

## **Agenda – Local Government and Housing Committee**

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Meeting Venue:

**Committee Room 2**

Meeting date: 18 January 2024

Meeting time: 09.00

For further information contact:

**Catherine Hunt**

Committee Clerk

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**(Pre-meeting 8.45 – 9.00)**

- 1 Introductions, apologies, substitutions and declarations of interest**
  
- 2 Scrutiny of the Welsh Government Draft Budget 2024–25 – evidence session 1: Welsh Local Government Association**  
(09.00–10.00) (Pages 1 – 24)  
Councillor Lis Burnett, Leader, Vale of Glamorgan Council  
Councillor Jane Gebbie, Deputy Leader, Bridgend County Borough Council  
Councillor Charlie McCoubrey, Conwy County Borough Council  
Councillor Dyfrig Siencyn, Leader, Gwynedd Council
  
- 3 Motion under Standing Order 17.42(ix) to resolve to exclude the public from item 4, 8 and 9 of the meeting**
  
- 4 Consideration of the evidence received under item 2**  
(10.00–10.20)
  
- Break (10.20 – 10.30)**
  
- 5 Scrutiny of the Welsh Government Draft Budget 2024–25 – evidence session 2: Minister for Finance and Local Government**  
(10.30–12.00) (Pages 25 – 65)



Rebecca Evans MS, Minister for Finance and Local Government, Welsh Government

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

Judith Cole – Deputy Director Local Government Finance Policy & Sustainability, Welsh Government

## **Break (12.00 – 12.45)**

## **6 Scrutiny of the Welsh Government Draft Budget 2024 – 25 – evidence session 3: Minister for Climate Change**

(12.45–14.15)

(Pages 66 – 107)

Julie James MS, Minister for Climate Change, Welsh Government

Emma Williams, Director of Housing and Regeneration, Welsh Government

Jamie Powell, Deputy Director of Finance, Welsh Government

Sarah Rhodes, Deputy Director, Housing Policy, Welsh Government

Andrea Street, Deputy Director, Housing Safety Regulations & Standards, Welsh Government

## **7 Papers to note**

(Page 108)

### **7.1 Letter from First Minister to Chair of Legislation, Justice and Constitution Committee – Inter-Institutional Relations Agreement**

(Page 109)

### **7.2 Letter from the Chair of Children, Young People and Education Committee to the Minister for Climate Change – Response to the Welsh Government's White Paper on ending homelessness in Wales**

(Pages 110 – 120)

### **7.3 Letter from the Minister for Climate Change following the Ministerial scrutiny session on 9 November**

(Pages 121 – 123)

**7.4 Letter from Counsel General and Minister for the Constitution – Elections and Elected Bodies (Wales) Bill**

(Page 124)

[Letter from the Counsel General and Minister for the Constitution to the Legislation, Justice and Constitution Committee – 11 December 2023](#)

[Joint schedule of amendments: Elections and Elected Bodies \(Wales\) Bill and the Senedd Cymru \(Members and Elections\) Bill](#)

**7.5 Letter from Cymorth Cymru – Welsh Government Draft Budget 2024–25**

(Pages 125 – 133)

**8 Consideration of evidence received under items 5 and 6**

(14.15–14.45)

**9 Elections and Elected Bodies (Wales) Bill – Consideration of the draft report**

(14.45–16.00)

(Pages 134 – 253)

Document is Restricted

## Finance Committee and Local Government & Housing Committee: Scrutiny of Welsh Government's Draft Budget Proposals 24-25

Jon Rae, Director of Resources

[Jon.rae@wlgaa.gov.uk](mailto:Jon.rae@wlgaa.gov.uk) 07979 018007

### **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



30<sup>th</sup> November 2023

## Overview

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 25<sup>th</sup> October.
2. Most of it comprised our assessment of local government spending pressures that have remained persistently high 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).
3. Since the Finance Sub Group paper was presented to the group, we have become aware of two further developments. Firstly, the publication of the Autumn Statement by the UK Government signaled an increase in employer contributions for the teachers' pension scheme of 5%, from 23.6% to 28.6% from 1<sup>st</sup> April 2024 which will cost £64.3m. These costs have been based on no increase to pay for 2024/25 academic year. A similar revaluation of the fire and rescue services pension scheme will lead to an overall increase in employer contributions for FRAs from 1<sup>st</sup> April 2024 of £2.8m. However most local authorities are assuming that this is fully funded, as it was at the last revaluation.
4. Secondly, at the end of October, we became aware that part of the teachers pay award for 2023-24 would not be funded on a recurrent basis from 2024-25. This puts an additional unfunded pressure of £21.3m on next year's budget despite an assurance that it was fully funded in the Minister's letter of 9<sup>th</sup> March 2023.

## Conclusion

5. This means we can reprofile the estimates contained in the original report. In 2024-25 local authorities will face an estimated pressure of £809m rather than £720m. In 2025-26 it will be £604m and £613m in 2026-27.
6. If the pensions contributions are funded but the pay pressure is not, the aggregate annual budget gap in each of the next 3 years is £432m, £429m and £433m in the run up to 2026-27. In total, the cumulative funding gap could potentially be £1.294bn. The measures that councils will take to address this gap will have to be drastic.



## ANNEX A

### Finance Sub Group 25th October 2023

## FINANCIAL OUTLOOK

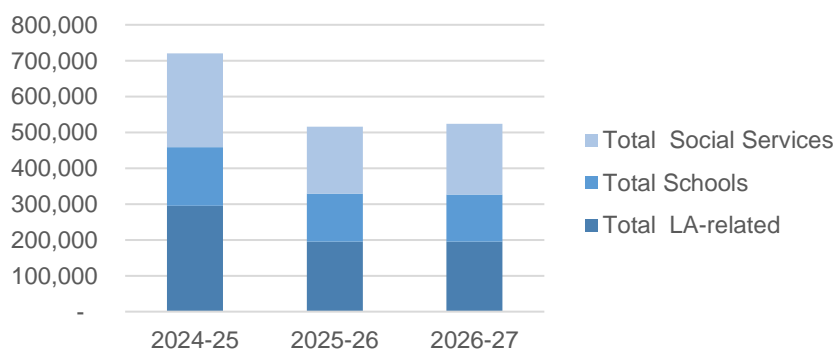
### Purpose

1. This paper presents the latest assessment of councils' spending pressures over the next three years based on local authorities' medium-term financial plans. This is based on the results of a full survey of councils and fire and rescue services carried out during August/September with the help of the Society of Welsh Treasurers (SWT). The results are summarised in Annex I. The paper includes information on the in-year position for 2023-24 which is summarised in Annex II. This will require a combination of cuts, efficiencies, and use of reserves to balance budgets.

### Summary

2. Throughout the year, we have consistently reported on the pressures building up across local government being as high as they were last year as we planned for 2022-23. Since the March Finance Sub Group we have estimated a pressure of between £600 to £750m in 2024-25 and the survey confirms this is £720m. This would require a spending increase of nearly 10% in net revenue expenditure<sup>1</sup>. This falls to £516m and £524m in 2025-26 and 2026-27, respectively. Cumulatively, the pressures building up in the system, and the resulting budget gap, means that the outlook is extremely bleak and the options for many local services will be unpalatable.

**Figure 1:** Budget pressures by service, 2024-25 to 2026-27, £000s



Source: SWT Survey 2023

<sup>1</sup> Total net revenue expenditure is budgeted at £7.373bn in 2023-24 (Source: Welsh Government RA Returns)



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3. The pressure next year is around 2.5 times the pressures that we would ordinarily expect to see and figure 1 above shows how these are spread over the broad service areas. Social care accounts for 36% (£261m) of pressure in 24-25, schools account for 23% (£164m) of the pressure and other the local authority services account for the remaining 41% (£295m). The full break down is set out in Annex I.
4. While the pressures in the current financial year were offset by a better-than-expected settlement, it is becoming clear that there are additional in-year pressures amounting to £219m. This is set out in more detail in Annex II. In some authorities, these projected overspends have become particularly acute with a range of measures being implemented to balance budgets. In terms of a service breakdown, social care makes up 50% of the overspend, or £109m, with high-cost children's care and soaring demand for adults' social care accounting for most of the runaway costs. Education and schools accounts for around 22%, or £47m of the total overspend. Other council services account for the £63m which is just under 30% of the overall overspend.
5. Viewed another way, just over a third of projected overspend, around £72m, is due to inflation (including pay inflation), which is much higher than originally anticipated when budgets were set in early 2023. However much of the in-year pressures arise from unanticipated demand, especially in social care, and accounts for 50% or £109m (which is, coincidentally, the same as the total social care pressure).
6. On the funding side, the planned increases in Aggregate External Finance (AEF) for 2024-25 is £169m, or 3.1%, which will cover just over a quarter of the pressure in the financial year. The latest estimates from Wales Fiscal Analysis for subsequent years shows the outlook on funding to be particularly bleak, with councils relying mostly on council tax for any additional funding.
7. Without additional funding, the risk to council services including education and social care cannot be overstated. The aggregate annual budget gap in each of the next 3 years is £411m, £408m and £412m in the run up to 2026-27. In total, the cumulative funding gap could potentially be £1.232bn. Some of the gap will be met through efficiencies and other measures but given the scale of the challenge, many councils are bracing for large scale service cuts and a loss of posts that will run into thousands.

## Analysis

8. The Welsh Government has described its budgetary position as “the most difficult financial situation since the dawn of devolution”. Over the summer, cabinet ministers were asked to look at the in-year position in 2023-24 in preparation for the 2024-25 budget round. While the picture for next year is bleak, Wales Fiscal





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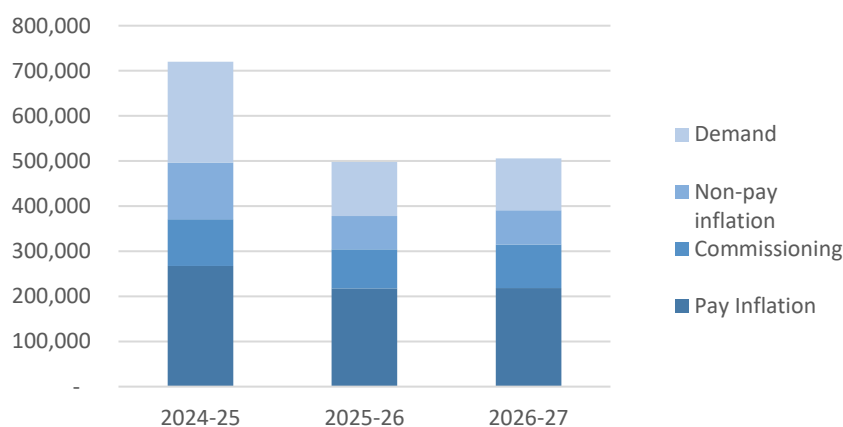
Analysis are reporting that tight public spending plans over coming years also paint a 'worrying picture for the medium-term'.

- The medium-term position is confirmed by the Institute for Fiscal Studies' Green Budget. With the UK economy stuck between weak growth on the one hand and the risk of persistently high inflation on the other, they state: "We are in a horrible fiscal bind as low growth and high debt interest payments mean no room for maneuver."

Fiscal and monetary policy must strike a delicate balance so an unfunded package of pre-election tax cuts could prove unsustainable.

- In Figure 2 budget pressures from 2024 to 2027 are categorised under 4 main headings. Pay and non-pay inflation as well as commissioning costs in social care are unavoidable costs that must be met just to stand still. These account for nearly £500m in the next financial year falling to around £400m in the two subsequent years. With pay deals, councils have been building in expectation that have fallen well below the reality.

**Figure 2:** Budget Pressures by type, 2024-25 and 2026-27, £000s



Source: SWT Survey 2023

Pay and non-pay inflation

- Overall, the survey returns are telling us that the unplanned increase in the wage bill in 23-24 comes to £31m: £9m for schools, £5m in social care and £17m in other council services. This is better than the low assumptions made last year. As responsible employers, committed to social partnership, we will be fully engaged in discussions with the unions over the coming period. As stated above, councils are making assumptions for £267m of pay pressure next financial year (nearly 40% of the total pressure), and £218m and £219m in the two subsequent years to 26-27.



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12. The three National Joint Council for Local Government Services (NJC LGS) unions (UNISON, GMB and Unite) tabled their pay claim for local government services ('Green Book') employees for 2023-24 on 30 January 2023. The claim states that council workers have '...endured a decade of below average pay awards and pay freezes...[and]...have lost on average 25% from the value of their pay spine since 2010. The pay claim is set in the context of the cost-of-living crisis, inflationary pressures, recruitment and retention challenges.
13. In February 2023, the national employers responded to the unions pay claim with a full and final offer of £1,925 for all points on the NJC pay spine and 3.88% for all pay points above the top of the NJC pay spine. For the lowest paid (currently earning £20,441 per annum), the offer equates to an increase of 9.42 per cent this year; meaning their pay will have increased by £4,033 (22.0 per cent) over the two years since April 2021.
14. The three NJC LGS trade unions declined the offer and balloted members for industrial action. Local Government Employers have maintained the offer is full and final.
15. All three NJC LGS trade unions undertook disaggregated ballots at the local level, on an individual council or service basis, rather than a national ballot. Members from Unison the largest trade union did not return a vote for industrial action and are understood to be keen to see a swift resolution so that the pay award is applied as soon as possible. Unite returned a positive vote for industrial action in three councils, overall membership numbers are low but are concentrated in services, such as waste and street scene, with strike action causing some disruption as a consequence in two of the three councils. The ballot for GMB, the second largest trade union, is due to close on 24 October 2023 and Local Government Employers are due to meet on 2 November 2023 to discuss next steps. If GMB fails to secure a vote for industrial action then it is hoped that the pay award will be accepted and the current dispute brought to a close.
16. Industrial action by Teachers in February 2023 led to the Welsh Government opening negotiations on pay and workload. The School Teachers Pay and Conditions (Wales) Document for 2022/23 was updated in April 2023 to increase the pay award from the previously agreed 5% to 6.5% and provide for an additional 1.5% non - consolidated lump sum for 2022/23 only, backdated to 01 September 2022. The *School Teachers Pay and Conditions (Wales)* document for 2023/24 was laid on 05 October 2023 and is anticipated to come into force at the end of October, this will also include a revised pay award, increased from the proposed 3.5% to 5% for 2023/24, backdated to 01 September 2023.
17. The JNC for Youth and Community Workers pay award agreed an increase of £1925 from 01 September 2022 and the Employers Side has received a pay and



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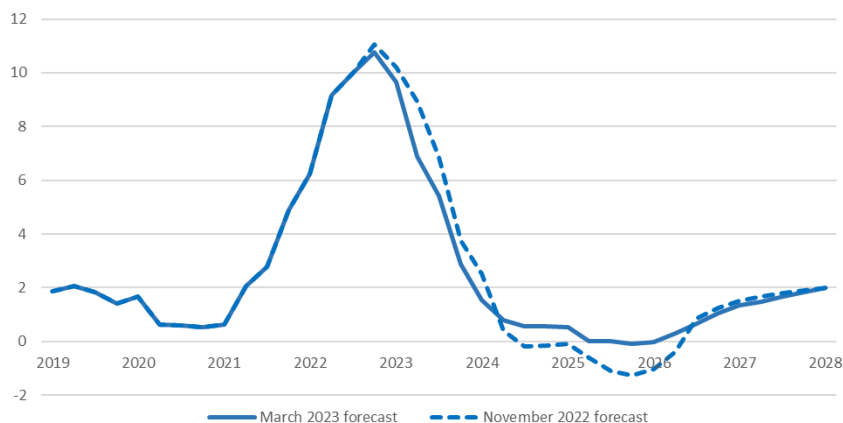
conditions claim from the Staff Side Trade Unions for 2023. The headline element of the claim is for a pay increase of RPI + 2%. Discussions are ongoing.

18. The National Employers remains in dispute with the Soulbury Officers' Side on pay for 2022. The National Employers made an offer of £1925 in November 2022 and have been unable to reach a pay agreement. The Association of Educational Psychologists (AEP) undertook a ballot and have voted for industrial action. Employers have made a final offer on pay which includes an increase of £1,925 on all pay points with effect from 1 September 2022 and an increase of 3.5% on all pay points with effect from 1 September 2023.
19. The NJC for Local Authority Fire and Rescue Services (LAFRS) reached agreement on pay awards for 2022 and 2023 in March 2023. These represent an increase of 7% effective from 01 July 2022 and 5% effective from 01 July 2023.
20. The NJC for Brigade Managers of LAFRS reached agreement on pay awards for 2022 and 2023 on 31 May 2023. These represent a 4% increase from 01 January 2022 and a 3.5% increase from 01 January 2023.
21. The JNC for Coroners agreed a pay award of 1.56% for 2022/23, effective 01 April 2022.
22. In terms of non-pay inflation, the estimated costs faced by councils in 2024-25 remains stubbornly high at around £125m, whereas previous surveys have shown the historic position is around half of that. The Office for Budget Responsibility (OBR) stated in March 2023 that it expected Consumer Price Index (CPI) inflation to have peaked in the fourth quarter of 2022 - at its highest rate in around 40 years. The increase was driven mostly by higher gas prices feeding into sharp rises in domestic energy bills, alongside higher fuel prices and global goods inflation.
23. Inflation is still expected to fall rapidly to around 0 per cent from mid-2024 to mid-2026. Energy bills will fall back and some global supply pressures reverse. The OBR expects inflation to then return to the 2 per cent target by the end of the forecast as the large swings in energy prices fall out of the annual CPI calculation and output is broadly in line with the economy's productive potential.



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**Figure 3:** Office for Budget Responsibility's March 2023 CPI Forecast, %



Source: ONS, [OBR](#)

24. However, the published September CPI is not behaving in the way forecast. While food prices saw their first monthly fall in two years, fuel prices rose sharply. The consequence is that the overall rate of inflation held steady at 6.7%, ending a run of three consecutive monthly falls. Furthermore, the Bank of England's latest forecast (August 2023) expects inflation to keep on falling in 2024 and reach their 2% target in the first half of 2025."

### Education and Schools

25. Councils have reported £41m of in-year pressures for 2023-24 that have been added to school budgets, with a quarter of this due to pay. The future pressure that schools are facing is £164m in 2024-25 which represents a 5.6% increase on budgeted net revenue expenditure<sup>2</sup> for 2023-24. Annual pressure builds in subsequent years with a further £134m and £131m in 25-26 and 26-27 respectively. Pay accounts for over 70% of total inflation in each of the years.

26. Many authorities have rightly assumed that the additional grants for the teachers pay deal in 22-23 and in 23-24 will be funded on a recurrent basis with the grants transferred into the funding baseline. A similar assumption is being made for anticipated changes in the employer rate for teachers' pensions. In the past, funding has come from the Treasury when the rate has increased.

27. Even the councils that have protected schools in recent years say that they cannot be given the same support in the future given the scale of funding gap. Some have identified additional financial pressures on specific schools which are linked to deprivation and significant Additional Learning Needs (ALN) demands. Some

<sup>2</sup> Schools and education net revenue expenditure is budgeted at £2.941bn in 2023-24 (Source: Welsh Government RA Returns)



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returns reflect on how head teachers are starting to report of the devastating effect of cuts on educational standards - in particular the pastoral/wrap around work that schools undertake.

28. The aftermath of the pandemic and high energy costs continues to place additional pressures on schools, and some report that they are reviewing the impact the pandemic is still having on ALN, attendance and behaviour. However in broad terms schools are beginning to burn through reserves at such a rate that they are seeking loans to cover shortfalls as one response put it: “.....school balances are expected to reduce by 50% in year. It is anticipated therefore that there will be many more schools seeking a loan arrangement in 24-25.”
29. Most councils operate a system of *Licensed Deficit Agreements* and make assumptions around future funding levels. The prospect of some making it back into surplus are starting to look hopeless. One authority reports that along with this, the majority, if not all of their other schools will fall into deficit. Some of their small schools will become unsustainable because pupil/teacher ratios would fall to unacceptable levels. Many councils are now reporting a significant risk of redundancy for support staff and teachers. It concluded by saying that this cycle would escalate under current circumstances with more teachers being made redundant and some schools being unable to meet recommended pupil /teacher ratios.
30. There were many comments about how the sustainability of numerous small schools will need to be reviewed as financial pressures persist. However, the increased cost of transport to neighbouring schools could negate savings made especially in rural areas. One authority reported how a review of 6th form provision is also in the pipeline. The financial sustainability of the current provision will be considered as part of this review.
31. Significant additional risks and pressures in schools remain in respect of Additional Learning Needs (ALN) provision, increased number of pupils in special education, resource bases and facilities to support pupils with social and emotional difficulties. Part of this is thought to be linked to the after-effects of the pandemic. The increased needs and complexity of pupils is not reflected in the funding.

### Social care

32. Councils continue to be extremely concerned about the current pressures facing social care. The survey responses demonstrate the continuing impact of growing demographic, cost of living, workforce and inflationary pressures facing all parts of the social care system. Increasing demand for services, and the increasing complexity add to these pressures and concerns. The impact is that budgets are not stretching as far, families and unpaid carers are facing further strains, and recruitment and retention remain huge challenges.



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33. The SWT survey shows the significant in-year pressures being experienced across both adults and children's services. The survey identified £109m worth of in-year pressures in social care which is around 4.7% of budgeted net revenue expenditure<sup>3</sup>. This builds on a £93m overspend on social services in the previous financial year.
34. The considerable financial challenges continue into 2024-25 and beyond. Next financial year there is a £261m pressure which represents an 11.3% increase in current budgets. Commissioning costs and pay and non-pay inflation account for £180m of the pressure, and the remainder is down to demand which accounts for £81m. There is an additional £187m in 25-26, and £198m in 26-27 respectively giving a cumulative total of £646m.
35. 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. Combined with increasing demand, complexity of need and workforce shortages this has resulted in higher costs and therefore increased expenditure for councils to meet the increasing costs of placements across both adults and children's services. Local authorities have flagged this as a significant risk. One local authority identifies that residential and nursing homes are seeking a rise in fees of around 20% and another has experienced roughly a 10% increase in fees in each of the last two years. While uplifts are being factored into medium term financial planning, concerns remain about the likelihood of demands for higher increases and therefore further costs to local authorities.
36. The survey indicates that the social care market remains fragile, and this has impacts for the long-term sustainability of the sector. It also reveals councils' concerns about growing demand for both adults and children's services, their capacity and resources available to meet these demands, along with reductions in quality and choice available. The difficulty of recruiting and retaining care workers continues to be a major concern highlighted by councils. In order to mitigate some of the recruitment and retention challenges some councils continue to have to rely on the use of agency staff and these costs further add to financial pressures in future years.
37. The survey highlights concerns that continue to be raised in relation to the provision of packages of care. Increased demand, along with a lack of suitable providers has previously been identified as an issue in the provision of domiciliary care. Local authorities identified an increase in the complexity of the care home packages needed to be put in place, alongside increasing costs meaning that councils can

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<sup>3</sup> Social care net revenue expenditure is budgeted at £2.302bn in 2023-24 (Source: Welsh Government RA Returns)





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struggle to have enough capacity to be able to meet the assessed need and ensure the sustainable provision of care. Issues in relation to access to Continuing Healthcare were also flagged meaning that local authorities were continuing to have to fund the majority, if not all, of these care packages rather than health. In addition, some authorities have referred to the financial impacts of Social Care 'Tourism' with clients moving over from England to benefit from the more generous capital threshold limits in Wales when moving into a care home setting and councils seeing individuals who have had delayed accessing healthcare and so now on presentation to social services have higher dependency requiring more costly care provision.

38. Councils also report seeing increased demand and complexity of cases in particular client groups. For example, pressures and costs in packages of care and support across mental health and learning disability services are identified in the survey responses. One local authority pointed to the increasing numbers of under 65-year-olds with a learning disability requiring support which will continue to need to be met in future years.
39. The impacts of the cost-of-living crisis were highlighted as leading to rising pressures on families which has meant that some councils are experiencing increased numbers of children entering care. Concerns continue to be highlighted over challenges finding appropriate and quality placements for children and young people. In particular, insufficient provision for children with complex needs with a lack of both fostering and residential placements available. Unprecedented levels of emergency placements for residential placements, increased use of independent placements and increased pressures to find foster placements were all highlighted with the cost of out of county placements continuing to rise and demand for specialised placements exceeding supply. Weekly costs of up to £20k per week for placements were identified and one local authority reported that their children's services budget has increased by £11m (56%) over the last 3 years, with specialist placement costs increasing by £6.6m (44%) over the same period.
40. The result of these existing placement and system pressures has meant the need for local authorities in some circumstances to have to consider the establishment of bespoke placement arrangements for children and young people that operate without registration under the Regulation and Inspection of Social Care (Wales) Act 2016. These types of placements place further pressures on local authorities, are expensive and direct funding away from prevention work into managing placements. In response councils are seeking to create their own in-house provision, but this takes time and resource to establish.
41. The survey responses also pointed towards some of the policy direction in Wales leading to increased financial pressures. The commitment to eliminate private profit from the care of looked after children was highlighted as having a detrimental impact on the availability of placements with risks around the adequacy of the grant funding to fully cover transitional costs and the risk if the period of transition does



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not extend beyond the current funding period of 2024-25 identified. Survey responses also recognised that the need to place children via the National Transfer Scheme (NTS) has increased cost pressures and has resulted in Unaccompanied Asylum Seeking Children (UASC) often being placed out of county/country to meet their identified needs which comes with significant cost pressures. As a result of recent court judgements it was highlighted that this could mean there will be an increase in UASC's who will need to be placed in ever reducing numbers of placements.

42. Similarly concerns over the tapering of the Regional Integration Fund were raised with a reflection that any reductions in grant funding levels across social services will require reviews of service provision to be undertaken and the risk that service reduction proposals would need to be considered as part of this. The implementation of the Real Living Wage for social care workers was also highlighted and that although funding is providing by Welsh Government to support this there is a need to further consider the effect of the price differential of senior staff/managers and concerns that funding is not keeping pace with the extra costs associated with implementing this policy with councils having to continue to support providers in being able to deliver this commitment. One suggestion put forward by councils in response to some of the challenges being seen is the need to review the current maximum charge for non-residential care.
43. Earlier this year WLGA published [research](#) examining the challenges facing the social care sector and local government's priorities for social care. The research identified a system under enormous pressure due to: rapid demographic changes across Wales; the on-going impact of the COVID-19 pandemic; workforce challenges; funding difficulties; and the increase in the costs of living. Workforce issues topped the list of key concerns, alongside a lack of sustainable funding, and challenges associated with meeting more complex needs. The financial estimates of the 22 Welsh councils further supports these conclusions but also raises the very real concern that with the scale of the financial challenges being faced the level of protection that has been afforded to social services to date will not be possible for much longer putting councils' ability to successfully deliver social care services at risk in future years.

#### Ukraine and wider migration

44. Wales is proud of its record in supporting people who have arrived seeking asylum and in welcoming refugees. Local government works closely with the Welsh Government in achieving the ambition of Wales as a Nation of Sanctuary and in developing a place-based approach that best reflects contributions different areas can make. However, this work is not without its costs to councils and other public bodies and while asylum and migration are reserved matters, there is limited funding provided by the UK Government to cover costs incurred by councils.





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45. As highlighted in the section above, the National Transfer Scheme for unaccompanied children is a significant cost pressure on councils and while the Home Office provide some funding, this does not cover the full costs of care, particularly in relation to any complex cases and as the number of UASC cared for by Welsh councils increases, councils are losing out financially. The funding for care leavers is also minimal and as this group increase this funding gap will increase as well.
46. However, the biggest cost is from the full dispersal of asylum seekers across all Welsh councils but is more keenly seen in the long-standing asylum dispersal areas. The funding provided by the Home Office, recently introduced, is minimal, despite many impacts at the local level and services, for example, access to housing, schools, social services, advice and information.
47. The recently introduced Streamlined Asylum Process as the Home Office aim to clear the backlog of asylum cases awaiting decisions, will significantly impact on Cardiff, Swansea, Newport and Wrexham in terms of homelessness presentations and support services, which are already under immense strain at this time. It is clear that councils are under funded by the UK Government for planning and responding to the impacts of asylum seekers being accommodated at the local level and it is likely this pressure will increase as full dispersal continues.

#### Housing and homelessness

48. Wales has continued with the approach of “no-one left out” in relation to homelessness, following the end of the public health emergency. This approach is supported by councils, however, the numbers of households approaching Councils for assistance has continued to increase. This sustained increase in homelessness presentations to Councils in the period since the pandemic means that core homelessness services are overwhelmingly now dealing only with crisis and unable to work to prevent homelessness. The recently published White Paper on homelessness will also add additional financial pressures on councils and it is important that a robust and thorough assessment on the financial implications of any legislative proposals are undertaken, in partnership, so that appropriate levels of funding are provided in terms of implementation.
49. The latest data reflects that there are currently more than 11,000 people in temporary accommodation. This comes at a significant cost to council budgets and the level of funding provided by the Welsh Government is not keeping pace with such increased demand and the feedback from the survey undertaken reflects overspend on homelessness budgets and is an increasing financial pressure on councils. One authority cited homelessness pressure contributing to a £660k



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overspend in the current year as demand outstripped the available budget. The Supporting People budget is also critical in supporting homeless people and those at risk, including funding for third sector bodies, and the WLGA stresses the need to maintain the current level of funding if additional funding is not available.

50. Building more homes is essential to ensure that we have enough for everyone who needs them, when they are needed. Those Councils with housing stock are implementing ambitious new-build programmes, and seeking to acquire existing homes (often former Right to Buy properties) to increase the numbers of homes available for social rent, others are working with the RSL partners to ensure identified housing need is addressed. All councils are also working with RSL partners to build new low carbon social rented homes. It is therefore important to ensure that capital funding is available to support the building of social housing at the pace and scale needed to reduce reliance on temporary accommodation and ensure the housing needs of citizens in housing need can be met.

51. Councils support the achievement of Welsh Government's key housing objectives, set out in the Programme for Government, however, adequate funding is required to enable successful delivery. In addition to the above issues, other financial pressure in housing come from reform of the building safety regime, the revised Wales Housing Quality Standard, workforce pressures and meeting any gaps (for example the recent Audit Wales report on Building Control) and the ambitions in relation to decarbonisation of more homes.

#### Highways, Transport, Economic and Environmental Services

52. Essential maintenance of the highway and Active Travel networks and associated structures is vital both on safety and on economic grounds (and to reduce insurance claims), especially in the face of more extreme weather events. Over recent years additional revenue support has been provided by Welsh Government via the Local Government Borrowing Initiative (c£170m 2012-13 to 2015-16) and then a succession of revenue grants at c£20m p.a.. In 2021-22 there was an option for highways expenditure as part of a general capital fund allocation of £70m that could be carried forward into 2022-23 by displacement. However, no grant was awarded for 2023-24.

53. Support for bus services remains a major concern. With the Bus Transition Fund (BTF) due to end in March 2024, bus services will need to revert to a combination of commercial and subsidised services from 1<sup>st</sup> April. During 2022-23, underspend on the Concessionary Fares (CF) budget was redirected into to the BTF to support services. However, with CF trips gradually rising post-Covid, the underspend is anticipated to be less in 2023-24. Whilst the increasing income from CF



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reimbursement will help operators, uncertainty over income on routes, combined with the need to give statutory notice of service cancellations, creates the risk further of service cuts. An early indication of funding from Welsh Government for next year has been called for. It is likely that regional allocations will be made in the first instance to facilitate network planning, followed by tendering of subsidised routes by individual councils. It is widely anticipated that tendered costs will be high due to increases in fuel and labour costs in particular. This will also impact on home to school transport costs where significant increases are expected.

54. Shortages of technical staff and HGV drivers and difficulties recruiting are impacting across all services in these areas, with staff being attracted away by higher salaries in other sectors. This also impacts on efforts to run apprenticeship schemes to draw in new people, as they can be tempted away once trained.
55. As the work of, and expectations on, Corporate Joint Committees picks up, this is another source of financial pressure on councils. Work is commencing on Strategic Development Plans and Regional Transport Plans. This needs to be co-ordinated with use of the of economic well-being power (a power which is concurrent with councils). Welsh Government is planning to provide £125,000 to each region upon the production of RTP implementation plans but all regions have identified that further funding will be needed to take these plans forward in a meaningful way.
56. New workplace regulations coming in from April 2024, which require the separate presentation of waste streams for collection, will increase costs for schools and council buildings. They could also see councils required to provide separated collections from commercial premises in cases where no private sector service is available.
57. Increased energy costs have impacted in these service areas, in particular on the costs of waste collection, fleet, energy for buildings and streetlighting.
58. Ash die-back remains a major risk, especially where trees are adjacent to the highway and need to be removed. Total costs were estimated at nearly £15bn for Great Britain as a whole. Other than use of a short-term Green Recovery Grant scheme, no additional funding has been made available to councils for this essential work.

### Capital

59. The survey also gathered evidence on capital programmes and pressures. The responses indicate that a tightened revenue settlement will impact capital programmes. Across capital programmes we are seeing an increase in costs from



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when the programme was approved at feasibility stage, to the design and development stage of capital projects, due to the current inflation rates and volatility of the construction market. With little or no additional funding available, there has been a lot of reprioritising between schemes and scaling back schemes where possible.

60. In relation to Twentieth Century Schools Band B Programme, many authorities are reporting a reduction in the number of schemes that are now affordable against what was anticipated when the programme was first set in line with the funding envelope. Following the completion of the Band A and the majority of Band B projects, councils are considering how sustainable it will be to continue to use borrowing, to support its percentage of the intervention rate going forward to the next iteration of the programme, given the impact of borrowing pressures on the Councils Medium Term Financial Strategy (MTFS). Similar rationing will take place for the next WG Sustainable Communities programme.
61. Where grants are withdrawn they carry specific service risks. For example, the removal of the Public Highways Refurbishment Grant continues to put a significant pressure on the resources councils can allocate to Highway Asset Management Plans. With the increase in costs and reduced budget, it's difficult to carry out the amount of work to maintain a steady state of investment required relating to resurfacing, structures, streetlighting and traffic signals.
62. The impact of market volatility will continue to be monitored closely during this financial year. The re-profiling of schemes from prior years may have affected the delivery of works in year, resulting in a high level of carry forward requests to re-phase budgets into the 2024-25 programme.
63. Additional grant funding from WG is always welcomed and appreciated, however volume of late notification of funding makes it more difficult to displace in year spend with grant. More flexibility around when/how the grant needs to be spent would be beneficial. This would enable services with planning schemes to deliver value for money, and support with the pressing needs the Council are facing. Any capital funding available for schemes that will help reduce revenue pressure around homelessness and out of county costs would also be welcomed.
64. 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.



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## Climate change

65. 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.
66. 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.
67. 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.
68. The Climate Strategy Panel (CSP) has set up four task and finish groups, chaired by Chief Executives, to oversee and drive progress in relation to local government's commitments towards net zero. These cover key areas of procurement, transport, land use and buildings. The CSP is also establishing a group to focus on adaptation. The UK Climate Change Committee has recently produced two important reports on progress in Wales, on mitigation and on adaptation that have financial implications for local government.
69. On **mitigation/reducing emissions** it made the following points of relevance to councils (requiring a mix of capital and revenue measures):



- Action on decarbonisation overall must accelerate
- Progress on waste and recycling, whilst historically good in Wales, has stalled and needs to pick up
- Greater effort is needed to transition to use of electric vehicles
- There is a need for long term plans to decarbonise public buildings, social housing and fuel-poor homes
- Tree planting and peatland restoration rates are too low, requiring capacity building and skills development

70. On **adaptation/improving resilience** to climate change it highlighted:

- The changing climate has risks for infrastructure, ecosystems, communities and the economy
- Around half of the 61 risks and opportunities it has identified for Wales require urgent action before Welsh Government's next adaption plan is produced in 2024
- There is insufficient progress with implementation of measures and monitoring is poor, making it difficult to evaluate progress
- There is a lack of clarity in responsibilities for responding to climate risks across the public sector
- Unless climate risks are addressed, other societal goals will not be achieved.

71. The work of the task and finish groups is being informed by the UKCCC work. Much of what needs to be done requires upfront capital and supportive revenue funding. However, in several cases there will be a financial return on investment as well as the carbon savings. There are also more intangible 'downstream' financial savings in terms of preventing future spend having to respond to climate change impacts (e.g. flooding, damage to infrastructure, road closures, storm damage, health problems etc). Maintenance budgets are often a casualty at a time of financial constraint, but it will be vital to protect these to provide the resilience that is required.

## Conclusion

72. In conclusion, our current estimates of pressures remain exceedingly high. Without further funding, local authorities face impossible decisions. Any return to austerity would be disastrous for the preventative services that local government provides and the people who rely on them. It would be catastrophic for the NHS which relies on a well-funded care system and utterly demoralising for our workforce.

73. Over the past couple of months there has been renewed interest in the financial resilience of local authorities, especially with some high-profile examples of failure in England. According CIPFA, the causes of failure can be complex with a single





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event tipping some to issue s114 notices. However, it is clear to us that austerity and the ongoing funding reductions are a consistent underlying casual factor. There is growing awareness and interest among our own membership in the issue and what can be done to prevent financial failure.

74. Last week the Welsh Government announced a series of budget measures to address the in-year problem that has built up. While we remain concerned about how this could spill over into 2024-25, we are grateful that the Minister has protected local services and we continue to welcome the partnership approach that we have forged with Welsh Government, and the close working relationship that has developed in recent years between ministers and leaders. We are committed to continuing with that approach to protect our shared priorities from the worst effects of the economic headwinds to come.

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**ANNEX I**

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

	2023-24 £000s
<b><u>A. Local Authority Related (excluding schools and social services)</u></b>	
Pay inflation pressures	17,078
Non pay inflation pressure	12,901
<b>Inflation (Stand Still) pressures</b>	29,979
<b>Financial pressures</b>	
a. Demand related pressures	28,543
b. Capital financing pressures	- 2,218
c. Reduction in specific grants	2,013
d. Local priorities	1,002
e. Other	3,664
<b>LA Budget Pressures</b>	33,004
<b>Total LA Related</b>	62,983
<b><u>B. Schools</u></b>	
Pay inflation pressures	10,064
Non pay inflation pressure	10,875
Fees/Charges inflation (positive)	
<b>Inflation (Stand Still) pressures</b>	20,939
<b>Financial pressures</b>	
a. Demand related pressures	22,269
b. Capital financing pressures	-
c. Reduction in specific grants	484
d. Local priorities	100
e. Other	3,588
<b>Total Schoos Pressures</b>	26,441
<b>Total Schools</b>	47,380





In-year (2023-24) projected financial pressures (cont.)

	£000s
<b><u>C. Social Services</u></b>	
Pay inflation pressures	5,281
Commissioning Cost Pressures - Adults'	7,887
Commissioning Cost Pressures - Children's	5,314
Non pay inflation pressure	3,866
<b>Inflation (Stand Still) pressures</b>	<u>22,348</u>
<b>Financial pressures</b>	
a. Demand related pressures	
<b><u>Adults Services</u></b>	
Domiciliary Care (incl supported living)	15,209
Residential Placements	20,578
Other	9,896
<b><u>Childrens Services</u></b>	
Domiciliary Care	4,052
Residential Placements	26,427
Foster Care	2,132
Other	8,119
<b>Total Social Services Budget Pressures</b>	<u>86,412</u>
<b>Total SC Pressures</b>	<u>108,761</u>
<b><u>Total projected financial pressures (A+B+C)</u></b>	<u>219,123</u>



**ANNEX II**

**Projected financial pressures, 2024-25 to 2026-27**

	2024-25	2025-26	2026-27
<b><u>A. Local Authority Related (excluding schools and social services)</u></b>			
Pay inflation pressures	109,550	82,457	83,391
Non pay inflation pressure	68,231	53,844	55,921
Fees/Charges inflation (positive)			
<b>LA Inflation (Stand Still) pressures</b>	<b>177,780</b>	<b>136,301</b>	<b>139,313</b>
<b>Budget pressures</b>			
a. Demand related pressures	49,074	28,308	30,858
b. Capital financing pressures	29,199	18,402	13,314
c. Reduction in specific grants	2,418	4,536	2,870
d. Local priorities	1,857	899	1,538
e. Other	34,896	6,530	7,670
<b>LA budget pressures</b>	<b>117,443</b>	<b>58,675</b>	<b>56,250</b>
<b>Total LA-related</b>	<b>295,223</b>	<b>194,976</b>	<b>195,563</b>
<b><u>B. Schools</u></b>			
Pay inflation pressures	115,656	101,097	100,866
Non pay inflation pressure	29,400	17,862	18,268
<b>Inflation (Stand Still) pressures</b>	<b>145,055</b>	<b>118,959</b>	<b>119,134</b>
<b>Budget pressures</b>			
a. Demand related pressures	8,479	10,917	9,232
b. Capital financing pressures	633	2,243	1,351
c. Reduction in specific grants	1,528	282	20
d. Local priorities	1,357	546	387
e. Other	6,853	942	673
<b>Total Schools Budget Pressures</b>	<b>18,849</b>	<b>14,930</b>	<b>11,663</b>
<b>Total Schools</b>	<b>163,905</b>	<b>133,890</b>	<b>130,797</b>



**Projected financial pressures, 2024-25 to 2026-27 (cont.)**

	2024-25	2025-26	2026-27
<b><u>C. Social Services</u></b>			
Pay inflation pressures	41,944	34,156	34,546
Commissioning Cost Pressures - Adults'	83,894	69,689	77,665
Commissioning Cost Pressures - Children's	20,308	16,854	18,244
Non pay inflation pressure	27,377	19,991	20,265
Fees/Charges inflation (positive)			
<b>Inflation (Stand Still) pressures</b>	<b>173,523</b>	<b>140,690</b>	<b>150,720</b>
<b>Budget pressures</b>			
a. Demand related pressures			
<b><u>Adults Services</u></b>			
Domiciliary Care (incl supported living)	21,008	13,568	13,335
Residential Placements	15,869	10,049	12,121
Other	10,358	2,504	2,755
<b><u>Childrens Services</u></b>			
Domiciliary Care	976	-	-
Residential Placements	26,171	10,189	9,666
Foster Care	862	699	942
Other	6,202	1,465	1,629
b. Capital financing pressures	-	-	-
c. Reduction in specific grants	3,047	6,383	4,753
d. Local priorities	500	127	218
e. Other	2,621	1,405	1,649
<b>Total SC Budget Pressures</b>	<b>87,613</b>	<b>46,389</b>	<b>47,068</b>
<b>Total Social Services</b>	<b>261,136</b>	<b>187,079</b>	<b>197,788</b>
<b>Total Pressures</b>	<b>720,264</b>	<b>515,945</b>	<b>524,147</b>

Paper 2  
**Agenda Item 5**

## **Local Government and Housing Committee**

**Date: 18 January 2024**

**Time: 10:30 – 12:00**

**Title: Welsh Government Draft Budget Scrutiny 2024-25**

### **Introduction**

1. The Draft Budget includes spending plans for 2024-25 which make changes to the indicative budgets published as part of the 2023-24 Final 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 19 December 2023.
2. Annex A provides a breakdown of the relevant Draft Budget figures for the Finance and Local Government Main Expenditure Group (MEG) by Action and Budget Expenditure Line (BEL). These figures are reflected in the table below.

**Table 1: Overview of changes to the BEL tables**

	<b>2024-25 Indicative Budget £'000</b>	<b>2024-25 Draft Budget £'000</b>	<b>Change £'000</b>	<b>% Change</b>
Revenue	4,772,398	4,797,913	25,515	0.5%
Non Cash	0	0	0	
<b>Total Resource</b>	<b>4,772,398</b>	<b>4,797,913</b>	<b>25,515</b>	<b>0.5%</b>
Capital	222,000	222,000	0	0
Financial Transactions	0	0	0	0
<b>Total Capital</b>	<b>222,000</b>	<b>222,000</b>	<b>0</b>	<b>0</b>

### Changes between 2024-25 Indicative and Draft Budgets

- 3. In preparing this Draft Budget we have had to make some incredibly difficult decisions to re-focus our spending plans on essential public services including the NHS. We have reshaped the indicative spending allocations within our budget to provide extra funding and protection for the services which matter most to people and communities across Wales – the NHS and the core local government settlement, which funds schools, social services and social care and other everyday services. Spending more in some areas means there is less to spend in other areas.
  
- 4. Local authorities deliver a wide range of public services, often to the most vulnerable in our society or those who are economically disadvantaged. These include significant services for children, through education and social services and a wide range of services for adults who may be facing challenges in their everyday lives, through social services, housing support and other community services. Sixty-six per cent of local authority resources are directed to education and social services. We have therefore protected the local government settlement i.e. the combination of Revenue Support Grant and non-domestic rates otherwise known as “aggregate external funding (AEF) by maintaining the planned 3.1% increase between 2023-24 and 2024-25. This is set out in the table below:

	<b>2023-24 (£000s)</b>	<b>2024-25 (£000s)</b>
RSG Budget	4,504,170	4,555,704
plus share of NDR	1,020,978	1,137,861
Less specified bodies and funding for child burials	-5,258	-5,174
<b>AEF in budget</b>	<b>5,519,890</b>	<b>5,688,391</b>
%change		<b>3.1%</b>

- 5. In order to contribute towards wider Welsh Government pressures, the Finance and Local Government MEG has made savings of **£19.857m** from indicative RDEL budgets in 2024-25. Further savings have also been made to meet additional pressures within the MEG associated with Senedd Reform; implementation of the Social Partnership Bill; and the proposed Visitor Levy to take forward changes to Land Transaction Tax. Allocations from reserves have also been made in respect of:

- Non-Domestic Rates – Rates Relief – £60.295m
  - Non-Domestic Rates Multiplier – £18m
  - Cost of borrowing – £2.235m
  - Floor funding for the Revenue Support Grant – £1.3m
6. The Revenue Support Grant has been reduced by £37m (see paragraph 7 below) mirroring the increase to the non-domestic rates forecast with no impact on the overall unhypothecated funding (AEF) available to local authorities. These changes result in an **overall uplift of £25.208m** to the MEG in 2024-25 compared to the indicative budget. The changes made against the 2024-25 indicative budgets are set out in the following table with additional narrative information provided below.

## Overview of budgetary changes

BEL	BEL description	Indicative 2024-25 Position	2024-25 changes	Revised 2024-25 Position
840	Local Govt Gen Rev Funding	4,574,436	-17,432	4,557,004
875	Non-Domestic Rates - Rates Relief	27,700	51,030	78,730
860	Police General Revenue Funding	112,349	-18	112,331
885	Local Govt PFI Revenue Consequences	2,596	-	2,596
887	Transformation & Legislation	7,584	-910	6,674
940	Non-Domestic Rates Collection Costs	5,172	-	5,172
1600	Emergency Financial Assistance (Ukraine)	20,000	-15,500	4,500
1600	Emergency Financial Assistance	1	-	1
1500	Valuation Office Agency Services	8,561	8,439	17,000
1540	Valuation Tribunal for Wales	1,074	826	1,900
1550	Local Taxation Research & Reform	4,800	-	4,800
1440	Local Democracy and Boundary Commission	750	480	1,230
1462	Local Government Democracy	126	-	126
1463	Election Policy	4,500	-1000	3,500
1571	Improvement & Support	941	-300	641
7093	Academi Wales	1,134	-100	1,034
1574	Community and Town Councils	144	-	144
1575	Public Services Boards	530	-	530
<b>Total Local Government</b>		<b>4,772,398</b>	<b>25,515</b>	<b>4,797,913</b>
1576	Ystadau Cymru	800	-300	500
6775	Care Inspectorate Wales	15,058	-	15,058
6775	Care Inspectorate Wales (Non-cash)	31	-5	26
6785	Health Inspectorate Wales	4,945	-	4,945
6785	Health Inspectorate Wales (Non-cash)	99	-10	89
6280	Estyn Programme Expenditure	15,893	-	15,893
6280	Estyn Programme Expenditure (Non-cash)	200	-	200
4028	Cost of Borrowing	12,139	2,235	14,374
6990	Commercial Procurement Programme Funding	2,368	283	2,651
7096	e-Procurement	3,650	-150	3,500
7090	Welsh Revenue Authority	7927	304	8,231
7090	Welsh Revenue Authority (Non-cash)	228	-	228
7092	Devolved Taxes	749	-100	649
6667	Economic Research	226	-20	206
6665/6666	Invest to Save	6,603	-2,544	4,059
<b>Total budget outside Local Government</b>		<b>70,916</b>	<b>-307</b>	<b>70,609</b>
<b>MEG Total</b>		<b>4,843,314</b>	<b>25,208</b>	<b>4,868,522</b>

## Local Government General Revenue Funding

7. There is a reduction on the face of the budget to this BEL of **£17.432m**, this is the result of a reduction of £37m to the baseline for RSG coupled with an allocation of £18m to support the freeze of the Non-Domestic Rates Multiplier (which also forms part of the Local Government Settlement).
8. Whilst there has been a **reduction of £37m** to the baseline for RSG, this is offset by the increase in the contribution from non-domestic rates which forms part of overall the settlement, maintaining the 3.1% increase in the settlement that was indicatively given as part of the 2023-24 Final Budget. An additional £1.3m has also been allocated to the BEL to provide funding for a floor to ensure no local authority receives less than a 2% increase in settlement.
9. The **allocation of £18m** will be made to cover the cost of capping the increase in the non-domestic rates (NDR) multiplier. The NDR multiplier will increase by 5%, rather than by CPI (6.7%). The NDR multiplier applies to all properties that pay rates in Wales.
10. The NDR multiplier in Wales will increase from 0.535 to 0.562 in 2024-25.

## Non-Domestic Rates Relief

11. The Non-Domestic Rates - Rates Relief BEL has **increased by £51.030m**. This is the result of an allocation of £60.295m of consequential funding as well as the transfer out of £9.265m to the Valuation Office Agency (VOA) Services and Valuation Tribunal for Wales (VTW) BELs to establish a sufficient funding baseline for both bodies in future years. The transfer will support the VOA and VTW in implementing the Local Government Finance (Wales) Bill, particularly the provisions relating to regular or more frequent revaluations for council tax and non-domestic rates.
12. The allocation of consequential funding to the BEL will be added to the existing budget of £18.435m for rates relief (baseline after transfers out to VOA and VTW), this will provide 40% rates relief for retail, leisure and hospitality businesses in 2024-25. This is a reduction from the 75% Retail Leisure and Hospitality Rates Relief (RLHRR) scheme that was provided in 2023-24.
13. The RLHRR scheme will support over 26,000 ratepayers with their bills in 2024-25, continuing to some extent the support that has been provided in the years since the onset of the pandemic.



## Police General Revenue

14. The reduction to the Police General Revenue BEL is due to an increased NDR contribution in respect of the Police Settlement.

## Transformation and Legislation

15. The Transformation and Legislation BEL will be reduced by 12% per cent in 2024-25. Due to the level of savings required across the MEG this budget will release **£910k** to reprioritise against other priorities across Welsh Government. The amount released relates to uncommitted funding allocated to Academi Wales for the All Wales Graduate Programme (£310k), finance reform (£500k) and to support local democracy (£100k).
16. The reduction in funding for finance reform will reduce the funding that is available to support delivery of the reform of council tax and non-domestic rates. This may impact on the implementation of certain aspects of the Local Government Finance (Wales) Bill, if passed, but the effect of the reductions will be managed to minimise their impact.
17. Similarly, releasing funding allocated to support local democracy could mean work on aspects of implementation of the Local Government and Elections (Wales) Act 2021 will be delayed although again, the impact of the budget changes will be carefully managed.
18. A reduction in funding for Academi Wales will mean the All Wales Graduate Programme will be put on hold subject to further discussions around financial support in future budget rounds.

## Emergency Financial Assistance

19. A significant proportion of savings were identified within the Ukraine Humanitarian Response Programme which has been **reduced by £15.5m** compared to the indicative budget for 24-25. This has been possible due to the significant reduction in new arrivals as well as the success of the move on programme which has enabled us to plan to close all our initial accommodation by September 2024. The budget reduction is not reflective of a change in policy and is not expected to have any significant impacts on individuals as the remaining amount should be sufficient to deliver all the key elements of the programme and continue to support Ukrainian people to move to longer term accommodation as part of their local communities.
20. However, we recognise there continues to be risks including that the move-on rate slows or that the number of arrivals increases significantly. While we have mitigations in place to manage a slowdown in move-on rates, a significant increase in arrivals would be less manageable. We believe this scenario to be highly unlikely.

21. The revised £4.5m budget will be used to support the remaining initial accommodation until September 2024 as well as continuing to support a dedicated Contact Centre up to the end of September 2024. We will also continue to work on a pilot scheme to develop suitable hosting placements into formal lodging arrangements which will provide stability for these households if the thank you payments end – this is only likely to be suitable for a small number of households. In addition to this we will extend move on activities to the planned end of the initial accommodation estate to maximize on the number of households supported into longer term accommodation, which has supported the driving down of initial accommodation costs.
22. At this stage, our Ukraine budget does not include provision of any grant funding to local authorities to undertake move-on and integration activities. However, the UK Government has announced a £120m Homelessness Prevention Fund which is provided in lieu of year 2 and 3 tariffs in 2024-25. Wales will receive a proportionate share of this funding which will be allocated to local authorities to assist move-on, integration and to prevent homelessness. We have no confirmation on the funding methodology or amount to be allocated yet and are pressing UK Government for clarification as soon as possible. Any delay or deviation from this funding arrangement will impact our initial accommodation budget and stagnate our move-on rates as local authorities will not be able to support people into private rented sector accommodation.

### **Valuation Office Agency Services and Valuation Tribunal for Wales**

23. The transfers into these BELs are due to a reallocation of funding from the Non-Domestic Rates Relief budget (reduction of £9.265m) to establish a sufficient funding baseline for the Valuation Office Agency (additional £8.439m) and the Valuation Tribunal for Wales (additional £846k) in future years. Revised baselines will enable the delivery of local tax reforms, including the required additional demand for valuation functions as a result of provisions in the Local Government Finance (Wales) Bill, e.g. more frequent revaluations.

### **Local Democracy and Boundary Commission**

24. An **allocation of £480k** has been made as part of the 2024-25 Draft Budget to meet the additional costs associated with Senedd Reform.

## **Election Policy**

25. This budget has been reduced by **£1m** compared to the indicative budget for 2024-25; the impacts of this reduction are considered manageable.

## **Improvement and Support**

26. The **saving of £300k** against the indicative budget relates to funding that has not been committed; this saving is considered manageable without risking any adverse impacts.

## **Academi Wales**

27. The saving of £100k against the indicative budget relates to funding for Elected members programme which is due to end in 2023-24.

## **Programme for Government**

28. The Local Government Directorate supports the delivery of a number of Programme for Government commitments. No new allocations have been made to support the PfG commitments through the 2024-25 draft budget. Details of the PfG commitments and the BELs from which they are supported are set out in Annex A and B.

## **Preventative spend within this portfolio**

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

30. 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 support work to prevent persistent problems such as poverty, health inequalities and climate change.

31. The majority of capital funding (£180m) to local authorities is unhypothecated and local authorities are free to determine best use of the funding to potentially match fund other specific capital grant schemes or to undertake other capital works. There is a separate budget of £20m for local authorities that they can use to support projects to decarbonise their estates, supporting projects from school buildings, offices to care homes. This funding works alongside other funding streams such as the Sustainable Communities for Learning programme.

## Strategic Integrated Impact Assessment

32. The SIIA continues to identify key trends, strategic and cumulative impacts at portfolio level, across a range of areas, including giving due consideration across the statutory requirements.
33. The SIIA should not be read in isolation. It should be read in conjunction with the wider draft Budget narrative and supporting documents, such as the Chief Economist's report and our updated distributional impact analysis. Following the publication of the draft Budget, we will also publish the summary of all Ministerial evidence to Senedd scrutiny committees.
34. The stark reality of the extraordinary financial circumstances we are facing has necessitated a more fundamental approach. We have re-shaped the indicative spending allocations within our budget to provide extra funding and protection for the services which matter most to people and communities across Wales – the NHS and the core local government settlement, which funds schools, social services and social care and other everyday services. We have done so in line with our priorities to:
- Protect core, frontline public services as far as possible.
  - Deliver the greatest benefit to households which are hardest hit.
  - Prioritise jobs, wherever possible.
  - Work in partnership with other public sector bodies to face this financial storm together.
  - Re-focus funding away from non-devolved areas, which the UK Government should be funding.
35. We have taken this approach to ensure we continue to focus funding where it can have the most positive impacts in the circumstances and taking action to ensure we mitigate direct impacts to people and places, as far as possible. Spending more in some areas means there is less to spend in other areas. Where hard decisions have been required, we have sought to identify those areas where the relative impacts are lesser than their alternatives and we have sought to take action to mitigate impacts as far as possible. Given the circumstances, it has not been possible to avoid negative impacts in all cases.
36. Within my own portfolio I have protected the previously planned uplift to the local government settlement. By taking this action I aim to provide authorities with funding that will enable them to protect as far as possible core funding for schools and social services, but also recognising the value of the range of other services councils provide such as refuse collections and local leisure services.
37. We have made no secret of the difficult budget decisions we have had to make in the current 2023-24 year and as part of our 2024-25 budget decisions. We still have a focus towards those areas of greatest need and therefore have maintained the indicative increase to the local government settlement, as local authorities are responsible for many frontline services on which people depend. However, we are well aware that the ongoing impact of persistently high inflation,

pay pressures, high energy prices and rising demand for services place significant pressures on local authorities. In taking their own decisions about budgets, prioritisation and transformation of services, authorities will be assessing the impact on different groups of service users through their own local impact assessments. The scale of the financial challenges mean that councils will also have to take some very difficult decisions and there will be negative impacts for some service areas due to these ongoing financial pressures.

38. I have also provided additional support through Non-Domestic Rates Relief and have made allocations to the Local Democracy and Boundary Commission to support Senedd Reform as well as allocations to the Valuation Office Agency and the Valuation Tribunal for Wales (VTW) to support delivery of reforms to the local taxes.
39. In its Autumn Statement, published on 22 November 2023, the UK Government announced an increase to the Welsh Government's RDEL of just £167m in 2024-25; this is despite the NHS and local authorities reporting acute challenges. As a result of the constraints on our finances we have been unable to allocate any additional support to local authorities through the Revenue Support Grant in 2024-25. While there has been a reduction of £37m to the baseline for RSG, this is offset by the increase in forecast revenue from non-domestic rates which forms part of overall the settlement. This means that the settlement increase from 2023-24 remains 3.1%.
40. The Welsh Local Government Association has estimated financial pressures of £411m, taking account of this planned increase and an assumed council tax increase of 5%. Local authorities make decisions locally on how the local government settlement is spent. They are subject to their own requirement to complete impact assessments, including equality and children's rights assessments, as well as considering the Wellbeing of Future Generations Act when making decisions. Local authorities deliver a wide range of public services, and these are often to the most vulnerable in our society or those who are economically disadvantaged. Key services include social care, education, and homelessness. In particular, local authorities provide significant services for children through education and social services. They also provide a wide range of services for people with a protected characteristic.
41. The biggest element of a local authorities' costs is staff therefore given the spending and demand pressures and constrained financial envelope there is likely to be pressures on staff number. Currently there are approximately 128,000 people employed by local authorities. On average, every £20m of savings if translated directly into the wage bill would equate to some 400 jobs. This number would be greater if the savings were concentrated on those in lower paid jobs, for example care workers or teaching assistants. Alternatively, if core services were protected, job losses may be disproportionately concentrated in non-statutory services. Impacts will vary between local authorities depending on the local choices made by councillors in their budget processes, the ability of the organisation to make savings, transform services and use reserves; and of course the willingness and ability to increase the level of council tax.

42. Whilst local authorities hold reserves, many of these will be committed to specific purposes. Local authorities may consider using some of their general reserves or repurposing earmarked reserves for short-term non-recurrent spending to support service transformation or radical service redesign to reduce cost or improve efficiency. This can include working together or with other partners.
43. We have taken the decision to cap the increase to the non-domestic rates multiplier for 2024-25 to 5%, at a recurring annual cost of £18m. This is lower than the 6.7% increase that would apply to bills if the multiplier were increased in line with default position of using CPI. All ratepayers who do not already receive full relief benefit from this cap to the multiplier. This is the maximum level of support affordable using all of the consequential funding which came to Wales as a result of decisions announced in the UK Government's Autumn Statement.
44. Almost half of ratepayers, including thousands of small businesses across Wales, will not be affected by an increase in the multiplier, as our generous system of full reliefs mean they do not pay rates at all.
45. We will also be investing an additional £78m to provide a fifth successive year of support for retail, leisure and hospitality businesses with their non-domestic rates bills. This builds on the almost £1bn of support provided through our retail, leisure and hospitality rates relief schemes since 2020-21. Eligible ratepayers will receive 40% non-domestic rates relief for the duration of 2024-25. As in previous years, the relief will be capped at £110,000 per business across Wales.
46. Together with our continued provision of transitional relief for ratepayers following the 2023 non-domestic rates revaluation and new reliefs for ratepayers investing in property improvements and renewable energy, our rates measures will provide £134m of support for 2024-25. This is in addition to our fully-funded permanent relief schemes, which are worth £250m to businesses and other ratepayers every year. Every ratepayer will benefit from this package.

## **Climate Change and Net Zero Wales**

47. The local government capital budget is unchanged compared to the indicative budget for 2024-25. £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. Procurement choices are a significant driver of carbon emissions and Local Authorities will need to consider how to use their core spending as well as specific funding to continue to work towards net Zero.

## **Gypsy, Roma and Travellers and Ukrainian arrivals**

48. 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.
49. Our draft budget in 2024-25 contains a revenue budget of £4.5m within the Emergency Financial Assistance BEL to continue to support our emergency response to the humanitarian crisis in Ukraine. This funding will continue to provide initial accommodation and wrap around support for those that have already arrived in Wales as well as to those who may continue to arrive during 2024-25.
50. Within the Social Justice MEG the Gypsy Traveller Sites capital budget is £3.449m for 2024-25 which is unchanged from the indicative budget published in March 2023. The budget covers the development of new sites, site extensions and refurbishment projects at local authority owned sites across Wales.

EXTRACT FROM FINANCE AND LOCAL GOVERNMENT MAIN EXPENDITURE GROUP (MEG)					
RESOURCE					
Budget Expenditure Line	2024-25 Indicative Budget	2024-25 Draft Budget	Change	% Change	Programme for Government commitments
	£000s	£000s	£000s	£000s	
Local Govt General Revenue Funding	4,574,436	4,557,004	(17,432)	-0.4%	
Non-Domestic Rates Rates Relief	27,700	78,730	51,030	1.8%	
Police General Revenue Funding	112,349	112,331	(18)	0.0%	
Local Govt PFI Revenue Consequences	2,596	2,596	-	0.0%	
Transformation & Legislation	7,584	6,674	(910)	-12.0%	Strengthen the autonomy and effectiveness of local government to make them more successful in delivering services. Expand our Access to Elected Office programme.
Non-Domestic Rates Collection Costs	5,172	5,172	-	0.0%	
Emergency Financial Assistance	20,001	4,501	(15,500)	-0.8%	
<b>Action: Funding Support for Local Government</b>	<b>4,749,838</b>	<b>4,767,008</b>	<b>17,170</b>	<b>0.4%</b>	
Valuation Office Agency Services	8,561	17,000	8,439	98.6%	Seek to reform council tax to ensure a fairer and more progressive system.
Valuation Tribunal for Wales	1,074	1,900	826	76.9%	
Local Taxation Research & Analysis	4,800	4,800	-	0.0%	
<b>Action: Valuation Services</b>	<b>14,435</b>	<b>23,700</b>	<b>9,265</b>		
<b>SPA: Local Government Funding</b>	<b>4,764,273</b>	<b>4,790,708</b>	<b>26,435</b>		
Sponsorship of the Local Democracy and Boundary Expenditure to Promote Local Democracy	750	1,230	480	64.0%	
Election Policy	126	126	-	0.0%	
Election Policy	4,500	3,500	(1,000)	-22.2%	Reform local government elections to reduce the democratic deficit.
<b>Action: Building Local Democracy</b>	<b>5,376</b>	<b>4,856</b>	<b>(520)</b>	<b>-9.7%</b>	
Improvement & Support	941	641	(300)	-31.9%	Strengthen the autonomy and effectiveness of local government to make them more successful in delivering services.
<b>Action: Local Government Improvement</b>	<b>941</b>	<b>641</b>	<b>(300)</b>	<b>-31.9%</b>	
Academi Wales	1,134	1,034	(100)	-8.8%	
<b>Action: Academi Wales</b>	<b>1,134</b>	<b>1,034</b>	<b>(100)</b>	<b>-8.8%</b>	
Community and Town Councils	144	144	-	0.0%	Strengthen the autonomy and effectiveness of local government to make them more successful in delivering services.
Public Services Boards	530	530	-	0.0%	
<b>Action: Supporting Collaboration and Reform</b>	<b>674</b>	<b>674</b>	<b>-</b>	<b>0.0%</b>	
<b>SPA: Improving Services, Collaboration &amp; Democracy</b>	<b>8,125</b>	<b>7,205</b>	<b>(920)</b>	<b>-11.3%</b>	
<b>EXTRACT FROM FINANCE AND LOCAL GOVERNMENT MAIN EXPENDITURE GROUP (MEG)</b>	<b>4,772,398</b>	<b>4,797,913</b>	<b>25,515</b>	<b>0.5%</b>	



## **Programme for Government**

### **Seek to reform council tax to ensure a fairer and more progressive system –**

Following a Phase 1 consultation on a fairer council tax in the summer of 2022, I published the summary of responses on 16 December, along with an outline of the next steps. I provided further detail in a statement on 2 May. On 14 November, I launched a Phase 2 consultation seeking views on the scale and pace of reform. Provision for this work is made through the Local Taxation Research and Reform BEL.

Alongside my plans for reforming the council tax system, I set out my plans for reforming the non-domestic rates system on 2 May. I introduced the Local Government Finance (Wales) Bill on 20 November: this includes provisions which will enable improvements to both local taxes and ensure they are better tailored to the needs of Wales. Provision for this work is made through the Local Taxation Research and Reform BEL and through the Valuation Office Agency and Valuation Tribunal for Wales BELs.

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

This Programme for Government commitment is being 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. 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 Reform BEL.

**Reduce the Administrative burden on local authorities –** Following engagement with local government, hypothecated grants were identified as the most pressing administrative burden to be addressed. Work is underway across all Ministerial portfolio areas to identify grants which can be rolled into RSG, grants which can be amalgamated and opportunities for reducing the reporting burden on these and any other remaining grants. There are no funding implications arising from this work.

### **Explore and 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 on changes to the local taxes to help local authorities in managing the impact of second homes and self-catered accommodation in their areas. The resulting changes came into effect on 1 April 2023. The Valuation Office Agency and Local Taxation Research and Reform BELs include provision for implementing the changes and monitoring the impact on 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 2023 we introduced the Elections and Elected Bodies (Wales) Bill, which takes forwards the proposals in our 2022 White Paper on electoral reform and administration that were supported in our consultation and require primary legislation. These include improved accessibility to the electoral system by electoral registration without registration, establishing an Elections Information Platform and establishing an Electoral Management Board. We have also developed the next stage of our direct engagement support as a new multi-year grant proposal to support work of local authorities and the third sector to build Wales's democratic health. 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** – Provisions to deliver an access to elected office fund and other forms of support to candidates with protected characteristics are included in the Elections and Elected Bodies Bill. Should this Bill receive Royal Assent, any costs arising from commencing implementation 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** – This commitment is now delivered and complete. Corporate Joint Committees are now established. This is now reflected in the core funding received through the unhypothecated 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 commitment is complete and delivered. A new performance and governance regime was put in place by the Local Government and Elections (Wales) Act 2021. Ongoing 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.



**Keep regional partnership working under review with local partners** – Following extensive discussions with partners and partnerships a report containing several recommendations has been agreed and published by the Partnership Council for Wales. This report is being prepared for publication at which point the commitment will be delivered and complete.

**Explore how the establishment of a National School for Government might contribute to the principle of a One Wales Public Service** – Significant engagement with a range of stakeholders has taken place to ensure a full exploration of options for a National School for Government. A reference group has been established to test emerging insight and recommendations as they develop. This commitment will be delivered and complete upon the submission of a business case in early 2024, with no funding implications arising, the work having been funded through the Academi Wales BEL.

**Reinvigorate our twinning relationships across the EU through a Young People's Twinning Fund** – A survey to establish current levels of twinning across Wales was conducted across local government. Given the current financial context, and the existence of similar programmes (eg Taith), further activity on this commitment has been paused until 2025, when options will be considered. Work to date has been funded through the Academi Wales BEL, but if a fund is to be introduced in 2025-26, additional funding may need to be identified at that stage.

# Agenda Item 6

By virtue of paragraph(s) ix of Standing Order 17.42

Document is Restricted

# Local Government and Housing Committee

**Date:** 18 January 2024

**Title:** Welsh Government draft budget scrutiny 2024-25

## Introduction

1. The Draft Budget includes spending plans for 2024-25. This paper provides evidence to the Committee on the future programme budget proposals in relation to Housing, Regeneration and Land budgets as outlined in the Draft Budget which was laid on xx December 2023.
2. Annex A provides a breakdown of the relevant Draft Budget figures for Climate Change - Housing & Regeneration by Spending Programme Area, Action and Budget Expenditure Line (BEL). These figures are reflected in the table below.

## Financial Tables

CCRA – Housing & Regeneration

SUMMARY £000s	2023-24 Final Budget Feb 2023 Restated	2024-25 Indicative Final Budget Feb 2023 Restated	Budget Reductions / Allocations	2024-25 Changes	2024-25 Draft Budget December 2023
Resource	249,648	256,148	-27,000	-6,800	222,348
Capital	921,630	940,309	0	-37,330	902,979
<b>Total Resource &amp; Capital</b>	<b>1,171,278</b>	<b>1,196,457</b>	<b>-27,000</b>	<b>-44,130</b>	<b>1,125,327</b>
<b>Total AME</b>	<b>-3,035</b>	<b>-2,527</b>	<b>0</b>	<b>0</b>	<b>-2,527</b>
<b>TOTAL BUDGET</b>	<b>1,168,243</b>	<b>1,193,930</b>	<b>-27,000</b>	<b>-44,130</b>	<b>1,122,800</b>

*\*No additional financial transactions capital have been allocated as part of the Draft Budget. Allocations will be considered and made as part of the Final Budget .*

## Allocations made to support Programme for Government Commitments

3. The Housing & Regeneration Directorate supports the delivery of a number of Programme for Government commitments. In accordance with Welsh Government budget management principles, allocations to support the delivery of these commitments have been targeted towards interventions that are affordable and offer value for money whilst also seeking to protect front line services that protect the most vulnerable in our society. Details of the allocations and the PfG commitments they support are provided throughout this paper.
4. A Strategic Integrated Impact Assessment was published alongside our Draft Budget on 19 December; this sets out how our interventions have been targeted to address economic, climate and other impacts. Allocations have been made throughout this portfolio to address impacts that have been identified and with the principles of the Wellbeing of Future Generations Act in mind; these details are provided throughout this paper.

Budget Expenditure Line	Fund Type	2024-25 Allocation £000s <i>Draft Budget Dec 2023</i>
Homelessness Support & Prevention	Resource	214,910

5. A decent, safe and affordable home is the foundational pillar for people's health and well-being, and to support people to prosper and thrive. Our focus therefore remains on ensuring everyone has access to such a home, and on our long-term goal of ending homelessness, by making it rare, brief and unrepeatable. In order to achieve this goal, fundamental reform of homelessness services to focus on prevention and rapid rehousing is required and is a key priority in the Programme for Government and part of the co-operation agreement with Plaid Cymru. Reform of the Housing system offers the opportunity to contribute significantly to a fairer and more equal Wales.
6. In support of this goal a White Paper on ending homelessness was published on 10 October 2023, which sets out the legislative and policy reform required to transform services to focus on prevention and rapid rehousing. Continued significant investment in homelessness prevention delivers on key policy objectives, in particular tackling poverty and disadvantage, improves outcomes for individuals and families, and reduces pressures on other public services. The continued and increased focus on preventative measures through the Housing Support Grant (HSG) and wider homelessness prevention funding is therefore vital.
7. The HSG is the main homelessness prevention grant and assists people with a range of support needs to live independently and sustain tenancies, thus reducing pressures on other public services (particularly health and social care). Despite the extremely challenging overall budget position we have protected the HSG and maintained our investment in the services it supports. Our support will ensure we

have a system which places the right people in the right homes in the right communities with the right support, in order for people to succeed and thrive.

8. Given the diverse range of people potentially affected by homelessness, significant consideration has been given to protected groups. We have looked at the data and can see that specific services are required across Wales to serve specific client groups that have unique needs. The HSG helps to maintain the specialised services that can support different groups, e.g. women affected by homelessness, as well as domestic abuse and sexual violence. By having that support in place, women will be more likely to present to services, including refuge provision, rather than remaining 'hidden' and in danger. Similarly, services that are sensitive to age or sexuality will be vital for young LGBTQ+ clients who require specialised support in order to feel safe enough to present and move on to more permanent accommodation.
9. Ensuring that we meet the needs of diverse ethnic minority people is also important given disproportionate impact of homelessness on some ethnic minority people. Other vital services we continue to support through the HSG include supported accommodation provision (including for young people and older people) and floating support for people to live independently with a range of needs including learning disabilities, mental ill-health, substance use issues, and groups who often need additional support including care leavers, refugees and older people.
10. Investment in housing support and homelessness prevention delivers on a key policy objective, reduces pressures on other public services, and improves outcomes for individuals and families. Evidence from Crisis UK shows that people who experience homelessness for three months or longer cost public services (health and criminal justice) an average of £18,388 over the twelve month period. The continued focus on preventative measures through the Homelessness Prevention Grant and Housing Support Grant to keep people in their homes are therefore vital long-term cost saving measures.
11. Research by Cymorth Cymru and Cardiff Metropolitan University into the social and financial impact of the Housing Support Grant estimated that the grant generates a gross annual saving to public services of £300.4m, or a net annual saving of £176.7m (when taking in to account the annual HSG spend as at July 2019). This represents an estimated net saving to public services in Wales of £1.40 for every £1 of funding for HSG. Every £1 of HSG funding generates an estimated net saving of £5.20 for mental health services.
12. Achieving transformational change is ultimately therefore about the need to shift resources to alleviate pressure and demand from elsewhere in the system.
13. Additional revenue funding of £2m across the homelessness and housing support budget, building on the additional investment in 2023-24, will boost investment in homelessness prevention and relief interventions across Wales and support our continued transformation of homelessness services ahead of the wider legislative reform. We know the cost-of living crisis has meant presentations to homelessness



services remain high and we currently have 11,228 people in temporary accommodation across Wales, including 3,409 dependent children (at September 2023).

14. The continued and slightly increased investment in the Homelessness Prevention and Support Budget will therefore support local authorities with increasing homelessness prevention measures to try and reduce the flow of people needing temporary accommodation. The increase of £2m is reduced from £5m in the indicative budget reflecting the incredibly challenging budget setting round this year. Officials will work with the sector, to ensure that the funding is utilised in ways that have the greatest preventative impact.
15. We have bought together funding previously split across two BELS (Housing Support Grant and Homelessness Prevention) to provide a single fund with a common theme of preventing homelessness and supporting the statutory duties of Local Authorities in this regard. Bringing the BEL lines together supports our policy intention to support progression toward prevention and Rapid Rehousing. As well as the HSG the BEL supports funding for temporary accommodation as we transition to rapid rehousing; support for Local Authorities to fund posts to coordinate homelessness activities and a range of flexible approaches to prevent homelessness.

Of the funding allocated to the Homelessness Support and Prevention BEL in 2023-24, **£2.63m** will support the PfG commitment to ***“Implement the renting homes Act to give renters greater security and develop a national scheme restricting rent to local housing allowance levels for families and young people who are homeless or who or are at risk of homelessness”***. Our national leasing scheme is operational across Wales, which seeks to improve access to longer term affordable housing in the private rental sector. Local authorities are able to use the scheme to discharge their homelessness and prevention of homelessness duties. Property owners are encouraged to lease their properties in return for a rent guarantee and additional funding to improve the condition of the property; and tenants will benefit from longer term security of tenure (between 5-20 years) at rents restricted to Local Housing Allowance rates. Revenue funding supports local authorities to staff and administer the scheme and forms the basis of the property owner incentive and tenant support.

Budget Expenditure Line	Fund Type	2024-25 Allocation £000s <i>Draft Budget Dec 2023</i>
Housing Policy	Resource	1,368

16. £1.368m has been allocated to the Housing Policy BEL as a package of funding to undertake a range of activity to meet our Programme for Government commitments.
17. We have supported ***“Rent Smart Wales landlords to respond quickly to complaints of racism and hate crime and offer appropriate support”*** via training for all landlords and managing agents who rent out properties in Wales..

Over 1,000 landlords/agents have completed this training module. We will be developing an anti-racism action plan for use in the Private Rented Sector which we aim to publish before the end of 2024..

18. Revenue funding of **£0.6m** will continue to support the various strands of activity within the **Second Homes and Affordability Pilot** which is complementary to the PfG Commitment to “**Create a Welsh Language Communities Housing Plan**” and a number of Cooperation Agreement commitments. This funding includes a Welsh Government senior pilot manager, two dedicated staff resource on the ground in the pilot area, evaluation and exchange of good practice. An additional £8.5m has been made available over three years in order to support the bespoke guidance for the HomeBuy within the pilot area. We are also committed to supporting Cyngor Gwynedd with the evidence base and operational costs of implementing an Article 4 planning direction in the pilot area (should Cyngor Gwynedd determine it wishes to apply a direction in the area). That funding, £400k runs from FYs 23/24 – 25/26 and is intended to support the evaluation and shared learning across Local Planning Authorities in Wales.
  
19. The Programme for Government has also committed to “**Legislate to enact the recommendations of the Law Commission in relation to leasehold reform**”. The leasehold housing sector is an important part of the national housing market. It houses an estimated 4.5 million households in England and Wales. Approximately two thirds of these properties are flats and one third houses. In Wales, leasehold accounts for around 16% of all dwellings. This equates to, very approximately, 235,000 properties. The Law Commission has proposed wide-ranging reforms to make it easier for leaseholders to extend or buy the freehold of their home and to promote the adoption of commonhold as a form of ownership that gives more rights in comparison with leasehold. The Minister has committed to implementing leasehold reform through working collaboratively with the UK Government, not least as some aspects of the legislation to implement the Law Commission’s recommendations are likely to relate to reserved matters. This approach will enable a more comprehensive and beneficial set of reforms to be enacted for leaseholders in Wales as soon as possible. Continued additional funding will support engagement with the development of this important legislation, ensuring the changes made meet the needs of Welsh leaseholders.
  
20. By implementing the Law Commission’s recommendations on leasehold reform and ensuring open spaces and facilities on estates are funded fairly, which is another Programme for Government commitment, we will contribute to our well-being objective of making our cities, towns and villages even better places in which to live and work.
  
21. The balance of funding will support delivery of a range of activities focussed on ensuring that everyone has a decent place to call home and delivery of equity and

high standards in housing across Wales. This includes delivery of the following Programme for Government commitments, including to **Develop further effective tax, planning and housing measures to ensure the interests of local people are protected**. These commitments relate to our work in the area of second homes and affordable housing solutions. At this point, we have implemented changes to local taxes for second homes and self-catering accommodation (council tax premiums and non-domestic rate thresholds), brought into effect key changes to the changes to the planning system and are continuing work on regional variation to Land Transaction Tax. We have also established a pilot to test interventions in Dwyfor. The budget will support the roll-out and evaluation of the pilot as well as the central coordination of our policy development and implementation.

Budget Expenditure Line	Fund Type	2024-25 Allocation £000s <i>Draft Budget Dec 2023</i>
Private Rented Sector	Capital	1,500

22. Access to a greater stock of good quality, affordable housing will be a key driver in helping meet the needs of the people of Wales. The private rental sector (PRS) leasing scheme, known as Leasing Scheme Wales (LSW), is intended to address some of the difficulties both landlords and tenants experience in the PRS through improving access to longer term affordable housing in the private rental sector. The scheme is being rolled out across Wales, with 17 of the 22 Local Authorities currently signed up. The scheme is directly delivery the Programme for Government commitment to **develop a national scheme restricting rent to local housing allowance levels for families and young people who are homeless or who are at risk of homelessness**.

23. Under the scheme, property owners lease their properties to the local authority in return for a rent guarantee (set at the relevant Local Housing Allowance rate) and additional funding to improve the condition of the property and the local authorities will be able to use the scheme to discharge their homelessness and prevention of homelessness duties. The ambition is by the end of year 5 each local authority will have leased 1% of their PRS through the scheme, approximately 2,000 properties across Wales (based on the 17 Local Authorities signed up to date). In this first year of LSW approximately 75% of properties coming onto the scheme had previously been empty for more than six months, which is helping to increase the supply of properties available.

24. The scheme is intended to provide accommodation for those threatened with homelessness and has been designed to reflect the needs of children and parents and/or carers, people with protected characteristics under the Equality Act 2010, and other people who may face particular barriers.

25. As the scheme provides a long term home for individuals, there are wide ranging benefits that come from that, including physical and mental health as it provides

stable accommodation at local housing allowance rates to households on low incomes, making the PRS accessible to those who are currently financially excluded or living in the poorest quality private rented sector (PRS) accommodation. Providing good quality housing, with assurances of tenure length, helps prevent and alleviate tenants' physical and mental conditions resulting in fewer calls upon the NHS and a healthier society.

26. Providing greater security of accommodation for tenants will contribute towards a Healthy and more Equal Wales, a Wales of Cohesive Communities, and a Wales of vibrant culture and thriving Welsh language. This is demonstrated by the clear health benefits of having a good quality home which is affordable and located in a safe environment.

27. Investing in the PRS contributes to the local economies, creating and supporting jobs and training opportunities as well as improving people's health, well-being and quality of life. This work involves improving the housing stock for future generations and the quality of that housing stock in the PRS. Supporting the provision of affordable homes also promotes the creation of local jobs, training opportunities and housing development supply chains.

28. The majority of WG funding is aimed at supporting those at most priority need for housing and initiatives to provide new and/or affordable housing. This scheme approaches need differently as it seeks to relieve pressure on the demand for social housing through its use of the PRS and increasing options to meet urgent housing need.

Budget Expenditure Line	Fund Type	2024-25 Allocation £000s <i>Draft Budget Dec 2023</i>
Independent Living	Capital	19,500
	Resource	5,103

29. Adaptations are an effective preventative investment to support independent living and improve the health and wellbeing of older people, and disabled adults and children. They can prevent falls, reduce hospital admissions and facilitate discharges, reduce reliance on care, avoid the need to move into residential care and significantly improve the quality of life and wellbeing for individuals, their families and carers.

30. The Independent Living Programme supports a range of activity:

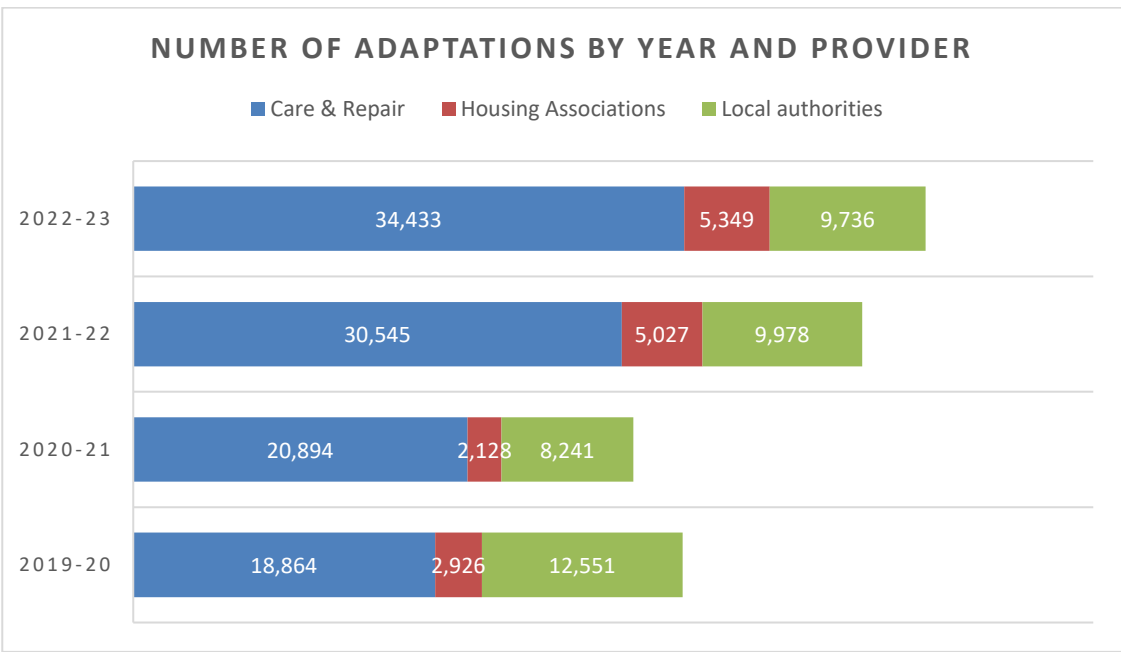
- We will maintain our capital funding for local authorities under the **Enable** programme so they can provide medium-sized adaptations, such as stair lifts and downstairs level entry wet rooms, without applying a means test, as would be required for a Disabled Facilities Grant.

- We will continue to support **Care & Repair (C&R)** agencies so they can deliver small adaptations rapidly to facilitate timely NHS hospital discharges and prevent unnecessary admissions. This relieves costs on the NHS and reduces pressures on domiciliary and residential care.
- Our **Physical Adaptations Grant** enables traditional housing associations to provide adaptations for tenants in social housing and reduces pressures on local authority capital budgets for Disabled Facilities Grants.

31. This investment in housing delivers significant benefits to NHS and care services, and contributes to the equalities and tackling poverty agendas. By facilitating independent living, the programme has a particularly positive impact on older and disabled people.

32. In the context of the Well-being of Future Generations Act, providing adaptations to enable people to continue to live independently is a long term preventative intervention and it involves disabled people in making choices about their lives. The capital is also an investment in local jobs as the contractors and supply chains are predominantly local ones.

33. Need continues to rise in real terms, both as a consequence of Covid-19 and “long Covid”, and as the proportion of the older population rises more quickly than healthy life expectancy. We record the number of adaptations provided each year. The following chart shows how demand has increased in the past 4 years:



\*2022-23 data has not yet been cleansed and is indicative only.

34. Regional Partnership Boards (RPBs) provide additional funding for adaptations, equipment and assistive living technology in their regions through the Housing with Care Fund, both through their discretionary funding and £3m set aside to support local authority Disabled Facilities Grants..



Budget Expenditure Line	Fund Type	2024-25 Allocation £000s <i>Draft Budget Dec 2023</i>
Building Safety	Resource	4,500
	Capital	127,270

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

36. The lessons learnt from the reviews and inquiries, identified areas to improve our building safety. We proposed a new Building Safety Regime for Wales that presents a significant overhaul to the existing system.

37. The Welsh Building Safety Programme has two distinct areas of work:

<ul style="list-style-type: none"> <li>addressing fire safety issues in buildings of 11 metres and over in our existing building stock</li> </ul>
<ul style="list-style-type: none"> <li>fundamental reform of building safety, which looks at how we make sure that buildings with multiple dwellings are made as safe as possible in the future.</li> </ul>

38. Supporting the remediation of buildings with existing fire safety defects whilst addressing the challenges of holding those responsible to account is very complex, particularly as not all aspects of these matters are within the powers of Welsh Government.

39. However, despite these challenges it was recently confirmed that all residential buildings of 11 metres or over in Wales have a route to remediation. This is not limited to cladding, and Wales is the only nation able to make this claim.

40. Since the launch of the Welsh Building Safety Fund in September 2021, 194 buildings have been identified which require an intrusive survey. Surveys, paid for by the Welsh Government, 169 have been completed to date. The remaining 25 buildings require licenses to enable access, which are in the process of being arranged.

41. Alongside survey work, we have also undertaken developer negotiations to ensure that, wherever possible, developers pay to remediate fire safety issues. This includes preparation of a Developers' Pact and a formal contract.

42. Eleven major UK developers have signed up to the contract, which commits them to undertake life critical fire safety issues in residential buildings of 11 metres and over in height, which have been developed over the last 30 years.

43. These contracts identify 130 buildings, of which 110 so far have been confirmed to require work. Works have commenced on 34 buildings, with a further 34 buildings scheduled to begin in 2024.
44. Work has also been undertaken to consider how smaller developers, who may not be able to cover the full costs of remediation can be supported. This includes consideration of the wider social and economic benefits these companies bring to the communities in which they operate when considering their ability to contribute to works.
45. In Wales, a further 31 buildings to date have been identified as orphan, where the developer has ceased trading, cannot be identified, or the building was constructed more than 30 years ago. In these cases, there is no developer to contribute to the works and this cost is met in full by the Welsh Government. Works have commenced on three of these buildings, and detailed work schedules are being developed for other buildings in this cohort.
46. Finally, work to remediate social sector buildings continues. A further £39 million has been allocated to this workstream. In total, 131 buildings have / will benefit from this funding.
47. As works can take time, we have launched a Leaseholder Support Scheme to support those leaseholders in severe financial hardship, offering independent financial advice and where appropriate, the option to sell their flat and either rent it back or move on.
48. To date there have been 22 applications to the scheme. Eleven have been eligible, and two sales have been completed. Seven applicants are currently proceeding through the property purchase process, one applicant is supplying further information to their case handler, and one is under review.
49. The need for a Leaseholder Support Scheme is due to the difficulty some leaseholders face when selling flats affected by fire safety issues. However, in December 2023, the Royal Institution of Chartered Surveyors are publishing their updated cladding valuation guidance to include Wales. This guidance will be a major step in providing consistency and transparency in the valuation process for flats affected by cladding issues.
50. The updated guidance will assist valuers and lenders in their decision making, which in turn, will reduce friction and delay for home buyers, sellers and leaseholders wishing to remortgage their homes.
51. Further to the Leaseholder Support Scheme, support is also being made available to leaseholders in a new scheme to provide independent legal advice for those who have concerns over the fire safety of their building and the works being undertaken to remediate them.



52. Leaseholders will be able to access this advice through the Leaseholder Advisory Service who will signpost leaseholders to free specialist legal advice. This new service will help prevent costly disputes and delays. The legal advisors are currently being procured, with a view to launch this service in 2024.

53. A Joint Inspection Team working in partnership with current enforcement agencies will provide another route to improve building safety for residents. A limited company has been established to host the Joint Inspection Team and recruitment has been commenced. Work has commenced with local authorities and Fire and Rescue Authorities to establish an inspection methodology and programme of buildings for inspection.

54. We are committed to ensuring resident engagement is at the heart of our legislative reforms and our white paper set out bold and important reforms to strengthen resident voice to ensure they have more say in matters that affect their homes and can be confident their buildings are safe. All residents, regardless of their tenure, should expect to have their voices heard. Having good communication and engagement with residents is vital, not only for building safety but also for community cohesion and social well-being. This funding will support the development of these commitments.

55. The Building Safety (Wales) Bill, which will be introduced later during this Senedd term, will result in a new building safety regime for multi occupied residential buildings in Wales during their occupation phase. Broadly, the intention is to build on the proposals set out in the “Safer Buildings in Wales” white paper consultation to:

<ul style="list-style-type: none"> <li>Establish a robust and coherent regulatory system, which will hold those responsible to account and ensure accurate, up to date information is held on all buildings in scope.</li> </ul>
<ul style="list-style-type: none"> <li>Set in place clear lines of accountability and responsibilities for those who own and manage multi-occupied residential buildings.</li> </ul>
<ul style="list-style-type: none"> <li>Review Fire Safety Order requirements for domestic dwellings and place the resident voice and resident engagement at the heart of the reforms.</li> </ul>

Budget Expenditure Line	Fund Type	2024-25 Allocation £000s <i>Draft Budget Dec 2023</i>
Major Repairs Allowance & Dowry Gap Funding	Capital	108,000

56. Welsh Government, together with social landlord delivery partners, have invested billions of pounds to significantly improve and maintain the quality of social homes across Wales over the last two decades following the introduction of the original

WHQS standard. By 2022, all social housing in Wales has met the challenging Standard and social landlords continue to maintain that Standard today.

57. A new version of the WHQS standard was launched in October 2023. This new standard builds on the excellent achievements of its predecessor, keeping anti-poverty requirements at its heart, improving energy efficiency, with the aim of putting more money in tenant's pockets and supporting their comfort and well-being. In the face of the cost-of-living crisis and climate change emergency we cannot stand still, and we must continue to push progress and set standards to address decarbonisation through a variety of measures in existing social housing. The current Welsh Housing Quality Standard has already improved the energy efficiency of social homes, which is a significant benefit in the current cost of living crisis. WHQS 2023 builds on this while continuing to ask for more on energy efficiency.
58. The new standard focusses on more than just decarbonisation though with the introduction in the standard for suitable flooring to be provided throughout the home at each new tenancy if required and the introduction of water efficiency standards, encouraging landlords to consider biodiversity opportunities across the land that they own and manage.
59. £108m per annum is spent via Welsh Housing Quality Standard (WHQS) to support social landlords to provide good quality warm social homes, to some of Wales' most vulnerable households. This is 35% of WHQS works to achieve and maintain the standard, the sector put in 65%. Any reduction in funding means landlords would spend more to maintain existing homes to the WHQS standard, compromising their ability to deliver new homes and building safety measures.
60. WHQS2023 focuses on decarbonisation of social housing whilst WG's Optimised Retrofit programme facilitates testing and learning to inform long term wider retrofit of all homes, across all tenures in Wales. On-going WHQS 2 investment from 2023 together with Optimised Retrofit Programme funding will continue to boost local prosperity through SME growth, and supply chain development.
61. Dowry contractual arrangements to Large Scale Voluntary Transfers are extant for 30 years in total, with most stock transfer RSLs having 15-20 years remaining on their agreement with WG. Breaching the agreement would risk immediate Judicial Review.

Budget Expenditure Line	Fund Type	2024-25 Allocation £000s <i>Draft Budget Dec 2023</i>
Residential Decarbonisation & Quality	Resource	1,673
	Capital	92,000

62. The 1.4m homes in Wales are responsible for 27% of all energy consumed in Wales and 15% of all our demand-side Green House Gas (GHG) emissions. The retrofitting of these homes is a primary preventative measure as it seeks to improve the energy efficiency of homes to reduce their carbon emissions to help Welsh Ministers to meet legally binding carbon targets, as well as PFG commitment to decarbonise residential homes through retrofitting. Total cost of decarbonising the housing stock based on Welsh School of Architecture (WSA) estimates is circa £15bn, of which more than £10bn is for the social housing stock and for homes in fuel poverty.

63. Revenue funding is being used to support the Housing Net Zero Performance hub which provides independent support for the Welsh housing sector. The hub will be run as a 'For Good' business model and:

<ul style="list-style-type: none"> <li>• bring together expertise in research and development in the fast moving field of decarb;</li> </ul>
<ul style="list-style-type: none"> <li>• provide technical know-how;</li> </ul>
<ul style="list-style-type: none"> <li>• retrofit advice and expertise specific to housing;</li> </ul>
<ul style="list-style-type: none"> <li>• allow access to suitable qualified individuals and SMEs certified to carry out surveys and decarb activity; and,</li> </ul>
<ul style="list-style-type: none"> <li>• act as a learning vehicle to generate data on the schemes supported, in order to share with other organisations. This will help the housing sector across all tenures know what works, and just as importantly - what doesn't.</li> </ul>

64. Revenue funding will be used to help support the development of the decarbonisation agenda for housing and the delivery of the ORP programme. Revenue funding will also be utilised to cover the additional staff costs required to deliver the capital investment arising from the retrofitting homes. Without this funding the PfG deliverables will be not be achieved. Spending significant capital investment needs appropriate skills and oversight to ensure funding activity is in line with highest standards of corporate governance and risk management. It is key that significant capital investment delivers value from the public purse.

65. Our investment in this area (both revenue and capital) will support delivery of the Programme for Government commitment to ***“Continue to improve existing homes, helping us tackle fuel poverty, create much needed jobs, training opportunities, and supply chains”***.

66. Capital funding will predominantly be used to support the social housing sector, through the Optimised Retrofit Programme. Our ambition is to ensure all social housing landlords participate in this scheme so that they can integrate the decarbonisation agenda within their planned maintenance programmes to support and facilitate this we have moved the ORP from a competitive based scheme to a formula funded scheme, and for the previous two financial years (2022/23 and

2023/24) and the coming financial year (2024/25) have provided indicative allocations to landlords to support their planning processes.

67. The ORP programme will offer gap funding to landlords to help facilitate the decarbonisation of the housing stock. This is a key budget area as funding contribution is directly to delivery of steps being taken to tackle the decarbonisation agenda – thereby impacting the timeline for legally binding climate change targets and the PfG commitment to decarbonise more home through retrofitting as well as impacting the progress towards WHQS 2023 decarbonisation measures.
68. The continued grant funding will mean the tools, strategies and foundational economy benefits started by the ORP programme will continue to be developed and sustained at a level needed to build the opportunities to deliver against the Cabinet’s green economic recovery commitments.
69. Investment in WHQS and optimised retrofit across Wales’ housing must be seen against the backdrop of significant benefits to well-being, cost savings in services and local economic growth. Investment in over a million homes this decade has the potential to generate large economic returns as well as reducing our emissions and levels of fuel poverty.
70. The retrofitting of these homes is a primary preventative measure as it seeks to improve the energy efficiency of homes to reduce their carbon emissions to help Welsh Ministers to meet legally binding carbon targets. Our strategy and investment will prioritise social housing, demonstrating best practice, developing supply chains and skills that will stimulate the market and inform strategy for owner occupied home retrofit programmes. It requires social landlords, their tenants, SMEs, funding bodies and other key stakeholders to work together to achieve mutually beneficial outcomes.

Budget Expenditure Line	Fund Type	2024-25 Allocation £000s <i>Draft Budget Dec 2023</i>
Land Release Fund	Resource	2,250*
	Capital	25,000**

\*Excluding BEL Repayment Income of £3.800m

\*\*Excluding BEL Repayment Income of £9.361m

71. The revenue funding and the additional £100k for 24/5, will support Land Division to meet its the ministerial ambition of increasing the provision of affordable/social housing across Wales and to deliver "Exemplar Sites" within its land portfolio. The Capital and Revenue funding is essential to enable a steady stream of land to be realised over the next 5 years to deliver circa 2,600 quality affordable units.

72. The budget as indicated (revenue and capital) will allow Land Division to pursue the agenda of achieving maximum public benefit for the public purse from its land portfolio. It will set a performance specification aligned to the PfG setting out its standards for policy objectives, in particular affordable homes, place making, carbon reduction, biodiversity, supply chain, community benefits and the like. This process will allow best scheme selection and to achieve best value for the public purse.
73. The Land and Buildings Development Fund (LBDF) complements the ambitions of other interventions delivered across Welsh Government and wider public sector with the aim of unlocking the potential for developing public land for public good, particularly to meet the demands for social and affordable housing. The scheme is primarily intended to support the ambition for small scale, energy efficient, low carbon developments. The fund is particularly interested in applications seeking to unlock schemes that will utilise modern methods of construction, innovative technologies and deliver solutions at pace.
74. LBDF is a targeted capital driven programme that concentrates on freeing up public land where development has stalled. It is intended to enable public bodies and public sector partners to overcome barriers to development i.e. bridge the “viability gap” and advance change.
75. This capital funding is supporting delivery of *20,000 homes for rent in the social sector* by securing sustainable, well-designed affordable homes on public sector land, including our own land portfolio, where it will seek to establish a new benchmark for residential development. All schemes are delivered in a place-making context, with the intention of up to 50% affordable homes and mandating space standards and driving innovation in low carbon energy solutions and Modern Methods of Construction. The capital funding will also help to ensure there is a pipeline of sites available to continue to drive forward the delivery of affordable homes on public sector land, especially in areas where market failure may have been a barrier to delivery.
76. Much of the work of Land Division and the associated funding aligns to the impacts of Social Housing Grant and the 20,000 low carbon social homes for rent target. All of the schemes being delivered from the Land Division portfolio are intended to deliver homes of which 50% will be affordable. A number of the schemes will also include for example a new primary school, public open space and community facilities. The schemes are intended to set a new benchmark for energy efficiency and design and will be based around achieving Zero Carbon and improved space standards. It is also intended to promote modern methods of construction, in particular off-site manufacture. The developments will also aim to facilitate self-build and where appropriate to support community led developments.
77. As an example, the development at Cosmeston will contribute circa 250 homes to this specific target but also deliver a new primary school, which again aligns with the Well-being objectives contained in the Programme for Government which seeks

to invest more than £1.5bn in the next phase of 21<sup>st</sup> Century Schools and develop net-zero carbon schools and open up school facilities for local communities. The proposals for Cosmeston include facilities that will be available to the local community and provide a hub for local activities and has been designed to have place making at its core, reducing inequality and supporting well-being objectives.

78. The additional capital will enable the Land Division to meet the ministerial ambitions where Land Division is tasked to increase the provision of affordable/social housing across Wales and to deliver "Exemplar Sites" within its land portfolio. It will also enable the full potential of the land portfolio to be realised over the next 5 years in terms of delivering good quality affordable housing. The pipeline of sites has the potential to deliver circa 2,600 housing units over the next 5 years

79. £1m has been allocated recurrently as part of the Plaid Cymru Co-Operation Agreement to **“establish Unnos, a national construction company, to support councils and social landlords to improve the supply of social and affordable housing”**. There is now broad agreement on the immediate work to be taken forward and the programme of work is being developed.

80. At present officials have sought to balance progress and actions that can be delivered within the Co-operation agreement period and associated budget, but also aim to continue to define the medium- and longer-term functions for Unnos and the consequential actions that are required to mobilise these activities during Years 1 and 2 of the Unnos Business Plan. Work will also be progressed to finalise the appropriate company structure for Unnos.

Budget Expenditure Line	Fund Type	2024-25 Allocation £000s <i>Draft Budget Dec 2023</i>
Health and Housing	Capital	60,500

81. Our investments in the Housing with Care Fund will support delivery of the Programme for Government commitments to **“Support innovative housing development to meet care needs”** and to **“fund regional residential services for children with complex needs ensuring their needs are met as close to home as possible and in Wales wherever practicable.”**

82. This funding programme provides housing and accommodation to meet care needs i.e. extra care and other accommodation for older people and people with dementia; supported living for adults with physical and learning disabilities and/or Autistic Spectrum Disorder (ASD) and mental health problems; close to home accommodation for children with complex needs; and intermediate care settings.

83. Increasing the scale and pace of investment in specialist housing and accommodation will help to meet the needs of an ageing and more disabled

population, as well as improving the lives of children and young people with complex needs and adults with learning disabilities.

84. Our main aim will be to increase the existing stock of housing with care. The majority of these units are likely to be Extra Care housing for older people, alongside smaller scale developments to provide supported living accommodation for adults with a learning disability. These are tenanted social housing units which will count towards delivery of the **20,000 low carbon social homes for rent** target.
85. We will prioritise investment in small scale residential accommodation for children with higher needs in order to keep children and young people closer to home and avoid out of county/out of country placements. We will invest in a range of short and medium term accommodation in the community, such as step up/step down, rehabilitation accommodation and transitional accommodation for young people leaving care and those with and mental health and emotional well-being needs.
86. To date, £57 million HCF funding has been approved for over 80 schemes. 32 of these schemes are residential accommodation for children with complex needs, supported with £21 million HCF funding. This investment supports our commitment to eliminating profit from the care of children. It will have a substantial and positive impact on the long term wellbeing of vulnerable children in Wales, their families and carers.

Budget Expenditure Line	Fund Type	2024-25 Allocation £000s <i>Draft Budget Dec 2023</i>
Homebuy	Capital	4,000

87. Our Homebuy scheme is designed to support shared equity home ownership and is available on existing homes. Homebuy primarily supports people who would like to purchase an existing home, within their community, but do not have the full financial resources to be able to do so, thus supporting people from lower socio-economic backgrounds. The scheme is a tried and tested scheme which has been offered by Welsh Government, on a small scale, for many years and is popular in rural areas, where new build homes are not readily available.
88. Building on previous investments of £9.7m into 178 Homebuys during the last term of Government, this draft budget commits to investing a further £4m in the scheme. The investment will initially facilitate availability of the scheme in the proposed second homes pilot area, with the scheme becoming more widely available in other areas of Wales. Work has been undertaken with Gwynedd Council, and its delivery agent, Grwp Cynefin, to tailor the scheme to better meet local needs within the pilot area.



89. The Programme for Government sets out clearly our commitment to address the issue of affordability in areas where there are high instances of second homes and develop a **Welsh Language Communities Housing Plan**. Homebuy will form part of the package to address issues of affordability through targeting and tailoring existing housing programmes. In 2022/23, we invested £2.5m in Homebuy which supported 35 Homebuys across Wales including 5 in the Dwyfor area.

90. The scheme offers support of 30-50% of the purchase price of a home across Wales, with support of 10 – 50% of the purchase price being trialled in the pilot area, which is repaid on the sale of the home. Homebuy is managed by local authorities and Registered Social Landlords (RSLs) who can place additional requirements on applicants such as the need for a local connection. Thus, the scheme is seen as key to supporting the work on mitigating the issues of affordability in some communities often exacerbated by high volumes of second homes.

91.

Budget Expenditure Line	Fund Type	2024-25 Allocation £000s <i>Draft Budget Dec 2023</i>
Social Housing Grants*	Capital	325,000*

*\*Excluding Financial Transaction Capital of £40.000m*

92. Welsh Government has made a Programme for Government commitment to deliver 20,000 homes for rent in the social sector to tackle both a housing shortage and the nation's greenhouse gas emissions, and a commitment to fundamentally reform homelessness services to focus on prevention and rapid rehousing.

93. This will allow individuals and households to access high quality affordable to rent and run homes in Wales. Social homes set the benchmark for quality; we expect high standards of space, quality, energy efficiency and place making from the Welsh social housing sector.

94. We have implemented the Standard Viability Model (SVM) to enable a focus on value for money. However, given the current economic pressures, each scheme within the programme has a much higher financial viability gap and grant levels have increased significantly.

95. Social Housing Grant:

<ul style="list-style-type: none"> <li>Delivers high-quality, warm secure and energy-efficient homes for people who need them most, helping reduce fuel poverty.</li> </ul>
<ul style="list-style-type: none"> <li>Supports the foundational economy, construction industry and supply chain in Wales, delivering training and employment opportunities, including jobs and apprenticeships.</li> </ul>



<ul style="list-style-type: none"> <li>• Supports the transformational shift of homelessness services to a rapid rehousing approach, where those who experience homelessness are quickly supported back into suitable permanent homes.</li> </ul>
<ul style="list-style-type: none"> <li>• Supports older people and those with additional care requirements to avoid dependence on residential or long term care, reducing the call on the NHS.</li> </ul>
<ul style="list-style-type: none"> <li>• Delivers good quality social housing which has a significant impact on people and communities, helping to achieve our long-term goal of ending homelessness, improving physical and mental health, ensuring those with complex needs receive the support they need.</li> </ul>

Budget Expenditure Line	Fund Type	2024-25 Allocation £000s <i>Draft Budget Dec 2023</i>
Market Housing and Other Schemes	Capital	25,000*

*\*Excluding Financial Transaction Capital of £40.000m & Repayment Income of £2.830m*

96. An allocation for the National Empty Homes Grant Scheme will contribute to the programme aim of bringing up to 2,000 empty homes back into occupation. There are currently 22,457 long term empty properties in Wales (2023-24) This number has remained largely unchanged for the previous 5 years. Through this grant, we want to tackle the difficult empty properties that are persistently empty and not those only temporarily (for example, in a good state of repair and on the market) and therefore properties will need to be empty for a minimum of 12 months to be eligible for the scheme. This work will also contribute to recommendation 9 within the Equalities, Local Government and Communities Committee Report into Empty Properties to review the support it provides for schemes that offer financial assistance to owners of empty properties.
97. Funding will be available to cover the cost of remedial works to make a property habitable and, in line with our climate commitments, energy efficiency improvements will be a requirement as part of the works undertaken on the property. The funding will be conditional upon the applicant living in the property for a minimum of 5 years.
98. As empty homes is an area of shared responsibility between Welsh Government and local authorities, in order to participate in the scheme, local authorities will need to provide a financial contribution of 10% of their notional allocations each year.
99. Whilst this government is committed to social housing, the Minister for Climate Change has been clear that there is a continued need in Wales for market

housing, it is crucial to the creation of mixed tenure housing sites in order to achieve truly sustainable communities.

100. The scheme, whilst predominantly targeted at owner occupiers, is also available to local authorities, Registered Social Landlords and Community Housing Groups for empty properties they are acquiring to bring back into use as affordable housing.

101. Empty homes are a blight and nuisance on our communities. Not only do they attract anti-social behaviour, pose environmental health problems and contribute to a general decline in their neighbourhoods, but they are also a wasted resource. This is particularly frustrating when housing is in short supply.

Budget Expenditure Line	Fund Type	2024-25 Allocation £000s <i>Draft Budget Dec 2023</i>
Regeneration	Resource	671*
	Capital	40,000**

\*Excluding BEL Repayment Income of £14.000m

\*\*Excluding £10.000m Financial Transaction Capital

102. The Welsh Government’s regeneration investment is focused on town and city centres to strengthen their social, cultural, and public service usage therefore creating sustainable places. It is delivered through an integrated place-making approach under the Transforming Towns programme, which provides flexible support in response to the issues and challenges faced by individual towns across Wales, taking into account the potential future impacts of climate change and embedding sustainable development principles. Its overall objective is to support the sustainable growth of towns and cities and their transformation into places of living, working, learning and leisure.

103. Sustainable regeneration of town centres will be achieved through three objectives:

***Focus Town Centre First***

<ul style="list-style-type: none"> <li>• Build the strongest case for ‘Town Centre First’ principles across government and the wider public sector, and provide challenge to ‘out of town’ development</li> </ul>
<ul style="list-style-type: none"> <li>• Work across government departments to support delivery of strategic projects that will regenerate town centres, multiplying impact through strategic coordination at the Welsh government and local levels across Transport, Health and Education, in particular</li> </ul>

***Deliver positive change for places***

- |  |
|--|
| <ul style="list-style-type: none"> <li>• Invest in infrastructure that will re-energise town centres to ensure their sustainability</li> </ul>   |
| <ul style="list-style-type: none"> <li>• Reimagine the high street to deliver wider benefits and placemaking to support town centres both locally and in a regional context</li> </ul> |

***Build local capacity to deliver regeneration***

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|--|
| <ul style="list-style-type: none"> <li>• Engage stakeholders across development and regeneration to test and implement fit-for-purpose town centre regeneration</li> </ul>   |
| <ul style="list-style-type: none"> <li>• Ensure local authorities and other local delivery partners have the capability and capacity needed to deliver regeneration through strengthened support from government, including more collaborative ways of working and the delivery of digital resources.</li> </ul> |

104. Our investments focus on town centres to mitigate the impact of the rapid rate of decline experienced by many towns over a number of years and prevent it from worsening. Once decline sets in there is often an associated rise in anti-social behaviour, crime and poverty. The cost to communities as well as the public purse increases. Failure of town centres to meet the economic, social and environmental needs of the communities they serve often disproportionately affects older people and those on lower incomes, who have less opportunity to access services elsewhere.

105. Our aim with regeneration is to address inequalities experienced in town centres by investing in places that are currently under-performing, both economically and in terms of wellbeing, in order to raise their performance. In doing so, we aim to improve overall levels of prosperity and wellbeing in Wales as a whole.

106. Our investment in Regeneration will help support the delivery of the following Programme for Government commitments:

- |  |
|--|
| <ul style="list-style-type: none"> <li>• <b><i>Enable our town centres to become more agile economically by helping businesses to work co-operatively, increase their digital offer and support local supply chains, including local delivery services.</i></b></li> </ul> |
| <ul style="list-style-type: none"> <li>• <b><i>Develop masterplans for towns and high streets.</i></b></li> </ul>  |
| <ul style="list-style-type: none"> <li>• <b><i>Empower communities to have a greater stake in local regeneration.</i></b></li> </ul>   |
| <ul style="list-style-type: none"> <li>• <b><i>Create more community green space in town centres.</i></b></li> </ul>   |
| <ul style="list-style-type: none"> <li>• <b><i>Repurpose public space for outdoor events, markets, street vendors, pop up parks and ‘parklets’.</i></b></li> </ul>   |

- ***Support the development of a register of empty buildings and help small businesses move into vacant shops.***

**Annex A**

RESOURCE BUDGET			£'000		
Action	BEL No.	BEL Description	2023-24 Final Budget Feb 2023 Restated	2024-25 Indicative Final Budget Feb 2023 Restated	2024-25 Draft Budget December 2023
Homelessness Prevention	1120	Homelessness Support & Prevention	46,147	51,147	214,910
<b>Total Homelessness Prevention</b>			<b>46,147</b>	<b>51,147</b>	<b>214,910</b>
Independent Living	1100	Housing Policy	6,471	6,471	1,368
	1083	Housing Support Grant	166,763	166,763	0
	1285	Independent Living	0	0	5,103
<b>Total Independent Living</b>			<b>173,234</b>	<b>173,234</b>	<b>6,471</b>
Achieve Quality Housing	1065	Residential Decarbonisation & Quality	2,173	2,673	1,673
<b>Total Achieve Quality Housing</b>			<b>2,173</b>	<b>2,673</b>	<b>1,673</b>
Building Safety	2255	Building Safety	6,000	6,500	4,500
<b>Total Building Safety</b>			<b>6,000</b>	<b>6,500</b>	<b>4,500</b>
Increase the Supply and Choice of Affordable Housing	0984	Housing Finance Grant	13,100	13,100	4,100
<b>Total Increase the Supply and Choice of Affordable Housing</b>			<b>13,100</b>	<b>13,100</b>	<b>4,100</b>
Housing Revenue Funding	1181	Housing Programme Revenue Funding	173	173	173
<b>Total Housing Revenue Funding</b>			<b>173</b>	<b>173</b>	<b>173</b>
Land Division	6410	Land Release Fund	2,150	2,250	-1,550
<b>Total Land Division</b>			<b>2,150</b>	<b>2,250</b>	<b>-1,550</b>
Regeneration	4151	Regeneration	1,271	1,671	-13,329
	4162	Cardiff Harbour Authority	5,400	5,400	5,400
<b>Total Regeneration</b>			<b>6,671</b>	<b>7,071</b>	<b>-7,929</b>
<b>CLIMATE CHANGE HOUSING &amp; REGENERATION - TOTAL RESOURCE BUDGET</b>			<b>249,648</b>	<b>256,148</b>	<b>222,348</b>

CAPITAL BUDGET			£'000		
Action	BEL No.	BEL Description	2023-24 Final Budget Feb 2023 Restated	2024-25 Indicative Final Budget Feb 2023 Restated	2024-25 Draft Budget December 2023
Independent Living	1285	Independent Living	19,500	19,500	19,500
	1182	Private Rented Sector	1,500	1,500	1,500
<b>Total Independent Living</b>			<b>21,000</b>	<b>21,000</b>	<b>21,000</b>

<b>Integrated Care Fund</b>	0986	Health & Housing	60,500	60,500	60,500
	<b>Total Integrated Care Fund</b>		<b>60,500</b>	<b>60,500</b>	<b>60,500</b>
<b>Achieve Quality Housing</b>	1061	Major Repairs Allowance and Dowry Gap Funding	108,000	108,000	108,000
	1065	Residential Decarbonisation & Quality	92,000	92,000	92,000
	<b>Total Achieve Quality Housing</b>		<b>200,000</b>	<b>200,000</b>	<b>200,000</b>
<b>Increase the Supply and Choice of Affordable Housing</b>	0982	Social Housing Grants (SHG)	370,000	365,000	365,000
	0989	Land for Housing - Repayment	-1,930	-3,000	-3,000
	<b>Total Increase the Supply &amp; Choice of Afford. Housing</b>		<b>368,070</b>	<b>362,000</b>	<b>362,000</b>
<b>Building Safety</b>	2255	Building Safety	135,000	165,000	127,670
	<b>Total Building Safety</b>		<b>135,000</b>	<b>165,000</b>	<b>127,670</b>
<b>Increase the Supply and Choice of Market Housing</b>	0987	Market Housing and Other Schemes	67,000	65,000	65,000
	0987	Market Housing and Other Schemes - Repayment	-2,440	-2,830	-2,830
	0980	Homebuy	2,500	4,000	4,000
	<b>Total Increase the Supply and Choice of Market Housing</b>		<b>67,060</b>	<b>66,170</b>	<b>66,170</b>
<b>Land Division</b>	6410	Land Release Fund	20,000	25,000	25,000
	6410	Land Release Fund - Repayment	0	-9,361	-9,361
	<b>Total Land Division</b>		<b>20,000</b>	<b>15,639</b>	<b>15,639</b>
<b>Regeneration</b>	4151	Regeneration	50,000	50,000	50,000
	<b>Total Regeneration</b>		<b>50,000</b>	<b>50,000</b>	<b>50,000</b>
<b>CLIMATE CHANGE – HOUSING &amp; REGENERATION - TOTAL CAPITAL BUDGET</b>			<b>921,630</b>	<b>940,309</b>	<b>902,979</b>

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RESOURCE BUDGET - Annually Managed Expenditure			£'000		
Action	BEL No.	BEL Description	2023-24 Final Budget Feb 2023 Restated	2024-25 Indicative Final Budget Feb 2023 Restated	2024-25 Draft Budget December 2023
Increase the Supply and Choice of Market Housing	0981	Market Housing - AME	-3,035	-2,527	-5,398
	<b>Total Increase the Supply and Choice of Market Housing</b>		<b>-3,035</b>	<b>-2,527</b>	<b>-5,398</b>

<b>CLIMATE CHANGE- TOTAL RESOURCE AME BUDGET</b>	<b>-3,035</b>	<b>-2,527</b>	<b>-5,398</b>
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# Agenda Item 7

## Local Government and Housing Committee

18 January 2024 – papers to note cover sheet

<b>Paper no.</b>	<b>Issue</b>	<b>From</b>	<b>Action point</b>
Paper 4	Inter-Institutional Relations Agreement	First Minister to Chair of Legislation, Justice and Constitution Committee	To note
Paper 5	Homelessness	Chair of Children, Young People and Education Committee to the Minister for Climate Change	To note
Paper 6	Ministerial scrutiny session	Minister for Climate Change	To note
Paper 7	Elections and Elected Bodies (Wales) Bill	Counsel General and Minister for the Constitution	To note
Paper 8	Welsh Government Draft Budget 2024-25	Cymorth Cymru	To note



Huw Irranca-Davies MS  
Chair  
Legislation, Justice and Constitution Committee  
Senedd Cymru

15 December 2023

Dear Huw,

**Inter-Institutional Relations Agreement: British-Irish Council Summit in Dublin**

Further to my letter of 23 November regarding the inter-institutional relations agreement and a British-Irish Council Summit being held in Ireland, I would like to draw your attention to my [written statement](#) of today, and to the BIC [communiqué](#) summarising the outcomes of the Summit.

Whilst at the Summit, I took the opportunity to hold bilateral meetings with the Minister for Public Expenditure and Reform, Paschal Donohoe TD, the Taoiseach Leo Varadkar TD, the First Minister of Scotland the Rt Hon Humza Yousaf MSP, and the Secretary of State for Levelling Up, Housing and Communities and Minister for Intergovernmental Relations the Rt Hon Michael Gove MP.

I have also copied this letter to the Chairs of the following Committees: Climate Change, Environment, and Infrastructure; Local Government and Housing; Culture, Communications, Welsh Language, Sport, and International Relations; and Equality and Social Justice.

Yours sincerely,



**MARK DRAKEFORD**

Bae Caerdydd • Cardiff Bay  
Caerdydd • Cardiff  
CF99 1SN

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

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

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**Children, Young People  
and Education Committee**

Julie James MS  
Minister for Climate Change

10 January 2024

**Formal response to the Welsh Government's consultation on the White Paper on ending homelessness in Wales**

Dear Julie,

This letter, and its annex, is a formal response to proposals in the Welsh Government's White Paper on ending homelessness in Wales. Our response focuses on the areas that are directly relevant to our work on radical reform for care experienced children and young people as set out in our report 'If not now, then when?' published in May 2023.

We are pleased to note that the White Paper says Welsh Government has considered our report as part of the development of the proposed reforms. There are several very welcome proposals in the White Paper that are in line with the recommendations in our report.

However the scale of disadvantage facing young people leaving care cannot be underestimated. Our report found that care experience is a "predictable route" into homelessness and indicates that as many as 1 in 4 care leavers are homeless when they turn 18.<sup>1</sup> We therefore urge you to accept the 9 recommendations we set out in the annex to this letter.

In combination, these recommendations will greatly assist Welsh Government and local authorities to act as the best 'corporate parents' they can be. In our report we said:

*"Anybody claiming that the state is doing its corporate parenting job well should consider whether they would be happy for their own child to be cared for by that*

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<sup>1</sup> Welsh Parliament, 'If not now, then when?', May 2023, pages 122-123



*system. Whether any good parent would want that for their own child. We do not believe that they would. Corporate parents in Wales must do much, much better.”<sup>2</sup>*

In your role as the Minister responsible for housing, and acknowledging that having a roof over a young person’s head is the most basic safeguard any ‘good parent’ would provide, we call on you to ensure that care leavers in Wales have much stronger protections in some aspects of this White Paper than are currently proposed.

A particular issue we want to highlight is one that is often overlooked. The housing needs of care experienced parents can be complex and yet have a significant impact of whether their own birth children can remain in their care. We heard time and again that housing issues were often a key factor when decisions are being made in the family court about whether their own children can remain in their care. We have made two recommendations in this regard.

A key recommendation which we want to emphasise for all care leavers, including care experienced parents, is our view that a sixth category entitled to ‘reasonable preference’ should be created for people who are care experienced regardless of homelessness status, in order to avoid them entering the homeless system to access social housing. You will be aware that this is in line with the recommendations of the Welsh Government’s Expert Group Review.

During our inquiry we heard many warm words and stated good intentions about corporate parenting for care experienced children and young people. Yet so many times we heard directly from young people that these are not being translated into concrete actions and did not make a genuine difference to their lives, even at times of crisis.

Based on the direct lived experience of the many care leavers in Wales that we had the privilege to speak to, it is clear that significant changes are needed in order for housing to play its vital part as a corporate parent.

We look forward to seeing these White Paper proposals develop even further for the benefit of all care experienced young people.

I have copied in the Chair of the Local Government and Housing Committee due to our committees’ mutual interest in these issues.

Yours sincerely,



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<sup>2</sup> Welsh Parliament, ‘If not now, then when?’, May 2023, page 6

Jayne Bryant MS  
Chair

Cc. John Griffiths MS  
Chair of the Local Government and Housing Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.



# Annex: Response from the Children, Young People and Education Committee

This response draws directly on the evidence we gathered, and conclusions we reached, during our inquiry into radical reform for care experienced children and young people.

Despite care leavers having existing legal rights, our inquiry showed that young people in care in Wales face a cliff edge of support when they turn 18. We heard that, in reality, the level of support they receive after turning 18, and certainly after turning 21, is very low, or in some young people's experience completely non-existent.

We heard that care experience is a "predictable route" into homelessness and that as many as 1 in 4 care leavers are homeless when they turn 18.<sup>3</sup> Therefore, we make 9 recommendations to the White Paper proposals with the aim of ensuring that in respect of housing and homelessness, Welsh Government and local authorities act as the best 'corporate parents' they can be.

An issue which is often overlooked are the housing needs of care experienced parents. We heard time and again that housing issues were often a key factor when decisions are being made in the family court about whether their own children can remain in their care. We have therefore made a specific recommendation in this regard.

## Entering the homelessness system

During our work we heard that not all parts of a local authority understood their corporate parenting role and therefore do not fulfil their duties. Llamau told us that "there is still an expectation for many young people who are care experienced to have to go through the homelessness route, and that is wrong."<sup>4</sup> As you will be aware, care leavers can become homeless directly after leaving care or once a placement has broken down.

We are therefore very pleased to see proposals for clarifying within legislation that for those leaving social care or the youth justice system it is "expressly prohibited" to use the homelessness system as a route out of care or youth justice. We also fully support the emphasis that planning should be done, and arrangements made for accommodation in advance.

The White Paper proposes strengthening existing corporate parenting responsibilities to ensure individuals aged 16 and 17 years who are homeless or at risk of homelessness do not fall between

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<sup>3</sup> Welsh Parliament, 'If not now, then when?', May 2023, pages 122-123

<sup>4</sup> Welsh Parliament, 'If not now, then when?', May 2023, page 122

services, and social services and homelessness services work in 'true partnership' to secure suitable accommodation and any broader support.

**Recommendation 1:** The Welsh Government needs to be more explicit about the practical expectations of its homelessness proposals that social services and housing services work 'in true partnership' as set out in the White Paper. It must be clear what this means in practice to ensure that care experienced young people have improved access to safe and suitable accommodation.

## Priority need

We welcome the proposal for care experienced people of any age to have priority need status and urge the Welsh Government to act swiftly in creating the new priority need category, using existing powers in section 72(1) of the Housing (Wales) Act 2014.

The Committee understands the rationale proposed in the White Paper to abolish the priority need test and welcomes its ambition in terms of raising standards for all. Nevertheless we are concerned about the potential unintended negative consequences this proposal could have on care experienced young people who we know to be much more at risk of homelessness and are much less likely to have family they can stay with temporarily. NYAS Cymru has expressed concern to us that the proposal to abolish priority need status may have negative consequences for care experienced young people.<sup>5</sup> Llamau has told us that whilst it fully supports the removal of priority need, there are a number of issues relating to care experienced young people that require further consideration by Welsh Government including:

- **Increased Competition for Limited Housing:** Abolishing the priority need test may lead to increased competition for limited housing resources. Care leavers and care-experienced children, who may already face challenges in securing stable accommodation, could face additional difficulties if there is heightened demand for housing.
- **Potential Delay in Housing Assistance:** With the removal of the priority need test, there might be a need for a lead-in time for the new system to take effect. During this period, care leavers and care-experienced individuals may experience delays in accessing housing assistance, which could contribute to their vulnerability.
- **Specific Vulnerabilities of Care Leavers:** Care leavers often face unique challenges, including the transition to independent living without family support. The removal of the priority need test should be accompanied by measures to address the specific

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<sup>5</sup> NYAS, 'Additional information', November 2023

vulnerabilities of care leavers, ensuring they receive the necessary support during the transition to independent living.

- **Impact on Homelessness Prevention:** The priority need test can serve as a mechanism to identify and prioritize vulnerable individuals at risk of homelessness. Its removal may impact the effectiveness of homelessness prevention efforts, particularly for care leavers who may be at a higher risk of housing instability.
- **Need for Adequate Support Services:** As part of the broader strategy, it's crucial to ensure that care leavers have access to support services that address their unique needs. This includes mental health support, education and employment assistance, and other services that contribute to their overall well-being and housing stability.
- **Resource Allocation:** Local authorities will still need to manage their resources effectively and determine how individuals, including care leavers, are prioritized for housing allocations. Clear guidance and policies should be in place to ensure fair and transparent resource allocation that considers the specific needs of care leavers.
- **Monitoring and Evaluation:** The impact of the abolition of the priority need test on care leavers should be closely monitored and evaluated. This includes assessing whether care leavers are disproportionately affected, and if so, adjustments to the system may be necessary to address any unintended consequences.<sup>6</sup>

**Recommendation 2:** Welsh Government must act swiftly to create a new priority need category for care experienced people up to the age of 25 to have priority need using existing powers in section 72(1) of the Housing (Wales) Act 2014.

**Recommendation 3:** Welsh Government must, consulting with care experienced young people and the stakeholders representing their interests, undertake an impact assessment to identify any unintended negative consequences of abolishing priority need on care experienced people who present as homeless, or are at risk of homelessness. The unintended consequences should include those identified in this response. Welsh Government must then ensure revised legislative proposals have clear measures in place to mitigate these risks.

## Local connection (homelessness)

The White Paper proposes that care experienced people are exempt from local connection provisions in homelessness legislation. We are pleased to see this aligns with our recommendation that local connection should be disregarded for care experienced people, where we concluded:

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<sup>6</sup> Llamau, 'Additional information', December 2023

*"Care experienced children usually have very little - if any - choice over where they are placed. It will almost certainly not be the fault of the care leaver themselves if they do not have a connection to the local area they want to live in."*<sup>7</sup>

**We support Welsh Government's proposals to exempt care experienced people from local connection provisions in homelessness legislation.**

## **Suitability of temporary accommodation**

We heard directly from young people who had been placed in inappropriate and even unsafe accommodation on both a temporary and long-term basis. Extensive evidence was also provided about unregulated accommodation (accommodation services that do not provide 'care', such as B&Bs, Air BnBs and hostels) and calls for all such inappropriate accommodation to be made illegal in Wales.

We note the White Paper refers to 171 occasions on which care leavers aged 18 to 21 were placed in Bed and Breakfasts in 2022-23 and it proposes to clarify within legislation that:

- For people aged under 25, the use of unsuitable temporary accommodation, including Bed and Breakfasts and shared accommodation, should not be permitted for any time period.
- Where people of this age group are to be housed in temporary accommodation, it must be supported accommodation.
- Those aged 16-17 must never be accommodated in adult focussed, unsupported temporary accommodation.

**We support Welsh Government's proposals in relation to temporary accommodation.**

## **Social housing allocations**

During our inquiry, we heard that care experienced young people often struggle to access social housing. Members heard that, due to the insufficiency of the social housing stock, up to 500 people can be in competition for one property. The Committee concluded that:

*"There should be systems in place to avoid young people leaving care having to present as homeless. Housing legislation should ensure care experience is given the highest priority for both local authorities' and Registered Social Landlords' allocation policies."*

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<sup>7</sup> Welsh Parliament, *'If not now, then when?'*, May 2023, page 123





We recommended that care experienced people should have the highest priority in housing allocation schemes.<sup>8</sup>

We note the White Paper makes a number of proposals aimed at increasing the proportion of social lets to homeless households. One proposal is to assign additional preference to homeless households over and above other reasonable preference categories. A further proposal is to 'allow for' care experienced people who are homeless (also termed in that paragraph homeless care leavers) to have additional preference. We are not clear from the current wording whether this would be a discretionary power for local authorities.

We note this is different from the Expert Review Panel's recommendation that people who are care experienced should form a sixth category entitled to reasonable preference.<sup>9</sup> Our view on the benefit of the Expert Review Panel's proposal is that it would not require applicants to be homeless. By contrast, the White Paper proposal for (potentially discretionary) additional preference would only be available to care leavers who are homeless. We also have concerns that since the section uses different terms to refer to care leavers, it is unclear whether the intention is for this to apply to all care experienced people, as per the Expert Review Panel's recommendation, or only at the point of leaving care.

**Recommendation 4:** A sixth category entitled to 'reasonable preference' must be created for people who are care experienced regardless of homelessness status, to avoid them entering the homeless system to access social housing.

**Recommendation 5:** Legislation must ensure read across and consistency between homelessness and housing allocations and prevent any social housing provider or local authority 're-applying' local connection criteria to care experienced people via their own allocation schemes.

## Multi-agency cooperation

Corporate parenting aims to promote collective responsibility across services and local authorities to safeguard the welfare and to promote the life chances of looked after children. The principle behind it is that a good corporate parent would seek the same outcomes for children in their care that a good parent would want for their own child. The Welsh Government sets out that local authorities "must act for the children they look after as any responsible and conscientious parent would act."<sup>10</sup>

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<sup>8</sup> Welsh Parliament, 'If not now, then when?', May 2023, pages 123-124

<sup>9</sup> Expert Review Panel, 'Ending homelessness in Wales: A legislative review', 2023, page 47

<sup>10</sup> Welsh Government, 'Social Services and Well-being (Wales) Act 2014: Part 6 Code of practice looked after and accommodated children', April 2018, page 70

Our report recommended that corporate parenting is given a strong legislative footing by giving a range of public bodies, including but not limited to local authorities, specific corporate parenting duties and expanding their duties in relation to care experienced children and young people.<sup>11</sup>

The White Paper proposes to create a new duty on a range of bodies - such as social services departments, health boards, and landlords - to identify those at risk of homelessness and take action to mitigate that risk. It also proposes a statutory case co-ordination approach where individuals require input from three or more public services.

**Recommendation 6:** Welsh Government must strengthen its proposals to ensure mandatory cooperation between relevant public bodies in relation to all care experienced young people and clarification of what this means in practice.

## Increasing housing supply

During our inquiry, we heard that both availability and appropriateness of accommodation is a problem and that the lack of housing is “a major crisis”. Care Inspectorate Wales wrote that greater multi-agency accountability beyond social services was needed to deliver more accommodation options for young people.<sup>12</sup>

Other professionals stressed to us that care experienced birth parents need access to housing that’s suitable for a new-born. We heard that care experienced birth parents are more likely than other parents to have their children temporarily removed or be asked to attend mother and baby units. We heard that most birth parents have no choice but to give up their home accommodation when they move into a parenting assessment centre because they can’t afford to keep it. Where the parent is a social housing tenant, the local authority or housing association may want them to end their tenancy.<sup>13</sup>

We are pleased to see the White Paper notes that care leavers should be taken into account when assessing the need for temporary supported housing.

The White Paper states that Local Housing Market Assessments (LHMAs) “are vital in determining local housing requirements and form a key part of Local Development Plans”. We note the Expert Review Panel also considered whether legislative change could help support building of the right homes to meet local housing need, particularly homelessness-related need. The Panel recommended that section 87 of the Local Government Act 2003 is amended to require local authorities to take into

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<sup>11</sup> Welsh Parliament, ‘If not now, then when?’, May 2023, pages 43-45

<sup>12</sup> Welsh Parliament, ‘If not now, then when?’, May 2023, pages 120-121

<sup>13</sup> Welsh Parliament, ‘If not now, then when?’, May 2023, page 76



account their homelessness review and strategy, and the current and future levels of homelessness in their area, when drawing up their housing strategy and Local Housing Market Assessment (LHMA).<sup>14</sup>

With substantial rises in the numbers of children in care is more vital than ever that LHMA's accurately reflect the current and future needs of care experienced people, including care experienced parents.

**Recommendation 7:** Welsh Government must restate in the new housing legislation the requirement for relevant public bodies to cooperate with one another in relation to all care experienced young people.

**Recommendation 8:** Legislation must be in place to ensure Local Housing Market Assessments (and in turn Local Development Plans) accurately reflect the current and future needs of care experienced young people, including care experienced parents.

**Recommendation 9:** In order to provide a baseline of relevant housing issues in light of the significant rises in the numbers of care experienced children (which will lead to many more care leavers), Welsh Government must commission a one-off specific Wales wide research project into the current and anticipated housing needs of care experienced young people and care experienced parents.

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<sup>14</sup> Expert Review Panel, 'Ending homelessness in Wales: A legislative review', 2023, page 52

Our ref: JJ/PO/445/23

John Griffiths MS  
Chair  
Local Government and Housing Committee

20 December 2023

Dear John,

Thank you for your letter of 22 November seeking further information following the general scrutiny session I attended on 9 November.

You asked if other areas are undertaking schemes similar to that mentioned in Newport on use of empty property. Newport is currently utilising funding provided through our Transforming Towns Loan Fund to refurbish 2 floors within an existing large city centre building to create 28 Apart Hotel rooms and serviced apartments. Prior to this it has also accessed this fund to deliver the redevelopment of a listed property to create 3 ground floor commercial units and 10 upper floor residential apartments. Application to this loan fund is available to all Local Authorities and is already being utilised by most for a variety of purposes. The core aims of the scheme are to reduce the number of vacant, underutilised and redundant sites and premises in town centres and to support the diversification of town centres. This scheme will encourage more sustainable uses for empty sites and premises, such as residential, leisure and for key services. By supporting the vibrancy and viability of town centres the outcomes should focus on supporting job creation and economic growth, tackling poverty, increasing the supply and quality of accommodation offer, and supporting targeted training and recruitment during construction.

You asked for details of the alignment of the various planning policies across Wales. Future Wales is the Welsh Government's national development plan. It sets out a framework for regional planning and the preparation of four strategic development plans by the Corporate Joint Committees (CJCs) in North Wales, Mid Wales, South-West Wales and South-East Wales. Future Wales Policy 19 – 'Strategic Policies for Regional Planning' sets out 11 policy issues that each SDP should plan for its respective region. Future Wales has a detailed section on each of the 4 regions of Wales. These sections set out an overarching policy for each region, setting out where strategic growth should be focussed and policies on important spatial issues in the respective regions. Alongside its role considering planning issues at the national scale, Future Wales was prepared to give a strategic context to planning at the regional level. It creates the space for local authorities to work together and lead the planning for development and growth of their region. CJCs will provide the governance arrangements for regional planning and can lead this work. Individual LDPs are required to be prepared in accordance with Future Wales. LDPs, and the evidence base which supported their preparation, will help shape SDPs. LHMA's are one of the key pieces

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

of evidence for the preparation of LDPs and SDPs. The alignment therefore is as follows – Future Wales sets out the Welsh Government’s national and regional spatial objectives; and provides a framework for the preparation of SDPs. The preparation of SDPs will be led by the CJsCs and their work will draw on Future Wales for strategic direction whilst having the space to shape their own plan. LDPs are prepared by each local planning authority, and these will be important sources of evidence and up to date planning policy to support the preparation of SDPs.

You requested an indicative timetable for the introduction of a Bill relating to homelessness. As the Committee will be aware, the First Minister sets out the legislative programme each year in his annual legislative statement. The Programme for Government and the Co-operation agreement contain a commitment to “reform housing law and implement the Homelessness Action Group’s recommendation to fundamentally reform homelessness services to focus on prevention and rapid rehousing”. I remain steadfast in my commitment to introduce a Bill on reforming homelessness law in Wales before the end of this Senedd term and was pleased to launch a comprehensive White Paper setting out our proposed reforms on 10 October.

You also requested a breakdown of affordable housing statistics. The latest release, published on 7 November, shows that in 2022-23, 3,369 additional affordable housing units were delivered across Wales. This is a 26% increase (693 units) on the previous year (2,676 delivered in 2021-22) and the second highest total since data was first recorded in 2007-08. The Affordable Housing Statistics show that a total of 6,045 additional affordable homes were delivered across 2021-22 and 2022-23 (2,676 and 3,369 respectively). The current 20,000 target is focussed on homes for rent in the social sector and is a subset of the total additional affordable housing delivered (excluding shared equity tenure). 5,575 homes have been delivered towards the target across the same period, 2021-22 and 2022-23 (2,563 and 3,212 respectively). These 5,575 homes can be broken down as follows:

	<b>2021-22</b>	<b>2022-23</b>
Social Rented Units	1712	1,940
Intermediate Rented	204	201
Shared Ownership	137	111
Social or intermediate rent units by Local Authorities	450	642
Units delivered by other providers	60	318
<b>TOTAL</b>	<b>2,563</b>	<b>3,212</b>

You asked for an update on the third River Pollution Summit which I chaired on 30 November. The summit had a focus on the impact of the Action Plan to date on unlocking planning applications and new housing developments. A Written Ministerial was issued following the Summit and can be found here: [Written Statement: Third River Pollution Summit \(8 December 2023\) | GOV.WALES](#)

Finally you requested information on take up of the Help to Stay Scheme. The Welsh Government is committed to ending homelessness across Wales and Help to Stay Wales is an important lever in assisting this. The rise in the cost of borrowing in particular is a concern for many. I want to protect those who face the greatest challenge from cost-of-living increases, keeping them safe in their homes. Help to Stay Wales works alongside support offered by mortgage providers through the UK Mortgage Charter for customers who are struggling to afford their mortgage payments. The purpose of the Scheme is to reduce the number of homeowners at risk of repossession and homelessness by offering them time to resolve their underlying financial issues. To ensure the scheme targets homeowners most at need, a fundamental stage of the scheme, prior to issuing an equity loan, is that

applicants receive free mortgage advice provided by specialist debt advisors. This support will ensure the applicant has received independent advice as to the options available, confirm that all other avenues have been exhausted and verify the levels of debt service the Applicant could reasonably afford based on a review of their current circumstances. This is clearly a demand-led scheme and it is therefore difficult to gauge uptake however the level of support needed will be kept under close review. As of 11 December over 80 scheme enquiries have been received resulting in 26 applications, of which 5 have been approved to move to the next stages of the process.

Yours sincerely



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



Llywodraeth Cymru  
Welsh Government

Ein cyf/Our ref MA/CG/2145/23

John Griffiths, MS  
Chair  
Local Government and Housing Committee  
Senedd Cymru  
Cardiff Bay  
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11th December 2023

Dear John,

Please find enclosed a copy of a letter to the Chair of the Legislation, Justice and Constitution Committee regarding a joint schedule of amendments for the **Senedd Cymru (Members and Elections) Bill** and the **Elections and Elected Bodies (Wales) Bill**. A copy of the joint schedule of amendments for the two Bills is attached to that letter.

I have also copied the letter to the Chair of the Reform Bill Committee.

Yours sincerely,

**Mick Antoniw AS/MS**

Y Cwnsler Cyffredinol a Gweinidog y Cyfansoddiad  
Counsel General and Minister for the Constitution

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

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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.

## Welsh Government Draft Budget 2024-25

### Evidence from Cymorth Cymru to the Senedd Local Government and Housing Committee December 2023

#### 1. Introduction

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- 1.1. We are grateful for the opportunity to respond to the Finance Committee's consultation on the Welsh Government's Draft Budget for 2024-25.
- 1.2. Cymorth Cymru is the representative body for providers of homelessness, housing and support services in Wales. We act as the voice of the sector, influencing the development and implementation of policy, legislation and practice that affects our members and the people they support.
- 1.3. We are extremely proud to represent approximately 90 organisations that provide homelessness, housing and support services across Wales. This includes third sector support providers, housing associations and local authority teams. Our members deliver a wide range of services that support people to overcome tough times, rebuild their confidence and live independently in their own homes. This includes people experiencing or at risk of homelessness; young people and care leavers; older people; people fleeing violence against women, domestic abuse or sexual violence; people living with a learning disability; people experiencing mental health problems; people with substance use issues; and many more.



## 2. Housing Support Grant

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- 2.1. Everyone has the right to a safe and stable home. Housing support services play a vital role in preventing and alleviating homelessness, helping tens of thousands of people every year to recover from trauma and to live safely and independently in their home. However, services have been under constant pressure over the last decade, with funding constraints, huge growth in demand, and an increase in complexity of support needs, all pushing the sector closer and closer to breaking point.
- 2.2. Over the last few weeks we have been collecting evidence from providers of homelessness and housing support services in Wales. We received data from 32 organisations, including small charities operating in one or two local authorities, larger charities operating regionally or nationally, and housing associations. These organisations provide the majority of homelessness and housing support services in Wales and we are therefore confident that our data is representative of the sector.
- 2.3. The information we have collected evidences the significant pressure and challenges facing services and organisations following the real terms cut to the Housing Support Grant budget for 2023/24. It also provides an incredibly concerning insight into the likely impact of any further cuts (real terms or cash terms) next year.
- 2.4. **As the Welsh Government makes key decisions about its budget for 2024/25, the message from the homelessness and housing support sector is clear: The Housing Support Grant must be increased or there is a real risk of system collapse.**

### The importance of the Housing Support Grant

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- 2.5. The Housing Support Grant (HSG) funds the vast majority of homelessness and housing-related support services in Wales, including tenancy support, supported accommodation, domestic abuse refuges, Housing First, and much more.
- 2.6. It plays a key role in preventing homelessness, helping people who are at risk of eviction to overcome challenges and remain in their home. It also provides a range of emergency and supported accommodation for people who are homeless or fleeing abuse and violence. These services are critical to helping local authorities to respond to people's needs and meet their legal obligations to provide accommodation and support.
- 2.7. Housing support services are critical to ending homelessness. The recently published Ending Homelessness White Paper sets out a series of legislative reforms that will improve the prevention of, and response to, homelessness in Wales. However, the Expert Review Panel that recommended these reforms has been very clear that an increase in housing support services will be required to support implementation. This has been echoed by key stakeholders across Wales since the publication of the White Paper.
- 2.8. Housing support services reduce pressure on other public services. In addition to preventing homelessness, the Housing Support Grant also reduces pressure on a myriad of public services, by reducing hospital admissions, supporting people's mental health, avoiding social services interventions and preventing people from going to prison.
- 2.9. [Research](#) conducted by Cardiff Metropolitan University found that every £1 invested in HSG services delivers £1.40 net savings to public services in Wales, including health, social care and criminal justice services. The Housing Support Grant is an excellent example of an invest-to-save intervention.

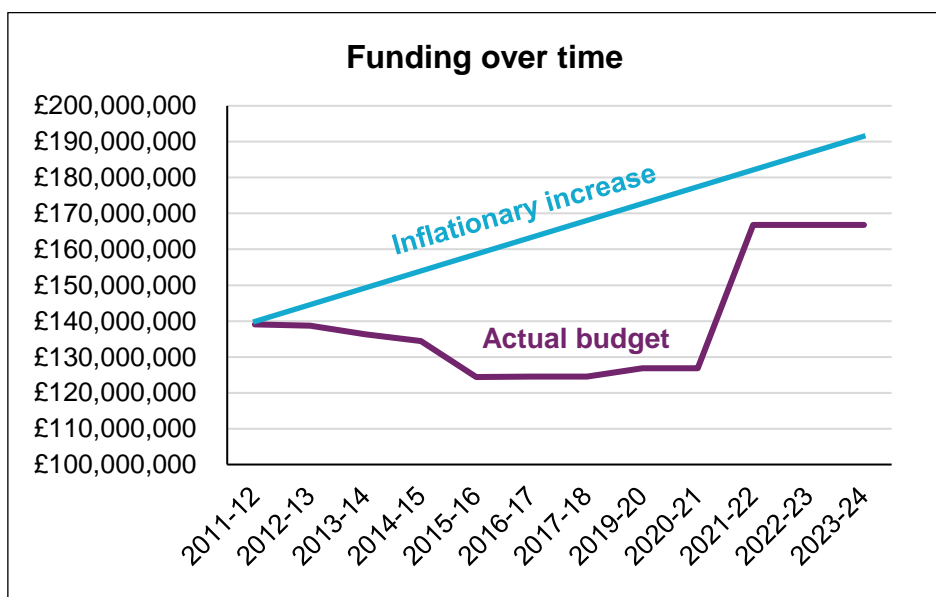
## Increased demand and complexity

- 2.10. The pressure on the homelessness and housing support system has never been greater. Welsh Government [statistics](#) show that 135 people were sleeping rough and 11,228 people were in temporary accommodation on 30 September 2023. Many of these people will need support to leave the streets, help them cope in temporary accommodation, and then move into a settled home. Housing support services are also playing a key role in preventing even more people from entering temporary accommodation.
- 2.11. Evidence we have collected from support providers demonstrates that demand for homelessness and housing support services has increased over the last year, as well as the complexity of people's support needs.
- **81% said demand for their services had increased since last year**
  - **94% said the complexity of support needs had increased since last year**

*"The freeze in grant last year was a disaster. We are currently operating in an environment where Local Authorities are struggling to deal with the demands of homelessness. At the same time, we have seen an increase in complex mental health issues which our Health Board is unable to deal with. I am seeing a rise in safeguarding incidents / referrals and the whole system is on the brink of collapse. Unless services are funded properly, providers will start walking away as we need to ensure services are safe for residents and staff."*

## Decreasing budgets and increased costs

- 2.12. In 2011/12 the Supporting People budget was £139million. During a decade of austerity, it endured a series of cuts and was reduced to £124million in 2015/16. In 2018, it was merged with two other grants to form the Housing Support Grant, with a total budget of £126million. During the pandemic it was increased to £167million to reflect the increased pressure on services as a result of the 'everyone in' approach. It has remained at that level ever since.
- 2.13. In real terms, the budget has reduced by £24million since 2012. Once inflation is considered, £139million in 2012 equates to approximately £191million today. The current Housing Support Grant budget is £24million less than this - and we know that pressure on services has increased significantly over the last decade.



## Increased costs of delivering services

- 2.14. The data collected from support providers shows that the cost of delivering homelessness and housing support services has increased by an average of 11% since last year. This includes higher rents, utility costs and wages – with many support providers having to deliver unfunded wage increases to meet minimum wage requirements.

## Subsidising services due to funding shortfall

- 2.15. **A shocking 75% of providers told us that their HSG services are running at a deficit.** The funding they receive from local authorities is not meeting the cost of delivery. They are desperately trying to keep services running because they care about the people they support, but this is putting extreme pressure on organisations and is simply unsustainable.
- 2.16. The following table shows the proportion of providers currently subsidising their housing support services from other sources, including 52% which are doing so from their reserves.

Have you had to subsidise your HSG services from any of the following sources?	
Fundraising revenue	28%
Reserves	52%
Cross-subsidy from other HSG contracts	17%
Cross-subsidy from other parts of the organisation	52%
Cost savings from last year	38%

- 2.17. Support providers are clear that this is not sustainable. Most organisations cannot afford to subsidise services in the future and will need to hand back contracts if the funding deficit is not resolved. The Boards of these organisations are becoming increasingly concerned about these deficits and some have told their staff to hand back contracts if this continues.

*“We have committed to funding the shortfall from reserves but this will be unsustainable past 2025.”*

*“There is a real risk to us as an organisation and our ability to remain a going concern. We have always had healthy reserves, but this has been decimated as a result of us having to prop up HSG services.”*

*“As part of the budgets for this year we have used reserves to breakeven, hence no reduction in service delivery / redundancies, however we do not have the financial capacity to continue to subsidise HSG contracts.”*

## Impact on service delivery in 2023/24

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- 2.18. We asked support providers about the impact of the cash-flat Housing Support Grant budget for 2023/24 and whether it had affected service delivery, contracts and staffing.
- 2.19. **45% said they had chosen not to bid for a new or re-tendered contract since the HSG budget was confirmed for this year.** This is predominantly down to local authorities not being able to provide enough funding to cover the true costs of delivering services. As outlined above, support providers are seriously considering the financial risk to their organisation of continuing or starting new services. They have also told us they are not prepared to put safety and quality at risk by bidding for contracts that do not cover the true costs of running a high-quality service. Local authorities have told us that they are seeing fewer providers bidding for contracts and are becoming increasingly concerned about not being able to award contracts.

*“We are due to have our supported housing contract cut and looking to re-tender for a new contract we will have to give serious consideration to costings and will be unlikely to deliver what we have done in the new contract proposal due to inflation, cost of living, energy prices, staff retention and training requirements.”*

*“We have one service coming up for retender, with that and tight budgets in our services generally, having to give a non-consolidated pay rise was hard - we had to balance viability v, jobs and services. Our hostels and projects are also costing a lot more to run with increases in expenditure across the board, utilities, repairs and other services.”*

- 2.20. **27% of providers said they have had to reduced service capacity.** The reduction in service capacity is very concerning at a time when demand for services is increasing. This means that people have to wait longer to access support, hindering efforts to prevent homelessness or make it brief and unrepeatable.

*“We have already removed most non-essential costs from the budget in previous years so now it is a case of reducing the number of units/hours delivered or making people redundant.”*

*“Following the funding freeze, we have already seen a reduction in the number of hours we have been allocated with some of the people we support losing funding. Going forward, unless there is a real terms increase in funding, our services will be squeezed and there will be a gap between the hours individuals are assessed as needing and the funding available for those hours.”*

- 2.21. **66% of support providers are having to operate waiting lists.** If people are not able to access help immediately, their crisis will worsen and they become at greater risk of becoming homeless or remaining homeless for longer.
- 2.22. **27% had undertaken a recruitment freeze or left vacant staff positions unfilled.** Recruitment freezes and leaving vacant staff positions unfilled is likely to increase the workload of the remaining staff, who are already under huge pressure. This poses a further risk to the retention of staff when the sector desperately needs to increase capacity. It is also likely to result in people receiving fewer support hours, as individual staff members are supporting greater numbers of people.

### **Cuts to ‘non-essential’ service delivery**

- 2.23. 50% of providers said that the real terms cut to the HSG had led to cut backs in ‘non-essential’ elements of service delivery that would be recognised as preventative, good practice or beneficial to people using services. This includes:
- Activities and engagement opportunities for people using services
  - Therapeutic services for people using services
  - One-to-one support for people using services
  - Support to help people move into independent accommodation
  - Specific work with marginalised groups
  - Embedding psychologically informed environments
  - Clinical supervision for staff
  - Staff training, development, accreditation and qualifications
- 2.24. It is very concerning to see cuts to valuable support for people using services, as well as support and training to help staff to develop their skills and resilience.

## Staff pay, recruitment and retention

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- 2.25. In January 2023, Cymorth conducted surveys with service providers and frontline homelessness and housing support staff. The data revealed that 29% of staff working in services funded by the Housing Support Grant were being paid below the upcoming minimum wage, which would apply from April 2023. The lack of additional funding for the Housing Support Grant in 2023/24 means that the majority of service providers have had to increase staff wages without receiving additional funding to cover this cost.
- 2.26. In our survey of providers in September 2023, **91% said their HSG funding had not been increased by enough to cover the necessary increase in staff wages**. Some providers have quoted additional costs of £600,000 to fund staff pay increases this year.
- 2.27. The UK Government's recent announcement of a 10% increase to the National Living Wage will provide further financial challenges for support providers if HSG funding is not increased by the same rate. The majority want to pay at least the Real Living Wage, but some will struggle to uplift salaries to the National Living Wage without further funding.

*"There is also a continued and increasing risk to our ability to attract the right people into the workforce as salaries are increasingly left behind. We are committed to the Real Living Wage, but even meeting the National Living Wage is becoming harder to do."*

- 2.28. Low wages are having a worrying impact on frontline workers, with many facing the same challenges as the people they are supporting. Data collected from frontline homelessness and housing support workers in January 2023 showed that:
- 86% were not putting on the heating in order to save money
  - 56% were struggling to pay bills
  - 18% were struggling to pay their rent
  - 12% were feeling at greater risk of homelessness
  - 9% were using food banks
- 2.29. Many frontline workers said they were skipping meals and taking on additional jobs on top of their full-time support roles, due to the low pay. Some were considering leaving careers they love because they can no longer make ends meet, with several people highlighting better paid jobs in retail and delivery services which came with much less stress.

### Impact on recruitment and retention

- 2.30. In our recent survey of support providers, 72% said the lack of an inflationary increase this year had a negative or very negative impact on their ability to recruit and retain staff.

*"The lack of increased funding in HSG services over the past 5 years has made recruitment and retention of staff extremely difficult in this area of work. The knock-on effect in terms of staff satisfaction and morale is also evident."*

*"Recruitment and retention is dire in the sector because contract values are so low."*

*"Recruitment has been a significant challenge and we're seeing increased turnover of staff due to the cost of living crisis, where colleagues cannot afford to continue working in the sector. Ever changing teams has a huge impact on the quality of services and pressure on managers."*

*"Colleagues are sometimes needing to work 2 jobs in order to meet their financial commitments [...] We are asking for skilled, experienced, compassionate workers but we are not able to pay for their expertise."*

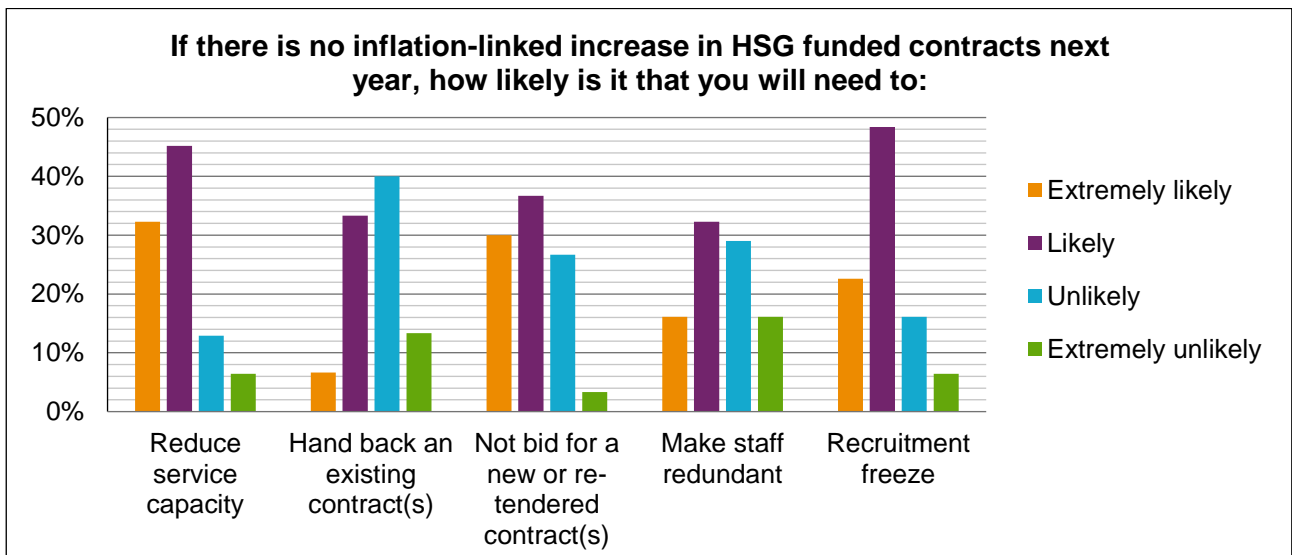
## Looking to the future: HSG budget 2024/25

2.31. The evidence outlined above is extremely concerning. However, the impact of continued funding restrictions next year could make the situation significantly worse. We asked support providers to consider the impact of two potential scenarios for 2024/25.

### Scenario 1: A cash-flat settlement (no inflationary increase):

2.32. Our survey of support providers found that:

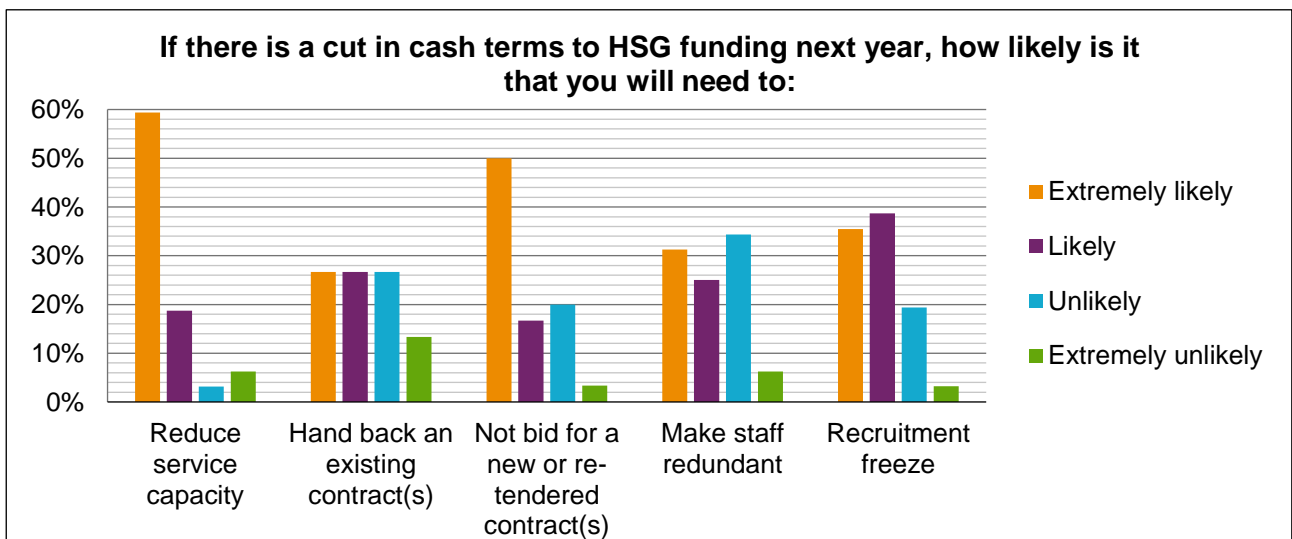
- 77% said they were extremely likely or likely to have to reduce service capacity
- 40% would be extremely likely or likely to have to hand back existing contracts
- 67% would be extremely likely or likely to not bid for new or re-tendered contracts
- 48% would be extremely likely or likely to make staff redundant
- 71% would be extremely likely or likely to have a recruitment freeze



### Scenario 2: A cut in cash terms:

2.33. Our survey of support providers found that:

- 78% said they were extremely likely or likely to have to reduce service capacity
- 53% would be extremely likely or likely to have to hand back existing contracts
- 67% would be extremely likely or likely to not bid for new or re-tendered contracts
- 56% would be extremely likely or likely to make staff redundant
- 74% would be extremely likely or likely to have a recruitment freeze





2.34. For each indicator, the percentage of respondents selecting 'extremely likely' in scenario 2 (a cut in cash terms) increased significantly compared to the cash-flat budget scenario.

*"Any cut will decimate service across Wales. There is no wiggle room for any providers, especially those who are charities."*

*"Ultimately if things continue as they are, ours are other similar services will have no option but to close."*

*"If the WG HSG budget is cut or not inflation-linked increased, [our] ability to assist the local authorities with their homeless prevention, accommodation and support duties will be severely impaired."*

*"As a landlord we work with a lot of managing partners, who are also struggling - the impact on them and us could be huge, from the point of view of buildings (which ideally we also need to invest in) and people."*

## Conclusion

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2.35. In order for the Welsh Government to achieve its ambition of making homelessness rare, brief and unrepeated, it must increase investment in the Housing Support Grant.

2.36. Services have faced significant increases in costs, despite the real-terms funding cut - from staff wage increases to meet minimum wage requirements, to increases in rent and energy costs for supported accommodation. At the same time, demand for services has increased, along with the complexity of support needs.

2.37. The impact on service delivery is clear from the evidence above, but it will get substantially worse if funding is not increased. A large proportion of organisations are running their housing support services at a deficit, subsidising them using their own reserves or other forms of funding. This is not sustainable, and the proportion of organisations having to hand back contracts or being unable to bid for contracts will increase if there is no additional funding for the HSG. There is a very real risk that this may lead to system collapse and people being unable to access the support they need.

2.38. This response outlines the direct impact on homelessness and housing support services, but we are in no doubt that continued cuts will have an impact on a wide range of public services. [Research](#) by Cardiff Metropolitan University shows that housing support services deliver an estimated net saving to health, social care and criminal justice services of £1.40 for every £1 invested in the Housing Support Grant.

*"We have been warning about the impact of no inflation increases for years. Our warnings [are] now becoming reality. Services will close, providers will fold and the impact on statutory services will be huge, because, as is well documented, HSG services keep people safe, well and prevent the need to access services such as A&E, reduce crime and ASB etc."*

2.39. It is critical that the Welsh Government increases the Housing Support Grant in the Welsh budget for 2024/25.

## 4. Increasing and improving social housing supply

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- 3.1. We do not have enough truly affordable housing in Wales and it is imperative that the Welsh Government continues to invest in social homes.
- 3.2. At the end of September, over 11,000 people were in temporary accommodation. Around 1,500 people move into temporary accommodation every month, but only 500-800 moving into settled homes. This is due to the lack of affordable housing in both the social and private rented sectors. While the recent UK Government announcement regarding the increase in Local Housing Allowance rates should enable more people to find housing in the private rented sector, there will still be a considerable need for social homes.

### Social Housing Grant

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- 3.3. The Welsh Government must maintain the capital budget for social housing in line with the indicative budget for 2024/25 which was published last year. The cost of building new homes has increased hugely over the last few years, with Brexit, COVID-19 and high inflation causing a perfect storm for social housing developers. It is essential that the Welsh Government provides enough funding for local authorities and housing associations to meet the 20,000 social homes target in the Programme for Government.

### Transitional Accommodation Capital Programme

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- 3.4. The Transitional Accommodation Capital Programme (TACP) supports a wide range of projects by local authorities and registered social landlords to create much-needed extra housing capacity across Wales. In its first year, the Programme provided £76.4m to Local Authorities and Registered Social Landlords to bring forward 936 homes. Further funding has been [announced](#) for 2023/24.
- 3.5. Local authorities and social landlords have used the funding in a number of ways, including:
  - bringing unused and mothballed properties back into use
  - remodelling existing accommodation
  - converting buildings into good-quality accommodation
  - using modern methods of construction on development sites
- 3.6. We are very supportive of this programme, as it enables social housing capacity to be maximised while new social homes are being built. People need homes now, and the TCAP is a pragmatic solution that operates well alongside the social house-building programme, enabling local authorities to work with their partners locally to develop solutions to meet housing need. In our view, the Welsh Government should continue to invest in the Transitional Accommodation Capital Programme in 2024/25.

### Welsh Housing Quality Standards 2023

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- 3.7. We welcome the new Welsh Housing Quarterly Standards, which maintain the focus on improving standards for social tenants while introducing a firm commitment to decarbonisation. However, we know that implementing these standards will be challenging for the social housing sector, as the costs of maintaining existing homes and building new homes has increased. It is therefore of the utmost importance that the Welsh Government provides appropriate funding to help social landlords to meet these new standards.



# Agenda Item 9

By virtue of paragraph(s) ix of Standing Order 17.42

Document is Restricted