

Agenda – Public Accounts and Public Administration Committee

Meeting Venue:

Committee Room 5, Tŷ Hywel

Meeting date: 19 September 2024

Meeting time: 09.30 – 12.30

For further information contact:

Fay Bowen

Committee Clerk

0300 200 6565

SeneddPAPA@senedd.wales

Hybrid

(Private pre-meeting)

(9.00 – 9.30)

(Public Meeting)

(9.30 – 11.35)

1 Introduction, apologies, substitutions and declarations of interest

(9:30)

2 Papers to note

(9.30 – 10.00)

2.1 Letter from the Director General for Economy, Energy and Transport Group with an update on Cardiff Airport.

(Pages 1 – 8)

Attached Documents:

PAPAC(06)–13–24–PTN1–Welsh Government – Cardiff Airport 6 Monthly Update

2.2 Letter from the Director General for Economy, Energy and Transport Group on Cardiff Airport CMA investigation

(Pages 9 – 11)



Attached Documents:

PAPAC(06)-13-24-PTN2-Letter from the Director General for Economy, Energy and Transport on Cardiff Airport

2.3 Letter from the Chair of the Culture, Communications, Welsh Language, Sport and International Relations Committee to the First Minister and Cabinet Secretary for the Economy, Transport and North Wales on Cardiff Airport

(Pages 12 – 15)

Attached Documents:

PAPAC(06)-13-24-PTN3 Letter from the Chair of the Culture, Communications, Welsh Language, Sport and International Relations Committee to the First Minister on Cardiff Airport

2.4 Letter from Cabinet Secretary for Finance, Constitution and Cabinet Office on the Committee's report on Welsh Commissioners

(Pages 16 – 17)

Attached Documents:

PAPAC(06)-13-24-PTN4 Letter from Cabinet Secretary for Finance, Constitution and Cabinet Office on the Committee's report on Welsh Commissioners

2.5 Letter from Cabinet Secretary for Finance, Constitution and Cabinet Office on the Welsh Government's procurement of electric vehicles

(Page 18)

Attached Documents:

PAPAC(06)-13-24-PTN5 Letter from Cabinet Secretary for Finance, Constitution and Cabinet Office on the Welsh Government's procurement of electric vehicles

2.6 Letter from Future Generations Commissioner for Wales in response to the Committee's report on the 2022-23 Annual Report

(Pages 19 – 22)

Attached Documents:

PAPAC(06)-13-24-PTN6 Letter from Future Generations Commissioner for Wales in response to the Committee's report on the 2022-23 Annual Report

2.7 Letter from the WLGA to the Committee's Chair in relation to supporting Ukrainians in Wales

(Pages 23 – 27)

Attached Documents:

PAPAC(06)-13-24-PTN7 Letter from the WLGA to the Committee's Chair in relation to supporting Ukrainians in Wales

2.8 Letter from the Chief Pharmaceutical Officer to the Auditor General for Wales on the Community Pharmacy Data Matching Pilot

(Pages 28 – 31)

Attached Documents:

PAPAC(06)-13-24-PTN8 Letter from the Chief Pharmaceutical Officer to the Auditor General for Wales on the Community Pharmacy Data Matching Pilot

2.9 Letter from the Director General of the Local Government, Housing & Climate Change and Rural Affairs group on Audit Wales' report on affordable housing in Wales

(Pages 32 – 45)

Attached Documents:

PAPAC(06)-13-24-PTN9-Audit Wales Affordable Housing Report – Welsh Government Letter & Response

(Break)

(10.00 – 10.05)

3 Evidence Session – Cardiff Airport

(10.05 – 11.35)

(Pages 46 – 79)

Welsh Government Officials

Andrew Slade – Director General for Economy, Energy and Transport

Stephen Rowan – Deputy Director, National and International Connectivity

Cardiff Airport Officials

Spencer Birns – Chief Executive Officer

Wayne Harvey – Chairman

Attached Documents:

PAPAC(06)-13-24-P1-Research Brief – Cardiff Airport

4 Motion under Standing Order 17.42 to resolve to exclude the public from the remainder of the meeting

(11.35)

5 Consideration of Evidence – Cardiff Airport

(11.35 – 11:50)

6 Audit Wales Report: Affordable Housing

(11:50 – 12.10)

(Pages 80 – 136)

Attached Documents:

PAPAC(06)-13-24-P2-Audit Wales Report – Affordable Housing

7 Audit Wales – Local Government review reports

(12.10 – 12.30)

(Pages 137 – 193)

Attached Documents:

PAPAC(06)-13-24-P3-Audit Wales Report – Local Government Digital Strategy Review

PAPAC(06)-13-24-P4-Audit Wales Report – Use of performance information service user perspective and outcomes

Mark Isherwood MS
Chair – Public Accounts and Public Administration Committee
Welsh Parliament
Cardiff Bay
Cardiff
CF99 1SN

15 August 2024

Dear Chair,

CARDIFF AIRPORT

Further to Tracey Burke's letter to you of 14 November 2023, I am writing to provide the Committee with an update in relation to Cardiff Airport. The Committee will wish to note AAO responsibility in respect of the airport returned to me in April this year, when changes were made to group structures across Welsh Government.

Quarterly reporting:

I have used the same metrics in this update as used in previous updates. These are consistent with the quarterly reports for the Airport's performance against the Rescue and Restructuring Plan.

Progress report for Quarter four (Q4) being the period ending 31 March 2024:

- Total passenger numbers were 138,836 for the three-month period January to March 2024, falling short of budget by 20,094 for this quarter – this was largely due to Ryanair lifting 22,486 fewer passengers than expected. Year To Date (YTD) passenger numbers are 861,920; 5% behind budget. Passenger numbers YTD vs Prior Year is down 5% (49k) due to the loss of Wizz Air. Conversely, Tui continues to perform strongly.
- The Welsh Government has received 12 quarterly reports to date on the Rescue and Restructuring Plan from its loan agents, the Development Bank of Wales (DBW).
- Cardiff Airport has drawn down £42m of its £42.6m Rescue and Restructuring aid grant to date, with the balance to be drawn down by the end of December 2024.

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- The loan balance outstanding as of July 2024 was £33.7m. This includes capitalisation of interest, which is added to the overall balance at each month end.
- Cash balance remained high due to higher income and cash being preserved by very tight cost control and deferred capital expenditure whilst ensuring the Airport remains compliant with regulatory requirements to operate.
- Income for the year ending 31 March 20243 was c.4% ahead of budget. Higher income from traffic and commercial activity underpinned this over-achievement despite the passenger numbers being behind budget.
- The Airport is yet to reach a level of annual profitability, measured by the EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) margin, however costs have been well contained, meaning the EBITDA loss for the year was lower than forecasted. Reaching positive EBITDA remains a future target.

The Welsh Government has received and approved 15 capital expenditure requests of between £50,000 and £1m to-date from the Airport, totalling £4.6m, and three requested above £1m totalling £13.6m, from a total pre-approved budget of approximately £29m ringfenced until March 2026. All investments were considered essential operational safety and/or security costs to continue to operate the Airport.

Update on performance targets:

Description of the Target	Date by when it should be achieved	Evidence required	Updates
Achieve an annual level of 1.3m flown passengers	31 March 2026	Report detailing passenger numbers based on data submitted to the Civil Aviation Authority (CAA)	Cardiff Airport has recovered 52% of its 2019 passenger figures, recording 860,000 passengers through its terminal by the end of the last financial year (31 March 2024). Due to the unforeseen loss of Wizz Air in early 2023 and route cancellations such as the Ryanair route to Belfast in October, the airport is now on a trajectory to achieve 1.3m passengers by 31 March 2028.

Reach a level of profitability, measured by the EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) margin	31 March 2029	Set of audited accounts	The airport is yet to reach a level of profitability, measured by the EBITDA margin. LBITDA (Loss Before Interest, Taxes, Depreciation, and Amortization) is in line with budget, reaching positive EBITDA is a future target.
Minimum of £500,000 salary cost saving	Year ended from 31 March 2022	Annual report	The Airport achieved the target of a minimum of £500,000 salary cost saving in Year ending 31 March 2022.
Maintain operating costs in line with the 11/02/21 forecast.	31 March 2029	Any projected increases of more than 5% to be notified to the Welsh Government Official as part of the quarterly reporting.	The airport continues to maintain operating costs broadly in line with the 11/02/21 forecast. However, we recognise a number of factors continue to impact on the aviation industry including inflationary pressures, a tight labour market and mandatory regulatory requirements, that present significant challenges to the aviation industry in its recovery and it is no different for Cardiff Airport.

<p>Commitment to becoming carbon neutral:</p> <ul style="list-style-type: none"> a) Commit to an operational solar farm at Cardiff airport (or some other energy efficient usage for energy consumption) b) Commitment to the development of sustainable aviation fuel and to offer this to airlines at Cardiff Airport as soon as practicably possible. c) Commitment that all future vehicle purchases will be electric or hybrid (where available) d) Offer a pricing structure (that can be made publicly available) where there is discount on fees and charges for those airlines operating the most fuel-efficient aircraft. e) Focus on enhancing environmental flightpath. 	<p>31 March 2023</p>	<p>To be updated as part of the quarterly reporting.</p>	<p>The position remains the same as articulated to Committee in Tracey's letter dated 5 May 2023.</p>
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Tracey Burke wrote to you on 9 May 2023, under commercially confidential cover, with an update regarding the other performance target. That position has not changed.

No revisions, new measures or targets have been agreed by either party on any of the targets.

Next Generation Security (NGS) Scanners:

CIAL anticipate the new Next Generation Security 3D baggage scanners to be operational later this year. Significant preparatory work has been undertaken at the airport in preparation and we look forward to the new scanners being in place at Cardiff Airport for an improved customer experience.

WGC Holdco Limited Board of Directors:

Further to the update in November 2023, I am also pleased to provide an update on the recent changes to the Board of WGC Holdco Limited (Holdco), the Welsh Government's (WG) holding company for Cardiff International Airport Limited (CIAL).

As the Committee is aware, following an internal governance review of Holdco, Welsh Ministers agreed to two new Non-Executive Directors on the Board of Directors of Holdco, in place of the two Senior Civil Servants (SCS). A position was also retained on the Board for one SCS.

Despite appointments to Holdco not being regulated by the Commissioner for Public Appointments, the process for the new appointments followed the principles under the Code of Governance for Public Appointments as closely as possible and we consulted with our Public Appointments Team to ensure the integrity of the appointments process.

These changes serve to improve the commercial business expertise on the Board and provide greater independence from Welsh Government, ensuring the Welsh Ministers receive greater value for their shareholding in the airport. They also help provide a stronger strategic direction to the airport; greater commercial expertise when scrutinising and approving the airports business plan; better assurance of governance and financial expenditure at the airport; and better oversight of the airport operational and financial performance.

I am pleased to confirm the following appointments to the Board:

Reg Kilpatrick, Director of Local Government Directorate WG Senior Civil Servant (SCS) member

Dr. Rhian Thomas – Non-Executive Director

Geraint Davies – Non-Executive Director

In his capacity as the WG SCS member, Reg has also been voted in as the new Chair of Holdco.

I have included short biographies for Reg, Rhian and Geraint in the attached Annex.

Following these appointments, Jason Thomas and Dickie Davis have tendered their resignations as directors of Holdco. I would like to put on the record my thanks to them, and to the Board's previous external Non-Executive Director, Stuart Castledine, for their service on the Board.

The Holdco Board is quorate and has remained so throughout the process of appointing new directors.

The above changes have been reflected on Companies House records, which can be reviewed here: <https://find-and-update.company-information.service.gov.uk/company/08455972/officers>.

In addition to the above Holdco update, I also wanted to take this opportunity to notify the Committee that we are pleased that the CIAL Board and WGC Holdco Limited made the

decision to reappoint Wayne Harvey as CIAL Chair for another two-year term, from 1 June 2024.

Long Term Strategy for Cardiff Airport:

Committee members will have noted from the Written Statement issued by the Cabinet Secretary for Economy, Transport and North Wales on 22 July 2024 that, as the specific rescue and restructuring package draws to a close, we have been working with the Airport leadership team to develop a longer-term strategy for the business, focused on how the Airport can contribute to economic growth and help to reduce economic inequality in South Wales. To achieve the objectives outlined in the Written Statement, the Welsh Government is planning to provide the Airport with long-term additional investment funding and will be seeking regulatory approval for a package of up to a maximum of £206m across a ten-year period. A copy of the Statement can be found here: [Ministerial Statement](#).

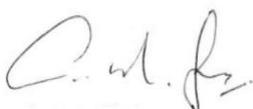
As the investment in the Airport would be classed as a subsidy of particular interest under the UK subsidy regime, our proposed investment package must be referred to the Competition & Markets Authority (CMA) for their consideration in the first instance. This referral will take place over the summer recess period and will take several months to conclude. Once Cabinet Secretaries have had an opportunity to consider the CMA's report and then taken a final decision on what form any investment package should take, they will report back to the Senedd. I will write to this Committee with an update as soon as a final decision has been made.

Subject to certain important commercial considerations, our intention is to report regularly on the flow of funding to the Airport and ensure a close monitoring of the economic outcomes of investment. As with the existing rescue and restructuring package, we will look to agree with you a new reporting regime to keep this Committee updated on progress at the Airport in the context of any new investment package that is put in place by the Welsh Government.

Separately, I have confirmed my availability to attend an evidence session with the Committee on 19 September. The Committee will appreciate that given the nature of the process there will be restrictions on what can be said publicly about the detail of the CMA application and what additional commercial information could be shared while the regulator considers our intended investment package. However, we recognise the Committee may want to explore some aspects of this more fully and we are happy to do so in a short private session, following the public session, if that is something the Committee would like to consider.

With best wishes.

Yours sincerely



Andrew Slade
Director General
Economy, Energy and Transport

Annex – Biographies

Reg Kilpatrick

Reg began his career with British Airways as an aircraft engineer before gaining a degree in Behavioural Sciences. On graduating he joined the Welsh Office as a statistician and worked in a range of areas including directing the Wales Cancer Registry, before managing the NHS Wales budget and health authority allocations. He held a number of policy roles including oversight of the National Museum of Wales and Welsh Development Agency then worked closely with the Wales Millennium Company helping to secure political and financial approval for the project before seeing the building phase begin.

Reg then headed the Welsh Government Financial Planning Division where he directed financial strategy and managed the annual Spending Reviews. He moved to Local Government Policy and become Director of Local Government and Public Services department where he oversaw local government finance, performance and governance, as well as the fire service, community safety, civil contingencies and national security matters. In this role he directed the Welsh Operation Yellowhammer in preparation for a no-deal EU exit and was appointed as Director General in 2020 to co-ordinate the cross-government response to the Covid Pandemic, later moving to take up post as Director General for the Covid Recovery and Local Government Group. He now heads up Welsh Government's Local Government Directorate.

Rhian Thomas:

Dr Rhian Thomas is a Director at Norwegian-Welsh consultancy The Commercial Toolkit, specialising in Commercial and Contract Management, having previously worked in the Aerospace and Marine industries. This included working for Rolls-Royce plc, specialising in bid management, negotiation, risk and contracting.

An experienced Commercial Management practitioner, Rhian's consultancy work covers both private and public sector, supporting Small and Medium Enterprises (SMEs) and larger, international organisations across the UK and Norway to pursue commercial opportunities, develop sound contracting governance and manage commercial risk.

Rhian has a broad range of governance experience across the Welsh public, private and third sectors, including healthcare and utilities, culture and community financial services. Rhian is an Independent Member of the Cardiff & Vale University Health Board, Chair of Cardiff & Vale Credit Union and is also a Member of Glas Cymru (Dŵr Cymru/Welsh Water).

Formerly a Senior Lecturer in Strategy and Management, lecturing through the medium of Welsh and English, Rhian holds a PhD in Modern History with additional degrees in Business Management and Modern & Medieval Languages.

Geraint Davies CBE FCA:

Geraint has been a Trustee and Director of the Hay Festival Charity and its predecessor bodies for 8 years.

After 25 years as a partner with Grant Thornton finishing as Senior Partner Wales and the West, Geraint retired in June 2013. Since then, he has held numerous Non-Exec roles in the private sector, public sector and 3rd sector. He finished as a Director of Cardiff Airport in April 2023 after 10 years. He is also Vice Chair of GCRE Ltd appointed by Welsh Government in 2020. He also sits on a number of other audit and risk committees including the WRU and WNO. He is Chair of one Church in Wales committee and sits as a member on another. He chairs several charities and is a member of fund-raising committees for others.

Geraint is the pro bono lead adviser to the Aberfan charities, a role he has held for some 45 years. He has for the last few years also advised the Grenfell Tower Memorial Commission and DLUHC on the longer-term strategies needed arising from the disaster. He was awarded a CBE in the 2013 New Year Honours List for voluntary and charitable services in Wales.

Mark Isherwood MS
Chair – Public Accounts and Public Administration Committee
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12 September 2024

Dear Chair

CARDIFF AIRPORT

In advance of my and colleagues' attendance at the evidence session with the Committee on 19 September regarding Cardiff Airport, and further to my update letter of 15 August, I thought it would be helpful to provide some additional information to help set the scene in terms of what we will be able to discuss at the session.

Cardiff Airport Long Term Strategy

As you know, on 22 July, the then Cabinet Secretary for Economy, Transport and North Wales issued a statement which sets out our future strategy for Cardiff Airport. The statement can be found here: [Written Statement: Cardiff Wales Airport – long term strategy \(22 July 2024\) | GOV.WALES](#)

The strategy aims to build on the Airport's unique strengths with two main objectives:

- attracting and growing aviation and aerospace businesses linked to the Airport
- a targeted programme of air service development, with a focus on passenger connectivity to a small number of global air hubs and economic centres of importance to Wales

Since the statement was released, the Welsh Government formally referred its proposed investment plan to the Competition and Markets Authority (CMA) on 15 August 2024. We expect that the CMA will publish its opinion on our proposals in early October. The Welsh Government is not in a position to release any details of the Airport growth plan whilst the CMA process is underway. We should be able to go into further detail in due course, when Ministers

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have considered the CMA's feedback and finalised their plan for the Airport. However, some elements of the plan will necessarily remain commercially confidential. I am sure that the Committee will recognise the importance of allowing the CMA to complete its review before entering into discussions about the details of the investment proposals.

Colleagues and I wish to be as open as possible with Committee when it comes to sharing information in relation to Cardiff Airport's performance relative to its new economic objectives. Once the CMA process has concluded, we expect to be able to go into more detail about the anticipated economic benefits of the Welsh Government's proposed investment and how we intend to track progress against those benefits over the years ahead – metrics which I am sure will be of interest to the Committee. However, I will be happy to talk to you in private session next week about the current estimates we have for the expected economic benefits, noting that any figures provided will remain as 'work in progress' until Ministers have reflected upon the CMA's report and finalised their plans for the Airport.

The subsidy proposed to the CMA is the Welsh Government's preferred approach for maximising the economic benefits to Wales from the Airport and we are confident that we have a robust case for subsidy. However, we will take full consideration of the CMA's feedback on our proposals and recognise that there may be a need to adapt aspects of our proposed approach in response to that feedback. Therefore, as you would expect, officials are developing advice for Ministers on alternative approaches that may be taken if the outcome of the CMA process does not align fully with Ministers' ambitions for the Airport. This advice cannot be finalised or discussed until the views of the CMA are known, so will remain as policy work in progress until the CMA process has concluded and Ministers have agreed a way forward.

Airport performance

Cardiff Airport now has 33 direct routes and offers access to over 145 global routes via Amsterdam. It has recovered 52% of its 2019 passenger volume, recording 860,000 passengers through its terminal by the end of 31 March 2024, with TUI, Ryanair and Vueling all increasing their operations from the Airport over the last year. The Airport's leadership team has worked very effectively to recover from the earlier impact of losing Wizz Air and their efforts have paid off, with the gap left by Wizz Air being largely filled with this new business. I expect that the Airport CEO, Spencer Birns, will, at the upcoming Committee session, provide you with the very latest information on the Airport's recent successes, including performance over the summer season.

Governance

I am pleased to report to the Committee that, following the renewal of the Holdco board earlier this year, which has helped address a number of points raised by PAPAC, the new governance arrangements between Holdco and Cardiff Airport are working well. A positive relationship has been established and the refresh of skills and expertise is delivering the new blend of challenge and scrutiny required as the Airport emerges from its restructuring package and heads into a new future focused on maximising its economic potential for Wales. I would be happy to elaborate further upon these new governance arrangements at our Committee session.

Qatar Airways

Negotiations between the Airport executive team and Qatar Airways are ongoing. The discussions remain positive but are commercially sensitive, so neither the Welsh Government nor the Airport executive will be able to provide any further information on this matter at our upcoming session. Colleagues and I will however ensure that the Committee is updated as soon as the negotiations reach a conclusion.

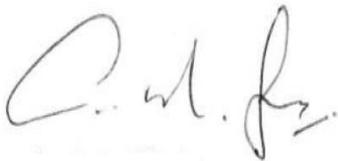
Climate Change

As outlined in the recent Written Statement, the Welsh Government has acknowledged the policy tensions between owning an airport, the significant economic benefits the Airport can deliver for Wales and our need to address the climate emergency. The proposed strategy for the Airport aims to encourage the development and local adoption of more sustainable aircraft propulsion technologies and to reduce carbon emissions from the Airport's infrastructure. I would be happy to elaborate upon this a little further in private session. The Airport Chief Executive will be best placed to update you on the specifics of progress on decarbonising ground operations, which have been positive and significant.

Colleagues and I look forward to our discussion with the Committee next week.

With best wishes.

Yours sincerely

A handwritten signature in black ink, appearing to read 'A. Slade', written in a cursive style.

Andrew Slade
Director General
Economy, Energy and Transport

—
**Culture, Communications, Welsh Language,
Sport, and International Relations
Committee**

Eluned Morgan MS
First Minister
Ken Skates
Cabinet Secretary for the Economy, Transport
and North Wales
Welsh Government

20 August 2024

International Strategy and Cardiff Wales Airport

Dear Eluned and Ken

I write in relation to the **written statement** issued on 22 July 2024, announcing planned long-term additional investment funding for Cardiff Airport across a ten-year period, subject to regulatory approval.

The statement references the Welsh Government's **International Strategy** as follows:

To improve connectivity, the Airport will seek to develop routes to those parts of the world identified in the Welsh Government's international strategy as being important for economic growth, such as:

- The Middle East and South Asia*
- The European Union - major economic and finance centres and hub airports*
- North America*

As the Committee responsible for the scrutiny of the Welsh Government's international relations activity, including its International Strategy, I would like to request more information on this significant development as outlined under the subheadings below.

Delivery of the International Strategy

You will be aware that there are two references to Cardiff Airport in the International Strategy, published in 2020. These references are in the context of describing Wales's connectivity to the rest of the world and, separately, in relation to sustainable adventure tourism and the ambition for the airport to become a UK centre for low-carbon aviation. Can you clarify the timeframe for the investment decision? Also, can you confirm which routes are being considered for development and how each route will support the delivery of the International Strategy?

The International Strategy sets out three core aims which are to:

1. raise Wales's global profile;
2. grow the economy by increasing exports and inwards investment; and
3. for Wales to be a globally responsible nation.

I would welcome detailed information on:

- how this investment contributes to each of the three core aims, as outlined; and
- what consideration was given to balancing the core aims, particularly with regards to sustainability?

I would also be grateful if you could clarify:

- whether the investment will be used to action the Airport's plans to commit to net zero targets (which was not met by March 2023), such as for a solar farm at the airport or for the purchase of electric or hybrid vehicles?
- to what extent the failure to meet this target undermines the International Strategy's aim for the airport to become a UK centre for low-carbon aviation?
- how the resumption of Qatar Airways services, if it is secured, will support the delivery of the International Strategy?

Role of overseas offices in the investment decision

Could you explain what involvement the Welsh Government's overseas offices have had in the investment decision as it relates to Wales's connectivity to the rest of the world? In addition, will the overseas offices have a role in the delivery of the airport's future plans that are linked to the International Strategy?

Budgetary implications

The scale of the investment is significant, and it does highlight budgetary implications. While the investment package is subject to regulatory approval, it could total a maximum of £206million across a ten-year period. This is substantially more than the allocated international relations budget of £8.093million for this financial year.

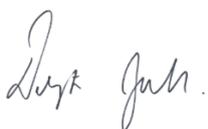
You note in the statement that this investment is, in part, linked to improving connections with parts of the world identified in the International Strategy as being important for economic growth. In that regard, can you explain:

- How will the investment relate to the International Relations budget?
- The Welsh Government has repeatedly told us that it faces a challenging financial situation and cannot plan beyond annual cycles, particularly in relation to other areas of our Committee's remit such as the culture sector. How has the Welsh Government made these funds available?
- On what basis was the airport investment prioritised over other financial pressures such as the financial crisis in the arts, culture and sport?

Finally, I would like to note how disappointing it was to learn of this information by written statement on the first Monday of the summer recess. There were ample opportunities to update Members during term time. For example, the former First Minister attended our scrutiny session on international relations on 19 June 2024, just four weeks before this statement was issued. During the session, the airport was not raised despite specific discussions on the Welsh Government's future international priorities, delivery of the International Strategy and activity in the regions earmarked for new flight routes.

I would be grateful for a response to this letter by no later than 17 September 2024. I am copying this letter to the Chair of the Public Accounts and Public Administration Committee, the Chair of the Climate Change, Environment and Infrastructure Committee, and the Chair of the Economy, Trade and Rural Affairs Committee for their information.

Yours sincerely



Delyth Jewell MS
Committee Chair

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.

Agenda Item 2.4

Rebecca Evans MS
Ysgrifennydd y Cabinet dros Gyllid, y Cyfansoddiad
a Swyddfa'r Cabinet
Cabinet Secretary for Finance, Constitution & Cabinet Office



Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref: MA/RE/6064/24

Mark Isherwood MS/AS
Chair
Public Accounts and Public Administration Committee
Senedd Cymru

SeneddPAPA@senedd.wales

8 August 2024

Dear Mark,

Additional Response to the Report of the Senedd Cymru/Welsh Parliament Public Accounts and Public Administration Committee Report on Review of the Welsh Commissioners, July 2023

**Provided by: Rebecca Evans MS, Cabinet Secretary for Finance, Constitution and
Cabinet Office**

I accepted the following recommendations in my response to the Committee in August 2023, which included a request by the Committee for an update once these arrangements had been in place for two years. I am now able to provide that update and there have been no additional issues reported since the Committee considered these issues.

As an overall point, I need to ensure that all Central Government bodies operate within the requirements of both *Consolidated Budgeting Guidance* and *Managing Welsh Public Money*. We are aware of the impacts that Commissioners reported regarding the operation of the use of reserves or the accounts boundary and continue to work with them.

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
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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.

Recommendation 11

The Commissioners identify issues with the restrictions on their use of reserves following the designation, from February 2022, of their offices in the Welsh Government accounting boundary. Given the related risk to independence and potential other unintended consequences, the Committee recommends that the Welsh Government reviews the impact of the changes after they have been in operation for two years and provides an update to the Committee by September 2024.

As noted in my response in 2023, the restrictions on reserves are as set out in the UK Public Expenditure framework detailed in the *Consolidated Budgeting Guidance* set out by HM Treasury. The position on reserves is compliant with *Managing Welsh Public Money* and the requirement not to pay Grant in Aid in advance of need. Holding reserves from one year to the next does not guarantee that there will be budget cover in a later year for a public body to be able to utilise them.

There are separate processes for the Welsh Government to consider any request for flexibility to retain cash in excess of the approved 5% of total income tolerance and for the relevant Minister to approve additional resource budget to fund

- any slippage in approved activities from one financial year to another, or
- an increase in planned activities approved for the current year.

Recommendation 13

We recommend the Welsh Government reviews the impact on the Commissioners of bringing them into its accounting boundary. This should be completed two years after such changes have been in operation, with an update provided to the Committee by September 2024.

Designation aligns the Senedd-voted Budget Motion to the resources used, including the resources used by the designated body in the Budget Motion, rather than just the cash payments made to the entity. The designation status of the body has no impact on how the UK Public Expenditure framework is applied.

All Welsh public bodies classified by the Office for National Statistics as Central Government bodies are within the Welsh Government budget boundary on a resources (that is, accruals rather than cash) basis under *Consolidated Budgeting Guidance*. This is irrespective of whether or how they have been designated.

Yours sincerely,



Rebecca Evans AS/MS

Ysgrifennydd y Cabinet dros Gyllid, y Cyfansoddiad a Swyddfa'r Cabinet
Cabinet Secretary for Finance, Constitution & Cabinet Office

Agenda Item 2.5

Rebecca Evans AS/MS

Ysgrifennydd y Cabinet dros Gyllid, y Cyfansoddiad
a Swyddfa'r Cabinet
Cabinet Secretary for Finance, Constitution & Cabinet Office



Llywodraeth Cymru
Welsh Government

Mark Isherwood MS
Chair of the Public Accounts and
Public Administration Committee

19 July 2024

Dear Mark,

Welsh Government Procurement of Electric Vehicles

Thank you for your letter dated 24 June in relation to the Purchase of Electric Vehicles Collaborative Procurement.

Under the Public Contracts Regulations (2015), all bidders are assessed on a number of mandatory and discretionary exclusion criteria which includes an assessment of the company and associated persons' previous performance. The grounds being tested for mandatory exclusion included, but not limited to, conspiracy; corruption; fraud; and tax payments. The discretionary exclusion criteria tested the bidder's past performance in relation to areas such as environmental breaches; bankruptcy; and previous public contract terminations etc.

The due diligence undertaken raised no concerns of FleetEV that would lead to either mandatory exclusion from the process or apply to any of the discretionary criteria being tested.

As this has been established as a Framework Agreement, Welsh public sector organisations can determine themselves whether they wish to appoint FleetEV under a direct call-off arrangement or utilise other available routes to market.

Yours sincerely,

Rebecca Evans AS/MS

Ysgrifennydd y Cabinet dros Gyllid, y Cyfansoddiad a Swyddfa'r Cabinet
Cabinet Secretary for Finance, Constitution & Cabinet Office

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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.

3rd September 2024

Dear Chair,

Re: Future Generations Commissioner for Wales - Response to Public Accounts and Public Administration Committee Scrutiny of Accounts: The Future Generations Commissioner for Wales 2022-23 Report, March 2024

In accordance with the Committee's report and recommendations, I am writing to provide an update within six months on the work being undertaken to develop a model of charging for services.

Recommendation 7. We recommend that the Commissioner provide the Committee with a written update in six months' time on the work being undertaken by his office to develop a model for charging for services to generate additional resources.

Our team have an agreed policy for payments and charges in February 2024. We must comply with the limitation of the Commissioner's statutory power to charge for advice and services which is found in Schedule 2, Paragraph 8 to the Act. It states that:

- The Commissioner may do anything the Commissioner considers appropriate in connection with the Commissioner's functions, including charging for the provision of advice or other services.
- The Commissioner's power to charge for the provision of advice or another service is limited to charging such amounts as the Commissioner thinks appropriate to recover the actual or estimated costs to the Commissioner of providing that advice or service.

Most of the advice, support and assistance we provide is for the public bodies covered by the Well-being of Future Generations (Wales) Act 2015. The Committee is aware that, whilst capacity and resources are an issue for my office, this work is mostly core-funded by our grant in aid. Therefore, in most cases, we would not charge for our work.

However, in some instances we follow our agreed charge recovery policy. I have provided at Annex A an extract of this policy to illustrate instances when we seek to charge for services. Our policy states we must also adhere to the guidance on fees and charges set out in "Managing Welsh Public Money". This means we set charges to recover full costs, ensure no cross subsidy, and ensure

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charges are consistent. In calculating full costs, we include: direct staff time, indirect staff time (e.g. finance, admin support etc), other elements such as depreciation, overheads and any costs of capital, and any other direct costs for services tailored to meet individual requirements.

Some recent examples of requests for advice where we have recovered costs or we are intending to recover costs include:

- Our international agreement with the Welsh Government International Team;
- Development of a business toolkit that assists businesses with applying the Well-being of Future Generations Act with Business Wales;
- Sponsorship of our Future Generations Leadership Academy;
- Some speaking engagements;
- A potential workshop with Dwr Cymru looking at their business plan for 2025-30 and advising on the potential for social value and impact;
- Expanding the Future Generations Leadership Academy to a franchise model.

We will send further updates in accordance with the Committee's recommendations in the timescales indicated by the report.

Yours sincerely,



Derek Walker
Future Generations Commissioner for Wales

Annex A – an extract of the Payment and Charges Policy (February 2024)

The Office wants to be helpful. Each invitation or request for advice or support received needs to be weighed up and discussed with relevant team members before a decision is made on accepting or declining.

Capacity is an issue for the team and so there will be circumstances where advice or support would be considered to have merit but a charge for this assistance may need to be set for it to be deliverable.

When we SHOULDN'T charge for work

As an indicator it should be the default position that most of our advice, support and assistance work will be for public bodies and funded by our grant in aid. In these cases, FGC would not be charging for the work they do.

We SHOULDN'T charge IF:

- ✓ There is a commitment from the Commissioner, or
- ✓ It contributes to our strategic impacts, or
- ✓ It contributes to our routemap outcomes, or
- ✓ It is an organisation we have a strategic partnership with, or
- ✓ It is an organisation we would like to have a strategic partnership with, or
- ✓ The requester can offer some non-monetary consideration for our help/services (e.g. secondments etc), or
- ✓ The impact of the intervention is considered wide and far-reaching.

AND

- ✓ We have the capacity to undertake the work, and
- ✓ The resources involved are reasonable, or
- ✓ The work can be achieved with existing materials, or
- ✓ We wouldn't have to carry out additional work, or
- ✓ The work would not require external input.

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Where these parameters are **not** met, but the work is still considered to have merit then a discussion with SLT should be had to consider charging for the work in order that it can be a viable option for the organisation.

2. If We Decide to Charge for Work

After concluding the work has merit, but is not practical to be undertaken without charging, then we should follow the charging principles set out here.

Rule in the Act

We must comply with The Commissioner's statutory power to charge for goods and services which is found in Schedule 2, Section 8 of the Act.

The Office must also take note of guidance on fees and charges set out in Chapter 6 of "Managing Welsh Public Money".

Considering both of the above, FGC should:

- Set charges to recover full costs,
- Ensure no cross subsidy, and
- Ensure charges are consistent – no higher charges for the same service to different users.

Full Costs

Full cost recovery will include costs for:

- Direct staff time,
- Indirect staff time (e.g. finance, admin support etc),
- Other elements such as depreciation, overheads and any costs of capital,
- Any other direct costs for services tailored to meet individual requirements.

Supporting Ukrainians in Wales

Author: Adrian Marszalek, Wales Ukraine Schemes Coordinator

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Welsh Local Government Association - The Voice of Welsh Councils

We are The Welsh Local Government Association (WLGA); 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



Purpose

1. This paper was produced following a request to WLGA by the Public Accounts and Public Administration Committee as part of its inquiry into Supporting Ukrainians in Wales, which is subsequent to the Auditor General for Wales's report under the same name.¹ In line with the committee's enquiry, this response **highlights the lessons learned from the initial response, support provided to Local Authorities by Welsh Government, the role of Local Authorities within the administration of Welcome Centres and an overall view on the response and its implementation.** This report reflects the current position of Local Authorities in Wales.

Lessons learned from the planning of the initial response, including estimates of the number of arrivals, accommodation options and likely costs of the response.

2. Following the outbreak of the war, all 22 Local Authorities (LAs) in Wales answered the call to become involved and support arrivals of people from Ukraine into Wales under the Homes for Ukraine (HFU) Scheme and the Welsh Government Super Sponsor (WGSS) Scheme. The Welsh Government (WG) decision to introduce the WGSS and support those Ukrainians which had not secured a sponsor was met with overall backing regardless of the added layer of complexity.
3. The establishment of emergency response by Welsh Governments and early engagement with the WLGA and LAs from the beginning of planning the WGSS scheme was key to ensuring adequate support being delivered to Ukrainians arriving in Wales. A multi-agency partnership was founded, meeting under the "Ukraine LA Response Group"², to look at the delivery of HFU and WGSS Schemes as a 'Team Wales' approach – where all LAs, WLGA, WG, Health Boards and voluntary sector organisations join together to collaborate, solve challenges and share best practice in relation to the scheme delivery.
4. Initially, WG committed to sponsor 1,000 individuals from Ukraine.³ However, the demand for support far exceeded the initial expectations with over 5,300 applications being submitted to the scheme⁴ leading WG to suspend the scheme as of 10 June 2022.
5. The unprecedented scale of demand led WG and LAs to pivot and respond to the increased number of arrivals. WG were left with little option but to procure hotels and other Initial Accommodation sites, aside from Welcome Centres, as accommodation options became increasingly limited.

¹ [Supporting Ukrainians in Wales \(audit.wales\)](https://audit.wales.gov.uk/reports/Supporting%20Ukrainians%20in%20Wales)

² 'The Welsh Government's discussions with the WLGA and Welsh local authorities on the operation of the Ukraine settlement schemes' [business.senedd.wales/documents/s126234/Paper 2.html?CT=2](https://business.senedd.wales/documents/s126234/Paper%202.html?CT=2)

³ [Wales as a super sponsor | GOV.WALES](https://gov.wales/wales-as-a-super-sponsor)

⁴ [Ukraine Sponsorship Scheme: Visa data by country, upper and lower tier local authority - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/ukraine-sponsorship-scheme-visa-data-by-country-upper-and-lower-tier-local-authority)



6. The main lesson learned from the procurement of accommodation options available at the time was that the use of hotels is neither economical, nor good for the families residing in them, and certainly not in the long term. As Ukrainians settled in their Initial Accommodation, the subsequent move-on conversations from these settings became challenging to manage for both LAs and WG. This coupled, with the difficulties in the housing market and lack of affordable properties in Private Rented Sector, resulted in families staying beyond the planned 6-month period in Initial Accommodation sites.
7. The lack of affordable housing forced LAs into seeking creative solutions to ensure adequate move-on rates. 8 LAs have opted to support moves to longer term accommodation by offering rental top-ups to address the gap between Local Housing Allowance (LHA) Rates and market prices. A combination of tariff provided by UK Government and Move-on Grant offered by WG were used to fund this.⁵ However, the sustainability of such models moving forward is unclear as the tariff levels reduces.

Support provided to Local Authorities by the Welsh Government on an ongoing basis, issues arisen and the impact on other areas of Local Authority accommodation support.

8. During the inception of the Ukraine Schemes in Wales, there was a degree of uncertainty about the scale of need LAs were required to prepare for. The initial concerns were around the potential for a significant increase in homelessness presentations, whilst LAs already had to address other pressures on homelessness, for example continued cost of living crisis or other resettlement scheme pressures.
9. Regarding impact on other areas of LAs accommodation support, the introduction of the Ukraine Schemes in general has created additional competition for available affordable housing across Wales, with the additional tariff funding for HFU some LA Resettlement/Ukraine Teams were able to make the decision to offer additional financial support to ensure that Ukrainian households are successful in securing accommodation. This additional financial support may not be available to other households being assisted by LA Housing Options Teams.
10. Whilst the collective pressure on homelessness was escalating, increasing the housing demand, WG structured a holistic approach to try and address the competing challenges by working with WLGA, WSMP and LAs to address the need. This collaboration defined the Transitional Accommodation Capital Funding Programme (TACP) which aims to support and encourage the provision of longer-term accommodation for those in initial accommodation and temporary accommodation by LAs and registered social landlords. The TACP looks to alleviate the overall housing pressures and the designed flexibility allows the funding to be used for refugees and resettlement programmes.

⁵ Annex 1: Homes for Ukraine: PRS offers, tariff and support provided by Welsh Councils (para. 4-5) committees.parliament.uk/writtenevidence/126482/pdf/



11. Operationally, the communication with WG officials in the “Ukraine Response Group” forums led by the WLGA cultivated strong relationships and ensured that best practice was shared in the meeting, and the learning applied across Wales. Furthermore, LAs were able to directly escalate issues to WG via email inboxes which were set-up additionally to the weekly forums. Where LAs held Welcome Centre or Initial Accommodation in their area, WG held regular meetings about the site, with the support increasing during the six-week closure period. During that time, WG officials would attend the sites to support LAs with managing expectations amongst Ukrainians and support with delivery of a high move-on rate.

The role of Local Authorities in the administration of Contact Centres/Welcome Centres.

12. The LAs have played a key role in supporting WG with the administration of the Contact Centre (administered by Cardiff City Council) and management of Arrival Hubs, Welcome Centres and Initial Accommodation sites across Wales, both in the initial stages of the emergency response and over the duration of the WGSS Scheme.
13. The Contact Centre ran by Cardiff City Council played a pivotal role in the operational coordination of arrivals into Wales. The Contact Centre staff served as an interface between LAs and Ukrainians travelling to Wales and ensured that both LAs and Ukrainian citizens were provided with relevant advice and matched to suitable accommodation.
14. The six Arrival Hubs were tasked with ensuring that there was a continued flow of people into the Welcome Centres and initial accommodation sites. The relevant LAs were leading on the creation and management of the hubs and tasked with supporting people to travel to their onward accommodation sites across Wales.
15. The LAs which had the sites operational were tasked with providing the initial welcome and orientation to arriving Ukrainians, as well as issuing the £200 initial payment, mandated as part of the HFU Scheme. Furthermore, they were responsible for initial integration and set-up for life in Wales, by supporting Ukrainians with opening bank accounts, signing up for welfare benefits, registry with GP and English as Speakers of Other Languages (ESOL) classes.
16. Subsequently, all 22 LAs have supported Welcome Centres and Initial Accommodation sites in relation to move-on into longer term suitable accommodation. In collaboration with the WLGA and LAs, WG have created a ‘Homes for Ukraine: framework for accommodation’ guidance, which outlined the considerations which LAs had to take when rehousing Ukrainians.⁶ This guidance was created to support the basis of a ‘population allocation’, agreed by all LAs and WG, which set out how Ukrainians in initial

⁶ [Homes for Ukraine: framework for accommodation \[HTML\] | GOV.WALES](#)



accommodation would be dispersed across Wales⁷ to recognise the uneven distribution of sites across Wales and ensure that responsibility is shared equitably across LAs.

An overall view of the WLGA on the response and its implementation.

17. Overall, the delivery of support to Ukrainians in Wales was good, despite some of the initial challenges. The involvement of WLGA and WSMP from the beginning as key stakeholders for the 'Team Wales' approach was welcomed and necessary for successful implementation. The response showcased that a collaborative approach to visa and resettlement schemes works, and the response to Ukraine crisis across Wales is an example to follow in other areas.
18. The WLGA believes the response went relatively smoothly, and it was a good operational way of working, with LAs coming together with WG, Department for Levelling Up, Housing and Communities, Home Office, British Red Cross and Housing Justice Cymru, with different stakeholders joining relevant meetings to ensure a cohesive response across the sectors.
19. From a value for money perspective, it must be noted that the Ukraine response was an emergency response, where both WG and LAs had to make decisions quickly and adapt to an evolving landscape.
20. The mobilisation during the response served as a key moment where Wales made a choice to not prioritise one group of people in housing need over another, despite different terms and conditions of funding for refugee groups available from UK Government. LAs ensured that support across different refugee and visa schemes was equitable, as far as they were able within the specific requirements, and this is the way local government would wish to take in moving forward.
21. The use of hosts under the HFU scheme has showcased a goodwill of Welsh people and serves as a model that could be used for other cohorts. WLGA, WSMP and WG have managed to support LAs with issues around move-on and meeting specific needs in the best way possible whilst managing the response at a national level.
22. It should be noted however that the collective pressures on housing and homelessness provision continue to this day and the WLGA would encourage WG to continue its collaborative approach adopted during the Ukraine response with WLGA, LAs and other key stakeholders to address the wider burdens. The WLGA is keen to continue building a coherent system for all, with fairness and equity being at the centre of it whilst recognising individual, person-centred needs.

⁷ Annex A: Population Allocation [Homes for Ukraine: framework for accommodation \[HTML\] | GOV.WALES](#)



Adrian Crompton
Auditor General for Wales
Audit Wales
1 Capital Quarter
Cardiff
CF10 4BZ

By email

19 July 2024

Dear Adrian,

Community Pharmacy Data Matching Pilot

Thank you for your letter of 23 May and the accompanying report describing the findings and recommendations of Audit Wales' community pharmacy data matching pilot. Given the scale of public expenditure on medicines and pharmaceutical services, tackling fraud and error is of considerable importance and I am grateful to you and your colleagues for taking the time to investigate risk in the community pharmacy sector so thoroughly.

I am particularly pleased this extensive pilot involving almost 30% of pharmacies in Wales over a three-year period, found no evidence of systemic fraud or error. I consider these findings are likely to be representative given the large sample size, the mix of pharmacies and prescriptions dispensed in the sample, and the duration of the field work. The report therefore provides welcome assurance in this area of high spend and scrutiny.

Whilst not making specific recommendations, you ask three questions NHS Wales, should ask itself, given the findings of your pilot.

Are you satisfied with the current approaches in each health board, and across NHS Wales, to identify and investigate outliers in relation to high cost and risk of fraud for dispensing contractor activity?

As I have set out above the report provides a great deal of reassurance that auditors were unable to find any evidence of systemic fraud or error within the community pharmacy

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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.

sector. Of course, we cannot be complacent given there may be some types of fraudulent activity which were not investigated by the pilot or fraud may be occurring in health boards other than those included in the sample.

There are examples of significant fraudulent practice having occurred in the community pharmacy sector such as those described in the report. It is reassuring that these historic cases were identified by health boards working closely with NHS Counter Fraud Services, through checks and balances which pre-date the pilot.

The pilot identified risks in three main areas: pricing errors, expensive items and specials.

On pricing errors, between 6 million and 7 million prescriptions in Wales are processed for payment by the NHS Wales Shared Services Partnership every month. Prescription payment accuracy is consistently high with an error rate of only around 1 per 1000 prescriptions processed. Where processing errors occur, they are as likely to result in underpayments to pharmacies as they are in overpayment by the NHS. Audit Wales' work only considered overpayments and it is therefore likely that further investigation of errors would cancel out any potential savings for the NHS over time. The level of pricing accuracy is agreed between the NHS and Community Pharmacy Wales on behalf of pharmacy contractors we do not therefore propose to take any further actions to address under and overpayments. It will however remain possible to make corrections in respect of individual errors on an ad hoc basis.

Turning to expensive items, I agree additional checks by health boards are likely to improve how risks are managed in this area. Whilst I am aware health boards may undertake some checks on expensive prescriptions already, such checks generally focus on the prescriber of the medicine rather than the pharmacy which dispensed it. I agree with your assessment that health boards would have greater assurance if additional checks on pharmacies dispensing large numbers of expensive prescriptions were undertaken. We will therefore take three actions to improve the work health boards undertake in this area.

Firstly, we have commissioned the Wales Analytical Prescribing Support Unit (WAPSU) to develop an interactive expensive items dashboard which can be accessed by health boards and used to identify expensive prescriptions issued by general practitioners and hospital outpatient departments in their area. The dashboard allows health board users to access aggregated and individual prescription data including the individual prescription images retained by the NHS Wales Shared Services Partnership.

Secondly, we will work with the NHS Wales Shared Services Partnership to develop a monthly report detailing expensive items dispensed by pharmacies in each health board area and make this report routinely available to health boards.

Finally, we will write to health boards providing information about both the interactive dashboard and the community pharmacy expensive items report, asking them to confirm what arrangements they will put in place to ensure the new tools are used to minimise the risk of fraud or error occurring within the health board.

Are key lessons and best practice around these matters being shared between health boards? For example, are the health boards sharing examples of where fraud has been identified to make them aware of risks?

I agree there are likely to be significant benefits arising from sharing lessons learned and best practice between health boards. We will therefore write to the Head of NHS Counter Fraud Services in Wales and the Directors of Pharmacy of each health board asking what arrangements might be put in place to facilitate such information sharing.

Is there scope for the NHS in Wales to put extra cost-effective controls in place around the variable costs of specials?

Specials are often considerably more expensive than licenced medicines, due to the bespoke nature of the product and include costs of sourcing raw materials, manufacturing, quality control, or importing products and distribution.

The nature of specials make them much more liable to price fluctuations arising from changes to the prices of raw materials or from an urgent need for a special to be manufactured where a surcharge may be payable for faster delivery.

Action has been taken over a number of years to reduce the cost of specials to the NHS. In 2011, standard reimbursement prices were introduced for the most commonly prescribed manufactured specials (for example liquids, creams and ointments made to an individual formula). Between 2018 when Audit Wales began its fieldwork, and 2023 the total annual spend on these medicines fell by more than 50% (from £1.01 to £0.48m per year) as a result of the changes.

More recently in March 2022, further changes were made to reduce the cost of unlicensed, imported medicines by incentivising pharmacy contractors to source these medicines at the cheapest price possible, reducing variation and excessive prices that do not reflect the cost of manufacturing the special. In the first year following these further changes costs fell by 5% (from £0.65m to £0.62m).

The reimbursement costs of specials have been subject to scrutiny for a number of years including as part of a Department of Health and Social Care [consultation](#) in 2019. Various approaches including requiring pharmacy contractors to obtain quotes from several manufacturers, seeking central approval to place orders, and a national specials' procurement service, have all been proposed and discounted as being unlikely to result in significant cost savings.

Given the changes made since Audit Wales' fieldwork, the previous consultation and analysis of options, and the significant reduction in cost in recent years, I do not consider the same potential exists to make the savings estimated by Audit Wales in future years. However, there continues to be potential for health boards to review individual prescriptions for high cost specials which could be replaced with a lower cost standard licensed preparation. The interactive expensive items dashboard developed by WAPSU will support health boards to identify additional opportunities to query the prescribing of expensive unlicensed specials.

I trust this information demonstrates the steps we are taking to ensure fraud is identified and wherever possible prevented in the community pharmacy sector in Wales. The additional actions we will take as a direct result of the data matching pilot will serve to strengthen health boards' approach further and I am grateful to you and your colleagues for your interest and assistance in this important area.

I am copying this letter to the Chairs of Senedd Cymru's Public Accounts and Public Administration Committee, Health and Social Care Committee, and Finance Committee, for information.

Yours sincerely



Andrew Evans FRPharmS
Prif Swyddog Fferyllol/Chief Pharmaceutical Officer
Llywodraeth Cymru/Welsh Government

Agenda Item 2.9

Tracey Burke

Cyfarwyddwr Cyffredinol / Director General

Llywodraeth Leol, Tai & Newid Hinsawdd a Materion Gwledig
Local Government, Housing & Climate Change and Rural Affairs



Llywodraeth Cymru
Welsh Government

Mr Adrian Crompton
Auditor General for Wales
Audit Wales
1 Capital Quarter
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12 September 2024

Dear Auditor General

Thank you for your recent report on **affordable housing in Wales**. I am pleased to enclose our detailed response to the recommendations made to the Welsh Government.

Welsh Ministers have been clear in their commitment to tackle homelessness and deliver much needed homes in Wales, underpinned by the Programme for Government commitment to deliver 20,000 additional homes for rent in the social sector.

They have supported this by investing record levels of funding in housing supply, with £1.4bn invested so far this Senedd term. This includes investing £361m in the Social Housing Grant in the last year alone.

However, there have been significant events that could not be foreseen, that have impacted the housebuilding sector, not just in Wales but the whole of the UK. Our increased budget has inevitably been impacted by the high levels of inflation and increases in building costs seen as a result.

Nevertheless, Welsh Ministers have not wavered in their ambition to deliver more homes. As current conditions make it more challenging than ever, they have launched a range of initiatives to deliver more genuinely affordable homes as quickly as possible including the Transitional Accommodation Capital Programme and Leasing Scheme Wales.

Investing in these schemes brings forward longer-term homes to move people on from temporary accommodation. We also know that costs of temporary accommodation have significant impacts on local authority resources. Capital investment in these schemes can help reduce this.



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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.

Giving people longer term accommodation where they can settle and start to rebuild their lives, reduces the indirect costs associated with homelessness. We know that good quality affordable homes have a positive impact on health, mental health and employment and education outcomes.

There are a number of recommendations for Welsh Government that are interlinked, namely recommendations 1, 3 and 5 in relation to long term planning. We will be taking these recommendations forward and strengthening our approach. However I should highlight that there is long-term planning already in place, particularly around housing need. This in turn feeds into Local Development Plans and the Prospectus for the Social Housing Grant which informs delivery.

Your report makes a valuable contribution to our ongoing work in this area, and we look forward to working with partners to take forward the recommendations.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tracey Burke'.

Tracey Burke
Director General
Local Government, Housing & Climate Change and Rural Affairs

Management response form

Report title: Affordable Housing

Completion date: September 2024

Ref	Recommendation	Management response Please set out here relevant commentary on the planned actions in response to the recommendations	Completion date Please set out by when the planned actions will be complete	Responsible officer (title)
R1	<p>The Welsh Government should conduct detailed scenario planning to provide a clear and early indication of funding for the key affordable housing schemes in 2025-26. Scenario planning should include:</p> <ul style="list-style-type: none">the likely outcomes, in terms of homes delivered;the costs and benefits of changing the balance between new build and acquisitions, particularly through the Social Housing Grant; andan assessment of funding required in 2025-26 to progress schemes that will deliver outside the target period, if a cliff edge is to be avoided.	<p>Accept. A programme of work is already in progress that aligns with this recommendation. A range of actions to support our scenario planning include:</p> <ul style="list-style-type: none">To further refine and improve delivery projections, we will improve data collected from the sector and integrate it within the Homes and Places portal. The portal has already been updated to allow the capture of a risk category and challenges to delivery along expected delivery dates and costs. Registered Social Landlords and Local Authorities are expected to maintain the quality and accuracy of this data.	December 2024	Deputy Director for More Homes / Head of Housing Supply / Head of Housing Funding

Ref	Recommendation	Management response Please set out here relevant commentary on the planned actions in response to the recommendations	Completion date Please set out by when the planned actions will be complete	Responsible officer (title)
	Government should publicly report how many of the homes counted towards the target are new build and low carbon.	<p>of the Affordable Housing Provision in Wales Statistical Release. This breakdown will be added to Stats Wales.</p> <p>All homes that count toward the target are required to meet specific standards including energy efficiency. A breakdown of these homes and the standards they meet will be provided within the Programme for Government Annual Report.</p> <p>We will explore the feasibility of reporting low carbon data for the current or any future target.</p>	<p>July 2025</p> <p>June 2025</p>	Supply / Knowledge and Analytical Services Housing
R3	The Welsh Government should assess and set out the options for continuing to meet the need for affordable housing over the longer-term. This should include consideration of the merits of continuing to have a target that is not consistent with the	<p>Accept – There is a relationship between this recommendation and recommendations 1 and 5.</p> <p>Long term planning is already a crucial part of housing development. National estimates of housing need are set over a 20-year period. Local</p>	March 2025	Deputy Director for More Homes / Head of Planning / Head of Housing Supply / Knowledge and

Ref	Recommendation	Management response Please set out here relevant commentary on the planned actions in response to the recommendations	Completion date Please set out by when the planned actions will be complete	Responsible officer (title)
	definition of affordable housing for national statistics.	<p>authorities are required to assess housing need over a 15 year period through the Local Housing Market Assessment process. This then feeds into their local development plans which sets out an authority's proposals and land-use policies for the future development of land in its area also over a fifteen year period. The LHMA also feeds into the SHG prospectus to inform delivery. The SHG is a rolling 4-year programme and exploration will be given to a longer commitment through Recommendation 6.</p> <p>We will also assess options for delivery over the longer term considering the range of options including investing in acquisitions compared to new build and exploring all delivery options including tenure mix, utilising market housing and alternative funding methods.</p> <p>The Affordable Housing Provision in Wales Statistics allow for the effective analysis of trends</p>		Analytical Services Housing

Ref	Recommendation	Management response Please set out here relevant commentary on the planned actions in response to the recommendations	Completion date Please set out by when the planned actions will be complete	Responsible officer (title)
		and comparison of delivery across different time periods. Reporting against the target is reflected in a subsection of those statistics. Consideration of the merits of full alignment with the affordable housing definition for national statistics will inform any future target.		
R4	The Welsh Government should review the approach to housing needs assessment, including: <ul style="list-style-type: none"> • assessing why national estimates appear to have significantly underestimated the scale of existing need and how that can be rectified; • developing its understanding of underlying demand, as well as need, as part of its assessment methods; • identifying and acting on lessons from the rollout of the updated approach to 	Accept in principle - Work is ongoing to improve current housing need estimates. However, this work has been delayed due to availability of data from the Office of National Statistics. <p>- The national estimates assessed the housing need at a point time (published in August 2020, based on 2019 data). The need, in large part, has increased significantly since then due to unforeseen global events that have taken place.</p> <p>The Covid-19 pandemic and our 'no-one left out' policy response, uncovered the true scale of</p>	December 2025	Deputy Director for More Homes / Head of Housing Supply / KAS Housing

Ref	Recommendation	Management response Please set out here relevant commentary on the planned actions in response to the recommendations	Completion date Please set out by when the planned actions will be complete	Responsible officer (title)
	<p>Local Housing Market Assessments; and</p> <ul style="list-style-type: none"> • how to align its funding for affordable housing to identified need. 	<p>homelessness in Wales. This previously hidden homelessness would not therefore have been identified in earlier housing need assessments. Since the pandemic, homelessness data on presentations to services now provides a far more accurate reflection of need. As well as better understanding levels of hidden homelessness, it is also important to note demand in the system has also been exacerbated by wider global and economic factors, particularly the cost of living crisis, humanitarian crisis arising from the war in Ukraine and Afghanistan, and the ongoing impact of asylum dispersal. Such external factors have a significant impact on housing need, are difficult to predict, and are outside the control of Welsh Government.</p> <p>- There is recognition that there are areas of hidden housing need or demand, particularly in rural areas where supply of affordable housing is limited. Individuals often do not join waiting lists</p>	<p>June 2025</p>	

Ref	Recommendation	Management response Please set out here relevant commentary on the planned actions in response to the recommendations	Completion date Please set out by when the planned actions will be complete	Responsible officer (title)
		<p>because of this. The new approach to undertaking Local Housing Market Assessments (LHMAs) guides local authorities to include those who are unsuitably housed and on a waiting list in their existing unmet need calculation for social housing. We will explore the feasibility of collecting this data nationally to inform national demand and future targets.</p> <p>- The first cycle of undertaking LHMAs using the new approach has recently been completed. Welsh Government are in the process of undertaking a lessons learned review, and are consulting with Local Authorities on what worked well or areas for improvement.</p> <p>- LHMAs are a key source of data for Local Development Plans and the Prospectus for the Social Housing Grant. SHG is designed to fund the strategic housing priorities of Local Authorities. The SHG formula has been developed in</p>	<p>January 2025</p> <p>December 2025</p>	

Ref	Recommendation	Management response Please set out here relevant commentary on the planned actions in response to the recommendations	Completion date Please set out by when the planned actions will be complete	Responsible officer (title)
		conjunction with the sector. We will explore reviewing the current SHG formula once new housing need estimates data is available alongside LHMA's.		
R5	<p>The Welsh Government should develop a full business case for continued investment in affordable housing. This should include key components of good practice in programme appraisal, such as:</p> <ul style="list-style-type: none"> options appraisal, including the relative merits of new build and acquisitions, including the long-term costs and short-term savings from reducing the use of temporary accommodation; sensitivity analysis, to include the impacts on costs and delivery should there be changes in design specifications or further inflationary cost pressures; 	<p>Accept – We will develop a full business case for continued investment in affordable housing.</p> <p>- This is aligned to recommendation 1.</p> <p>- Current financial modelling includes sensitivity analysis for inflationary costs. We will work closely to ensure any options for changes in standards are built into the model as appropriate.</p> <p>- The current target is supported by strong governance including a Programme Board, Steering Group and a suite of governance documents including a benefits realisation plan and an Integrated Impact Assessment. These documents are live and will continue to be</p>	<p>July 2025</p> <p>March 2025</p> <p>December 2024</p>	<p>Deputy Director for More Homes / Head of Housing Supply / Senior Affordable Housing Manager</p>

Ref	Recommendation	Management response Please set out here relevant commentary on the planned actions in response to the recommendations	Completion date Please set out by when the planned actions will be complete	Responsible officer (title)
	<ul style="list-style-type: none"> benefits realisation planning, including aligning the investment objectives with the well-being goals, identifying methods to embed benefits into grant and contract payments, and a system of reporting and monitoring the full range of benefits from the investment; and a full integrated impact assessment, including equality impact assessment. 	reviewed through the remainder of the target term. The governance required to support a future target will be determined at outset of the target.		
R6	The Welsh Government should develop a long-term approach to funding affordable housing, learning lessons from the programme for school and further education buildings, with a view to smoothing out peaks and troughs in delivery.	Accept in Principle – The Social Housing Grant programme already has a longer term timeframe, providing support over four years. Officials will explore the longer-term funding approach used by Education colleagues and whether it can be applied to funding for affordable housing.	March 2025	Deputy Director of More Homes / Head of Housing Funding

Ref	Recommendation	Management response Please set out here relevant commentary on the planned actions in response to the recommendations	Completion date Please set out by when the planned actions will be complete	Responsible officer (title)
R7	In line with its commitments in response to previous Auditor General and Public Accounts Committee recommendations, the Welsh Government should work with local government partners to develop sustainable solutions to the capacity and delivery constraints in local government planning services, including options for developing the planning profession and greater regional working.	Accept – Work is ongoing to strengthen the capacity within local planning departments. We will be issuing a consultation to seek views on proposals to improving the resilience and performance of planning authorities. Proposals include: <ul style="list-style-type: none"> • Increasing planning application fees (including proposing a pathway to full cost recovery) • Measuring and monitoring the performance of planning authorities by re-invigorating and reintroducing the Performance Framework • Supporting the resilience, capacity and capability of Local Planning Authorities through skills retention, bursaries and apprenticeships • Improving resilience and resources by Corporate Joint Committees through shared service delivery, planning skills hubs and extending the Local Development Plan Review period. 		Head of Planning / Deputy Director of More Homes

Ref	Recommendation	Management response Please set out here relevant commentary on the planned actions in response to the recommendations	Completion date Please set out by when the planned actions will be complete	Responsible officer (title)
		<p>The first phase of targeted support will be through Updated Fee Regulations coming into force and then increases to planning fees by Dec 2025. This will put Local Planning Authorities on a more sustainable financial footing and will help improve resilience and capacity in planning services.</p> <p>The comments received as part of the consultation will assist us in in the next phase of targeted support, where, depending on the responses received we will be exploring other measures such as bursaries and how to promote and embed better regional working in LPAs and CJs which we consider will improve capacity and resilience.</p>	<p>December 2025</p> <p>Spring 2025</p>	

Agenda Item 3

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

Document is Restricted

Agenda Item 6



Affordable housing

September 2024



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Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

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Key facts

20,000 – the number of new low carbon social homes for rent targeted between April 2021 and March 2026.

Between 8,859 and 9,197 – the number of homes that count towards the target delivered by March 2024, based on Welsh Government estimates.

19,913 – the number of homes that count towards the target delivered or in the pipeline for potential delivery by March 2026.



£1.27 billion – Welsh Government spending between 2021-22 and 2023-24 on schemes that contribute to the target (excluding some loan support), of which:

- £1.10 billion covers the core schemes that directly fund the construction or acquisition of affordable homes; and
- £166.5 million covers schemes that indirectly support the delivery of the target.

£730 million – the notional capital budget for schemes that directly fund the construction or acquisition of affordable homes through 2024-25 and 2025-26 (with £380 million agreed for 2024-25 and a notional £350 million for 2025-26).



£580 million to £740 million – our estimate of the amount that could be needed on top of existing budget assumptions to deliver all homes in the pipeline¹.

15,860 to 16,670 – our estimate of the number of homes that could be delivered by March 2026 without the additional funding².



Notes:

- 1 Estimate uses average grant rates rather than the actual costs of delivering schemes.
- 2 Estimate uses actual figures for 2021-22 and 2022-23, Welsh Government estimates for 2023-24, and modelled estimates for 2024-25 and 2025-26.

Key messages

Context

- 1 Access to good quality, affordable housing is a cornerstone of health and well-being and a long-standing policy priority. The Welsh Government has set a target of building 20,000 new low carbon social homes¹ by March 2026. The target builds on a previous commitment to deliver 20,000 affordable homes in the previous Senedd term. The Welsh Government exceeded that target, but a different definition makes the current target more challenging.
- 2 The Welsh Government provides funding that contributes to the delivery of homes that count towards the target through various means, primarily the Social Housing Grant (SHG) and more recently the Transitional Accommodation Capital Programme (TACP). Social landlords deliver most of the homes that count towards the target. Social landlords are local authorities or Registered Social Landlords (RSLs)².
- 3 This report considers spending and performance against the 20,000 social homes target and the underpinning governance and management arrangements. **Appendix 1** provides more information about our work.

Overall conclusion

- 4 The delivery of affordable homes has been slow and more expensive than initially expected, partly due to pressures outside of the Welsh Government's control. If the Welsh Government is to meet the 20,000 social homes target by March 2026 it will need to spend significantly more than planned. It will also need to deliver all the schemes in its pipeline, some of which are considered risky, and a small number more.
- 5 There are positive aspects to the underpinning governance and management arrangements, including a collaborative approach and the core processes for managing grant funding. There are also areas for improvement around a more long-term approach to need, planning and funding, and doing more to ensure investment in affordable housing contributes to wider policy objectives.

1 We refer specifically to the Welsh Government's 'social homes' target where relevant. More generally, we refer to delivery of 'affordable housing'. All additional social homes that count towards the target classify as affordable housing. However, the social homes target excludes some affordable homes. **Appendix 1** provides further explanation.

2 Also known as housing associations. **Pack Page 84**

Key issues

Spending and performance against the 20,000 social homes target

- 6 The Welsh Government's ambition to increase affordable housing supply is clear. The Programme for Government says that the Welsh Government will build 20,000 new low carbon social homes for rent. In practice, the Welsh Government has clarified that it counts some homes that are not new builds and that are not low carbon.
- 7 By the end of 2023-24, three years into a five-year programme, the Welsh Government estimates that it had secured fewer than half (between 8,859 and 9,197) of the 20,000 social homes³. It has sought to offset slow progress in building new homes with an increased focus on acquiring existing properties. Nonetheless, the 19,913 homes delivered or in the pipeline for delivery by March 2026 falls just short of the target. There is a high probability that some of the riskier schemes in the pipeline will not deliver in time or at all, regardless of funding.
- 8 Rising costs have meant that spend on affordable housing has been higher than initially expected. In 2021, the Welsh Government estimated it would spend around £1.6 billion on core capital schemes to deliver the target.
- 9 As at the end of March 2024, the Welsh Government had spent £1.10 billion on schemes – primarily SHG and TACP – that directly fund the construction of homes that contribute to the target. It also spent £166.5 million on schemes that indirectly support the delivery of the target. This £1.27 billion in total does not include some additional loan funding to social landlords through other means.
- 10 For 2024-25, the Welsh Government has a budget of £330 million for SHG and currently £50 million for TACP. While no budget has yet been set for 2025-26, officials base their planning on a notional budget of £300 million for SHG and £50 million for TACP.
- 11 Modelling how much it will cost the Welsh Government to deliver its remaining pipeline is complicated. We estimate that the Welsh Government could need as much as £580 million to £740 million extra capital on top of existing budget assumptions to deliver all projects in its pipeline to March 2026. Without additional funding, we estimate that the Welsh Government and partners will deliver between 15,860 and 16,670 homes that count towards the 20,000 target.

3 Figure based on official statistics for 2021-22 and 2022-23, and estimates for 2023-24.

- 12 Options for making funding stretch further include shifting the balance further towards acquisitions, relying more on intermediate rather than social rent housing and reducing building standards. However, these options may not offer better value for money in the round and/or over the longer-term.

Governance and management arrangements

- 13 The Welsh Government understands the immediate need for affordable housing, with high numbers of people in temporary accommodation. However, it lacks a longer-term assessment and national estimates potentially understate need and demand. Also, the pattern of delivery of affordable housing does not match the estimates of need.
- 14 Since 2021, the Welsh Government has improved its understanding of local affordable housing need by requiring local authorities to produce and update a housing prospectus. It is also strengthening the framework for overall local housing need assessment through an updated Local Housing Market Assessment (LHMA) process. However, implementation has been delayed which has meant local planning authorities have generally been updating their Local Development Plans without an updated assessment.
- 15 The Welsh Government's arrangements for managing the Social Housing Grant, are generally sound and have been strengthened with the aim of securing better value for money. Changes include a new approach to assessing the grant funding needed for individual schemes.
- 16 The Welsh Government generally collaborates well with partners, helping it respond to some emerging risks and issues. These include inflationary cost pressures and the impact of regulations on river pollution and urban drainage. However, there remains a lack of a collective and coherent approach to addressing capacity constraints in local planning services.
- 17 The Welsh Government has strengthened its monitoring data. In 2023, it developed a data portal which allows social landlords to provide up to date information on the status of schemes; giving an improved real-time overview of overall progress. However, the Welsh Government has not done enough to ensure affordable housing investment contributes to wider policy objectives from the outset.



Price inflation has hit the affordable housing programme hard. The Welsh Government now faces difficult choices about its funding priorities and approach if it remains committed to meeting or getting close to its 20,000 social homes target by March 2026.

How the Welsh Government responds will further test its application of the ways of working expected under the Well-being of Future Generations (Wales) Act 2015. This includes how it balances short-term and long-term needs, builds on its collaborative approach, and looks to maximise positive outcomes from the significant public expenditure in this area.

Adrian Crompton
Auditor General for Wales





Recommendations

Recommendations

Delivery of the current target

- R1 The Welsh Government should conduct detailed scenario planning to provide a clear and early indication of funding for the key affordable housing schemes in 2025-26. Scenario planning should include:
- the likely outcomes, in terms of homes delivered;
 - the costs and benefits of changing the balance between new build and acquisitions, particularly through the Social Housing Grant; and
 - an assessment of funding required in 2025-26 to progress schemes that will deliver outside the target period, if a cliff edge is to be avoided.
- R2 To support transparency and scrutiny of progress against the Programme for Government commitment, the Welsh Government should publicly report how many of the homes counted towards the target are new build and low carbon.

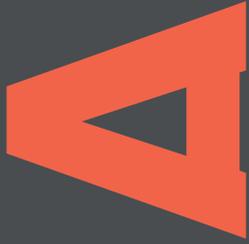
Recommendations

Developing a long-term approach to delivering affordable housing

- R3 The Welsh Government should assess and set out the options for continuing to meet the need for affordable housing over the longer-term. This should include consideration of the merits of continuing to have a target that is not consistent with the definition of affordable housing for national statistics.
- R4 The Welsh Government should review the approach to housing needs assessment, including:
- assessing why national estimates appear to have significantly underestimated the scale of existing need and how that can be rectified;
 - developing its understanding of underlying demand, as well as need, as part of its assessment methods;
 - identifying and acting on lessons from the rollout of the updated approach to Local Housing Market Assessments; and
 - how to align its funding for affordable housing to identified need.

Recommendations

- R5 The Welsh Government should develop a full business case for continued investment in affordable housing. This should include key components of good practice in programme appraisal, such as:
- options appraisal, including the relative merits of new build and acquisitions, including the long-term costs and short-term savings from reducing the use of temporary accommodation;
 - sensitivity analysis, to include the impacts on costs and delivery should there be changes in design specifications or further inflationary cost pressures;
 - benefits realisation planning, including aligning the investment objectives with the well-being goals, identifying methods to embed benefits into grant and contract payments, and a system of reporting and monitoring the full range of benefits from the investment; and
 - a full integrated impact assessment, including equality impact assessment.
- R6 The Welsh Government should develop a long-term approach to funding affordable housing, learning lessons from the programme for school and further education buildings, with a view to smoothing out peaks and troughs in delivery.
- R7 In line with its commitments in response to previous Auditor General and Public Accounts Committee recommendations, the Welsh Government should work with local government partners to develop sustainable solutions to the capacity and delivery constraints in local government planning services, including options for developing the planning profession and greater regional working.



Spending and performance against the 20,000 social homes target

01

- 1.1 This part of the report looks at progress towards the 20,000 social homes target since 2021 and prospects for the next two years.

What we looked for

We looked for evidence of an adequate pipeline of schemes and sufficient resources for the Welsh Government to deliver its social homes target by March 2026.

The ambition to increase affordable housing supply is clear, but the Programme for Government does not accurately describe the 20,000 target

- 1.2 The Welsh Government's Programme for Government includes a target to 'build 20,000 new low carbon social homes for rent' between 2021 and 2026⁴. However, in June 2021 the then Minister for Climate Change made clear that the Welsh Government would count some homes that do not fit that definition.
- 1.3 **The Welsh Government counts some homes that are not new builds.** New builds include social housing delivered by social landlords⁵. They also include affordable homes on private developments secured through 'section 106 agreements' under the Town and County Planning Act 1990⁶. However, the Welsh Government also counts acquisitions of existing properties and long-term leases on privately owned properties that local authorities secure through Leasing Scheme Wales (see **paragraphs 1.12 to 1.14**). Acquisitions counted towards the previous 20,000 homes target.
- 1.4 **The Welsh Government counts some homes that are not low carbon.** Welsh Government funded new builds must meet low carbon standards (**Exhibit 1**). New builds from section 106 agreements and homes provided through acquisitions and leasing do not need to meet the same standards. Over time, section 106 homes may need to meet the Welsh Housing Quality Standard (WHQS)⁷, but this is not required to count towards the social homes target. **Paragraph 1.15** sets out the standards in relation to acquisitions.

4 The 20,000 target is a gross figure. Each year some affordable housing is lost to sales and demolitions. Therefore, the net increase in affordable housing will be less than the number of homes delivered through the target (see **paragraph 2.6**).

5 By 'social landlords' we mean local authorities (11 of which still hold social housing stock) and Registered Social Landlords (RSLs, commonly known as housing associations. There are 31 active RSLs in Wales but not all provide additional affordable housing each year.

6 In some cases, the developer can make a payment in lieu of delivering new housing. The amount of such funding held in reserves by local authorities rose from £19.8 million in March 2021 to £27.0 million in March 2023.

7 The WHQS sets minimum standards for the quality of social housing, including on energy efficiency. A new WHQS came into operation in 2023 with associated guidance since updated: Welsh Government, The Welsh Housing Quality Standard 2023, April 2024.

Exhibit 1: strengthened standards for new build affordable housing

The Welsh Government updated the Welsh Development Quality Requirements (WDQR) for affordable housing in 2021, for the first time since 2005.

WDQR includes specific requirements for all publicly funded new or rehabilitated affordable homes that were not in the 2005 standards:

- non-fossil-fuel heating systems;
- very low carbon emissions; and
- gigabit-ready broadband.

Homes not publicly funded – for example, affordable homes on private developments under section 106 agreements – are subject only to the WDQR minimum space standards. These space standards are broadly the same as 2005, although bedrooms now need to be a little larger.

The Welsh Government estimated in 2021 that the new requirements add around 13% to the cost of new-build social homes.

Source: Audit Wales summary

- 1.5 **'Social homes' includes homes that are not for social rent.** Consistent with the previous 20,000 homes target, homes must be available for rent at below market rates. That includes:
- those for social rent, with rents subject to Welsh Government regulation;
 - intermediate rent, where rents are higher than social rents but still below market rents (which may include social and privately rented housing); and
 - shared ownership, where the tenant buys a share and rents the remaining share from a social landlord.
- 1.6 The current target remains more challenging than the 2016-2021 target. That target was to deliver 20,000 affordable homes but the end of period count of 23,061 included 187 shared equity homes and 8,875 Help to Buy⁸ homes. The current target excludes these categories.

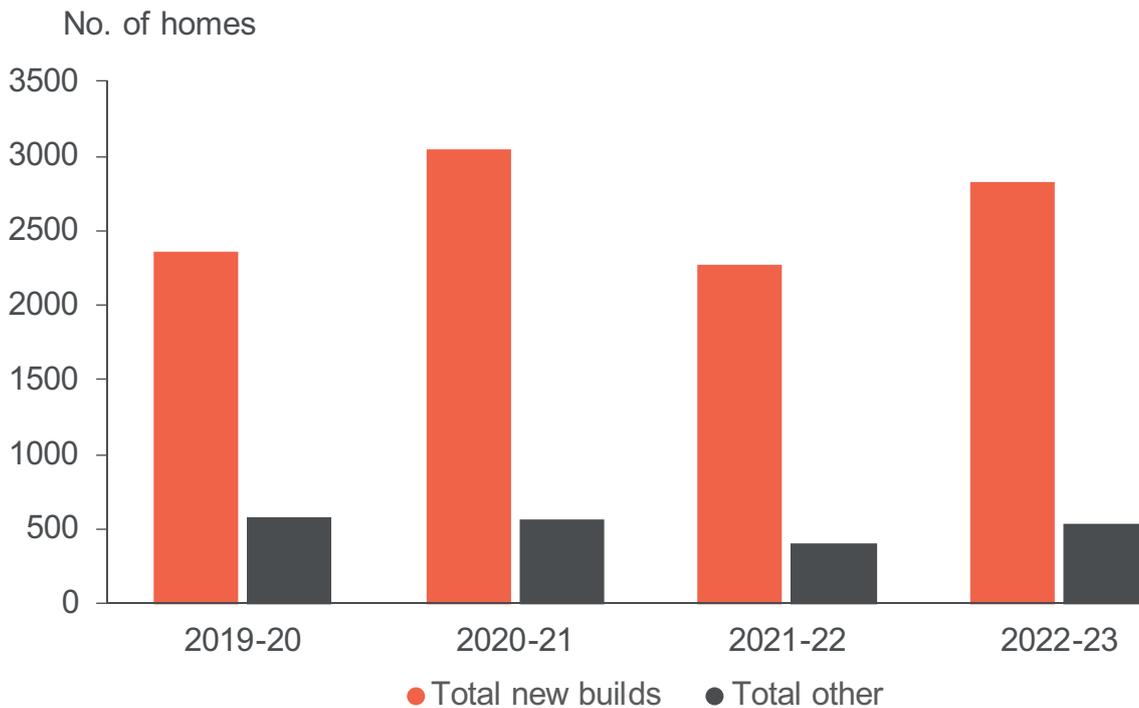
8 Help to Buy (Wales) provides a shared equity loan to eligible buyers of new-build homes.

The Welsh Government has responded to slow progress with new builds by increasing acquisitions but does not have enough schemes in the pipeline to meet the target

For various reasons, progress building new affordable homes has been slow

1.7 With a challenging target emphasising new builds, the Welsh Government needed to increase the construction of affordable homes. However, construction has fallen since 2020-21, when there were 3,045 new build affordable homes (**Exhibit 2**). The drop off was particularly sharp in 2021-22 when there were 2,278 new builds. There was some recovery to 2,829 in 2022-23.

Exhibit 2: affordable homes delivered, 2019-20 to 2022-23



Source: Welsh Government annual [affordable housing statistical releases](#)

1.8 Potential barriers to progressing new builds include environmental constraints around sustainable drainage and phosphate discharge requirements, land supply issues, and capacity in the planning system. **Part 2** of this report considers these issues in more detail.

The Welsh Government has acted to mitigate the shortfall in new-build housing by setting up schemes to fund more acquisitions and long-term leases

1.9 The Welsh Government has looked to increase acquisitions. It has removed a cap on the amount of Social Housing Grant that can be used for acquisitions. It has also set up the Transitional Accommodation Capital Programme (TACP) and Leasing Scheme Wales. The feedback we received indicated that local authorities welcomed the additional funding and flexibility of the schemes. Additionally, Community Housing Cymru has highlighted positive feedback from RSLs about the TACP⁹.

TACP

1.10 The Welsh Government launched TACP in 2022 to meet pressures on temporary accommodation from rising homelessness. Initial phases focused on refurbishing unoccupied social housing to bring it into use. The Welsh Government has since expanded the programme to include acquisitions of private properties and innovative solutions like modular housing for temporary use on sites awaiting permanent development ('meanwhile use').

1.11 Across 2022-23 and 2023-24, the Welsh Government approved TACP grants for 1,724 properties. Of these, 1,110 contribute towards the social homes target excluding 614 refurbished empty homes already part of the social housing stock.

Leasing Scheme Wales

1.12 The Welsh Government launched Leasing Scheme Wales in 2022-23 following a two-year pilot in three local authorities. The scheme offers incentives for private landlords to lease property to a local authority, which sub-lets to tenants in housing need. Rents are capped at the Local Housing Allowance¹⁰ rate for the area. Those rates are now well below market rates and allow properties to count as affordable housing. Landlords benefit from long-term leases of 5 to 20 years, guaranteed rental income, and maintenance managed and funded by the local authority.

1.13 Leasing Scheme Wales will run until the end of 2026-27 with a target of securing 1% of the private rented housing stock in the areas it operates, equating currently to 1,601 properties¹¹. The scheme delivered 70 properties in 2022-23, 4 less than the target of 74 and 124 properties in 2023-24 against a target of 155. Overall, delivery across the two years represents 12% of the total 5-year target.

9 [Community Housing Cymru, Response to the Local Government & Housing Committee's inquiry into social housing supply, April 2024](#)

10 Local Housing Allowance is used to calculate the maximum amount people renting from a private landlord can claim in Housing Benefit or Universal Credit.

11 The target would be 2,179 properties if all local authorities joined the scheme; 16 had joined by the end of 2023-24. One authority is due to join during 2024-25 and two run separate but comparable schemes.

1.14 Officials expect delivery to increase rapidly in later years as the programme scales up. The 16 local authorities participating, as at the end of March 2024, will deliver 961 affordable homes by March 2026 if they all achieve their milestone targets and catch-up on earlier shortfalls.

In response to pressures on temporary accommodation, the Welsh Government amended quality standards for acquisitions to enable a wider range of properties to be purchased

1.15 In July 2023, the Welsh Government changed the standards for acquisitions to enable a wider range of properties to be purchased¹². 'Meanwhile use' properties (**see paragraph 1.10**) must simply be fit for human habitation. For all other acquisitions, where WDQR 2021 or WHQS is not achievable at the outset¹³, the property may still be purchased if it meets the minimum standard for rented property of being fit for human habitation and (in order of preference):

- it is capable of meeting WDQR or WHQS within 10 years; or
- it is not capable of meeting WDQR or WHQS within 10 years, in which case it can still be purchased and used for a minimum of 5 years and a maximum of 10 years when it must be sold in the open market.

1.16 Welsh Government officials emphasised to us that the change was a response to calls for pragmatism and consistency in the face of high numbers of people in temporary accommodation. It sought to balance the impetus to secure more accommodation with minimum standards to protect dignity and tenant well-being.

¹² There was a slight further relaxation in September 2023 to allow smaller bedrooms where remodelling is not practical, and the room would only be occupied by a child aged under 10.

¹³ Where a property is being demolished and rebuilt or remodelled, WDQR should apply (**Exhibit 1**). For acquisitions of existing dwellings or minor remodelling, the standard is WHQS.

The Welsh Government does not have quite enough pipeline schemes to meet the target and getting close depends on faster delivery in the final two years including completion of a significant number of riskier schemes

- 1.17 Between 2021-22 and 2022-23, social landlords delivered 5,775 properties within the definition of the target (**Exhibit 3**). Welsh Government projections suggest that between 3,084 and 3,422 affordable homes that count towards the target were delivered in 2023-24. The total number of homes delivered in line with the target from 2021-22 to 2023-24 would therefore have been between 8,859 and 9,197 homes.
- 1.18 The Welsh Government has risk-rated pipeline schemes, drawing from local plans (see **paragraphs 2.11 and 2.12**). As at June 2024, if all pipeline schemes are delivered by the end of 2025-26, including 2,871 amber and 1,001 red risk rated ones, this would deliver 19,913 affordable homes. The Welsh Government has limited options to increase delivery and manage the high probability that some amber or red risk schemes do not deliver in time or at all, regardless of funding (see **paragraphs 1.42 to 1.46**). Most new build schemes that could realistically deliver by March 2026 are already in the pipeline.

Exhibit 3: delivery of affordable housing, actual and projected by risk rating¹, 2021-22 to 2025-26² (as at June 2024)

Exhibit 3a: annual delivery

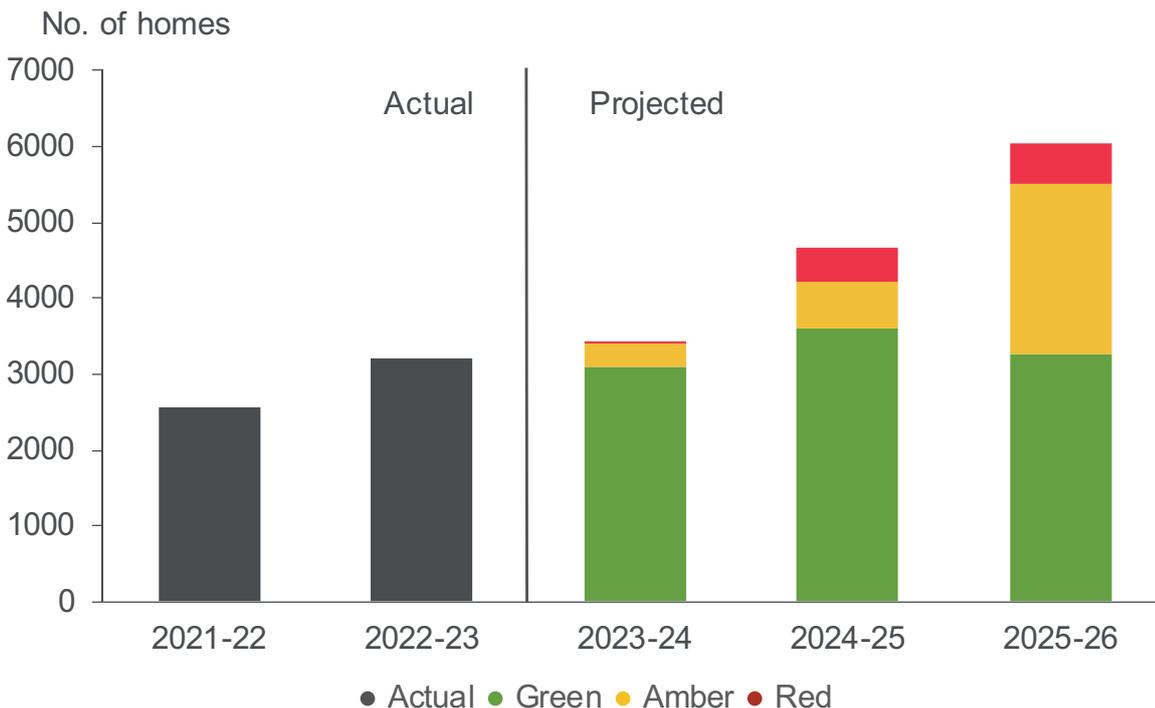
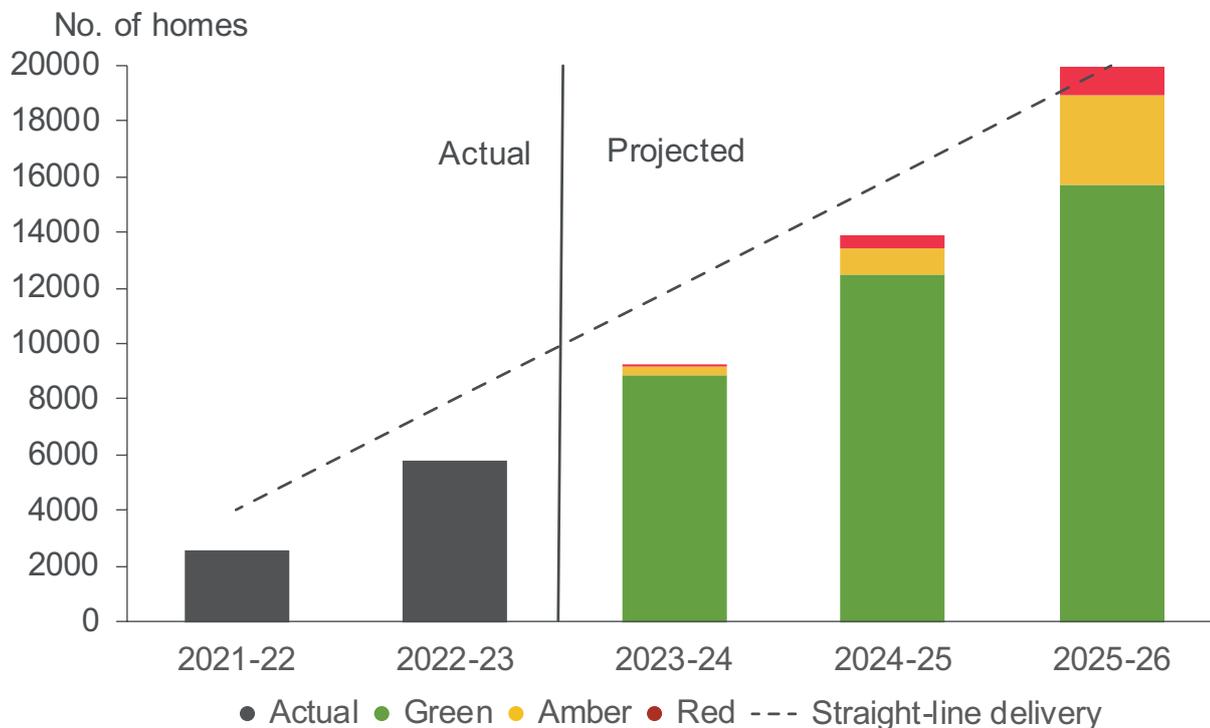


Exhibit 3b: cumulative delivery



Notes:

- 1 For local authorities the risk rating reflects risks to delivery by March 2026. For RSLs, it reflects the risk to delivery in the forecast timeframe. The figures and ratings represent the available data as at June 2024 but draw in large part on data supplied by social landlords in Autumn 2023.
- 2 Figures for 2021-22 and 2022-23 represent outturn. For consistency we have used the Welsh Government’s pipeline figures for 2023-24 to 2025-26 projections. The actual numbers delivered for 2023-24 will be reported in Autumn 2024. For the November 2023 statistical release, social landlords had separately estimated they would deliver 3,135 affordable homes in 2023-24 (including shared equity schemes that would not count towards the target).
- 3 ‘Straight line delivery’ represents equal delivery at 4,000 homes a year. The Welsh Government did not expect a uniform pattern. **Paragraphs 2.21 to 2.25** consider challenges from the uneven delivery profile.

Source: Audit Wales analysis of Welsh Government data

The Welsh Government has spent £1.27 billion on schemes that contribute to the target, with costs higher than expected due mostly to external pressures

Between 2021-22 and 2023-24, the Welsh Government spent £1.27 billion on schemes that contribute to the target

- 1.19 Between 2021-22 and 2023-24, the Welsh Government spent around £1.10 billion on schemes that directly contribute to the construction or acquisition of homes that counts towards the target. It provided a further £166.5 million on schemes that indirectly support delivery. These figures exclude loans to RSLs funded from financial transactions capital¹⁴.
- 1.20 We sought to examine how that spending compares to its initial plans set out in 2021. However, such analysis is complicated by the fact that the Welsh Government introduced new funding streams which were not envisaged in 2021.
- 1.21 Also, while the 2021 plan included full detail on the core SHG funding, it did not include a full account of the costs of schemes that would indirectly contribute to the target. Therefore, the analysis that follows initially looks at the core funding that directly contributes to meeting the target and separately examines the funding streams that contribute indirectly.

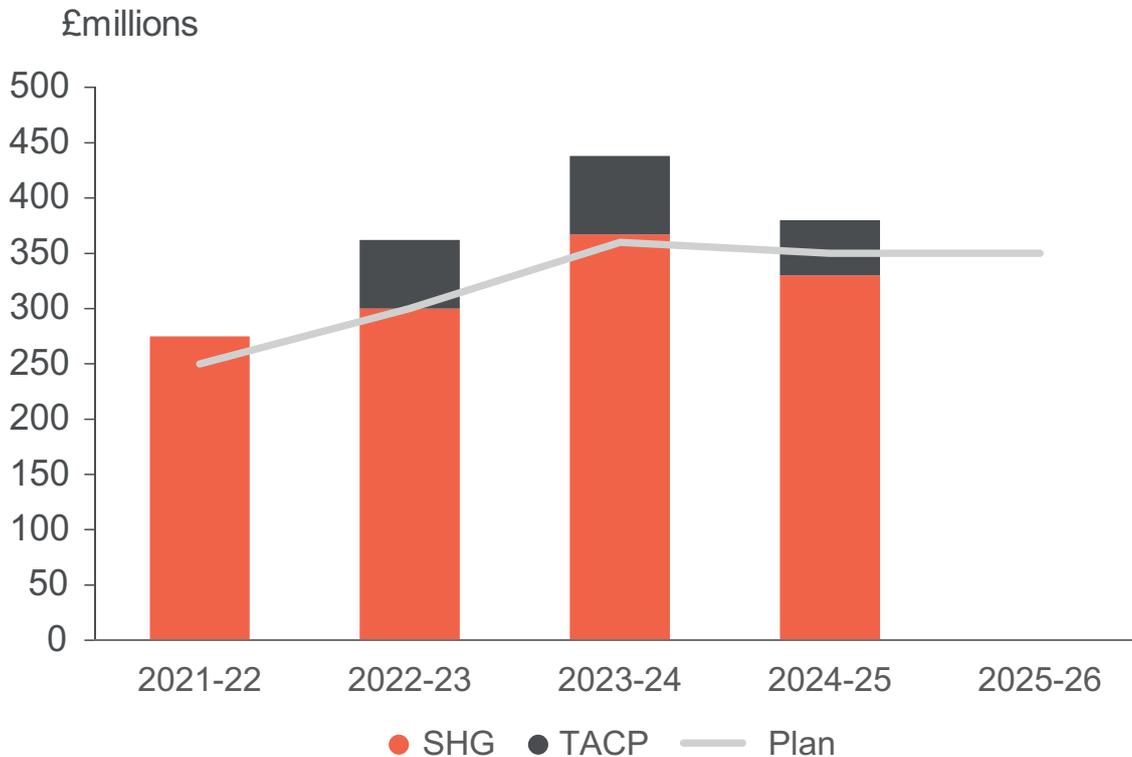
Schemes that directly fund the construction or acquisition of homes

- 1.22 Most of the Welsh Government's core funding of affordable housing schemes comes from the Social Housing Grant (SHG) budget and the Transitional Accommodation Capital Programme (TACP). The schemes are only available to social landlords and not private developers. The grants are intended to cover the 'viability gap' between a social landlord's own resources and the amount needed for a project to proceed, based on a standard viability model (see **paragraph 2.18**)¹⁵.
- 1.23 In 2021, the Welsh Government estimated that £1.6 billion of SHG capital funding would be needed over five years to deliver 17,500 of the 20,000 homes target. It expected the remaining 2,500 homes to come from social landlords' own funds or section 106 agreements. The estimate pre-dated the creation of TACP, which has become a core source of funding for delivery of the target.
- 1.24 The Welsh Government spent £1.10 billion on SHG and TACP between 2021-22 and 2023-24 (**Exhibit 4**). This compared to an initial assessment of £910 million of SHG needed for that period.

¹⁴ Financial transactions capital can only be used for loan and equity investments in the private sector and at least 80% must be repaid to HM Treasury.

¹⁵ The viability model does not apply to acquisitions that bring empty social homes back into use. In those cases the grant is limited to 80% of the cost.

Exhibit 4: spend or budget for SHG and TACP compared to initial estimated core capital budget requirements for affordable housing, 2021-22 to 2025-26^{1, 2, 3}



Notes:

- 1 Figures for 2021-22, 2022-23 and 2023-24 are actual expenditure. Figures for 2024-25 are the budget. The Welsh Government has not yet set a budget for 2025-26.
- 2 For 2022-23, we have separated out SHG and TACP although the Welsh Government classified TACP as part of SHG that year. For 2023-24, TACP had its own budget. The TACP figures only cover spend on homes that count towards the target. Expenditure on bringing existing social homes back into use has been removed.
- 3 Figures for SHG include repayable loans to RSLs worth £25 million in 2021-22 and £6 million in 2023-24 (there were no loans in 2022-23).

Source: Audit Wales analysis of Welsh Government data

- 1.25 On top of the general capital funding through SHG and TACP, the Welsh Government provides RSLs with repayable loans to support construction of new homes, funded from financial transactions capital. For example, the Welsh Government provided £56 million such loans in 2023-24.
- 1.26 The Welsh Government also provides revenue funding to support the delivery of the target. It provides £13.1 million a year to social landlords to support long-term borrowing costs. Some of this funding pays for homes built under previous targets and some supports homes delivered as part of the current target.

1.27 The Welsh Government also spent £0.5 million revenue funding in 2022-23 and £1.10 million in 2023-24 on Leasing Scheme Wales, which directly contributes to the target. It has budgeted £1.5 million for the scheme for 2024-25.

Schemes that indirectly support delivery of the target

1.28 Other funding sources indirectly support delivery of the target on top of the core schemes (**Exhibit 5**). Between 2021-22 and 2023-24, the Welsh Government has spent £166.5 million on schemes that indirectly contribute to the target. It has budgeted £81 million for these schemes in 2024-25.

Exhibit 5: Welsh Government schemes that indirectly support delivery of the social homes target, 2021-22 to 2024-25

Scheme	Description	Spend: 2021-22 to 2023-24	Budget: 2024-25
Housing with Care Fund	Supports independent living for people with care and support needs.	£113.2 million	£60.5 million
	Funds the capital cost of new schemes, usually alongside SHG.	of which 2021-22 = £38.9 million ¹	
		2022-23 = £31.2 million	
	Funding flows through health boards who develop plans with Regional Partnership Board partners.	2023-24 = £43.1 million	
Land and Buildings Development Fund	Capital grant funding to develop public sector land for use for housing, primarily affordable housing.	£53.3 million	£20.5 million
		of which 2021-22 = £26.6 million	
		2022-23 = £22.2 million	
		2023-24 = £4.5 million	
Totals		£166.5 million	£81 million

Note:

1 The Housing with Care Fund was set up in 2022-23. The figure for 2021-22 is the equivalent budget from the predecessor Integrated Care Fund.

Source: Audit Wales analysis of Welsh Government data

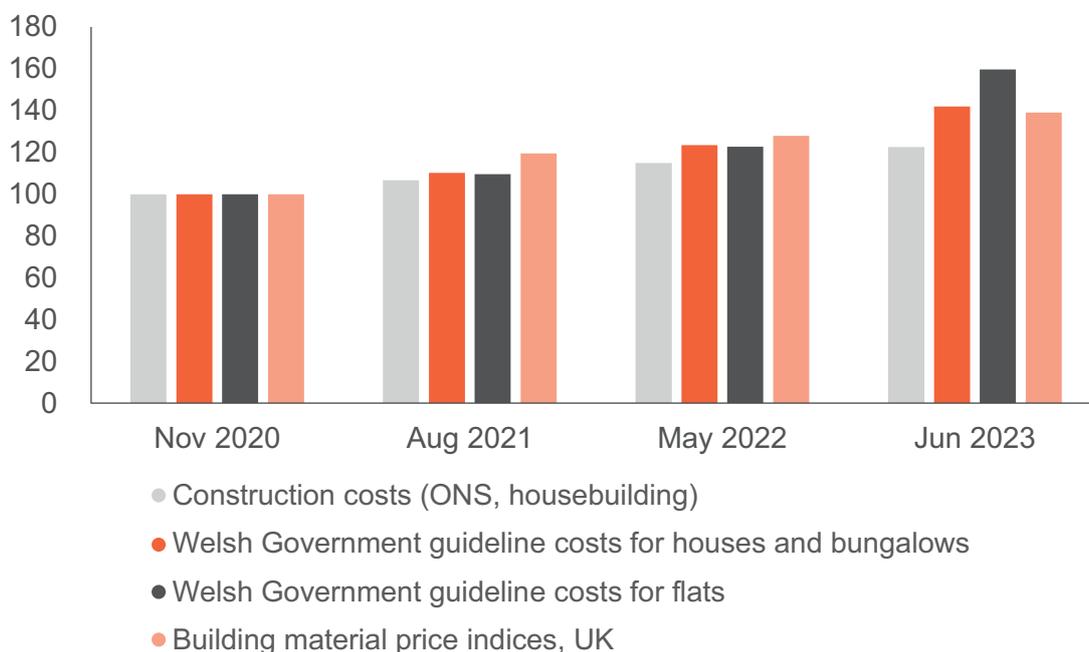
- 1.29 The Welsh Government also provides loans to RSLs to acquire and prepare land for affordable housing in advance of SHG being approved. The loan is usually re-paid and recycled within the year. For example, in 2023-24 the Welsh Government provided £38.4 million in such loans from financial transaction capital.
- 1.30 On top of Welsh Government funded schemes, funding from social landlords themselves and private developers contributes to the target. In addition, where social landlords dispose of SHG funded housing, they must recycle capital receipts into additional affordable housing. This funding may be used to supplement SHG or on affordable housing that is not eligible for SHG, such as new shared equity properties. We have not examined the use or scale of these sources of funding.

A combination of factors, mostly outside the Welsh Government's control, have driven up new build costs

Price inflation driven by global events

- 1.31 Economic impacts from the COVID-19 pandemic and the war in Ukraine have pushed up construction costs. The Welsh Government has significantly increased the guideline works costs of delivering new build affordable housing, which it uses to determine grant funding. **Exhibit 6** show how these rises compare to UK indices of cost pressures on construction.

Exhibit 6: changes in construction costs and guideline costs for social housing, November 2020 to June 2023^{1,2}



Notes:

- 1 This Exhibit compares how each measure has increased in percentage terms since November 2020 (100). The subsequent dates reflect when the Welsh Government changed its guideline costs.
- 2 Guideline costs are a benchmark for the overall construction cost (works only) of general needs properties of different sizes and types. They are updated periodically to reflect current prices, regulations and design quality requirements, and tender submissions. They are based on a 'reasonable' site without abnormal costs or stringent planning requirements.

Source: Office for National Statistics, Construction Output Price Indices, May 2024 update; UK Government, Building materials and components statistics: May 2024, June 2024; and Welsh Government, Acceptable Costs / On-costs For Use With Social Housing Grant Funded Housing in Wales, June 2023 and previous May 2022, August 2021 and November 2020 versions

1.32 Guideline costs for houses and bungalows went up by 42%, and flats by 60%, between November 2020 and June 2023. The Welsh Government told us the increases in part reflect the impact of new building standards from 2021. It also told us that the sharper increase in the guideline costs of flats rectifies a historic underestimate of these costs.

1.33 The Welsh Government provided additional SHG funding through a Materials Cost Initiative (MCI) to cover 40-45% of the unexpected additional costs of existing contracts. Social landlords funded about the same amount and contractors bore the remainder of the cost. The MCI cost the Welsh Government £10.6 million in 2021-22 and £17.0 million in 2022-23.

- 1.34 The Welsh Government could have required contractors to cover the increased costs on existing contracts. However, it was concerned about a short-term risk that contractors would go bankrupt.
- 1.35 The Welsh Government has now asked grant applicants to use price fluctuation clauses to manage cost increases. These clauses should mean contractors do not need to factor in large risk premiums to bids because they will be protected against significant cost increases beyond their control.

Rising interest rates

- 1.36 Interest rates have increased the cost of servicing debt that social landlords typically use to fund their contribution to affordable housing schemes. Bank of England base rate increases have fed through to higher rates from commercial lenders for RSLs and from the Public Works Loan Board for local authorities.
- 1.37 The Welsh Government's funding model uses an assumed interest rate based on average rates achieved by RSLs acquiring new debt. This rate has risen significantly from 3.75% in April 2022 to 5.50% from June 2023 (**Exhibit 7**). The loan rate for local authorities has risen from 2.50% to 3.87% over the same period.

Exhibit 7: changes in the borrowing rates faced by social landlords, April 2022 to June 2023



Source: Audit Wales analysis of Welsh Government data

Rent settlements

- 1.38 The Welsh Government introduced a social rent policy in 2019. The policy capped the overall increase in social rents for each social landlord at inflation, as measured by the Consumer Prices Index (CPI), plus 1% for five years from 2020-21. However, if inflation exceeds 3%, the Minister responsible for housing would decide the cap.
- 1.39 For 2022-23, the Welsh Government capped the maximum overall increase at CPI inflation of 3.1%. Considering cost-of-living pressures, the Welsh Government capped the maximum overall increase below inflation at 6.5% for 2023-24 (CPI inflation was 10.1%) and at inflation of 6.7% for 2024-25¹⁶. These lower increases impact the revenue that social landlords use to match-fund the cost of new development. That in turn reduces the viability of each scheme, increasing the level of grant required from the Welsh Government.

¹⁶ Social rents are set at the start of the financial year based on inflation trends in the previous year.

Overall impacts on unit costs

- 1.40 The cost pressures listed above, combined with the new building standards (**Exhibit 1**), have caused the grant required for each new general needs property to rise. It increased by 75% between 2020-21 and 2023-24, from around £93,000 to around £163,000. The grant required for supported housing for groups with special needs increased by 41% between 2020-21 and 2023-24, from around £140,500 to around £197,500.
- 1.41 The Welsh Government grant required to buy existing properties is considerably lower than new build. Grants averaged around £120,000 per property in 2023-24, up from £99,000 in 2022-23.

To get close to delivering the target, the Welsh Government will need to significantly increase spending, while options to make available funding go further may not be desirable

- 1.42 The Welsh Government set a budget of £330 million for SHG and £50 million for TACP in 2024-25¹⁷. It has not yet set a 2025-26 budget. However, for planning purposes officials have assumed a notional budget of £300 million for SHG and £50 million for TACP.
- 1.43 Modelling how much it will cost the Welsh Government to deliver its remaining pipeline is complicated. Projects funded in one year are not usually completed until the next. That means many homes delivered early in this target period were funded, at least in part, before 2021-22. Conversely, schemes funded for the first time in 2025-26 are unlikely to be completed by March 2026.
- 1.44 Building on Welsh Government analysis, we estimate that the Welsh Government could need to find as much as £580 million to £740 million extra to deliver its pipeline to March 2026¹⁸. **Appendix 1** sets out the full basis for our estimates.
- 1.45 We estimate that without additional funding, there would be between 15,860 and 16,670 homes within the target definition by March 2026. This assumes delivery in 2023-24 matched the upper end of the Welsh Government's estimate (see **paragraph 1.17**). Both scenarios would leave the Welsh Government well short of the 20,000 target.

17 While the TACP budget is £50 million, the Welsh Government has asked social landlords to identify £100 million worth of potential acquisitions as a contingency should funding become available.

18 We assume all 2024-25 SHG funding and TACP funding in 2024-25 and 2025-26 supports schemes that are completed by March 2026. Our base case assumes around 20% of the notional £300 million SHG funding in 2025-26 contributes to schemes that complete within the year. Our pessimistic case assumes none of that funding contributes to the target.

1.46 There are options for the Welsh Government to make funding stretch further (**Exhibit 8**). However, these may not offer better value for money in the round and/or over the longer-term. The pressure to secure homes is not simply about meeting the target. There is a pressing need for affordable homes due to very high numbers of people in temporary accommodation (see **paragraph 2.4**). These short-term pressures sit alongside the need to sustain delivery of new build low-carbon affordable homes beyond March 2026.

Exhibit 8: main options for delivering more housing units at lower cost

Increasing acquisitions and leasing	<p>We estimate that the additional funding requirement to achieve the target would fall by between £110 million and £140 million if 50% of general needs provision was met by acquiring existing properties.</p> <p>Such acquisitions are easier to secure. However, higher maintenance costs for older properties and any investment to meet carbon reduction goals could wipe out initial capital cost savings.</p> <p>The Welsh Government could also acquire new off the shelf properties. But the average unit cost to the Welsh Government is higher than new builds delivered by social landlords.</p> <p>Acquisitions of existing properties do not add to the usable housing stock in the same way as new build unless they bring empty homes into use. Welsh Government officials told us that around two-thirds of the 70 homes provided in the first year of Leasing Scheme Wales had been empty for more than six months. The first phase of TACP brought 374 empty social homes into occupation, although these do not count towards the target.</p>
Reducing quality standards	<p>Capital costs for new builds could be reduced by relaxing environmental and space standards. For example, in 2021 the Welsh Government estimated that fossil-fuel-free heating systems would require an additional £5,775 in grant.</p> <p>Such changes may deliver short-term savings but would jar with the longer-term policy focus on quality and delivery of low carbon homes.</p>
Changing the balance of tenure	<p>Social housing is the most expensive tenure, with grant rate typically over 60%. In contrast, shared ownership is capped at a 25% grant rate, while intermediate rental is between the two figures.</p> <p>Shifting the balance of tenure could enable the Welsh Government to secure more units for its funding, However, it would involve tenants paying more of the costs through their rent.</p>



Governance and management arrangements

02

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- 2.1 This part of the report looks at the Welsh Government's arrangements to support delivery of its affordable housing ambitions.

What we looked for

We looked for evidence of a good understanding of need and demand for affordable housing, appropriate systems to appraise funded projects and oversee delivery including securing wider benefits, and effective partnership working to address barriers to progress.

Overall, the Welsh Government understands the immediate need for affordable housing but long-term need is unclear and the pattern of delivery does not match the needs assessment

The Welsh Government recognises the immediate need for affordable housing but lacks a longer-term assessment and national estimates potentially understate need and demand

- 2.2 The Welsh Government's most recent assessment says that between 2019-20 and 2023-24, an average of 3,510 additional affordable homes per year were needed¹⁹. This was based on newly arising needs, due to population growth, and meeting existing needs of people living in temporary accommodation or 'concealed' in overcrowded homes.
- 2.3 The assessment also said that roughly 73,000 additional homes would be needed between 2024 and 2039 but did not say how many would need to be affordable. The Welsh Government considers that it is unreasonable to split beyond five years given uncertainties in the economics of the housing market.
- 2.4 The estimates assumed that existing unmet need would have been eradicated by 2023-24²⁰. They identified 2,229 households in temporary accommodation in June 2019. However, by September 2023, that had more than doubled to 5,700.

19 Welsh Government, [Estimates of Additional Housing Need in Wales \(2019-based\)](#) August 2020. The definition of affordable housing in the estimates covers all types of affordable housing, some of which do not count towards the 20,000 target. We have used figures from the national assessments of needs here. Totals from these national figures are not consistent with those from the regional figures reported for both affordable and market housing needs. The estimates also showed that an average of 3,857 market houses would be needed each year.

20 The estimates recognised that by the end of the five-year period a new backlog may have built up.

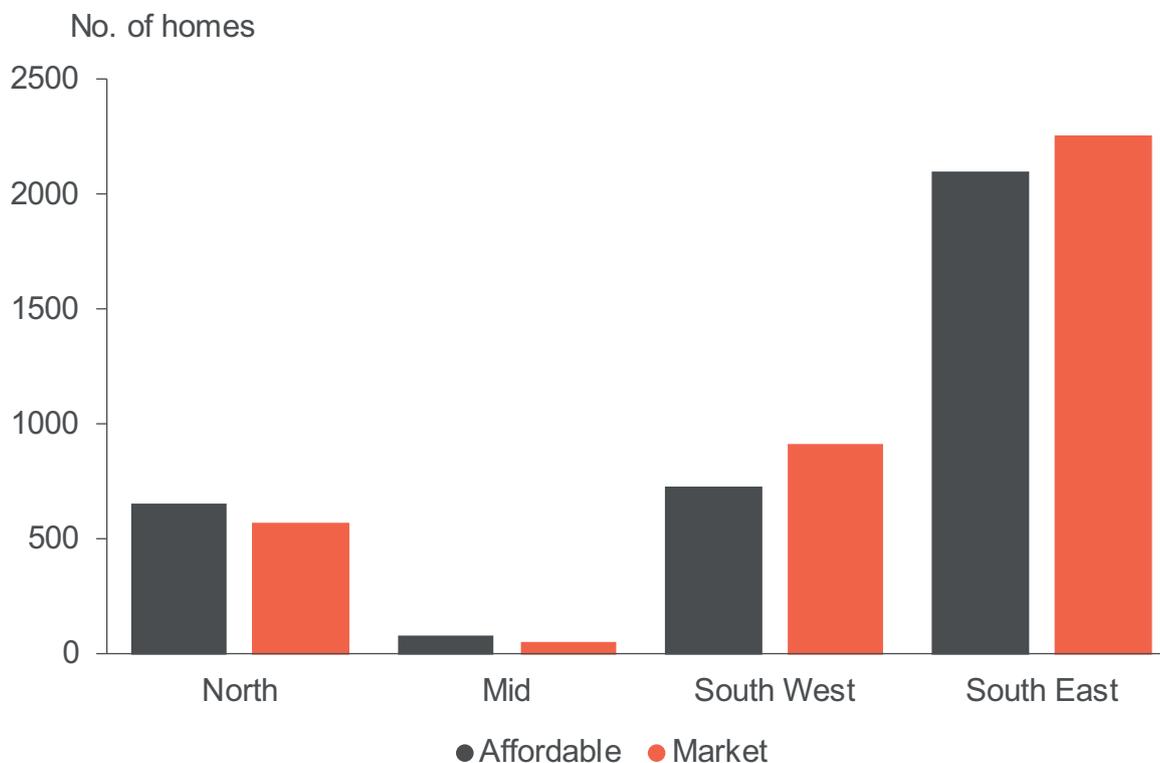
- 2.5 Between 2019-20 and 2022-23, 12,590 additional affordable homes were delivered against the need assessment of 14,048. The total shortfall of 1,458 homes can only partially explain why existing unmet need increased by so much. The Welsh Government told us that events since the assessments were developed impacted the level of need, notably the COVID-19 pandemic, cost of living crisis, and its decision to welcome Ukrainians fleeing war.
- 2.6 The estimates also potentially understate how many additional affordable homes are needed because they do not account for affordable housing that is lost, for example through sales or demolitions. The Welsh Government does not gather data on net changes in the affordable housing stock. It does report on the size of the social housing stock. While that stock is growing, it grows by less than the amount of affordable housing delivered each year²¹.
- 2.7 Also, the estimates are based on need rather than potential demand. Existing unmet need is tightly defined and does not include those wanting alternative types of housing or who are in unsuitable accommodation. Newly arising need is based on population projections and historic trends of household formation.

The pattern of delivery of affordable housing does not match the estimates of need

- 2.8 The Welsh Government allocates SHG to local authorities based on a formula agreed in 2011, using data on household projections, affordability, and historic expenditure. It allocates TACP funding to match existing need, based on the number of people in temporary accommodation.
- 2.9 Officials emphasised that there is a need for affordable housing everywhere. Nonetheless, the Welsh Government's estimates showed that around 59% of the need between 2019-20 and 2023-24 was in South East Wales (**Exhibit 9**). That is higher than its population share of 49%.

21 We estimate that the gap between affordable housing delivered and the growth of the social housing stock is around 1,000 homes each year. However, because not all affordable housing is classed as social housing that figure may overstate the losses to the social housing stock.

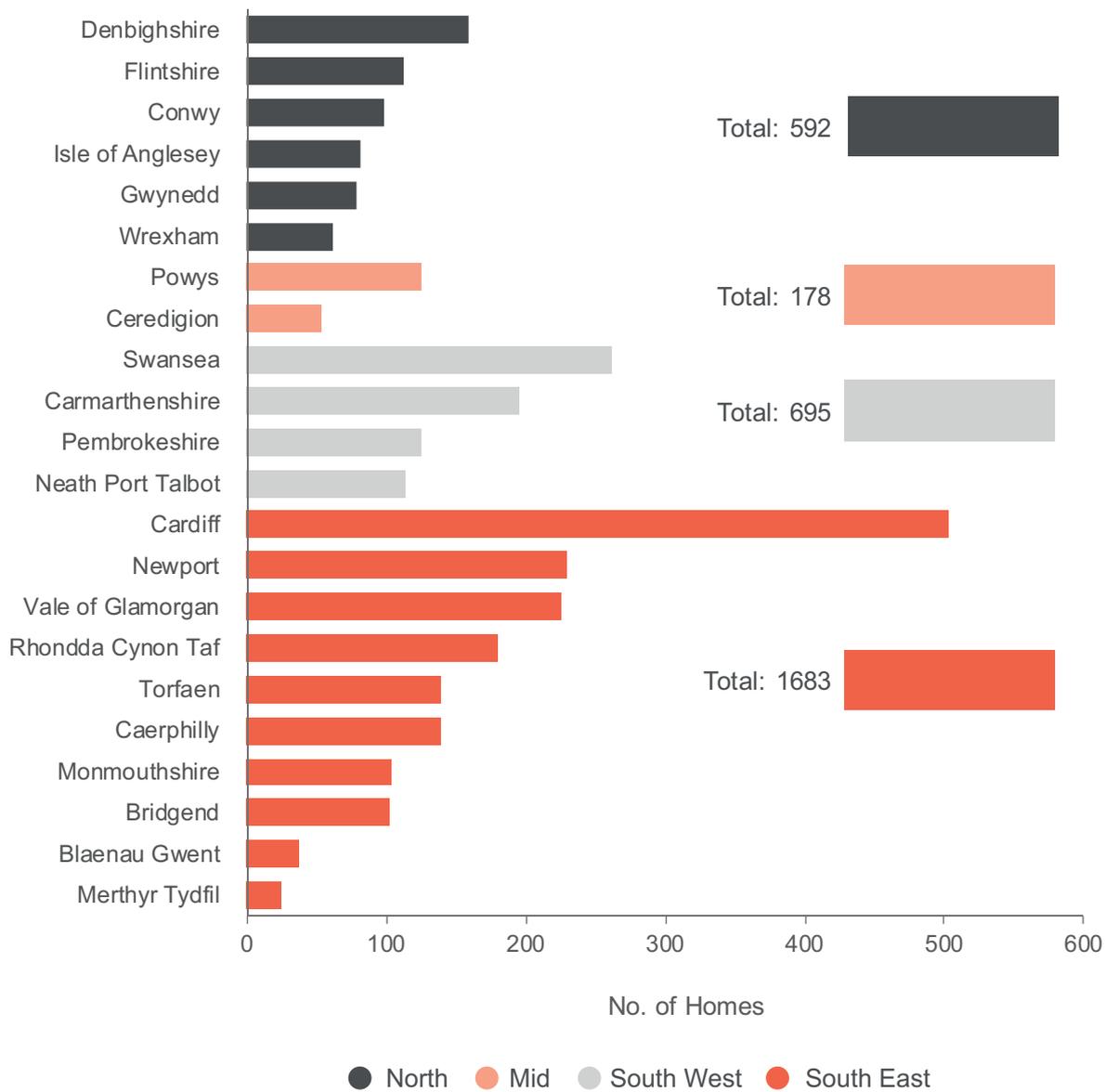
Exhibit 9: Welsh Government estimates of annual housing need per region for 2019-20 to 2023-24



Source: Welsh Government, Estimates of Additional Housing Need in Wales (2019-based), August 2020

2.10 There has been significantly more affordable housing delivered in South East Wales than other areas (**Exhibit 10**). However, the delivery pattern does not match the relative levels of need in the estimates. Between 2019-20 and 2022-23, South East Wales accounted for 53% of affordable homes delivered but had 59% of need. All other regions had a higher proportion of the new homes delivered than the needs assessment suggests. But an overall shortfall meant that in three of the four regions delivery did not meet the number needed. In Mid Wales, the 178 homes delivered on average each year was more than double the estimated need of 75.

Exhibit 10: average number of affordable homes delivered each year by local authority area, 2019-20 to 2022-23



Source: StatsWales, [Additional affordable housing provision by location and year](#), November 2023 update

The Welsh Government has improved its understanding of local affordable housing need and is strengthening the framework for overall local housing need assessment although implementation has been delayed

- 2.11 Since 2021, the Welsh Government has required local authorities to submit a housing prospectus based on evidence in their Local Housing Market Assessment (LHMA). The prospectus briefly describes strategic housing priorities, current stock, and expected need for different types of affordable housing. It also describes how the local authority will prioritise and monitor affordable housing schemes in its three-year rolling programme development plan, including RSLs' schemes.
- 2.12 The Welsh Government expects local authorities to update the prospectus each year if required. Local authorities currently update the programme development plans on a quarterly basis through the Welsh Government's data portal (see **paragraph 2.45**). We reviewed a sample of five prospectuses and found they gave the Welsh Government a good basis to understand local affordable housing needs.
- 2.13 In response to the Independent Review of Affordable Housing Supply, the Welsh Government has worked with partners to develop a consistent method for assessing overall local housing need. The updated LHMA covers market and affordable housing and builds on the method for the national estimates. However, it also requires local authorities to draw on local evidence of need and the views of partners and the public. Local authorities have been supportive of the updated LHMA in principle but have found the process and data tools frustrating and burdensome in some respects.
- 2.14 Delays have led to a mismatch in timings for the updated LHMA and updates to Local Development Plans (LDP). The LHMA should inform the LDPs. During the COVID-19 pandemic the Welsh Government postponed issuing LHMA guidance from October 2020 to March 2022. Local authorities were then due to complete LHMA by March 2024, but only a few did so. The Welsh Government told us that at the start of June 2024 all local authorities had submitted at least a draft LHMA. Nonetheless, most local planning authorities have been developing updated LDPs before their updated LHMA²².

22 Planning authorities are the 22 local authorities and three national park authorities. Two authorities have adopted their updated LDPs. Seven have a final draft at deposit plan stage. Twelve are well advanced in developing their updated LDPs. The remaining four are not due to update their LDPs until 2026 or later.

The Welsh Government's arrangements for managing SHG are generally sound and have been strengthened with the aim of securing better value for money

2.15 We focused our review of grant appraisal and management on SHG as the largest funding source. Local authorities select which schemes to put forward from their programme development plan (see **paragraph 2.11**), though most are developed and delivered by RSLs. The Welsh Government's appraisal process focuses primarily on ensuring compliance with quality and design standards and cost control (**Exhibit 11**).

Exhibit 11: core appraisal and monitoring process for Social Housing Grant funding

Stage	Process
Pre-appraisal	<p>Architects in the Welsh Government's Housing Quality and Standards Team provide advice on the concept design and later confirm that the detailed design meets quality requirements.</p> <p>The ultimate decision on location and design rests with the social landlord, subject to local planning requirements.</p>
Appraisal	<p>The Welsh Government's Housing Funding Team oversees the appraisal process and issues grant approvals after confirming:</p> <ul style="list-style-type: none"> • the scheme is in the local authority's programme development plan and matches the needs identified in the housing prospectus; • the scheme meets quality requirements; • the cost of the scheme is acceptable; • the grant is limited to the minimum needed to proceed; • that land or property acquisitions are independently valued and purchased at or below market value; and • that new-build projects have secured planning and sustainable drainage approvals.
Post appraisal checks	<p>Checks on a sample of schemes post-completion consider compliance with conditions and identify lessons. Social landlords must keep a full record of progress, including contract details and surveyor reports.</p>

Source: Audit Wales summary

- 2.16 We received positive feedback from local authorities about relationships with Welsh Government officials as part of the appraisal process. More generally, we have concluded that, in terms of securing affordable housing within standard/cost parameters, the system is sound and consistently applied for the reasons below. However, the approach is not designed to consider the delivery of wider benefits from the investment (see also **paragraphs 2.46 to 2.52**).
- 2.17 **There are effective methods to manage costs.** The Welsh Government publishes guidance on acceptable costs for general needs housing of different sizes and types, which it updates regularly and uses to determine how much funding to apply (see **paragraph 1.31**). There is a tolerance of up to 20% on top for complicated schemes. There is a further 7% for non-fossil fuel schemes and 10% for those using modern methods of construction. The maximum grant is therefore 137% of the acceptable costs.
- 2.18 **The Welsh Government has introduced a new funding model to limit its contribution to individual schemes to the minimum needed.** The standard viability model, introduced in response to the Independent Review of Affordable Housing Supply, has been positively received by stakeholders. It is designed to limit Welsh Government funding to the minimum required for a scheme to proceed. The model replaces the fixed grant rate of 58% of eligible costs in place until April 2021 for local authorities and April 2022 for RSLs.
- 2.19 **There are controls to prevent waste and fraud.** The Welsh Government requires independent valuations to support the purchase of land and buildings. It has a legal charge on grant-funded properties, ensuring social landlords recycle sale proceeds into new affordable housing. Grant agreements require competitive procurement of building contractors and procurement is checked as part of post-completion reviews.
- 2.20 **The Welsh Government has updated the SHG appraisal process to make it more efficient and easier to follow.** The process has been split into stages (**Exhibit 11**). There is a strengthened focus on advice on compliance in the pre-appraisal stage. Officials have cut back the amount of supporting documentation required at the appraisal stage. And while the Welsh Government assumes social landlords will deliver in line with funding conditions, there is an updated sample-based post-completion review stage.

The lack of a long-term approach to affordable housing hampers progress and contributes to an unstable pattern of spending and delivery

- 2.21 There is no formal long-term plan or strategy for delivering affordable housing. Beyond the five-year period of the target, the only formal commitment is in the overall development plan for Wales²³. The plan states, 'The Welsh Government will increase delivery of affordable homes by ensuring that funding for these homes is effectively allocated and utilised'. However, there is no formal long-term commitment to funding beyond the current target.
- 2.22 The five-year target period approach risks embedding an unsustainable delivery pattern, where delivery is lower early in the period and then ramped up later. This pattern complicates financial planning and management and creates the risk of underspending early in the cycle and a shortfall later. Annual spending limits mean these patterns cannot easily be smoothed by rolling funding from one year to the next.
- 2.23 Some local authority respondents to our call for evidence reported that they lost funding because they were unable to spend their allocated funding in-year due to delays outside their control. We have not examined why, in such circumstances, authorities have been unable to move funding within their own pipelines. The Welsh Government has got better at anticipating underspends and is now engaging with local authorities earlier in the year. It has also worked with local authorities to strengthen local pipelines, including through the programme development plans (see **paragraph 2.11**).
- 2.24 Nonetheless, we found that the volatility around re-directing funding in year causes frustration for social landlords. It also risks funding being re-allocated to areas with 'shovel-ready' projects, rather than based on population or need. To address these concerns, in 2023-24 the Welsh Government introduced a new strategic framework for local authorities to give up part of their annual financial allocation that they are unlikely to spend and get the money back in a later year if they can then spend it.
- 2.25 Even an annual cycle should not prevent the Welsh Government from having a broad long-term funding commitment and a fuller project pipeline that runs well beyond the target period. The Welsh Government has such an approach to its school and further education building programme which has recently moved to a rolling nine-year planning period. The Independent Review of Affordable Housing Supply recommended a five-year approach to funding as part of wider funding reforms. While the Welsh Government reformed the funding model (see **paragraph 2.18**) and set a three-year budget for SHG, it did not introduce a five-year approach.

The Welsh Government generally collaborates well with partners, helping it respond to some emerging risks and issues, although there is still no collective approach to capacity constraints in local planning services

- 2.26 We found that stakeholders are generally positive about the Welsh Government's collaborative approach. It has included the Welsh Local Government Association and Community Housing Cymru in its Programme Board which oversees delivery. It has also worked collaboratively in response to the Independent Review of Affordable Housing Supply, for example on the new funding model and LHMA process.
- 2.27 The Welsh Government has also worked with partners to understand and address the issues set out below and the recent cost pressures (see **paragraphs 1.31 to 1.41**). However, there remains a lack of a coherent collective approach to address capacity constraints in local planning services.

Sustainable drainage

- 2.28 The Welsh Government introduced new Sustainable Urban Drainage Systems (SuDS) standards which came into force in 2019²⁴. Issues relating to SuDS were the most cited concerns in our call for evidence. In Autumn 2023, the Welsh Government reviewed pipeline schemes rated amber or red risk where social landlords cited planning as the cause of delays. The review found that half had problems related to SuDS.
- 2.29 Respondents to our call for evidence tended to emphasise the lack of specialist capacity within local authorities as a key source of concern and delay. The Welsh Government's review identified poor advice to applicants as an issue. It also found some delays were down to applicants. These included delayed responses to planning officers' enquiries and applicants not making good use of the pre-application process.

24 Welsh Government, Statutory standards for sustainable drainage systems – designing, constructing, operating and maintaining surface water drainage systems (SuDS), October 2018

2.30 A July 2023 post-implementation review of the regulations²⁵ made recommendations to improve the assessment process. The then Minister for Climate Change committed to several actions, pending full consideration of the report²⁶. Those actions, which have since been included in the workplan for the SuDS Community of Practice²⁷, include:

- delivering further training for SuDS Approval Bodies;
- investigating the implications of including new and existing highways under the regulations to tackle road run-off;
- developing improved data collection and reporting;
- consolidating all SuDS guidance document into a single document and improving clarity and consistency; and
- establishing a SuDS advisory group.

River phosphates

2.31 Phosphates are nutrients that enter rivers primarily from wastewater and agriculture. In early 2021, Natural Resources Wales issued advice to local planning authorities to adopt a policy of ‘nutrient neutrality’ in Special Areas of Conservation (SAC) rivers. As a result, some authorities, notably those around the Wye and Dee river catchment areas, abruptly paused new housing developments.

2.32 The Welsh Government has brought together stakeholders in ‘river pollution summits’ to develop solutions without further compromising river quality. Following the first summit in July 2022, the Welsh Government developed an action plan which includes short- and longer-term measures²⁸. Four further summits took place between March 2023 and July 2024.

2.33 Actions have included: establishing Nutrient Management Boards to produce Nutrient Management Plans in each failing SAC river; developing an all-Wales nutrient calculator; and creating a ‘menu’ of potential mitigating measures such as nutrient offsetting, and nature-based solutions.

25 Arup (for the Welsh Government), [Sustainable Drainage Systems \(SuDS\) Schedule 3 Post Implementation Review](#), July 2023

26 Welsh Government, [Written Statement: Securing greater nature, environmental and community benefits through Sustainable Drainage Systems \(SuDS\) - publication of the Welsh Government’s review and the way forward](#), July 2023

27 The Community of Practice meets quarterly and brings together sector experts.

28 Welsh Government, [Relieving pressures on Special Areas of Conservation \(SAC\) river catchments to support delivery of affordable housing: action plan](#), March 2023

- 2.34 The Welsh Government told us that, initially, social landlords identified 68 sites with a total of 2,010 homes (market and affordable) as on hold due to phosphates. As at June 2024, just five sites were reported as delayed due to phosphates²⁹. We found that stakeholders were generally positive about the collaborative action, but some expressed frustration at a gap of over a year from the guidance being issued to work on a plan getting underway.
- 2.35 Natural Resources Wales is currently assessing the impacts nitrate pollution may have on marine SACs and will be considering what the findings may mean for development planning. Should further action be needed, the Welsh Government and Natural Resources Wales intend to apply lessons from water quality work in SAC river catchments.

Planning

- 2.36 Several respondents to our call for evidence identified concerns about the planning process, particularly the impact of delays to applications. Respondents highlighted overall workforce shortages, with specific concerns about a lack of experienced planning officers. Some said the situation is exacerbated by the complexity of the planning data tools and the range of planning guidance and standards. Respondents did, however, praise planning officers within local authorities, recognising the capacity and delivery constraints they face.
- 2.37 We highlighted planning service capacity issues in national reports on flood risk management in 2022³⁰ and on local planning authorities in 2019³¹. Our 2019 report made recommendations to local authorities to strengthen capacity, including through more regional working. In June 2020, the Senedd Public Accounts Committee recommended the Welsh Government use its powers to ensure local planning authorities collaborate and merge to improve resilience and build capacity³².
- 2.38 Responding to the Public Accounts Committee, the Welsh Government emphasised that Corporate Joint Committees would provide a mechanism for regional collaboration, including in areas such as strategic land-use planning. It also indicated that a governance framework would be introduced to allow for greater collaboration between local planning authorities to improve resilience and capacity. We have not looked specifically at the implementation of these recommendations as part of this review, although we have reported previously on the overall development of Corporate Joint Committees³³.

29 Some of the schemes previously put on hold are not proceeding for reasons not directly connected with phosphates.

30 Auditor General for Wales, [A Picture of Flood Risk Management](#), December 2022

31 Auditor General for Wales, [The Effectiveness of Local Planning Authorities in Wales](#), June 2019

32 Public Accounts Committee, [Effectiveness of Local Planning Authorities in Wales](#), June 2020

33 Auditor General for Wales, [Corporate Joint Committees – commentary on their progress](#), November 2023

- 2.39 It is clear from the feedback we received that the problems persist. There is still not a coherent collective approach to addressing the capacity issues in the planning system. Respondents to our call for evidence identified potential solutions, some of which reflected themes from the earlier recommendations. These included further regional collaboration, increasing the routes into planning such as the planning officer apprenticeship programme developed in England, and work on retaining staff who may leave for consultancies or out of the profession altogether.
- 2.40 Issues relating to the planning system – including the length, cost, and complexity of the process – also featured in a recent Competition and Markets Authority report on wider market housebuilding. The report set out proposed options on reform of the planning system for the Welsh Government’s consideration³⁴.

Land supply

- 2.41 Existing Local Development Plans suggest sufficient land is available, although many of these plans are being updated (see **paragraph 2.14**) which may paint a different picture. However, we received feedback suggesting that a lot of that land is unsuitable, is not in areas of high need, and that landowners are not releasing the land for development.
- 2.42 A study in March 2020 estimated there was enough land on stalled residential sites³⁵ in Wales to build 32,680 market and affordable homes³⁶. Some respondents to our call for evidence expressed frustration at having to take small, sub-optimal sites rejected by major housebuilders. There is also concern that land prices are being driven up by competition between RSLs, thereby increasing the amount of Welsh Government grant required.
- 2.43 The Welsh Government works with public bodies and provides financial support to develop public sector land for use as affordable housing (**Exhibit 5**). It also intends to use some of its own land portfolio as ‘exemplar’ sites. These involve 50% affordable and 50% market housing developments, with contractors building homes to ‘exemplar’ standards. The standards include homes that are zero carbon and use modern methods of construction, particularly off-site manufacturing. The programme is in its early stages with no developments yet delivered.

34 Competitions and Markets Authority, [Summary of CMA market study final report into housebuilding, Wales summary](#), February 2024

35 A stalled residential site is defined as a site allocated within an LDP where development had not started within the expected trajectory given in the LDP, had not started within the timeframe indicated in the relevant Joint Housing Land Availability Study (JHLAS), or is yet to commence and there is no expected trajectory in the LDP or timeframe in a relevant JHLAS.

36 Arcadis (for the Welsh Government), [Research into stalled sites in Wales: final report](#), March 2020

The Welsh Government has improved its use of real-time data to support planning and monitor progress

- 2.44 Historically, the Welsh Government relied largely on the retrospective annual statistical release to monitor progress against the target. While this is the most accurate and comprehensive source, it is at least seven months old when published. The Welsh Government also used information from local authorities' programme development plans, data on spend, and meetings with local authorities. However, those sources did not give a clear real-time picture of overall progress.
- 2.45 The Welsh Government has recently improved its monitoring data. In June 2023, it set up a portal which enables social landlords to provide data on SHG funded homes as they progress. The Welsh Government combines this data with projections for TACP, Leasing Scheme Wales, and Section 106 properties to form the pipeline of projects (see **Exhibit 3**). The data is presented to the Welsh Government's Programme Board. The statistical release is still used as the formal reporting of overall progress in the supply of affordable housing and progress against the target.

The Welsh Government has not done enough to ensure affordable housing investment contributes to wider policy objectives

- 2.46 Investment in affordable housing can have positive impacts beyond simply providing a home that people can afford. However, the Welsh Government did not articulate the wider benefits at the outset of the target period. In October 2022, the Welsh Government produced a 'benefits map' which sets out high level benefits under five categories (**Exhibit 12**).

Exhibit 12: potential wider benefits from affordable housing development that the Welsh Government has identified

Welsh Government benefits map

Economy	<ul style="list-style-type: none"> • Positive impact on jobs, apprenticeships, and training opportunities. • Positive impact on the foundational economy. • Strengthen the financial stability of RSLs and local authorities, helps the RSL sector to grow.
Health	<ul style="list-style-type: none"> • Improved health outcomes of those in social housing by delivering better quality, safe and affordable homes that meets needs now and in the future.
Communities	<ul style="list-style-type: none"> • Support RSLs to operate as anchor institutions in communities.
Climate change	<ul style="list-style-type: none"> • Delivering towards the national aim of net zero carbon.
Eliminating inequalities	<ul style="list-style-type: none"> • Responds to the national need, mission, and overarching priorities for housing around homelessness and ensuring homes meet the needs of all individuals including older people, disabled people, and Black, Asian, and Minority Ethnic people.

Source: Welsh Government benefits map (unpublished)

2.47 During our fieldwork, the Welsh Government provided us with a partially completed benefits realisation plan, also dated October 2022. The plan mirrors the benefits set out in the map. However, it contains few details about how they will be secured and measured.

2.48 For most categories, the underlying assumption is that benefits will flow naturally from providing 20,000 new low carbon social homes for rent. The measure of success is therefore delivery of the target. For jobs and apprenticeships, the plan recognises that such data does not exist but does not set out any steps to explore how they could be monitored.

2.49 The Welsh Government subsequently provided us with versions of the plan updated in October 2023 and June 2024. The key differences are inclusion of a measure of the number of enrolments in vocational education and references to monitoring community benefits.

- 2.50 While there is some overlap, the benefits map and plan do not directly align with the well-being goals under the Well-being of Future Generations (Wales) Act 2015. In September 2023, the Welsh Government published part of its integrated impact assessment which set out at a very high level how the delivery of the target aligns to the well-being goals³⁷. Again, it sets out that the delivery of the target is how it will measure the benefits.
- 2.51 The full, unpublished integrated impact assessment includes an equality impact assessment. It identified positive impacts from delivering the target on specific groups: older people, younger people, people with disabilities and low income households. The Welsh Government did not publish the equality impact assessment. It told us that it was not required to do so. However, public bodies in Wales must publish assessments that identify substantial impacts. The legislation does not specify that this is only required where impacts are negative.
- 2.52 In practice, there are some arrangements to integrate delivery of the affordable housing target with wider objectives. For example, officials working on the target are involved in arrangements for tackling homelessness. And while the SHG appraisal process criteria do not address them (see **Exhibit 11**), grant conditions include a requirement to secure community benefits. The Welsh Government has not monitored that this happens in practice, although the June 2024 update to the benefits realisation plan suggests this will be checked in future. Overall, there is considerable scope to strengthen the approach to integrating the delivery of the target with wider objectives.

37 Welsh Government, Building 20,000 new low carbon homes: integrated impact assessment, September 2023



Appendix

1 About our work

1 About our work

Audit question, scope and criteria

Our examination considered whether the Welsh Government is making good use of its resources to deliver its social homes target and associated benefits. This report considers progress towards the current target, prospects for achieving it, and related expenditure. It also considers how action on affordable housing is managed and governed. We touched on some of the issues explored in this examination in our recent report on brownfield regeneration³⁸.

During our work, the Senedd Local Government and Housing Committee launched an inquiry into the supply of social housing. Its scope covers many of the areas in our report. We have followed the inquiry closely and evidence provided to the Committee reflects our own findings in many respects.

In developing our audit criteria, we were mindful of the sustainable development principle and the five ways of working set out under the Well-being of Future Generations (Wales) Act 2015. We considered the positive indicators we have developed to support the Auditor General's examination duties under the Act. We also drew on good practice on programme management and risk management from sources including the National Audit Office and the Chartered Institute for Public Finance and Accounting (CIPFA).

Our narrowly scoped examination concentrated on the Welsh Government's main schemes for delivering affordable housing as defined by its target, but also on any other schemes that contribute indirectly to that target. We did not look at:

- the delivery of individual development schemes or services by RSLs or local authorities;
- the management of the existing housing stock by RSLs and how social housing is allocated to occupants;
- policies or schemes to tackle the increase in second homes in parts of Wales; or
- the delivery of integrated support for those who are homeless or at risk of homelessness, through the Housing Support Grant.

38 Auditor General for Wales, Sustainable development? – making best use of brownfield land and empty buildings, January 2024

In scoping our work, we considered the Independent Review of Affordable Housing Supply's 2019 report³⁹ and the Welsh Government's response. The report's 62 recommendations covered areas including affordability and rent control, tenant engagement, land and planning, supply and delivery, and funding arrangements. While we did not specifically seek to assess the delivery of the recommendations, and several fall outside the scope of our review, we touch on various actions that have flowed from them. The Welsh Government accepted all but one of the recommendations.

Audit methods

Document review

We reviewed documentation provided to us and published by the Welsh Government. These included minutes of programme and advisory boards, and stakeholder forums, risk registers, strategies and plans, guidance, and policy papers. We also looked at documents submitted to the Welsh Government by local authorities including a sample of five prospectuses setting out local affordable housing need (see **paragraph 2.11**).

Call for evidence

Open between 3 July and 28 July 2023, we received 41 responses from RSLs, local authorities, charities, representative bodies, and individuals. We had shared the call for evidence through targeted e-mails to organisations, through the promotion of it by representative bodies, and on social media and our website.

The call for evidence invited respondents to reflect on what has worked well regarding the Welsh Government's affordable housing programme, what could have worked better, and any changes that should be made. It prompted respondents to consider various of the themes covered in our analysis in the main body of this report.

Semi-structured interviews

We interviewed officials from several Welsh Government departments, Natural Resources Wales, the Welsh Local Government Association, and Community Housing Cymru. We also conducted follow-up interviews with some call for evidence respondents from local authorities and RSLs, to hear more about their submissions.

39 Independent Panel on Affordable Housing Supply, Independent Review of Affordable Housing Supply, Final Report, May 2019

Observations

We attended the second, third and fourth River Pollution Summits, set up to develop a collective response to challenges around phosphate limits, in March and November 2023 and March 2024.

Data analysis

We reviewed unaudited financial data on expenditure provided by the Welsh Government.

We analysed housing data provided to us by the Welsh Government, notably the data used to develop its pipeline.

We also drew from open data sources such as StatsWales and the Office for National Statistics. In particular, we have drawn from Welsh Government statistical analysis of the need for, and delivery of, affordable housing.

There is a difference between the definition of 'affordable housing' in national statistics and what counts towards the Welsh Government target. For statistical purposes, the Welsh Government uses the definition of 'affordable housing' set out in technical advice⁴⁰. There are some dwellings, notably shared equity, that are included in the affordable housing statistics but do not count towards the target. The Welsh Government's annual [affordable housing statistical releases](#) report on progress towards the target separately from the broader analysis of affordable housing.

In reporting on the construction of new build affordable homes, we used data from the Welsh Government's annual affordable housing provision statistical releases. There is additional [house building data](#) on StatsWales which shows how many homes were built by social landlords. This dataset shows a large drop in the volume of homes built for private and social landlord tenure since the 1970s. While that overall trend is valid, the Welsh Government advises that these statistics may understate the number of properties built by social landlords and overstate the amount of private housing.

40 Welsh Government, [Technical advice note \(TAN\) 2: planning and affordable housing](#), June 2006

Cost of delivering the target and future delivery scenarios

We estimated the potential cost, on top of existing budget assumptions, of delivering the 10,716 homes in the pipeline for 2024-25 and 2025-26. Our estimate builds on data supplied by the Welsh Government.

Projections for delivery of homes funded from SHG and TACP are based on current budgets and an estimate of average grant required per home secured. In line with the data provided by the Welsh Government we created two scenarios: a base case (**Exhibit A1**) and a pessimistic scenario (**Exhibit A2**). The main differences are assumptions on inflation, house prices, the amount of housing delivered without grant funding, and whether SHG funding in 2025-26 secures homes within the year.

Exhibit A1: base case estimates of the funding requirements on top of existing budgets to deliver the remaining affordable housing pipeline projects

Base case	Calculation	Comment
Number of homes left in pipeline	10,716	Number of homes in the pipeline for delivery in 2024-25 and 2025-26.
Less homes funded in 2023-24 and 2024-25 from SHG for delivery by March 2026	3,928	Estimate of homes funded from SHG in 2023-24 (using outturn and actual average grant) and 2024-25 (based on current budget and average grant of £177,861 per home).
Less acquisitions through TACP	838	Based on £50 million budget for 2024-25 budget and notional £50 million budget for 2025-26. Also using Office for Budget Responsibility assumption of slight fall in cost of private market homes.
Less number of properties not receiving capital grant funding	1,590	Based on a Welsh Government assessment that is below historic trends but higher than the number in the pipeline at present.
Less number of properties from Leasing Scheme Wales	770	Based on scheme targets.
Number of home left to be delivered / funded	3,590	
Cost of delivering remaining homes based on average grant rate (rounded)	£640 million	Average grant rate of £177,861 for 2024-25 based on historic trends plus an allowance for inflation of 2.2% based on Office for Budget Responsibility base case projections.
Cost of delivering remaining homes based on average grant rate but allowing for some 2025-26 funding delivering in year (rounded)	£580 million	Assumption that 20% (£60 million) of assumed £300 million SHG budget delivers homes in year.

Exhibit A2: pessimistic case estimates of the funding requirements on top of existing budgets to deliver the remaining affordable housing pipeline projects

Pessimistic case	Calculation	Comment
Number of homes left in pipeline	10,716	Number of homes in the pipeline for delivery in 2024-25 and 2025-26.
Less homes funded in 2023-24 and 2024-25 from SHG for delivery by March 2026	3,888	Estimate of homes funded from SHG in 2023-24 (using outturn and actual average grant) and 2024-25 (based on current budget and average grant of £181,863 per home).
Less acquisitions through TACP	816	Based on £50 million budget for 2024-25 budget and notional £50 million budget for 2025-26. And using market assessments of a slight rise in house prices.
Less number of properties not receiving capital grant funding	1,190	Based on a Welsh Government assessment of the actual number in the pipeline at present.
Less number of properties from Leasing Scheme Wales	770	Based on the scheme targets.
Number of properties left to be delivered / funded	4,052	
Cost of delivering remaining homes based on average grant rate	£740 million	Average grant rate is set at £181,863 for 2024-25 based on historic trends plus an allowance for inflation of 4.5% based on Office for Budget Responsibility worst case projections.

Note: In this pessimistic scenario there is no allowance for any 2025-26 funding to result in delivery within the year.



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Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.



Digital by design? Lessons from our digital strategy review across councils in Wales

August 2024



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Introduction

Designing digital transformation presents massive opportunities, but also significant value for money risks

- 1 Councils deliver hundreds of different services to over three million people living across Wales. Within this wide array of services and functions, there are a plethora of digital opportunities, from online access to services, to supporting independent living, to automating back-office processes. Digital solutions offer the potential to enhance citizens' experience of services and increase efficiency.
- 2 Importantly, digital has come to mean more than just the application of technology. It conveys a broader emphasis on progress and transformation. Digital is likely to play a pivotal role in councils' change programmes, as they seek to exploit its possibilities and deliver modern public services that are data-driven and meet the needs and expectations of their citizens.
- 3 The prevailing financial and demand pressures mean that councils need to look for new ways of delivering more for less. It is also possible that, coming out of the pandemic, citizens' expectations of how and where they receive services have changed. Technology continues to change, influencing expectations and creating new opportunities. We therefore anticipate an acceleration in councils' application of digital technologies in coming years.
- 4 This presents opportunities, but also significant value for money risks. While digital solutions can increase the cost-effectiveness of services and functions, new technology can often require significant up-front investment. In Wales, the Auditor General has already highlighted that we are not always seeing clear evidence that significant investment in new systems is reaping the intended rewards across public services¹.

1 Auditor General for Wales [From firefighting to future-proofing – the challenge for Welsh public services, 2024](#)

- 5 It will be important for councils to define what they want to achieve over the long term, to guide investment decisions. It will also be important for them to respond to emerging risks, changes in demand and advancements in technology. The Well-being of Future Generations (Wales) Act's sustainable development principle provides a framework to help them do this².
- 6 If they get it right, digital is also a means of aiding progress towards their well-being objectives and enhancing working practices. It could accelerate progress towards carbon reduction targets or promote regeneration and economic growth. It is also central to hybrid working, with its consequent impacts on staff well-being, recruitment and retention. Digital technology has the potential to enhance access to services for certain groups and improve outcomes. At the same time, there are risks that changes exclude some, notably older people, who are more likely to suffer the negative consequences of poor quality or non-existent offline alternatives³. This underlines the importance of involving a diversity of citizens in development and design processes.
- 7 Putting value for money and the sustainable development principle at the heart of their work on digital will help councils deliver the most value, both now and in the future. It will be important for them to put these considerations at the forefront of their planning and delivery as they move forward with digital transformation.

2 Section 5 of the Well-being of Future Generations (Wales) Act 2015 sets out the meaning of the sustainable development principle and the associated ways of working, which can be summarised as long term, prevention, integration, collaboration and prevention. Further information can be found in [statutory guidance](#) on the Act.

3 Older People's Commissioner for Wales, [online article](#), 2024

Our review

- 8 In 2022-23, we undertook a digital strategy review. We looked at councils' strategic approaches to digital, undertaking individual reviews at each of the 22 principal councils across Wales. We focused on the extent to which their digital strategies:
- had been developed in accordance with the sustainable development principle; and
 - would help to secure value for money in the use of councils' resources⁴.
- 9 The review built on our previous 'Springing Forward' reviews of assets and workforce, which we carried out between 2021 and 2023⁵.
- 10 We carried out this review for the following reasons:
- To provide assurance that councils' digital strategies will help to deliver their well-being objectives in a way that secures value for money in the use of resources.
 - To provide assurance that councils are acting in accordance with the sustainable development principal in the design of their digital strategies.
 - To explain how councils are using/planning to use digital technology to meet people's needs and deliver better outcomes.
 - To inspire and empower councils and other public sector bodies by identifying and sharing examples of notable practice/approaches where relevant.

4 We carried out this review under duties contained within section 17 of the Public Audit (Wales) Act 2004 (the 2004 Act) to help enable the Auditor General to be satisfied (or not) that the Council has put in place proper arrangements to secure value for money in the use of its resources and section 15 of the Well-being of Future Generations (Wales) Act 2015 to help enable the Auditor General to assess the extent to which the Council is acting in accordance with the sustainable development principle in taking steps to meet its well-being objectives.

5 The reports for each council are available on our website. You can also find our national summary report, Springing Forward: Lessons from our work on assets and workforce, on our website.

- 11 Our focus on councils' 'strategic approaches' to digital, was about more than just a strategy document. What we mean by a strategic approach to digital is set out below:

A strategic approach to digital is...	A strategic approach to digital is not...
<ul style="list-style-type: none"> • supported by a clear vision, that is commonly understood within the council • a whole-organisation approach, that recognises there are opportunities and implications across services and functions • a key component of transformation, which is focused on improving outcomes and value for money 	<ul style="list-style-type: none"> • a single document • a strategy for the ICT department • focused exclusively on internal practices and infrastructure

- 12 Our reviews did not assess the quality of digital projects outlined in strategies or the value for money that has been achieved by specific digital projects.
- 13 You can find links to the reports for individual councils in the map in **Appendix 1**.
- 14 The questions and audit criteria we used for this review are included in **Appendix 2**. The audit criteria essentially set out what good looks like and what we would expect to find.

What we found

Overall, we found that, while many councils recognise the role digital can play in delivering their longer-term ambitions, weaknesses in their arrangements pose value for money risks

Councils were, to varying extents, thinking about how they could use digital to deliver better outcomes and achieve their strategic ambitions over the long term

- 15 At the time of our review, half the councils in Wales had an up-to-date digital strategy. The remaining half were at varying stages of refreshing their digital strategies. However, councils were, to varying extents, thinking about how they could use digital to deliver better outcomes and achieve their strategic ambitions over the long term.
- 16 Most councils were planning over a medium-term horizon, at 3-5 years ahead. They generally considered this to be the most appropriate timeframe to balance the need to respond to rapidly changing technology while focusing on longer-term outcomes. We acknowledge this point. We have always been clear that there is more to long term planning than the date on a strategy. It was positive to see councils defining digital objectives that extended beyond the lifetime of the strategy and developing projects that lay the foundation for future development, such as investing in Artificial Intelligence, improving digital skills or infrastructure. This should help councils focus on their longer-term ambitions and avoid reliance on short-term interventions that may provide less value for money.
- 17 Linked to this, we found councils were often drawing on future trends and a broad evidence base, covering, for example, service demand and risk, digital skills and access to technology. However, many could go further. Importantly, the evidence bases often did not draw on direct citizen involvement. Not involving citizens in developing the strategic approach, or the delivery of it, risks designing approaches that do not meet their needs, and risks excluding different groups. The consequences are potentially worse outcomes and could lead to councils having to adapt and redesign services, with associated resource implications. Involving citizens means councils have a better chance of getting it right the first time.

- 18 Some councils were setting longer term digital ambitions, in the context of their wider strategic aims, and often aligning them to other key strategies and plans. The digital priorities we saw across councils covered a variety of themes, which can broadly be summarised as:
- Improving services and access to them
 - Supporting growth and regeneration
 - Supporting council functions and ways of working
 - Facilitating transformation
 - Better use of data
- 19 In some instances, there were opportunities for councils to strengthen and expand joint working across services and functions. Furthermore, while we found some councils were delivering with a broad range of partners, most could do more to identify the full range of external partners they need to work with to get the most out of their digital strategies. Where councils were working in partnership to deliver elements of their digital strategies, there was scope to improve how they monitor the effectiveness of partnership work and learn from it.

However, we identified consistent weaknesses in resourcing and monitoring that pose value for money risks

- 20 We found that digital strategies were not, in most cases, underpinned by resourcing information. Where financial information was set out, it was often incomplete, or the basis of the sums identified was unclear.
- 21 There were also weaknesses in arrangements to monitor the impact and value for money of digital projects. Most councils did not have a means of monitoring the achievement of benefits, including financial savings, for individual projects. Where this was in place, we found that it was not done consistently. Furthermore, councils did not generally have systematic arrangements to monitor and evaluate the impact of their digital strategies as a whole.
- 22 Councils' ability to ensure they were delivering value for money through their work on digital was further limited by the lack of systematic or consistent approaches to learning. There is value in councils seeking to learn from individual digital projects, as well as evaluating their overall approach. The learning will have broader applicability across their work and is likely to be particularly relevant to their change programmes. There are also further opportunities to share learning across councils.

Fundamentally, councils did not appear to have an explicit focus on value for money or the sustainable development principle in developing their digital strategies

- 23 Councils did not appear to be explicitly and intentionally applying the sustainable development principle to their work on digital. This is in common with the findings from our Springing Forward reviews on workforce planning and asset management. This suggests councils may be less likely to recognise the sustainable development principle is applicable to their corporate functions and enablers, than to their corporate planning and service delivery.
- 24 Similarly, they did not generally appear to have an explicit focus on value for money in developing their strategies. While, in most cases, elements of the necessary arrangements were in place, councils could do more to ensure they are geared towards securing value for money in the short, medium and longer term.

We identified five key lessons relating to evidence, collaboration, resourcing, impact and learning

- 25 We identified some common areas for improvement across the 22 councils. They help describe the position across Wales. They are lessons from our work that represent the main opportunities for councils to strengthen their application of the sustainable development principle and arrangements for securing value for money. However, these lessons will apply to each council differently and are not intended as an additional set of recommendations. We would encourage councils to consider them in the context of their own reports and note the practice examples included.



1. Councils could draw on a broader evidence base to inform a long term, citizen-centred approach to digital

Where councils can improve

Considering changes in the external environment that might impact their digital strategies

Drawing on the citizen perspective

What councils can do to improve

- Councils could give further consideration to future trends to help develop well-informed long-term visions and objectives. This could include drawing on local and national sources of data such as their own local Well-being Assessments and the Welsh Government's Future Trends Report. They could also use futures techniques, such as horizon scanning, to identify emerging risks and opportunities. For example, those relating to advancements in, or new applications of, technology.
- Councils will need to review their strategies periodically to ensure they take account of new intelligence. Annual reviews would provide the flexibility to be responsive. This could help give councils assurance that their medium-term strategies remain up-to-date.
- If councils are to ensure their digital strategies and projects are designed around citizens, they will need to understand what those citizens want and need.
- This could include drawing on existing insights, gathered through other consultation and engagement exercises.
- However, there is value in directly involving the diversity of people who are likely to be impacted. Not doing so could result in the wrong solutions, which could lead to or compound the digital exclusion of certain groups and reduce value for money.

Practice examples

Powys Council: Drawing on a broad evidence base

The Council has drawn on a broad range of information, both internally and externally, to develop a thorough understanding of the current situation to inform its digital strategy. This included:

- a range of policies, national strategies, and collaborative fora;
- a consideration of demographic trends, financial pressures, and service reviews;
- a review of the key digital issues in Powys, Wales, and the UK;
- the series of business cases which were developed after consultation with officers, a consideration of possible risks, and the identification of critical success factors to deliver the programme;
- a scoping exercise looking at which digital services were most accessed by residents;
- a process mapping exercise of demand issues in service areas to identify priorities for the Digital Team;
- consultation with Council employees, local businesses, and residents; and
- a Social Services workshop to understand issues faced and identify possible digital solutions.

The Council identifies the long-term factors that may impact its digital strategy. It used the Wellbeing Assessment to identify the future needs of the population. It has collaborated with the Public Services Board to produce a Wellbeing Information Bank which provides automated insight and intelligence from Council data sets, as well as the Office of National Statistics and StatsWales. The digital strategy business cases identify possible future trends and comment on possible future risks and opportunities. The Council's Digital Services Team works closely with services to understand their future direction, needs, and challenges. They hold regular away days to horizon scan and investigate how the Council could use digital technology and data to improve the customer experience.

Neath Port Talbot: Understanding the current position on digital

The Council has a good understanding of its digital provision, which has shaped and informed its strategy. In 2021, the Council commissioned an external provider to conduct a wide-ranging review of its digital services. The review included extensive staff consultation to understand digital capacity and capability in the Council. The Council drew on extensive internal data and used external evidence sources to gain a broader view of the current situation in the County such as digital exclusion rates, the digital infrastructure and regional and national digital priorities.

Newport Council: Seeking views through different channels

The Council engaged its communities through a range of channels in developing its digital strategy. The Council carried out consultation through various methods of engagement. This included a survey through the local bus Wi-Fi, and public consultation surveys through its libraries and five community hubs. The Council also engaged groups such as Newport's Ethnic Minorities and Youth Support Team (EYST), its Diversity and Pride staff networks and members of Newport's Business Improvement District.

Torfaen Council: Using customer personas to shape service design

The Council is using 'Customer Personas', aligned to the digital strategy to help inform future service redesign work. These personas were developed using teams across the Council and were informed by internal and external data sources, including National Survey for Wales 2018-20, Residents Survey 2021, Census data and Call Torfaen 2021-22 data. The intention is that the personas would help analyse the typical customer journey and reflect the typical needs of customers who would access services, providing the Council with useful insight to help it understand the service user experience and perspective. In this way, they could be used to help shape future service design and delivery.



2. Councils could go further in working across internal boundaries and with external partners to deliver maximum value from their digital strategies

Where councils can improve

What councils can do to improve

Making the connections to the full range of related strategies and plans

- Councils could maximise the value of their digital strategies by working across services and functions. There are opportunities to make connections to a range of key strategies and plans, including but not limited to:
 - the corporate plan
 - annual budget and medium-term financial plan
 - asset management plan
 - change programme
 - smarter worker/ hybrid working strategy
 - workforce plan
 - carbon reduction plan
 - customer engagement plan/ participation strategy
 - cyber resilience plan
- Taking an integrated approach could help reduce duplication and identify opportunities to deliver multiple benefits.

Identifying and setting out who they can work with and how

- Councils will need to consider partners’ digital strategies if they are to identify the full range of opportunities for alignment and collaboration.
- These opportunities could include joint commissioning, procurement or other sharing or pooling of resources. Collaborative procurement can enable partners to pool their resources and leverage their collective buying power to achieve better deals from suppliers while reducing costs and improving value for money.
- Working in partnership can result in a sharing of knowledge, expertise and/or resources that can lead to better outcomes whilst also improving value for money. Undertaking stakeholder analysis would help give councils assurance that they have identified all appropriate opportunities to collaborate.
- Where councils have entered into partnerships, including with each other, they should ensure they routinely monitor their effectiveness and the extent to which they are helping achieve value for money.

Practice examples

Neath Port Talbot: An integrated digital strategy

There is close alignment between the Council's corporate plan which states its digital intentions in 5 years and in 20 years, the Strategic Change Programme, the Decarbonisation and Renewable Energy Strategy and 'The Future of Work – Strategic Workforce Plan'. The Council's vision for digital aligns with the Public Services Board. All mention the importance of digital in becoming a smart and connected Council and as a place. The Council established a Digital Transformation Board to drive the prioritisation of activities, ensuring alignment to corporate priorities. The Board consists of digital service officers and representatives from each directorate. Representation across Council services can reduce the risk of duplication of efforts, it can identify opportunities for different services to collaborate to deliver multiple benefits and ensure a common understanding of the Council's digital priorities.

The Council also works in partnership to deliver its digital strategic ambitions. For example, it identified a need to modernise how it manages and feeds data, research and analysis into its decision-making. To achieve this, the Council identified working with partners from academia, public health, statutory bodies, voluntary organisations and the community. This should help the Council access evidence to inform future policies and strategies.

Ceredigion Council: Aligning the digital strategy with partners

In developing its next digital strategy, the Council is ensuring it aligns with its strategic objectives and the priorities of its partners. At the time of our review, the Council and the Local Health Board were consulting each other on their emerging digital ambitions with a view to ensuring integration between the two public bodies.

Cardiff Council: Integration and collaboration on digital

The Council's digital strategy is integrated with its key strategic priorities. For example, its hybrid working policy and One Planet Cardiff strategy, by assisting staff to adopt agile working to help reduce the carbon impact of its staff commute. It is also aligned with the Council's well-being objectives, with digital seen as key to supporting their delivery.

The Council is also working with a wide range of partners. For example, on agile workstations with emergency services, a joint housing allocation scheme with registered social landlords and several initiatives with higher education.

Swansea: Delivering in partnership

The Council is undertaking many different collaborative activities with other councils in the region, the private sector and the third sector to improve digital connectivity, digital infrastructure, digital inclusion, and digital skills. Its digital strategy refers to partnership working, for example, through the City Deal and with education partners. The Council also has a constructive collaboration with a Business Improvement District. This partnership recognises each organisation's skills and expertise and is working together to develop a product that it hopes will jointly benefit both businesses and the public.

The Council has also considered how the digital strategy can contribute to the national well-being goals and developed critical success factors for digital projects based on the sustainable development principle's five ways of working.



3. Councils could do more to identify the benefits that could be achieved and the resources required to help them turn ambition into reality

Where councils can improve	What councils can do to improve
Allocating the necessary resources to deliver the strategies	<ul style="list-style-type: none"> • It will be important for councils to understand the short- and longer- term financial implications of their digital strategies. • To do this, they will need to identify the full costs of their proposed digital projects, as well as the intended benefits, including financial savings. This information is crucial to help determine which projects should be taken forward. Without it, councils will not be assured that they are selecting the most cost-effective projects that can deliver the best results. Neither will they be able to identify the resources required to deliver the strategy as a whole. • While we do not necessarily expect digital strategies to include detailed cost information, we would expect to see such information set out in the business cases, service plans or other relevant documents that underpin the strategy.
Building the necessary capacity and capability to support their strategies	<ul style="list-style-type: none"> • Councils will need to understand digital capacity and capability across their organisations to support effective and timely delivery. • Many councils face challenges with recruiting and retaining specialist staff, including ICT staff. ICT services would benefit from workforce plans to ensure they have the right people, with the right skills, at the right time. • Councils will also need to identify the wider skills they need to support their digital strategies, such business analysts and data analysts. Without taking such steps, councils will not be assured that they will be able to deliver their digital strategies.

Practice examples

Powys Council: Resourcing the delivery of the digital strategy to deliver long-term benefits

The Council invests in its strategic digital approach, balancing short-term and long-term investments, and allocating resources to deliver better outcomes in the long term. It views digital as pivotal for driving transformational improvement to all services. The Council's digital strategy is supported by a series of three business cases, which set out funding over three phases. The first two business cases allocated over £5.2 million for 2019 to 2025 and the third has secured £3.9 million for the next four years. In addition to the amounts of money the Council is investing, the business cases itemise the amounts of savings the Council aims to generate by implementing the strategy. The business cases also clearly set out the risks, as well as possible mitigating action. By allocating such funding to support the digital strategy and assessing resourcing risks, the Council is increasing the likelihood that it will deliver its intended outcomes.

Neath Port Talbot Council: Investing in digital capacity and capability

The Council understands the enabling role of digital and its importance in supporting the workforce to deliver more efficient and effective services. The Council completed a restructure of its former IT service and created a Digital Service and allocated £100k towards the restructure. The Digital Service, alongside its HR and Organisational Development service, is intended to support the workforce in improving digital capacity and capability as well as providing improved career development, progression and succession planning. This approach has the potential to provide the Council with additional digital support and stability in delivering its digital transformation.

Carmarthenshire Council: Investing to save

The Council has allocated significant annual funds to support digital transformation. A key condition of receiving capital funding is the relevant service must commit to and budget for the ongoing revenue costs for a sustainable transformation. To secure funding, project proposals must outline the expected savings and benefits the project will deliver. A number of services have also funded dedicated digital staff posts to help them implement digital transformation. These services consider this as an invest-to save opportunity. They recognise the need to invest in a dedicated resource to facilitate digital transformation without competing with other services for a finite corporate resource.



4. Councils need to make sure they can assess the impact of their digital strategies and individual projects

Where councils can improve	What councils can do to improve
Evaluating the impact and value for money of digital projects	<ul style="list-style-type: none"> • If they are to consistently evaluate impact and value for money, councils will need a methodology for projects teams to apply to their digital projects. • This should include identifying the likely costs and intended benefits of digital projects up front. These benefits could be in the form of financial savings or improvements in services and outcomes, linked to councils’ wider strategic objectives. Non-financial benefits could, for example, include the impact on different groups or carbon reduction. • Having identified the intended benefits, it will be crucial for councils to monitor their realisation. They will need to ensure this is done routinely.
Evaluating the impact and value for money of digital strategies	<ul style="list-style-type: none"> • Councils will need measures that enable them to understand the impact and value for money of their digital strategies. • These measures could relate to savings targets or improvements in services and outcomes, linked to their wider strategic objectives. In some cases, these measures might need to reflect collaboration, via the impact on partners’ or shared objectives. • Having arrangements in place for individual projects (as described above) will help councils assess impact across the strategy as a whole.
Ensuring there is appropriate oversight and accountability for delivering strategic ambitions	<ul style="list-style-type: none"> • Elements of councils’ work on digital will inevitably involve significant resources and associated risks. It is, therefore, important that councils put the right governance in place to: <ul style="list-style-type: none"> - Monitor progress of the project - Monitor the collective benefit of projects and progress towards the overall ambition.

Practice examples

Swansea Council: Arrangements to monitor value for money of digital projects

The Council set up a Digital Transformation Board to oversee the digital strategy and individual digital projects. The Cabinet Member for Service Transformation chairs the Digital Transformation Board. Each directorate is represented on the Board as well as officers from corporate functions such as HR, finance, and the digital team. The Digital Transformation Board will monitor progress and risks for all digital projects regardless of funding source. At the time of our fieldwork, the Council was developing a 'benefits' tracker to support this.

The Council has information at an individual digital project level to be able to determine progress and value for money in the future. Services that submit digital project ideas to the Digital Transformation Board need to demonstrate alignment with the sustainable development principle and Council's digital strategy, as well as:

- medium term financial plan saving (with amount and by when);
- identifying other funding opportunities;
- non cashable benefits; and
- whether the project directly improves customer service.

The Council has developed a robust scoring criteria to assess the merits of the individual proposed digital projects based on the above detail provided by services. By requesting that services stipulate the costs and benefits of individual projects when requesting financial support, the Council has the information at the outset to assess and monitor the costs and benefits when monitoring progress.



5. Councils could take a more systematic approach to learning, so they can adapt and improve their work on digital

Where councils can improve

What councils can do to improve

Learning from digital projects

- To make sure they take every opportunity to learn from experience, councils could undertake routine post-implementation reviews of their digital projects. Every digital project will be different, and there will be potential to draw out valuable learning from each to support future improvements. This could include learning lessons about the effectiveness of:
 - the application of the sustainable development principle, including:
 - collaboration – how the project has helped the council achieve better results and value for money, including sharing resources, improving resilience and avoiding duplication; and
 - involvement – the quality and effectiveness of its involvement activity.
 - arrangements for securing value for money.

Learning from the strategic approach to digital

- Similarly, undertaking periodic reviews of the effectiveness of their strategies, will help councils refine and improve their overall approach to digital. This could, for example, include reviewing the effectiveness of the arrangements to support and deliver the strategy.
- Having the right arrangements in place for individual projects will help them do this.

Sharing their learning

- Councils should routinely share the learning from their work on digital to effectively support future digital strategies, other digital projects and wider transformation projects.
- We found there are further opportunities to share the learning with, as well as learn from, partners to support wider improvements across the public sector.

Practice examples

Powys Council: A systematic approach to learning from work on digital

The Council has a process in place for reviewing its digital strategy. The business cases for the digital strategy include a review of what the strategy has achieved so far and identify lessons learned. These reviews have seen the original digital strategy adapted, with some workstreams ending and a brand-new one starting.

The Council has reflected on the impact of the Covid-19 pandemic on the delivery of its digital strategy. These lessons have been captured formally in the Council's business cases as well as with the PSB via recovery planning workshops. The Council has applied this learning to the future direction of its digital strategy, for example by identifying the need to be wary of digital exclusion. The Council records lessons learned through a range of official logs, such as business cases and project closure reports. The Council's Transformation Approach clearly states lessons learned must be captured and recorded in formal logs on all projects to help evaluate programmes. These logs enable the Council to identify areas of good practice and areas of opportunity to work upon.

The Council has shared key lessons learned with a range of partners using a variety of methods. For example, the Council presented a 'show and tell' event at the WLGA on its Information Excellence workstream. The Council maintains a log of shared learning which lists what it shared, with whom, and how. The Council's positive approach to sharing lessons learned provides opportunities for the Council to share good practice and to learn from others.

Carmarthenshire Council: Learning from COVID

The Council has also formally reviewed the impact of the COVID-19 pandemic on the delivery of its digital plan and has applied this learning to its future direction. This includes making use of the advances in the use of technology to widen access to services as well as automating back-office processes.

Appendix 1: Council reports across Wales



Appendix 2: Our audit questions and criteria

Our main audit question was:

‘In developing its digital strategy has the Council acted in accordance with the sustainable development principle and put in place proper arrangements to secure value for money in the use of its resources?’

Level 2 questions	Level 3 questions	Criteria
1. Is the Council’s digital strategy informed by a good understanding of current and future trends?	<p>1.1 Is there is a thorough understanding of the ‘as is’ (i.e. current demand/ issues to be addressed) and the reasons why/ underlying causes?</p> <p>1.2 Is there a thorough understanding of the long-term factors that will impact and the challenges and opportunities that may result (e.g. risks and opportunities)?</p>	<ul style="list-style-type: none"> • The Council has drawn on a broad range of information from internal and external sources to develop a thorough understanding of the ‘as is’ and how it is likely to change. This includes information (including data) relating to: <ul style="list-style-type: none"> - service sustainability/ resilience and resourcing challenges. - the needs of citizens and communities. - the underlying causes of current demand/issues to be addressed. - analysis of future trends and how they might impact, eg social, economic/political; environmental, cultural or technological. They might include known trends eg ageing population, depleting natural resources and particularly technological advances They might also include those with a higher level of uncertainty e.g. jobs and skills needed in the future. • The analysis of the ‘as is’ and how it is likely to change is well informed by involvement activity, as appropriate, that reflects recognised good practice (e.g. National Principles for Public Engagement in Wales, Future Generations Commissioner for Wales advice and guidance). • The Council uses its evidence base effectively to: <ul style="list-style-type: none"> - Identify actions in its strategic approach to digital that are likely to be most effective and why, including how they could address the root causes of problems. - Inform decisions around its use of digital technology that seek to balance the need to meet short- and longer-term objectives.

Level 2 questions	Level 3 questions	Criteria
2. Does the Council have a clear vision of what it wants to achieve through the use of digital technology?	2.1 Is the council planning over an appropriate timescale?	<ul style="list-style-type: none"> • The Council has considered what long term means in planning its approach to digital – i.e. how far ahead it can/should plan and why (at least 10 years with consideration of longer-term trends as appropriate) • The Council has considered how actions can deliver the best impact over that timeframe in terms of outcomes and most effective use of resources. This could include consideration of appropriate intervention points linked to the Commissioner’s definition of prevention. (click on the following link for details: Taking account of the Well-being of Future Generations Act in the budget process – The Future Generations Commissioner for Wales) • The Council has set out measures for its digital strategy that reflect short and long-term impacts and value for money, with milestones that reflect progress as appropriate • The Council has set out how its digital strategy will be resourced over the longer term as far as is practical (See also criteria relating to integration)
	2.2 Has the Council thought about the wider impacts its digital strategy could have, including; <ul style="list-style-type: none"> • how it could contribute to each of the seven national well-being goals? • how delivery will impact on the other things it is trying to achieve (i.e. its well-being objectives and wider priorities)? • how delivery will impact on other what other public bodies are trying to achieve (i.e. their well-being objectives)? 	<ul style="list-style-type: none"> • The Council has considered how its digital strategy can make a contribution across the well-being goals. • Staff developing the digital strategy understand what colleagues and partners do and how their work relates, and have sought to integrate their work with that of their colleagues from across the Council and with partner organisations • Integration is evident in the alignment of the digital strategy with other key corporate strategies and service plans. For example medium term financial plan, workforce plan, asset management strategies, well-being statement and carbon reduction plans. • The digital strategy is aligned with other strategic intents such as: <ul style="list-style-type: none"> - customer experience, - management of demand/ reductions in demand failure and prevention - design and implementation of new service delivery models. • The council’s digital strategy aligns with the plans/strategies of local and national partners including the Welsh Government’s Digital Strategy for Wales Digital strategy GOV.WALES and well-being plans.

Level 2 questions	Level 3 questions	Criteria
3. Is the council working effectively with the right people and partners to design and deliver its digital strategy	2.3 Is there a wide and common understanding of what the council is trying to achieve?	<ul style="list-style-type: none"> • Councillors and senior officers responsible for implementing the digital strategy have a common and clear understanding of what the Council is trying to achieve and the intended impact on service delivery • The Council’s digital strategy is clearly communicated to staff and partners who may help deliver it
	3.1 Has the Council identified who it needs to involve?	<ul style="list-style-type: none"> • The Council has a good understanding of who will be directly and indirectly affected by its digital strategy and who it needs to involve. • The Council has effectively involved the full diversity of views in developing its digital strategy, including from non-traditional sources and from those it may have previously failed to reach.
	3.2 Is the council effectively involving the full diversity of people affected by its digital strategy?	<ul style="list-style-type: none"> • The Council has provided genuine opportunities for people to influence design and delivery of its digital strategy from an early stage, including representatives of groups who share protected characteristics. • The Council has used the results of involvement to shape the design and delivery of its digital strategy
3.3 Is the Council collaborating effectively with the right partners?	<ul style="list-style-type: none"> • The Council is collaborating to ensure it delivers better outcomes and value for money through its digital strategy and has put appropriate arrangements in place to support this, for example for; <ul style="list-style-type: none"> - sharing or pooling expertise and resources - sharing information - ensuring effective monitoring, evaluation and accountability including consideration of value for money 	

Level 2 questions	Level 3 questions	Criteria
<p>4. Has the council resourced delivery of its digital strategy so it can deliver long-term/ preventative benefits?</p>	<p>4.1 Does the Council understand long-term resource implications?</p> <p>4.2 Does the Council allocate resources to deliver better outcomes over the long-term?</p>	<ul style="list-style-type: none"> • The Council has assessed the costs and benefits of using digital technology to invest in long-term, preventative approaches and the cost (both financial and in terms of outcomes) of not doing so. • The Council has thought about the resources it will need to deliver its digital strategy over the medium and longer term (whole life costs) and how it could manage risks/ meet those costs including for example planned ‘invest to save’ initiatives and managed reductions in technical debt. • The Council has calculated and set out any savings it intends to make through implementing its digital strategy • Action (inc. preventative action) that is likely to contribute to better outcomes and/or use of resources over the longer term is promoted and supported, even: <ul style="list-style-type: none"> - where this may limit the ability to meet some short-term needs; and - where the benefits are likely to be accrued by or attributed to another organisation.
<p>5. Is the Council monitoring and reviewing progress?</p>	<p>5.1 Is the Council monitoring and reviewing progress towards, short, medium- and longer-term objectives?</p>	<ul style="list-style-type: none"> • The Council monitors the costs and benefits of delivering its digital strategy from a value for money perspective. • The Council is measuring the wider contribution the digital strategy is making across its own/ partnership objectives. • Progress is measured against short, medium and long-term objectives.

Level 2 questions	Level 3 questions	Criteria
6. Is the Council learning lessons from how it works?	6.1 Does the Council review the effectiveness of its digital strategy? 6.2 Does the Council share lessons learned from its approach to its digital strategy?	<ul style="list-style-type: none">• The Council regularly reviews the effectiveness of its digital strategy including:<ul style="list-style-type: none">- effectiveness of its collaborative activity;- effectiveness of its involvement activity, including the impact of the strategy on service users including those who are digitally excluded;- the impact of the strategy on those who share protected characteristics; and- the economy, efficiency and effectiveness of the digital strategy overall in helping the council to achieve its strategic objectives.• The Council has reviewed lessons learned from its response to the pandemic and is applying this learning to its digital strategy• The Council shares and applies any lessons learned from the development and delivery of its digital strategy widely across the organisation, and with partners where relevant.



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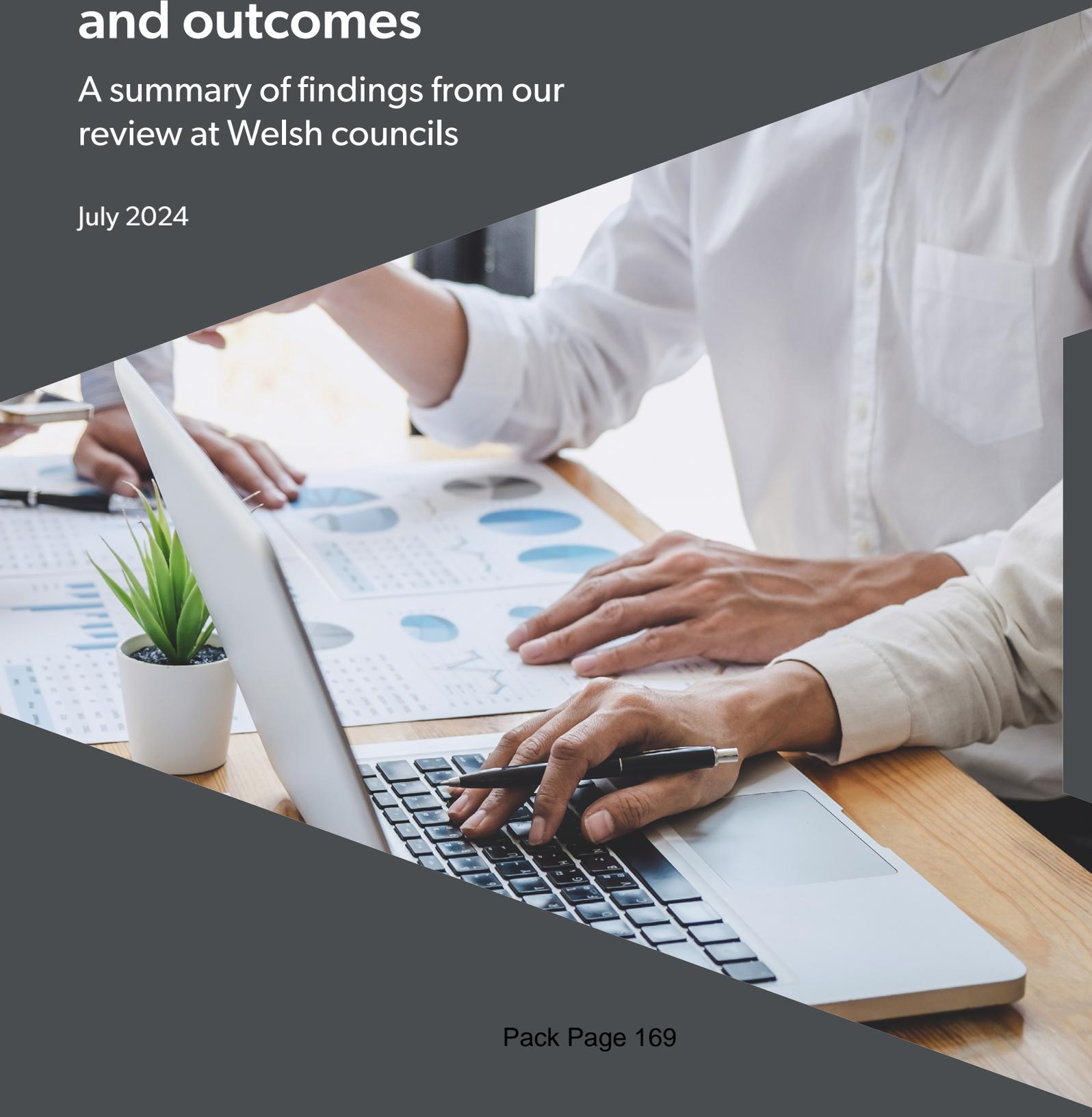
We welcome correspondence and telephone calls in Welsh and English.

Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.

Use of performance information: service user perspective and outcomes

A summary of findings from our
review at Welsh councils

July 2024



This document is a summary of work undertaken under section 17 of the Public Audit (Wales) Act 2004.

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

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Report summary

The report summary provides a brief overview of the scope of our work, why we did the work and our collective findings. Further detail about our findings is included in the detailed report.

What our review was about

- 1 Our review looked at whether the performance information provided to senior leaders helps them to understand the perspective of service users and the outcomes of the Council's activities so that they can manage their performance effectively. By senior leaders, we mean senior officers and senior members. We did this review at all 22 councils in Wales.
- 2 We focused on the main reports councils use to help senior leaders monitor and manage their performance. Councils put a lot of effort into producing these reports and they are often in the public domain.
- 3 We also looked at the arrangements councils have to check that the performance data they use is accurate.
- 4 The questions and audit criteria we used for this review are included in **Appendix 1**. The audit criteria essentially sets out what good looks like and what we would expect to find.

What do we mean by the perspective of service users?

In many areas, service users don't necessarily have a choice as to who provides the services. Residents don't really have a choice as to who collects most of their waste and recycling for example.

So, understanding what people think of the service, rather than the interests of those providing the services, is important.

What do we mean by outcomes?

An outcome is the end result, the effect, the difference made from the action or service. The intended outcome is what the Council is looking to achieve – the why or the ‘so what?’ Outcomes may be short term, medium or longer term. Outcomes may not be at the complete control of a council but dependent on others too.

Outcomes differ from outputs. Outputs are the ‘what’ - the services and goods delivered to help achieve the desired outcome.

Examples of outcomes and outputs

The output of a training programme may be the number of people who completed the programme. The outcome would be the difference made by these outputs, such as skills improved. An outcome may be about an improvement.

The number of miles of highway resurfaced is an output. Outcomes may be about less accidents, improved traffic flow, shorter journey times.

Why we chose to do this review

- 5 Councils deliver services to the public using public money. Therefore, it is vital councils understand the impact of their activities and policies to know if they are using public money wisely (securing value for money) and achieving what they set out to (their objectives). Even more important in a period of financial challenge. The Auditor General of Wales’ role is to determine if councils have put in place arrangements to secure value for money.
- 6 Put simply, without understanding outcomes and service user perspective information, a Council may be doing the wrong things, or doing things wrong.

What our review was not about

- 7 Our review was not a review of councils' consultation and engagement arrangements. We did not review how councils engage with service users on specific service changes or on a draft policy or strategy.
- 8 Neither was it a review of councils' overall performance management arrangements or a review of the quality of the data.
- 9 Councils set themselves objectives, that is what they want to achieve. They generally set out their objectives in their corporate plans together with actions that they will take to help them achieve their objectives. So, understanding what difference these actions are having and what service users think about a service are arguably the most important aspect of a council's performance management arrangements.

What we were looking for

- 10 We were looking for performance information to be shared with senior leaders that would help them understand how well services and policies are meeting the needs of service users and how well they are helping the Council to achieve the intended benefits it is working towards.
- 11 We were hoping to find that this information would be prominent within councils' performance reporting arrangements. By putting this information at the heart of performance reporting, it helps councils be transparent and accountable for their performance. It is also a way for councils to demonstrate that they value the voice of the citizen.
- 12 We were also looking to see that senior leaders use this information to monitor progress and take action where necessary to improve outcomes.
- 13 We wanted to see that councils had arrangements to check that the performance data they use to help them make decisions is accurate.

What we found

- 14 Our findings are not very positive. Except for a few councils, we found that councils provide limited information to help senior leaders understand service users' views and outcomes. So, its difficult to see how councils really know if they are meeting the needs of local communities and providing value for money.
- 15 We came to this conclusion because we found that:
 - a few councils were putting service user perspective performance information at the core of their performance reporting, but most councils included very little performance information to help senior leaders understand the perspective of service users.
 - performance reports tended to focus on outputs, the 'what,' with little evaluation of the 'so what.' What difference did the outputs make, was this in line with outcomes the Council was looking to achieve and the objectives it had set itself? Generally, the performance information didn't help answer these questions.
 - most councils had limited arrangements to check the accuracy of their service user perspective and outcomes data.
- 16 We are concerned by our findings. We expected to find a more positive picture than we did as the importance of understanding outcomes and the perspective of service users has been emphasised for years.
- 17 As the findings were similar across most councils, we have generally made the same three recommendations, or variations of them, to most councils. These centre on strengthening the performance information on the perspective of service users and outcomes, as well as strengthening data quality arrangements.
- 18 Some councils don't agree with our findings and have been critical about the scope of our work. The response from some councils suggests a lack of understanding about the importance of having service user perspective and outcomes information.
- 19 We hope that by shining a spotlight on this important issue will encourage councils to positively address our recommendations.

Who are our findings relevant to?

- 20 Our findings are relevant for councils – for members and senior officers.
- 21 Our findings also have implications for Welsh Government, particularly as it is placing a considerable emphasis on the significance of councils' self-assessments in managing performance. Yet our findings raise questions about the value and robustness of these self-assessments and the extent to which Welsh Government and other stakeholders can rely on them to understand how councils are performing.

What next?

- 22 We would expect to find an improved position when we follow up on our recommendations.
- 23 We also expect each council's Governance and Audit Committee to be seeking assurance that its council is addressing our recommendations.
- 24 The local reports for each of the 22 councils are available on our website.

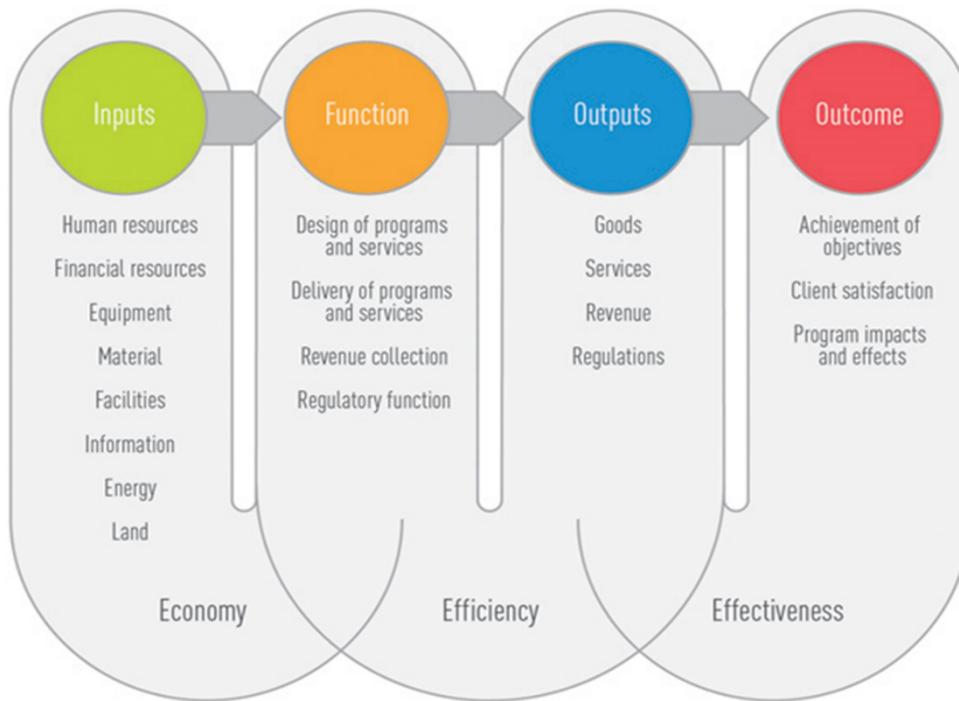
Detailed report

Why having performance information about the perspective of service users and outcomes is so important

- 25 The key role of councils is to provide services and councils spend large sums of public money doing this; services, which are often crucial to the day-to-day lives of the people they serve.
- 26 Outcomes and service user information are not new concepts. The significance of understanding these has been emphasised for many years. This includes in the 'Beyond Boundaries: Citizen-centred Local Services for Wales' report ("the Beecham Report", published in 2006) and the Report of the Commission on Public Service Governance and Delivery ("the Williams Commission", published in 2014).
- 27 In many areas, service users don't necessarily have a choice as to who provides the services. So, understanding what people think of the service, rather than the interests of those providing the services, is important. It is also an important way in which a council can assure itself that it is acting in accordance with the 'involvement' way of working in taking steps to meet its well-being objectives.
- 28 It is the same issue for outcomes. If a Council doesn't have performance information which helps it to understand the outcomes from its activities, how does it know what difference it is having?
- 29 Put simply, without understanding this information, the Council may be doing the wrong things, or doing things wrong. It may not be using its resources economically, efficiently, and effectively (value for money).
 - a. Economy – Getting the right inputs at the lowest cost (or getting a good deal).
 - b. Efficiency – Getting the most from the inputs (or getting a lot for the efforts).
 - c. Effectiveness – Getting the expected results from the outputs (or doing the right things).

30 **Exhibit 1** below shows the relationship between inputs, functions, outputs and outcomes.

Exhibit 1: understanding the relationship between inputs, functions, outputs and outcomes



Source: Canadian Audit & Accountability Foundation

31 Having service user perspective and outcomes information enables councils to manage performance effectively, to influence how it uses its resources and to understand if it is achieving the objectives it has set itself, based on the needs of service users and communities. Having this information helps the Council know if it is achieving value for money from how it uses its resources.

What we were looking for

- 32 We appreciate that developing outcome measures and understanding the perspective of service users can be challenging. But we would expect councils to be making more progress in this.
- 33 We have set out below what we were looking for in terms of service user perspective and outcomes performance information.

Service user perspective

- 34 We were looking to find that councils included a range of performance information in their performance reports, which would give an indication of the views of service users. This may include, but isn't limited to, satisfaction surveys. Complaints and compliments information, and case studies can also provide barometers of the views of service users although these don't always provide a representative picture of the views of service users.
- 35 There may be other proxy measures which taken together would help the Council understand the views of service users. For example, the cost of some services, timeliness of responses, information on accessing a service, data on levels of service take-up which along with other direct feedback such as surveys could all help to build a picture of the service user perspective. But we were also looking to see that a council had used the information to provide that type of analysis.

Outcomes information

- 36 We were looking for performance information which would help understand the impact of the Council's activities. We were looking to see that councils didn't just have lots of performance information about inputs and outputs.
- 37 We wanted to see performance reports which didn't just describe what councils do, but used a range of qualitative and quantitative performance information to help them evaluate if what they do is having a difference. We wanted to see that this performance information covered a wide range of services in line with the Council's objectives and wasn't just focused on one or two services.

- 38 We were also looking for performance information that was relevant to the objectives the councils had set themselves. That councils had given some thought to the performance information they collect and use.
- 39 Councils set their own objectives, taking into account community need, so its up to them to determine the information they then use to understand how they are doing against these.
- 40 We recognise measuring outcomes is often by definition difficult. Outcomes may take time to become apparent so we wanted to see that councils were exploring how they can evaluate the short and longer term outcomes. Understanding outcomes may also require councils to look at different sources of information, from different organisations – to take a whole systems approach. We would be expecting councils, building up from their objectives, to understand what they mean by outcomes and to have thought about the information they will need, to know if they are achieving these objectives.
- 41 We wanted to see councils drawing on a range of sources and drawn from across a diverse range of service users.
- 42 We expected to see that councils have robust arrangements to check that the performance information they use is accurate. That this was not just about querying data when performance didn't look quite right. We expected councils to be able to confidently show us the arrangements they had to assure themselves that data was accurate.
- 43 We wanted to find that councils had been continuing to review and improve their performance information about outcomes and the perspective of service users.
- 44 And, we wanted to see that councils were actively using the service user perspective and outcomes information to monitor progress and take action where necessary to improve outcomes.

What we found

Apart from a few councils, councils provide limited performance information to enable senior leaders to understand progress towards the outcomes they are seeking to achieve, and the perspective of service users. This hinders councils' ability to know if they are meeting the needs of local communities and providing value for money

- 45 We found that senior leaders are often given lots of performance information and information about what the Council has done. However, the extent to which this reflected the perspective of service users and outcomes was very limited and undermined the value of the councils' performance reports. As a result, it is difficult to see how councils know how well they are spending public money.
- 46 We have made recommendations for each council in their local reports so don't intend to repeat these here. These reports are available on our website. The findings in our report are deliberately quite stark given that the importance of understanding outcomes and the perspective of service users have been emphasised for years so we expected to find a more positive picture than we did.
- 47 Our teams will be doing follow-up work to see how councils are progressing with addressing the recommendations made in their local reports. We would hope to see Councils making further progress on this over the next 12-18 months' time.
- 48 In this report, we have also set out the implications of our findings for Welsh Government.
- 49 Set out below are our key findings against the key themes in our work as well as some broader findings.

Most councils had little performance information on the perspective of service users

- 50 We found a few councils which were trying to put the service user perspective information at the forefront of their performance reporting. We could see that they had made a considered effort to report information which would help senior leaders understand the perspective of service users.
- 51 But for most councils, we found that there was minimal information provided to senior leaders on the perspective of service users.
- 52 Much of the service user perspective information we did find tended to be focused in one or two services, mainly social services. We often saw some good examples in the Directors of Social Services' annual reports. Perhaps not surprising given the focus on the individual at the heart of the Social Services and Well-being Act.
- 53 Some councils had also used complaints and compliments information and case studies to provide an insight into the perspective of service users. However, case studies were largely included in reports to illustrate a positive experience. Like complaints and compliments information, therefore, they do not always provide a comprehensive and representative picture of performance.
- 54 To be clear, we aren't saying councils are not engaging with service users. That's not what our review was about. Councils have engagement strategies and through our well-being objective setting work, we know some are trying different ways to involve local communities. But what we struggled to see was councils making the links from this to their performance reports and to make the most of that information.
- 55 Overall, our findings meant that it was difficult to see how senior leaders would be able to understand how well services and policies are meeting the needs of service users from the performance information they are given. Information which is key to help them determine whether they are achieving value for money in the use of their resources.



Generally, councils' performance information focused on outputs and activities, rather than the impact and outcomes from those

- 56 In most councils, we found some limited examples of performance information which help them understand the outcomes of their activities. We appreciate that it may take time to see the outcomes of activities, but this shouldn't prevent councils from identifying how they will know if they are making progress in achieving their desired outcomes.
- 57 We noted a few councils who were monitoring broader outcome measures such as health expectancy and gross domestic product (GDP). Although they recognise they cannot directly control some of these or are not the sole contributor to these, they saw them as useful barometers to understand the national picture and wider outcomes. Some councils had also developed measures which would help them understand outcomes of particular services.
- 58 But, overall, information focused on activities and outputs, such as the number of people who attended an event, or that a new building had opened, rather than information about the impact and outcomes of those outputs. This was sometimes despite councils' corporate guidance underlining the need for services to convey the differences they were making.
- 59 Often, performance reports just describe what the council had done or was doing, rather than evaluating the difference activities were having. This limits the ability of senior leaders to understand the impact of the Council's activities and assess whether it is meeting its overall objectives. Significantly, it also hinders councils' ability to understand if they are achieving value for money.



Performance information reported wasn't always relevant to the councils' objectives

- 60 Councils often have ambitious and well-meaning objectives, such as improving the health and well-being of the local population. But the objectives can be quite vague. We struggled to see how the performance information councils reported really helped them know if they were achieving their objectives or the intended outcomes.
- 61 This is consistent with the finding from our well-being objective setting work that councils don't have appropriate and strategic measures to understand whether they are delivering their well-being objectives as intended. We have been underlining the importance of this for some time.
- 62 Councils have tended to just keep reporting the same types of performance information that they have always reported rather than fundamentally reviewing the value of the information they report. Our findings suggest councils are investing resources in reporting information which doesn't always tell them what they need to know.



Most councils had limited arrangements to check the accuracy of their service user perspective and outcomes information

- 63 Councils' arrangements often consisted of officers sense checking data before it is reported, to query data where any anomalies in performance were identified. This may include checking whether data was accurate. If performance remained the same, however, the Council did not check the accuracy of the data, but the underlying data may have been wrong for some time.
- 64 Some councils had arrangements which provide an element of rigour to how they collected and inputted their data. This included documents which set out the definition of the measure and how it should be calculated.
- 65 Few councils' Internal Audit services had recently done reviews of data quality.
- 66 Most councils 'trusted' officers to know their data. But few councils were able to demonstrate that they had routine and robust arrangements to check the accuracy of any service user and outcomes data they reported.

- 67 Yet councils use this data to help shape their decisions about how they will use their resources. Therefore, there is a risk that councils may be making decisions based on inaccurate information.
- 68 We know that some councils have not welcomed this finding, which they see as reputationally damaging. It's important to note that we have not reviewed the accuracy of the data councils report, so we are not saying that data is inaccurate. We are flagging an important risk. It is up to councils to determine if they are happy to tolerate this risk. We would hope that they look at how they can strengthen their arrangements to minimise this risk.

Implications for councils more broadly

- 69 Whilst the review was not about a council's performance management arrangements per se, our findings raise fundamental questions about the effectiveness of those arrangements.
- 70 It is difficult to see how some councils are effectively managing performance if they don't report information on outcomes and the perspective of service users. This also undermines the extent to which there is accountability for performance. Given the Auditor General for Wales' role, it also places doubt on whether councils have proper arrangements to secure economy, efficiency, and effectiveness in the use of their resources.
- 71 Councils often showed us sophisticated systems that they use to present and monitor the information, but it's not about the systems rather the quality and range of performance information that underpins them.
- 72 Corporate or central teams, who are often seen as those who have overall responsibility for performance information, have taken on other remits and responsibilities. The space and capacity to think and review has been reduced.
- 73 Our findings shouldn't be seen as a criticism of corporate teams. It is not down to one team or one individual to ensure that councils report robust outcomes and service user perspective performance information. Its about organisational culture and having the ethos throughout the organisation to focus on better understanding of outcomes and the views of service users.

- 74 For example, for members to challenge if the information they are getting isn't helping them to understand the outcomes of the councils' activities. Is the performance information enabling them to understand what people think about the services they receive? Is the information relevant to the priorities and objectives they have agreed? To ask the 'so what?' question.
- 75 We appreciate that this may be politically and organisationally difficult. Understanding what this information is telling senior leaders, may mean that that they need to make significant changes to how they have always delivered their services. It is not always a comfortable position for senior leaders to be in.
- 76 Through our work, we are keen to try to inspire the public sector to improve. Our local reports provide a small number of examples of practices that others may be interested to explore.
- 77 We recognise it is not easy to develop outcomes and service user perspective related measures. This is clearly reflected in that we struggled to find a range of examples to point councils to. But not having good practice to go to shouldn't prevent councils from doing more to improve their arrangements. We would like to see councils working together and through agencies such as the WLGA, to explore how they can strengthen the level and quality of the information they provide. For example, working to together to develop measures where they have similar objectives, such as around tackling poverty.
- 78 If councils were starting from a blank sheet of paper to determine what performance information they need to understand the views of service users and the outcomes of their activities, its unlikely they would just replicate the information they report now.
- 79 Councils can't measure everything absolutely. They need to build up from their objectives, to understand what they mean by these objectives and give some real thought to develop a range of performance indicators, which will help them know if they are achieving these. This may be about using information from different sources, including partners, to help councils get a rounded view of performance. This may not just be measures or performance information that they can control. It may be much broader measures (such as health expectancy, GDP) which are relevant to their objectives and useful to monitor.

Our findings also have implications for Welsh Government

- 80 Under the Local Government and Elections (Wales) Act 2021, Welsh Government's performance regime for councils is based on the principle that councils are self-improving organisations. That they will support improvement and drive better outcomes through self-assessments and panel performance assessments. The Statutory Guidance on the performance and governance of principal councils¹ includes that 'the self-assessment should be focused on outcomes, what has been achieved rather than the process, and asking honest questions about the impact of the council's actions on people's lives and experiences.'
- 81 However, the findings from this review raises questions about the value and robustness of councils' self-assessments, and the extent to which Welsh Government and other stakeholders can rely on them to understand how councils are performing.
- 82 One of the barriers often cited to us by councils as to why they had limited service user perspective and outcomes information was the lack of all Wales performance data sets. Welsh Government no longer requires councils to collect and report on a common set of measures.
- 83 Our review did not look at whether councils were comparing their performance per se. We looked more at whether they were trying to learn from how other bodies are reporting this type of performance information to help them strengthen their own arrangements.
- 84 Nevertheless, the lack of comparable measures makes it difficult for Welsh Government to understand the overall picture of performance, to see how councils compare. Importantly, to understand how councils are contributing to delivering the national well-being goals. Responsibility for comparing performance lies with councils. We have commented previously that councils aren't really doing this.
- 85 We aren't saying that Welsh Government needs to reinstate national performance indicators, but it does need to be aware of the limitations of the performance information currently being reported by councils.

1 Performance and governance of principal councils. Statutory guidance on part 6, Chapter 1, of the Local Government and Elections (Wales) Act 2021



Appendices

1 Key questions and what we looked for

1 Key questions and what we looked for

Exhibit 2: key questions and what we looked for

The table below sets out the question we sought to answer in carrying out this audit, along with the audit criteria we used to arrive at our findings.

Level 1	
Does the Council’s performance data enable senior leaders to understand the service user perspective and the outcomes of its activities to effectively manage its performance?	
Level 2	Audit Criteria² (what we are looking for)
2.1 Does the performance information provided to senior leaders include appropriate information on the perspective of service users?	<ul style="list-style-type: none"> • The information is: <ul style="list-style-type: none"> - relevant to the objectives the Council has set itself; - sufficient to enable an understanding of the service user perspective; - sufficient to provide an understanding of progress towards the outcomes the Council is planning to achieve; - drawn from the diversity of service users including groups who share protected characteristics; and - used to inform comparisons with the performance of similar bodies where relevant. • The Council has involved service users in determining which information to collect.

2 Our audit criteria have been informed by our cumulative knowledge of previous audit work, as well as the question hierarchy and positive indicators we have developed to support our sustainable development principle examinations.

Level 1	
<p>Does the Council’s performance data enable senior leaders to understand the service user perspective and the outcomes of its activities to effectively manage its performance?</p>	
Level 2	Audit Criteria² (what we are looking for)
<p>2.2 Does the performance information provided to senior leaders include appropriate information on the outcomes of the Council’s activities?</p>	<ul style="list-style-type: none"> • The information draws on a range of evidence sources to provide a holistic view of progress. • The information enables senior leaders to monitor progress over the short, medium and long term. • The information enables senior leaders to monitor the delivery of outcomes that cover multiple service areas and/or organisations.
<p>2.3 Does the Council have robust arrangements to ensure that the data provided is accurate?</p>	<ul style="list-style-type: none"> • The Council has clear arrangements to check the quality and accuracy of the data it provides to senior leaders. • Where weaknesses in data quality are identified, the Council addresses them.
<p>2.4 Does the Council use the information to help it achieve its outcomes?</p>	<ul style="list-style-type: none"> • Where poor performance is identified, the Council uses the information to make changes/interventions. • There is evidence of the Council improving its progress towards its outcomes as a result of interventions.
<p>2.5 Does the Council review the effectiveness of its arrangements?</p>	<ul style="list-style-type: none"> • The Council reviews the information provided to senior leaders to ensure it is appropriate and relevant. • The Council compares the information it collects with the information collected by similar organisations to identify opportunities to strengthen its arrangements.



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