaching their full liability in the third year (2025-26). The Welsh Government is providing £113m over two years to fund this transitional relief, supporting all areas of the tax- base through a consistent and straightforward transitional scheme.

We are committed to supporting businesses to recover from the impacts of the pandemic and to support them through the current cost-of-living crisis, to ensure Wales continues to have a thriving economy.

Ukraine

As a Government, we made a clear commitment to welcome people fleeing the conflict in Ukraine. We originally set up our super-sponsor scheme to directly sponsor 1,000 people from Ukraine – to date, we have been able to support almost 3,000 people who have arrived in Wales via the super-sponsor route. This clearly demonstrates Wales is a Nation of Sanctuary.

We have funded our super-sponsor scheme, including accommodation and wrap-around support, from our own budget. We will continue to do this in 2023-24 and have committed a further £40m for this to ensure people fleeing the war in Ukraine continue to have a place of safety and sanctuary in Wales. This additional funding will ensure local authorities are able to continue delivering services in support of our scheme. The UK Government has provided no funding commitment for the Homes for Ukraine scheme in 2023-24.

Programme for Government

The Local Government Directorate supports the delivery of a number of Programme for Government commitments. In accordance with Welsh Government budget management principles, allocations made at the 2022-23 Spending Review to support the delivery of these commitments have been targeted towards interventions that are affordable and offer value for money. No new allocations have been made to support the PfG commitments through the 2023-24 draft budget. Details of the PfG commitments and the BELs from which they are supported are set out below.

Seek to reform council tax to ensure a fairer and more progressive system -

I announced my plans for the reform of the council tax system on 7 December 2021 and launched a Phase 1 consultation on 12 July. The responses to the consultation are being analysed. Provision for this work is made through the Local Taxation, Research and Analysis BEL.

Make the case for clear and stable tax devolution - The two local taxes, council tax and non-domestic rates, form an integral part of the local government finance system in Wales. Alongside my plans for reforming the council tax system, I set out my plans for reforming the non-domestic rates system on 29 March and launched a consultation on proposals on 21 September. Provision for this work is also made through the Local Taxation, Research and Analysis BEL.

Strengthen the autonomy and effectiveness of local government to make them more successful in delivering services -

This Programme for Government commitment will be delivered through the funding for local government sector-led improvement, including around digital transformation (which also delivers against the PfG commitment to deliver the Digital Strategy), through the Transformation and Legislation BEL. Work to improve Community Council financial management and governance is funded by the Community and Town Council BEL and an allocation from the Transformation and Legislation BEL. Any direct engagement with local authority specific statutory intervention and support programmes are funded through the Improvement and Support BEL. Other work which will contribute includes our financial reform and work on reforming council tax; and increasing democratic

participation. This will be funded through the Transformation and Legislation BEL and the Local Taxation, Research and Analysis BEL.

Reduce the Administrative burden on local authorities - A task and finish scoping exercise is underway, working closely with local government to explore perceived barriers and key areas that are identified as unnecessary areas of administrative burden. The intention is to identify opportunities for change to existing processes and requirements and agree a set of underpinning principles to shape the definition of the need for, and shape of, administrative and other bureaucratic overhead going forward. There no funding implications from undertaking the scoping exercise.

Explore & develop effective tax, planning and housing measures to ensure the interests of local people are protected - As part of the three-pronged approach announced by the Minister for Climate Change in July 2021, the Welsh Government consulted last summer on possible changes to the local taxes to help local authorities in managing the impact of second homes and self-catered accommodation in their areas. Having considered the responses to the consultation, on 2 March I announced the plans for amending the relevant legislation. The Local Taxation, Research and Analysis BEL includes provision for implementing any changes and the additional analyses of information on second homes and self-catering accommodation within the local tax-base

Reform local government elections to reduce the democratic deficit - In 2022-23, we held pilots on the use of digital technology to enable flexible voting options for voters in four local authority areas and concluded outreach activity to promote registration and engagement. These workstreams culminated in the May 2022 local elections. Evaluation of the pilots by the Electoral Commission and of the outreach work by a network of organisations has been received and is informing the next stage of our work in advance of our next scheduled sets of devolved elections in 2026 and 2027. In October 2022 we published a White Paper on electoral reform and administration, including proposals on voter information and engagement, improved accessibility to the electoral system by automatic registration, and some structural changes to support better administration. We also developed the next stage of our direct engagement support as a new multi-year grant proposal. This work is being undertaken in conjunction with work on expanding the Access to Elected Office programme, increasing diversity in democracy and Wales Centre for Public Policy work on defining, measuring, and monitoring democratic health. This work will be funded from the Elections Policy BEL and funding provided to principal councils through the RSG, which also recognises the costs of implementing the Local Government and Elections (Wales) Act 2021

Expand our Access to Elected Office programme - The pilot Access to Elected Office fund was available to candidates with disabilities and ran in advance of the Senedd elections in May 2021 and the local government elections in May 2022. It is now being formally evaluated but early indications are the Fund was valued and welcomed. The learning from the evaluation and other recent research will be used to consider how the fund and other forms of potential support could be improved and

expanded to encompass people with other protected characteristics. This work will be funded from the Transformation and Legislation BEL.

Delivery of the Local Government Chapter in the Race Equality Action Plan -

The Welsh Government is committed to enabling an anti-racist Wales. As part of this I will ensure the legislative and governance framework for local government promotes actions and decision making that is anti-racist. I am taking forward a range of changes to the legislative framework to ensure local authority governance takes place within a statutory framework that supports equality and diversity and actively promotes anti-racism. This will also enable local government to review its own recruitment, internal human resources policies and complaints processes to ensure they are anti-racist. This work will be funded from the Transformation and Legislation BEL.

Ensure that each region in Wales has effective and democratically accountable means of developing their future economies -

Specific grant funding was provided in 2021-2022 to help regions put in place arrangements to establish the constitutional arrangements for their Corporate Joint Committees and transition across existing regional governance arrangements as appropriate.

This is now reflected in the core funding received through the un-hypothecated Local Government Settlement, to reflect the fact that undertaking and supporting collaboration between local authorities is part of the core operating model for local government.

Change the performance framework for local government to better enable innovation, transparency, and local ownership -

This relates to implementation of the new performance and governance regime in the Local Government and Elections (Wales) Act 2021. Support for local authorities to undertake self-assessments and panel assessments is provided through the local government sector-led Improvement and Support Programme, funded through the Transformation and Legislation BEL. Any direct engagement with local authority specific statutory intervention and support programmes are funded through the Improvement and Support BEL.

Preventative spend within this portfolio

Funding provided through the revenue support grant is un-hypothecated; it is for local authorities to determine priorities for its use. Providing this significant funding un-hypothecated means local authorities have the flexibility to plan, fund and deliver their services in the way that works best for their local populations.

The Wellbeing of Future Generations Act requires local authorities, alongside other public bodies, in Wales to think about the long-term impact of their decisions, to work better with people, communities and each other. This funding will prevent persistent problems such as poverty, health inequalities and climate change.

Strategic Integrated Impact Assessment

The Strategic Integrated Impact Assessment (SIIA) continues to outline the contextual evidence that has supported our spending decisions. It is just one of a suite of documents published as part of our Draft Budget, with the impact of spending decisions outlined as part of the main narratives in chapter four, complemented by the SIIA at Annex A. In this year's Draft Budget, we have reprioritised funding from within our existing plans to re-focus our limited resources towards the areas of greatest need, to ensure every pound invested makes the greatest positive impact and to also enable us to protect key areas. We recognise that by doing so, there will be negative impacts for those areas where funding has been reprioritised. Further details of these choices will be outlined as part of individual Ministers' responses to their respective Senedd scrutiny committees; this will provide a more detailed account as to how Draft Budget decisions have impacted on different groups.

We also continue to outline the steps we are taking to reform budget and tax process improvements as part of our Budget Improvement Plan which is published alongside the Draft Budget. This year we have worked collaboratively with the Budget Improvement Impact Advisory Group (BIIAG) to explore how we undertake the Strategic Integrated Impact Assessment (SIIA); this has resulted in some changes within the SIIA published as part of this Draft Budget. Further longer-term actions are being explored through continued working with the BIIAG to review our approach to assessing impacts of budget decisions as part of the Budget Improvement Plan (BIP).

As part of this draft budget we have made allocations to support public services including the NHS and local government; we have also made allocations to support vulnerable individuals impacted by the cost of living crisis including through the Discretionary Assistance Fund, the Pupil Development Grant and homelessness services.

Within my own portfolio I am pleased to be able to provide an uplift to local authorities through the settlement and to be able to provide additional support through non domestic rates reliefs. It has, however, been necessary to find savings in other areas in order to be able to target spend across Welsh Government towards areas where it has been needed most. This has meant a reduction of £1.7m within my own portfolio on a recurrent basis. I have set out in table 4 above the savings I have made.

Support to those most adversely affected by the cost of living crisis

People struggling to afford accommodation or food will turn to local services for support. Our increased support for local authorities through the unhypothecated settlement will help ensure these services are in place to support those impacted by the cost of living crisis.

Climate Change and Net Zero Wales

The local government capital budget was planned to increase by £50m between the 2022-23 draft budget and the 2023-24 indicative budget. £20m of this will be directed specifically to address decarbonisation and support Net Zero Wales. Revenue funding also exists within the Improvement and Support BEL and the Ystadau Cymru BEL to assist with plans to decarbonise both the Local Government and Welsh Government estates.

Gypsy, Roma and Travellers and Ukrainian arrivals

There are no allocations within the FLG MEG to support Gypsy, Roma and Travellers and there have been no specific transfers into the RSG in respect of these communities.

Within the Education and Welsh Language MEG there is £11m grant funding to local authorities for ethnic minority and Gypsy, Roma and Traveller learners (MEGRT), which supports children and young people from ethnic minority backgrounds, including Gypsy, Roma and Traveller communities, to access education and opportunities and provide equity of outcome.

The grant is provided to local authorities in Wales based on the numbers of learners from ethnic minority backgrounds within the local authority. As well as generally being used to support learners from these backgrounds, the grant is used by local authorities to support refugees and asylum seekers who may have English as an additional language (EAL) or Welsh as an additional language (WAL) need. The grant has also been used to support those arriving from Ukraine and Afghanistan.

In 2022-23 the Emergency Financial Assistance BEL in the FLG MEG was used to meet the costs of our emergency response to the humanitarian crisis in Ukraine. This BEL supported the costs associated with arrivals through the super sponsor route which included the costs of initial accommodation, wrap around support, the contact centre and arrival hubs. A general tariff for each arrival and an education tariff for children aged 2-17, funded by the UK Government, was also payable to local authorities through this BEL.

Within the Social Justice MEG the Gypsy Traveller Sites capital budget is £3.19m for 23-24 which is unchanged from the indicative budget published in December 2021. The budget covers the development of new sites, site extensions and refurbishment projects at local authority owned sites across Wales.

Annex 1

| EXTRACT FROM FINANCE AND LOCAL GOVERNMENT MAIN EXPENDITURE GROUP (MEG) | | | | |
|---|---------------------------------|---------------------------------------|----------------|---------------|
| RESOURCE | | | | |
| Budget Expenditure Line | 2023-24 Indicative Budget | 2023-24 Draft Budget 2023-24 | Change | % Change |
| | £000s | £000s | £000s | £000s |
| Local Govt General Revenue Funding | 4,169,557 | 4,498,298 | 328,741 | 7.9% |
| Non-Domestic Rates Rates Relief | 27,700 | 143,900 | 116,200 | 4.2% |
| Police General Revenue Funding | 112,349 | 112,448 | 99 | 0.1% |
| Local Govt PFI Revenue Consequences | 2,728 | 2,728 | - | 0.0% |
| Transformation & Legislation | 7,760 | 7,519 | (241) | -3.1% |
| Non-Domestic Rates Collection Costs | 5,172 | 5,172 | - | 0.0% |
| Emergency Financial Assistance | 1 | 40,492 | 40,491 | 40491.0% |
| Action: Funding Support for Local Government | 4,325,267 | 4,810,557 | 485,290 | 11.2% |
| Valuation Office Agency Services | 8,896 | 8,896 | - | 0.0% |
| Valuation Tribunal for Wales | 1,074 | 1,074 | - | 0.0% |
| Local Taxation Research & Analysis | 4,300 | 4,300 | - | 0.0% |
| Action: Valuation Services | 14,270 | 14,270 | - | - |
| SPA: Local Government Funding | 4,339,537 | 4,824,827 | 485,290 | - |
| Sponsorship of the Local Democracy and Boundary | 598 | 750 | 152 | 25.4% |
| Expenditure to Promote Local Democracy | 126 | 126 | - | 0.0% |
| Election Policy | 2,500 | 1,500 | (1,000) | -40.0% |
| Action: Building Local Democracy | 3,224 | 2,376 | (848) | -26.3% |
| Improvement & Support | 1,550 | 941 | (609) | -39.3% |
| Action: Local Government Improvement | 1,550 | 941 | (609) | -39.3% |
| Academi Wales | 1,134 | 1,134 | - | 0.0% |
| Action: Academi Wales | 1,134 | 1,134 | - | 0.0% |
| Community and Town Councils | 144 | 144 | - | 0.0% |
| Public Services Boards | 530 | 530 | - | 0.0% |
| Action: Supporting Collaboration and Reform | 674 | 674 | - | 0.0% |
| SPA: Improving Services, Collaboration & Democracy | 6,582 | 5,125 | (1,457) | -22.1% |
| EXTRACT FROM FINANCE AND LOCAL GOVERNMENT MAIN EXPENDITURE GROUP (MEG) | 4,346,119 | 4,829,952 | 483,833 | 11.1% |

| EXTRACT FROM FINANCE AND LOCAL GOVERNMENT MAIN EXPENDITURE GROUP (MEG) | | | | |
|---|--|---|---------------|---------------------|
| CAPITAL | | | | |
| Budget Expenditure Line | 2023-24 Indicative Budget | 2023-24 Draft Budget 2023-24 | Change | % Change |
| | £000s | £000s | £000s | £000s |
| Local Govt General Capital Funding | 200,000 | 200,000 | - | 0% |
| City & Growth Deals | 22,000 | 22,000 | - | 0% |
| Action: Local Government General Capital Funding | 222,000 | 222,000 | - | 0% |
| SPA: Local Government General Capital Funding | 222,000 | 222,000 | - | 0% |
| EXTRACT FROM FINANCE AND LOCAL GOVERNMENT MAIN EXPENDITURE GROUP (MEG) | 222,000 | 222,000 | - | 0% |

Agenda Item 6

Local Government and Housing Committee

12 January 2023 – papers to note cover sheet

| Paper no. | Issue | From | Action point |
|------------------|---|--|---------------------|
| Paper 3 | Committee timetable | Llywydd to all Members | To note |
| Paper 4 | Public Appointments | Public Accounts and Public Administration Committee | To note |
| Paper 5 | Consideration of the financial implications of Senedd Bills | First Minister and Finance Committee | To note |
| Paper 6 | Welsh Government Draft Budget 2023–24 | Finance Committee to all Committee Chairs | To note |
| Paper 7 | Welsh Government Draft Budget 2023–24 | Cymorth Cymru and Community Housing Cymru to the Minister for Climate Change and the Minister for Finance and Local Government | To note |
| Paper 8 | Mental health inequalities | Health and Social Care Committee to the Chairs of the Children, Young People and Education; Equality and Social Justice; and Local Government and Housing Committees | |
| Paper 9 | Housing Ukrainian refugees | Minister for Social Justice and the Scottish | |

| | | | |
|----------|-----------------|--|--|
| | | Government's Minister with Responsibility for Refugees from Ukraine to the Secretary of State for Levelling Up, Housing and Communities and Minister for Intergovernmental Relations | |
| Paper 10 | Building safety | Minister for Climate Change | |
| Paper 11 | Building safety | Welsh Cladiators | |
| Paper 12 | Homelessness | Shelter Cymru | |

All members

Via email

1 Rhagfyr 2022

Dear Member,

Prioritising Committee Business

At recent meetings of the Chairs' Forum some concerns have been raised that a minority of committee members are prioritising other commitments over committee business, at times.

Guidance on Virtual and Hybrid Proceedings, including Committee proceedings was issued recently. I would like to remind members also of the importance of making time for committee business.

Whilst occasional absence from committee meetings is anticipated in our procedures, it is expected that a substitute will be sent in place of an absent member to avoid disruption to committee business.

One issue, described by Chairs, is that some committee members routinely leave at the end of the public part of a meeting. This means they are not present for private agenda items that might be scheduled at the end of a meeting. This is disrupting the work of some committees.

The Chairs' Forum has endorsed the report by Professor Diana Stirbu: *Power, Influence and Impact of Senedd Committees: Developing a framework for measuring committees' effectiveness*.

As part of her work, Professor Stirbu considered the features of committee effectiveness. One feature arising from her research is:

Effective committees have Members who are fully engaged and interested in their work. Members are prepared, are listening, and supporting each other in committee sessions.

Committee Chairs expect members of their committees to be fully engaged with all aspects of a committee's work, and to prioritise committee work over other commitments for the full duration of committee meetings (including any private items scheduled). This is essential if committees are to be effective in the delivery of their objectives.

Of course, there are legitimate reasons why a member might not be able to engage fully with the work of a committee. In such circumstances, a Member should discuss this with the relevant committee Chair. The committee Chair can take account of this, from the perspective of supporting the Member, and delivering the committee's objectives.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Elin Jones'.

Rt. Hon. Elin Jones MS

Llywydd

Croesewir gohebiaeth yn Gymraeg neu Saesneg / We welcome correspondence in Welsh or English

**Public Accounts and Public
Administration Committee**

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7 December 2022

Dear Chair

Public Accounts and Public Administration Committee Inquiry into Public Appointments

The Public Accounts and Public Administration Committee is undertaking an Inquiry into Public Appointments. Evidence received from the Committee's consultation on the scrutiny of public administration in autumn 2021 recommended that an inquiry be conducted in this area. It was considered to be an issue that had been 'under-examined' since the establishment of the Senedd.

Our agreed Terms of the Reference for the inquiry are detailed in Annex A. However, we are aware that concerns regarding the public appointments process may extend beyond those terms of reference. We therefore welcome the views and experiences of your committees on the matters listed and any other issues that you feel are relevant to our work.

I look forward to hearing from you and kindly ask for responses by Friday 27 January 2023.

Thank You.

Kind Regards,



Mark Isherwood MS
Committee Chair

Croesewir gohebiaeth yn Gymraeg neu Saesneg.
We welcome correspondence in Welsh or English.

Annex A

The Committee is undertaking an inquiry into the Welsh Government's approach to the public appointments process, including where this could be improved to increase the diversity of candidates for public appointments made by Welsh Ministers. Issues to be considered include the following:

- The role of the Public Bodies Unit and the effectiveness of its relationship with Public Bodies' Boards in terms of ensuring good governance and effective public appointment arrangements. This includes any ongoing support for board members.
- The views of those corporate bodies that receive public appointments on the public appointments process;
- The role the Commissioner for Public Appointments.
- What are the main barriers to increasing the diversity of candidates for public appointments in Wales? How do these vary by factors including:
 - Age
 - Sex
 - Ethnicity
 - Disability
- How effective are current approaches being taken by the Welsh Government to encourage and increase the diversity of candidates?
- How can the public appointments process be improved to achieve this?
- How can the Welsh Government create a more transparent and open public appointments process?
- Are there examples of best practice elsewhere in the UK and internationally that Wales should learn from?



Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref

Peredur Owen Griffiths MS
Chair of the Finance Committee

7 December 2022

Dear Peredur,

Scrutiny of the financial implications of Bills

I am writing in response to your letter of 16 November 2022 regarding the scrutiny of the financial implications of Government Bills.

Your letter highlights concern that the Welsh Government has moved away from practice in the Fifth Senedd where Welsh Ministers provided written responses to Stage 1 reports in advance of the General Principles debate and Financial Resolution.

It is during the Stage 1 debate that Ministers provide an explanation of the Government's response to the recommendations in each Committee report and in most, but not all, circumstances have provided further detail through a formal letter.

While there were occasions during the Fifth Senedd where the Government responses were issued before or on the date of the General Principles debate, this was not routine practice for all Bills. In fact, over half of responses were issued in writing after the debate or provided verbally during the debate.

Ministers endeavour to respond to the Committees as soon as reasonably possible but it is not always practical for Welsh Ministers to do this prior to the Stage 1 debate for every Bill, so in practice these written responses may be provided after the debate has taken place.

There may be circumstances where more time is required to consider the implications of the recommendations or where the detail needed to provide an informed response is not available in advance of the Stage 1 debate. In addition, the legislation may be novel and while we aim to provide best estimates of the likely costs, there are situations where multiple varying factors mean precise costings are not achievable until the provision is

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Correspondence.Mark.Drakeford@gov.wales

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.

tested and assessed. Nonetheless, we will continue to inform the Finance Committee of the financial information relating to each Bill as they go through the various Senedd scrutiny stages.

In addition, Welsh Ministers will continue the practice established during the Fifth Senedd of writing to the subject and Finance Committees in advance of Stage 3 proceedings of a Bill if significant changes have been made to the Regulatory Impact Assessment post Stage 2.

Your letter along with this reply has been copied to all Welsh Ministers. This reply is also issued to the Business Committee and the Chairs of Policy Committees.

A handwritten signature in black ink that reads "Mark Drakeford". The signature is written in a cursive, slightly slanted style.

MARK DRAKEFORD

Mark Drakeford MS
First Minister

19 December 2022

Dear First Minister

Scrutiny of the financial implications of Bills

Thank you for your letter of 7 December, in response to the Finance Committee's request for the Welsh Government to revert back to the practice of providing a written response to Committee Stage 1 reports prior to the Stage 1 debate taking place.

It is disappointing that you are not able to give a commitment to this modest request. Your letter suggests that "it is during the Stage 1 debate that Ministers provide an explanation of the Government's response to the recommendations in each Committee report". However, we believe that this should not be considered common practice as it is not always possible for Ministers to provide a full and thorough response to each recommendation given the limited time available during the debate itself. As highlighted in my initial letter, it is standard practice that the Financial Resolution motion is taken immediately after the Stage 1 motion has been agreed. The Senedd therefore has very little time to consider the Government's response, before having to make a decision to commit resources.

You also state that there may be circumstances where more time is required to consider certain recommendations or where the detail needed to provide an informed response is not available in advance of the Stage 1 debate. Given that the timetables for Government Bills are proposed by the Welsh Government, with the Business Committee agreeing the deadlines for Stages 1 and 2, consideration should be given to moving away from the practice of voting on the Financial Resolution motion on the same day as the Stage 1 debate takes place. A similar decision was taken in the Fourth Assembly, reversing the default position to delaying voting on the Stage 4 motion until a week after Stage 3 proceedings had concluded, to allow Members the opportunity to consider the



final version of a Bill prior to the Senedd being asked to approve it. We believe the same principle should apply to the Financial Resolution motion. This would allow time for Members to reflect on the Welsh Government's response to the Finance Committee's report. We consider this to be particularly important given that there is no further opportunity for the Senedd to formally consider the financial implications of Bills after the motion has been agreed.

Finally, you state that legislation "may be novel" and that there may be "situations where multiple varying factors mean precise costings are not achievable until the provision is tested and assessed". The Committee acknowledges these challenges, however, it is not acceptable for the Welsh Government to simply not attempt to calculate the potential costs of legislation. The Regulatory Impact Assessment (RIA) is a key tool to critically assess a range of methods explored in relation to the development of a legislative proposal and to provide an evidence based approach to policy making-decisions. We recognise that "precise costings" may not always be possible but it is imperative that RIAs contain the best estimate possible for costs and benefits to enable us to fully scrutinise the overall financial implications of a Bill, a point we have made as a Committee on a number of occasions.

We find it regrettable that the RIAs that have accompanied Bills introduced so far this Senedd seem to be more of a "by-product" of the decision-making process, rather than the tool driving it. The latest Bill we considered, the Agricultural (Wales) Bill, is a framework Bill where a significant proportion of costs relate to a future Sustainable Land Management scheme that will not be finalised until next year. In these situations, the Senedd may end up agreeing a Financial Resolution to a Bill based on the information contained in the RIA on introduction that subsequently could escalate significantly. This lack of clarity makes our role as a Finance Committee very challenging and significantly hampers our ability to take a decision on whether or not costs are reasonable.

Should the Welsh Government continue to provide RIAs where information is incomplete or insufficient, it will leave the Committee with little choice but to compel Ministers to reappear before the Committee once the information requested is available to ensure the financial information provided by the Welsh Government stands up to robust scrutiny.

As you are aware, a number of Senedd Committee have raised similar concerns regarding the timeliness of Welsh Government responses ahead of Stage 1 debates. This paints an unfortunate picture and calls into question the spirit in which the Welsh Government engages with the Senedd on legislative matters. I therefore ask you to reflect on the issues above and reconsider the Welsh Government's position of providing a written response to the Finance Committee's reports prior to the Stage 1 debate and to give consideration to tabling the Financial Resolution motion at least a week after Stage 1 has been



agreed. Given the current pressures on public finances it is more important than ever that the Welsh Government provides as much clarity and assurance as possible before Members are required to authorise spending arising from a Bill.

As these issues cut across Committee remits, a copy of this letter has been sent to the Chairs of all Senedd Committees.

Yours sincerely



Peredur Owen Griffiths MS
Chair of the Finance Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.



Chair, Children, Young People, and Education Committee

Chair, Climate Change, Environment, and Infrastructure Committee

Chair, Culture, Communications, Welsh Language, Sport, and International Relations Committee

Chair, Economy, Trade, and Rural Affairs Committee

Chair, Equality and Social Justice Committee

Chair, Health and Social Care Committee

Chair, Legislation, Justice and Constitution Committee

Chair, Local Government and Housing Committee

12 December 2022

Dear Committee Chairs,

Draft Budget 2023-24

I wrote to you prior to the summer recess in relation to the Finance Committee's pre-Budget engagement work and the Committee's Plenary debate on the Welsh Government's Spending Priorities for the forthcoming Budget. I am now writing to provide a further update on the Draft Budget scrutiny.

Consultation

At the start of the autumn term, the Finance Committee undertook a consultation seeking information on the Draft Budget on behalf of all Committees. We received 29 responses which are available on the Finance Committee webpage.

Timetable

As you will be aware the publication of the Welsh Government's Draft Budget has been delayed again this year due to the UK Autumn Statement that was announced on 17 November. The Minister for Finance and Local Government (the Minister) has confirmed that she will publish the outline and detailed Draft Budget together on 13 December. The Minister will appear before the Finance Committee on 14 December for an initial evidence session on the Draft Budget.

Budget focus

The focus of this year's budget is likely to centre on the cost of living crisis, rising energy costs and high inflation. In addition, the Finance Committee has identified a number of areas which we would like to see the focus of scrutiny, these are:

- what impact are inflationary pressures having on revenue and capital budgets and how has this changed affordability of previous plans;
- how resources should be targeted to support economic recovery and what sectors in particular need to be prioritised;
- to what extent alleviating climate change should be prioritised in supporting economic recovery;
- how budget allocations support aspirations of the Net Zero Wales plan;
- Welsh Government policies to reduce poverty and the impact of cost of living crisis and gender inequality;
- approach to preventative spending and how is this represented in resource allocations (preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early);
- sustainability of public services, innovation and service transformation;
- how evidence is driving Welsh Government priority setting and budget allocations;
- how the Welsh Government should use taxation powers and borrowing;
- support for businesses, economic growth and agriculture post-EU transition;
- what are the key opportunities for Government investment to support 'building back better' (i.e. supporting an economy and public services that better deliver against the well-being goals in the Well-being of Future Generations Act).

In addition, the following areas were identified as priorities during the Committee's stakeholder and engagement events during the summer term:

- tackling inequality and poverty – what are the priorities and how suitable is the current support given the proportion of people living in relative income poverty in Wales?

- NHS waiting lists – is there evidence of a robust plan, supported by adequate resources, to address the record number of people in Wales on waiting lists for planned or non-urgent NHS treatment, is it clear this is a priority for the Welsh Government?
- children and young people – is sufficient funding being provided and appropriately directed to support children and young people whose education, development, mental health and well-being have been affected by the pandemic?
- issues for long term sustainability of NHS, social care, further and higher education, local government and other public services, including how they can make efficiencies and transform how they deliver services.
- economy and infrastructure – are the right schemes being prioritised to support Welsh businesses and the economy, how does the Welsh Government enable Wales to prosper post COVID-19 and Brexit?
- how should the Budget address the needs of people living in rural communities and develop rural economies?
- creating a greener Wales – are Welsh Government’s plans to move to a greener economy clear and is sufficient investment being made to tackle climate change and its impacts? Do these plans need to be revised to reflect the increased urgency to reduce reliance on gas and oil given the war in Ukraine?
- third sector and volunteering – how can the Welsh Government support third sector organisations as they deal with financial challenges and increased demand for some services as a result of the cost of living crisis and pandemic.
- taxation – How should the Welsh Government use its tax raising and borrowing powers and do you feel these powers should be expanded, kept the same or reduced?

We hope that the [consultation](#) and [engagement work](#) will complement and inform the work of policy Committees and I would encourage you to use some of the areas outlined above as the focus for your budget scrutiny.

Budget Process Protocol

As mentioned, the publication of the Welsh Government Draft Budget has been delayed again this year. This is the fourth consecutive year there has been a delay, which has resulted in curtailed scrutiny periods for the Senedd. The Finance Committee therefore believes the time is right to review the [Budget Process Protocol](#) that was introduced in 2017. Whilst the protocol has many benefits, we believe it requires updating to reflect established practices and recent experiences, particularly the trend in recent years for the publication of the Welsh Government’s Draft Budget to be delayed in

light of the timing of UK fiscal events. I have recently written to the Minister proposing changes in the following areas:

- formalising the Committee's pre-budget engagement and scrutiny work; and
- providing greater certainty in relation to the timing of the Draft Budget.

The Minister has previously expressed a willingness to engage with the Finance Committee on this issue, and we hope that she will consider these changes to be proportionate. I will update Committee Chairs on this issue once I have received the Minister's response. The Finance Committee hopes that these changes can be addressed and implemented ahead of the 2024-25 budget round.

If you have any questions about any aspect of the Draft Budget process, please feel free to contact me or the Clerk to the Finance Committee, Owain Roberts, 0300 200 6388, seneddfinance@senedd.wales.

Yours sincerely,



Peredur Owen Griffiths
Chair, Finance Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.



Julie James MS, Minister for Climate Change
Rebecca Evans MS, Minister for Finance and Local Government
cc. Emma Williams, Director of Housing and Regeneration

15 November 2022

Dear Ministers,

Welsh Budget 2023/24: Housing Support Grant

We are writing to you regarding the upcoming Welsh budget and the need for additional investment in homelessness and housing support services in Wales.

We recognise that Ministers are anticipating a very challenging budget settlement, but we strongly believe that the Housing Support Grant should be one of the Welsh Government's priorities and given an inflationary increase. The services funded by this grant are absolutely critical to the prevention and alleviation of homelessness, and we are deeply concerned that failure to increase the grant for 2023/24 will put them at significant risk at a time when they will be more important than ever. The same applies to the Homelessness Prevention Grant.

Cost of living crisis and frontline staff wages

We warmly welcomed the increase to the Housing Support Grant during the pandemic, reflecting the need to fund more services. However, this has not resulted in a meaningful increase in staff wages. In September 2022, Cymorth published a [report](#) that exposed the financial challenges facing frontline homelessness and housing support workers. This research shows that even before the cost-of-living increases this autumn, 79% of frontline workers were not putting on the heating in order to save money, 44% were struggling to pay rent and bills, 7% were using food banks and many others were skipping meals and taking on additional jobs. Others are leaving the careers they love because they cannot make ends meet.

With record numbers in temporary accommodation and immense pressure on housing support services, there is a very real risk that providers will be unable to retain enough staff to maintain service delivery. Unless funding is increased to enable an increase in wages, frontline workers will be pushed further into poverty, or will continue to leave the sector for better paid jobs with less stress.

The increased cost of running services

Homelessness and housing support providers are increasingly concerned about the cost of running services. Accommodation-based services such as temporary and supported accommodation have particular concerns about the increase in energy bills, which are often paid centrally by the support provider. We have also received feedback from some providers that they feel unable to bid for some housing support contracts, as the funding offered does not cover the true cost of delivering the service. In some cases, the contract value is the same as a few years ago, with no inflationary increase to reflect the cost of running the service today. As well as choosing not to bid for contracts, there is a risk that some providers may walk away from existing agreements if there is no increase in funding.

Increased pressure on services

The scale of homelessness in Wales, reflected in the huge number of people in emergency or temporary accommodation, is putting acute pressure on services and the staff responsible for delivering them. They are also contending with implementation of the Renting Homes (Wales) Act 2016 and trying to engage in the planned transition to rapid rehousing. We fully support the Welsh Government's ambition to transform services and end homelessness, but this, along with the continued impact of COVID, is putting incredible pressure on services. While our members want to be part of the solution, they need more resources to retain and recruit more staff, expand provision, and maintain delivery of these critical services.

Financial hardship for individuals

During this acute cost of living crisis, the preventative approach that Welsh Government has committed to is more important than ever before. Supporting early intervention grants such as the Housing Support Grant is a critical part of this. It is also important that access to all preventative funding streams is straightforward and consistent to maximise impact. We would be pleased to work with your officials to ensure that funding is being used effectively to prevent crisis and to enable individuals to maintain financial resilience.

Risks to other public services

[Research](#) conducted by Cardiff Metropolitan University has demonstrated that homelessness and housing support services deliver significant benefits to other public services, with a net saving of £1.40 for every £1 invested in the Housing Support Grant. We also know that support providers often pick up the pieces when people who have experienced trauma and system failure have nowhere else to turn. If housing support providers are unable to maintain their service provision, the negative impact will not be limited to homelessness, but will also be felt by health, social care and criminal justice services.

We understand that Ministers face extremely difficult decisions as you set the budget for 2023/24, but the risks posed by not increasing homelessness and housing support funding are significant. We hope the issues we have raised in this letter are given careful consideration over the coming weeks and that an inflationary increase is awarded to the Housing Support Grant and the Homelessness Prevention Grant.

Your sincerely,



Katie Dalton
Director
Cymorth Cymru



Stuart Ropke
Chief Executive
Community Housing Cymru

Jayne Bryant MS

Chair, Children, Young People and Education Committee

Jenny Rathbone MS

Chair, Equality and Social Justice Committee

John Griffiths MS

Chair, Local Government and Housing Committee

15 December 2022

Dear Jayne, Jenny and John

Health and Social Care Committee inquiry into mental health inequalities

I enclose for your information an embargoed copy of the Health and Social Care Committee's report *Connecting the dots: tackling mental health inequalities in Wales*. The report is under embargo until 00.01 on Monday 19 December, and I would be grateful if your Committees could treat it in confidence until then.

The issues we have explored throughout the inquiry cut across all of our Committees' portfolios. We hope that the updates and briefings we have shared during our inquiry have been useful in informing your work, and have supplemented the benefits that can arise when Members sit on related committees.¹ We are also grateful to the Children, Young People and Education Committee for inviting us to participate in your discussions with Mind Cymru and young people about the transition between children's and adults' mental health services.

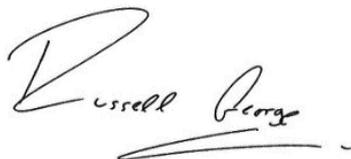
We want people to be at the heart of health and social care, and at the heart of our work. Our approach to this inquiry has reflected that, providing a range of different ways for people with lived experience and expertise to contribute. We are particularly grateful to our online advisory group,

¹ Since July 2022, Sarah Murphy has been a member of both the Health and Social Care Committee and the Equality and Social Justice Committee. Ken Skates, who is a member of both the Children, Young People and Education Committee and the Equality and Social Justice Committee, attended as a substitute for the majority of the oral evidence sessions for the inquiry, as well as participating in discussions about the inquiry key issues and preparation of the report.

which comprises people with different lived experiences, for sharing their views and expertise with us throughout the autumn as we finished taking evidence and prepared our report. A summary of the advisory group's views will be published with our report on Monday.

We intend to seek Business Committee's agreement to schedule a debate on our report in the spring. To ensure that the inquiry continues to benefit from constructive challenge from people with lived experience, before the debate takes place we will ask our advisory group to share with us their views on the Welsh Government's response.

Yours sincerely

A handwritten signature in black ink that reads "Russell George". The signature is written in a cursive style with a long horizontal stroke underneath.

Russell George MS
Chair, Health and Social Care Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg. We welcome correspondence in Welsh or English.



Michael Gove MP
Secretary of State for Levelling Up, Housing and
Communities and Minister for Intergovernmental
Relations
PSMichaelGove@levellingup.gov.uk

By email only
15 December 2022

Dear Michael,

This letter is sent jointly from the Scottish Government's Minister with Special Responsibility for Refugees from Ukraine and the Welsh Government's Minister for Social Justice.

We write jointly following yesterday's announcement about changes to UK Government funding to support the arrival of Ukrainians.

The changes announced amount to a reduction in funding available to help people fleeing Putin's illegal war in Ukraine settle into a new home. In the face of continued and acute need, it is counter-productive and short-sighted to cut vital funding available to deliver public services to the most vulnerable. It will place local authorities under extreme and unacceptable pressure during an unprecedented cost of living crisis.

Those arriving from Ukraine deserve the same care and support which we provide to those arriving from Afghanistan or through the UK Resettlement Scheme. The approach and funding model used under those schemes is internationally recognised as good practice and supported by each of our Governments. The decision to undermine the success of this safe and legal route to the UK is at odds with recent UK Government claims about a generous approach.

Whilst we welcome the additional payments to volunteer hosts, they are needed now – not after 12 months of hosting. Many hosts have told us that without additional financial support, the cost of living crisis means they will not be able to continue to provide this exceptional service. Our public services are under immense housing strain and further, avoidable, homelessness presentations will mean more and longer stays in inadequate hotel

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot



accommodation, as well as increasing community tensions. It is therefore vital that all volunteer hosts receive this uplift immediately.

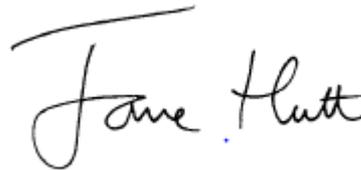
We note that the £500m housing support fund is for England-only and from existing departmental budgets. Due to the costs of the super sponsor route, which are not replicated in England, we have already made available more than the proportionate amount in supporting Ukrainian housing needs in our nations and we do not have the fiscal headroom to allocate additional sums in a similar manner. Additionally, the decision to deviate from a traditional Year 2 tariff to support Ukrainians arriving in our nations, will have a disproportionate effect in Scotland and Wales due to our larger share of arrivals. In our view, the £500m should be considered as a new budget allocation, with consequential funds coming to Scotland and Wales.

We therefore ask that you urgently revisit this decision, which was made without appropriate consultation and engagement with Devolved Governments, and to meet with us quickly to find a more effective way forward.

This letter is copied to Councillor Andrew Morgan, Leader of the Welsh Local Government Association and Councillor Shona Morrison, President of the Convention of Scottish Local Authorities. We have also copied this letter to the Conveners of the Scottish Parliament Social Justice and Social Security Committee and Constitution, Europe, External Affairs and Culture Committee, and to the Chair of the Senedd Local Government and Housing Committee.



NEIL GRAY



JANE HUTT

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Accredited
Until 2020



Julie James AS/MS
Y Gweinidog Newid Hinsawdd
Minister for Climate Change



Llywodraeth Cymru
Welsh Government

John Griffiths MS
Chair, Local Government
and Housing Committee

SeneddHousing@senedd.wales

15 December 2022

Dear John,

Thank you for your letter of 25 November regarding Building Safety in Wales.

Building Safety in Wales is a priority for this Government. It is critically important that residents feel safe and secure in their homes.

This Government continues to take forward our building remediation programme, taking a different and more holistic approach to building safety, not limiting access to funding for buildings with cladding, instead considering fire risks arising from both the exterior and interior of buildings of 11m and above. This work is alongside a significant programme of reform to establish a fit for purpose building safety regime in Wales.

This is a highly complex area of work, and we are working at pace to find a solution, but it must also be the right one.

My officials are in regular contact in correspondence with members of the Welsh Cladiators. All points raised within the correspondence provided by the Committee have been addressed previously.

I have listened to and addressed calls from the Welsh Cladiators to enact Sections 116-125 of the UK Building Safety Act in Wales swiftly and where possible in emergency legislation.

Sections 116-125 of the Building Safety Act 2022 apply provisions to enforce developers to engage in Building remediation. These provisions apply only to England and cannot be commenced in Wales by secondary legislation. Moreover, those sections could not simply be copied into Welsh law because they are tailored to the (significantly different) situation applicable in England.

Whilst I believe in the merit of applying certain provisions set out in the Building Safety Act 2022, not all provisions are suitable in a Welsh context. I also believe that emergency legislation is not an appropriate vehicle in this circumstance. This approach presents a material risk that relevant Committees would not have the necessary time to scrutinise the Bill or hear from stakeholders on the merits of bringing forward such legislation.

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Correspondence.Julie.James@gov.Wales

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.

Committee members will be aware that we debated this subject of legislation for Building Safety on 16 November at the Senedd. A transcript and video are available to read and watch [here](#).

This Government will be bringing forward its own Primary Legislation. The First Minister has committed to introduce a draft Bill within this Senedd Term. I am unable to confirm exact timings for introduction, however Officials are engaged on this matter and are continuing to develop the underpinning policy work that will support the development of draft legislation.

I will ensure that any Primary Legislation introduced meets the intended effect within a Welsh context.

Yours sincerely



Julie James AS/MS

Y Gweinidog Newid Hinsawdd
Minister for Climate Change

Dear John & Colleagues

We wish you all a Happy and Healthy New Year

We are writing as a follow up to our meeting on 13 July 2022 concerning the Welsh home build & fire cladding crisis and recent developments

You will be aware that on 16 November efforts made by a cross party group of Senedd MSs to introduce sections 116-125 of the English Building Safety Act into Welsh law were defeated by a Welsh Labour Government whip and the casting vote of the Llywydd.

The debate was a huge disappointment to long suffering victims of this crisis. If enacted the powers granted to Welsh Local Authorities and Fire and Rescue services would have enabled them to issue legally enforceable Remediation & Contributions orders against developers and building owners - as is currently happening in England. Without those powers Welsh citizens now have no option but to rely on their own efforts using the Defective Premises Act. The legal costs and risks involved in taking on large and powerful developers are not attractive but the impotence of the Welsh Government leaves no real choice for those who want to try and get on with their lives.

The debate was also frustrating for the lack of challenge to Minister Julie James assertions concerning sections 116-125 and her Pact. She was able to divert attention away from the powers that would have been granted to regulatory authorities and spin an argument that she was seeking to protect leaseholders from risk? Despite the best efforts of some cross party Senedd members the vote "against" seemed extraordinary when the English BSA enjoyed widespread Westminster cross party support and was subject to enormous scrutiny - good enough for England but obviously not good enough for Wales!

The Minister's additional comments that detailed plans from developers would only come after the Pact had been turned into a legal agreement were both misleading and at odds with the wording of the Pact. We have repeatedly outlined the legal complexities of trying to turn "Pacts" and "Pledges" into effective and legally enforceable contracts. At best they can only ever be "an agreement to agree" and will be unable to deal with the complexity of each development's needs. We have recently learnt that efforts in England to get developers to sign a final legal document are failing.

We have also learnt that after some efforts to connect with the WG on the crisis our meetings are to cease and we have been invited to attend a much larger stakeholder group - which comprises many of the players, who it might be argued are partly responsible for the crisis in the first place. This group is also expected not to revisit or challenge recent WG policy. A very strange commitment for a strategic group! And all this when one development in the Bay, Victoria Wharf has experienced three fire incidents in the last several months.

So as long suffering victims we appear to be left to our own devices and would welcome any advice on how we can engage with a Welsh Government that continually rejects any input or advice given to it by the very victims it is supposed to protect. Our situation is at great odds to the access that English victims enjoy. You should also note that in some cases we lack any real and proactive local elected representative support.

We would like to understand if your committee can offer any further support to us. We are of course aware that at our meeting in July the Welsh Labour members failed to attend and Chair John Griffiths and other Welsh Labour members voted with WG against the enactment of 116-125 in Wales. We are not versed in the protocols of engaging with the Welsh Government so would welcome your thoughts and any advice.

We would of course also be happy to meet your full committee again to outline the immense financial and mental stress that the crisis continues to extract from people who did everything right. Your committee would also be most welcome to visit any of the developments to see the defects and meet some wider victims.

Once again best wishes for 2023

With regards

Welsh Cladiators

CARTREF YW POPETH HOME IS EVERYTHING



John Griffiths MS

Chair, Local Government and Housing Committee

Senedd, Caerdydd CF99 1SN

15th December 2022

Dear John,

RE: Inquiry on Homelessness and Temporary Accommodation: additional information

I am writing as requested to supply additional information about our casework experience of service charges in temporary accommodation. I hope the below is useful to the Committee in your inquiry.

- Service charge arrears are a relatively common issue among people using our services. Although service charges are covered by Housing Benefit for supported accommodation, they are not covered for temporary accommodation. Affordability problems can be further exacerbated by the fact that in some temporary accommodation there is also a shortfall between rent and housing benefit. It is good practice to avoid charging these shortfalls.
- We find a large variation in the levels of service charge across different local authorities and across different types of accommodation. There does not appear to be any consistency in what is charged for, and there is little transparency. There is no detailed guidance in the statutory Code of Guidance to assist local authorities to ensure that service charges are set at fair, affordable and transparent levels.
- People's ability to challenge unaffordable service charges is in practice limited. Service charges are among the costs that local authorities should take into account when determining whether temporary accommodation is suitable from an affordability perspective (Code of Guidance 19.26). However in practice suitability challenges can be complex and intimidating, particularly if people are not receiving independent specialist

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housing advice to support them with the review, and local authorities have 56 days to complete a review by which time significant arrears may have accrued.

- Arrears in service charges can be a barrier to accessing move-on accommodation. We are aware that some local authorities are paying off service charge arrears from their own funds in order that people can continue to access the social housing register.

I hope the above is useful to you. Please let me know if I can be of further assistance.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Jennie Bibbings', enclosed in a light grey rectangular box.

Jennie Bibbings

Head of Campaigns, Shelter Cymru

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