

Agenda – Finance Committee

Meeting Venue: Hybrid – Committee room 4 Ty Hywel and video conference via Zoom	For further information contact: Owain Roberts Committee Clerk 0300 200 6388 SeneddFinance@senedd.wales
Meeting date: 15 January 2025	
Meeting time: 09.00	

Registration

(08.30 – 08.45)

Private pre-meeting

(08.45 – 09.00)

1 Introductions, apologies, substitutions and declarations of interest

(09.00)

2 Paper(s) to note

(09.00)

2.1 PTN 1 – Letter from the Llywydd to the Chairs' Forum: Representation on inter-parliamentary bodies – 7 January 2025

(Pages 1 – 2)

2.2 PTN 2 – Letter from the Cabinet Secretary for Finance and Welsh Language: Further information from the Cabinet Secretary on the Visitor Accommodation (Register and Levy) Etc. (Wales) Bill, following his attendance at Finance Committee on 5 December – 7 January 2025

(Pages 3 – 12)

3 Welsh Government Draft Budget 2025–26: Evidence session 5

(09.00 – 10.00)

(Pages 13 – 74)

Cllr Lis Burnett, Leader, Vale of Glamorgan Council

Cllr Nia Jeffreys, Leader, Gwynedd Council

Cllr Andrew Morgan, Leader, Rhondda Cynon Taf Borough Council

Cllr Anthony Hunt, Leader, Torfaen County Borough Council



Supporting documents:

FIN(6)-02-25 P1 – Welsh Local Government Association
Senedd Research Brief

Break

(10.00 – 10.10)

4 Welsh Government Draft Budget 2025–26: Evidence session 6

(10.10 – 11.10)

(Pages 75 – 131)

Darren Hughes, Director, Welsh NHS Confederation

Catherine Phillips, Executive Director of Finance, Cardiff and Vale University
Health Board and Chair of the Executive Directors of Finance Peer Group

Lance Carver, Chair, Association of Directors of Social Services Cymru (ADSS
Cymru) and Director of Social Services at Vale of Glamorgan Council

Jane Thomas, Director of Corporate Services, Powys County Council (also the
s.151 Officer representing the Society of Welsh Treasurers)

Supporting documents:

FIN(6)-02-25 P2 – Welsh NHS Confederation

FIN(6)-02-25 P3 – ADSS Cymru and Welsh Local Government Association
(WGLA)

Senedd Research Brief

Break

(11.10 – 11.20)

5 Welsh Government Draft Budget 2025–26: Evidence session 7

(11.20 – 12.10)

(Pages 132 – 153)

Victoria Winckler, Director, Bevan Foundation

Supporting documents:

FIN(6)-02-25 P4 – Bevan Foundation

Senedd Research Brief

- 6 Motion under Standing Order 17.42 (ix) to resolve to exclude the public from the remainder of this meeting.**
(12.10)
- 7 Welsh Government Draft Budget 2025–26: Consideration of evidence**
(12.10 – 12.25)
- 8 The Land Transaction Tax (Tax Bands and Tax Rates) (Wales) (Amendment) Regulations 2024**
(12.25 – 12.30) (Pages 154 – 156)
Supporting documents:
[The Land Transaction Tax \(Tax Bands and Tax Rates\) \(Wales\) \(Amendment\) Regulations 2024](#)
[Explanatory Memorandum](#)
FIN(6)–02–25 P5 – Legal Services note
- 9 The Land Transaction Tax (Modification of Special Tax Sites Relief) (Wales) Regulations 2025**
(12.30 – 12.35) (Pages 157 – 158)
Supporting documents:
[The Land Transaction Tax \(Modification of Special Tax Sites Relief\) \(Wales\) Regulations 2025](#)
[Explanatory Memorandum](#)
FIN(6)–02–25 P6 – Legal Services note
- 10 Consultation on revision of the Code of Audit Practice of the Auditor General for Wales**
(12.35 – 12.40) (Pages 159 – 160)
Supporting documents:
FIN(6)–02–25 P7 – Cover paper: Consultation on the Auditor General's Code of Audit Practice

11 Audit Wales Fee Scheme 2025-26

(12.40 – 12.45)

(Pages 161 – 183)

Supporting documents:

FIN(6)-02-25 P8 – Fee Scheme 2025-26



Y Gwir Anrhydeddus Elin Jones AS

Llywydd, Senedd Cymru

Right Honourable Elin Jones MS

Llywydd, Welsh Parliament

Senedd Cymru
Bae Caerdydd, Caerdydd, CF99 1TN

Llywydd@senedd.cymru

0300 200 6565

Welsh Parliament

Cardiff Bay, Cardiff, CF99 1SN

Llywydd@senedd.wales

0300 200 6565

Chairs' Forum

Via e-mail

7 January 2025

Dear Chairs,

Representation on inter-parliamentary bodies

Following the discussion at the Chairs' Forum meeting of 2 December, I am writing to confirm the decisions taken around the Senedd's representation on the Inter-Parliamentary Forum and the UK-EU Parliamentary Partnership Assembly. The Senedd may nominate two Members each group. Chairs agreed that:

- The Senedd's representation on the two bodies should continue to be linked to committee remits;
- The nominated Members should be the chairs of the relevant committees in each case, but with the continued ability for a chair to nominate alternates from their committee to attend meetings as required;
- Continuity of representation was important, where that could be maintained;
- The Legislation, Justice and Constitution (LJC), Climate Change, Environment and Infrastructure (CCEI), Economy, Trade and Rural Affairs (ETRA) and Culture, Communications, Welsh Language, Sport and International Relations (CCWLSIR) Committees would provide the Senedd's representation on the two bodies, with the allocation of roles to be determined with those committee chairs outside the Chairs' Forum meeting.

Discussion outside of the Forum has led to the following nominations being agreed:

- Inter-Parliamentary Forum: The Chairs of the LJC and CCEI Committees.
- UK-EU Parliamentary Partnership Assembly: The Chairs of the ETRA and CCWLSIR Committees.

Yours sincerely,

A handwritten signature in blue ink that reads "Elin Jones".

The Rt. Hon. Elin Jones MS/AS

Llywydd

Chair of the Chairs' Forum

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

Mark Drakeford AS/MS
Ysgrifennydd y Cabinet dros Gyllid a'r Gymraeg
Cabinet Secretary for Finance and Welsh Language



Llywodraeth Cymru
Welsh Government

Peredur Owen Griffiths MS
Chair, Finance Committee
Senedd Cymru
Cardiff
CF99 1NA
SeneddFinance@senedd.wales

7 January 2025

Dear Peredur,

Thank you for your letter of 13th December 2024 following the Finance Committee's scrutiny session of the Visitor Accommodation (Register and Levy) Etc. (Wales) Bill on 5 December. I am writing to provide you with the further information requested by the Committee.

When consulting on your proposals for a discretionary visitor levy for local authorities, most respondents were against local autonomy in the tax framework, citing how local autonomy could introduce inconsistencies across different areas and incentivise competition across local authorities.

1. How did these views shape your thinking around your approach to designing the framework for the levy?

The visitor levy is discretionary, and the aim is to put decision making in the hands of those local authorities that decide a visitor levy would be of value to their area.

We have approached the design of the framework for the visitor levy with a view to balance local autonomy with the need for consistency. Overall, you will note that the Bill takes an approach of ensuring national consistency across all but one area of the levy design, to ensure simplicity for visitors and visitor accommodation providers.

The one area where we have provided some local autonomy is in the setting of an additional amount (a premium) on top of the rates set in legislation. This is consistent with our approach to other local taxes such as council tax where local authorities can also set a premium. Furthermore, this approach recognises that some areas will face higher tourism costs and will therefore have a need to generate more revenue to offset those costs. Our approach will allow for this local autonomy, following successful implementation of a visitor levy. We do not anticipate the use of a premium straight away.

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1SN

Correspondence.Mark.Drakeford@gov.wales
Gohebiaeth.Mark.Drakeford@llyw.cymru

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.

2. How have you mitigated these concerns given the proposals in the Bill are based on a local discretionary visitor levy?

There is little local autonomy in the operation of the levy and we have taken the approach of ensuring consistency in the tax design. We have designed the levy to be simple to collect and manage. Wherever a levy is introduced, it will be the same type of rate, the same exemptions, nil rates and refundable scenarios. It will also operate across an entire local authority area rather than allowing for sub-local authority variations.

We will develop consistent branding and messaging that can be used by local authorities seeking to introduce a visitor levy. The Welsh Revenue Authority (WRA) will also develop operational guidance for taxpayers, and a centralised system for collection and management. We will continue to explore opportunities to ensure ease of use and understanding of the register and levy when designing the service. This approach has been informed by our consultation responses.

An overarching theme from the consultation's summary of responses is the potential for the legislation to place an administrative burden on smaller accommodation providers.

3. In your view, to what extent will the legislation provide administrative challenges to accommodation providers such as individuals running guesthouses and bed and breakfast accommodation?

We have designed the visitor levy to be as simple and straightforward as possible in application for both visitor accommodation providers and visitors. The WRA has undertaken user engagement and discovery work and will continue to engage with the sector to ensure things run smoothly. Joining up the registration and levy systems will ensure reduced administrative burden for providers.

Smaller providers who collect less than £1000 of visitor levy per annum will be able to choose to file returns and make payments annually. This limits any additional administrative burden on our smaller providers.

Respondents to the consultation also highlighted the potential for the levy to have a disproportionate impact on smaller accommodation providers.

4. What analysis have you undertaken to measure the impact on smaller accommodation providers and what support will be given to these providers?

The EM/RIA sets out the potential impacts on smaller providers.

We have designed the visitor levy to be simple, straightforward, and easy to comply with for businesses. Most small businesses will only be required to submit returns on an annual basis, significantly reducing any additional administrative burden.

The WRA are committed to helping deliver a fair tax system for Wales through what they call 'Our Approach,' a Welsh way of doing tax. This is based on educating and supporting taxpayers with their responsibilities.

The WRA will continue to undertake user engagement and work with stakeholders across the sector to design and deliver a system that operates efficiently for all providers. As part

of the WRA's approach, they will produce guidance and tools for providers, as well as continue to work closely with stakeholders pre- and post-implementation of the levy.

A majority of respondents disagreed with there being a list of visitor accommodation providers available to the tax authority, citing the use of existing systems and registers instead.

5. What consideration did you give to utilising existing sources and why did you feel making provisions in the Bill for a register of visitor accommodation providers would be a more effective approach?

There is no single, statutory data source available that can be used to provide for a register of visitor accommodation providers. Existing statutory data sources may outline some relevant information but will not capture all visitor accommodation providers. Having a statutory register addresses this information gap as outlined within the EM/RIA.

Feedback from the consultation indicated the need to have a statutory registration scheme in place first before a levy could be effectively administered. This is what we are proposing in the legislation.

The most common reason raised by consultation respondents for disagreeing with the creation of a list of visitor accommodation providers was concern it would not be useful given doubts about how effective it would be in identifying all providers, as well as potentially generating additional financial costs and administrative burden. The additional financial costs are based on the time to complete the registration process and we are not proposing to charge a registration fee.

Having all visitor accommodation providers registered through a statutory registration scheme is of benefit for the visitor levy. This is because more effective estimates of the tax base can be made to inform a local authorities decision making regarding use of a levy. Furthermore, it will provide valuable information in regard to ongoing decision making and policy development for the levy.

The consultation's summary of responses noted that the charging of a per person, per night levy could place a disproportionate financial burden on low-cost accommodation providers, which could "also disproportionately raise the cost of accommodation used by low-income visitors."

6. Do you agree with this statement and what could be done to ensure low-income visitors are not excluded from overnight stays in Wales?

I do not agree with this statement. The levy is a modest charge and generally set at a lower rate than levies applied elsewhere. Furthermore, a lower banded rate has been included to account for stays on campsite pitches and shared rooms in hostels. These visitor accommodation types are generally more affordable, building in fairness to the approach. The EM/RIA sets out the potential increase in costs for visitors and businesses.

We discounted a percentage rate due to the complexities involved in administering that rate type. A per person per night rate is most aligned to the policy intent as it would ensure that providers account for and charge all visitors when they pass the costs on. This would be the most understandable for visitors as it is directly levied on a per person basis.

We have focussed on keeping the design and implementation of the levy simple and clear to avoid placing a significant administrative burden on accommodation providers.

Respondents highlighted the impact of information provision relating to the levy, including the general resources that would be required to comply with the necessary data requirements, such as investment into updating and reconciling administrative and booking systems.

7. Do you anticipate implementation issues for visitor accommodation providers when integrating the levy into their systems?

We do not anticipate any issues when integrating the levy into systems given there are visitor levies across the world which are already integrated into systems. Most providers will already be collecting the relevant information as part of the booking process to enable them to effectively pass the levy costs on to visitors. The visitor levy is an indirect tax, and visitor accommodation providers can choose to absorb the cost or to increase their costs to account for the levy. We anticipate most providers will pass the costs on through raising their prices. The Bill does not require providers to charge the levy to visitors, but a provider must account for each visitor for levy purposes.

Additionally, providers will likely be using booking platforms which will facilitate the implementation and collection of the visitor levy. These platforms operate across the world and have the functionality to support the collection and management of a visitor levy. Section 36 of the bill supports this approach.

There was strong support for there being local engagement from organisations such as tourist boards and tourist industry members to help decide how levy revenues are allocated.

8. Did you consider including a formal role for local stakeholders in deciding how revenue is spent in the Bill rather than leave it to the discretion of local authorities?

We recognise that local authorities have well established relationships and fora through which they can discuss the use of the visitor levy and revenues generated. It will be for locally elected officials to make spending decisions about how the revenues from the levy are spent. Regular discussion with local stakeholders regarding use of revenues from the levy will ensure well-informed spending decisions.

There will be a high degree of transparency required of local authorities as they will need to publish a separate annual report as to how the proceeds of the levy have been used.

Section 23 of the Bill also sets out the requirements for how net proceeds from the visitor levy may be used.

Register of visitor accommodation providers

During the evidence session you indicated that registration would commence in 2026, focussing “in the first instance on those local authority areas that intend to introduce the visitor levy, and thereafter we will phase registration across Wales” (paragraph 69).

9. When do you expect the registration of visitor accommodation providers across all principal councils to be completed?

Registration will be an ongoing process reflecting the fluidity of the sector. For example, a visitor accommodation provider may provide visitor accommodation one year but not the next.

No final decisions have been made regarding the timescales for roll-out to all principal council areas, but the intention is for all visitor accommodation providers to be registered by 2028.

Accounting for, and payment of, the levy

In accordance with section 20(2), the deadline for payment of the levy aligns with the filing deadline for the returns.

10. Do you think visitor accommodation providers are being allowed sufficient time to pay?

The 30 day return timeframe is consistent with the wider tax system. This provides consistency for annual and quarterly filers, and visitor accommodation providers will work towards one deadline for payment and filing. This also minimises the number of deadlines visitor accommodation providers will need to keep track of. The return process will be straightforward as the levy is a simple tax. The WRA will work closely with visitor accommodation providers at every stage to promote compliance through an educative approach in line with the WRA's 'Our Approach', a Welsh way of doing tax.

Use of proceeds of levy by principal councils

Section 23 of the Bill requires the principal council to use the revenues generated by the levy for the purposes of destination management and improvement in its area.

11. Do you expect that the proceeds of the levy will be used as additional funding for destination management and improvement and what would stop this funding displacing any existing funding by principal councils for these purposes?

We expect that proceeds of the levy would be additional funding, not displacing existing funds. The Bill at section 25 sets out that principal councils must consult before introduction of a levy, and we expect that any such consultation should include consideration of the use of the revenues.

The Bill also requires principal councils to provide an annual report about the visitor levy which extends to how the revenues have been used towards destination management and improvement.

Principal councils already report on how they allocate their existing budgets. Clearly, this level of transparency would provide appropriate safeguards to ensure the revenues are used appropriately.

On the appropriate use of the proceeds of the levy by principal councils, during the evidence session you said:

“I think it is for local players to conduct that oversight. It can be done at the council itself, but it can be done by any one of those other broader civic bodies, to challenge the local authority, if they feel that the money is not being applied in line with the purposes set out in the Bill.” (paragraph 235)

12. What oversight will the Welsh Government provide in terms of monitoring and evaluating principal councils’ use of the proceeds within the ‘destination management and improvement’ parameters set by Welsh Ministers in the Bill?

We have a high trust relationship with local authorities. Ultimately, locally elected officials must make spending decisions and account for those spending decisions.

The annual visitor levy report plus their statement of accounts provided by local authorities will give sufficient detail as to the impact of the visitor levy.

Introducing, changing or abolishing the levy

Section 25(3) of the Bill requires the principal council to consult a series of mandatory consultees, or other appropriate persons, on its report and proposals in respect of the levy.

13. As part of the mandatory consultation process on the levy, would you expect principal councils to seek the views of people who do not live, work or study in the principal council’s area, for example, regular visitors to the area?

We anticipate that consultations for the visitor levy will be publicised and accessible for those wishing to respond to a local authority’s consultation who do not live, work or study in the council’s area will be able to do so.

Local authorities must consult such persons as they consider appropriate and may wish to seek views of visitors as part of their consultation, but this is not required. Tourism related bodies are mandatory consultees.

Section 26(3)(a) of the Bill enables the principal council and the WRA to agree to shorten the 12 month period on which the levy would come into effect after publishing a notice of its intention to implement a levy.

14. Why should it be left to the council and the WRA to decide to shorten the implementation period thus giving visitor accommodation providers less time to prepare for the levy’s introduction?

Shortening of a period when the levy may change is intended to be used in circumstances where a deadline for introduction has just been missed, for example by a day or a week.

The WRA will need to recruit staff and ensure they are operationally ready. Once the first levy is in place in Wales, we will learn lessons about how providers and booking platforms

have adapted. It may be that a shorter or longer notification process is appropriate based off these initial lessons.

The shortening of the notification period also applies for cessation of the levy. The WRA will have employed staff to operationalise the levy, therefore it is appropriate they have appropriate notice to respond.

Schedule 1 – Amendments to the Tax Collection and Management (Wales) Act 2016

Paragraph 6 requires the WRA to collect the levy and pay net proceeds to the relevant principal council.

15. How will costs be allocated fairly and will collection costs incurred by individual councils depend on the level of take-up of the levy?

The policy intention is that the visitor levy will eventually become entirely self-funding with the WRA's costs split between local authorities in a manner that is proportionate to their revenue generation.

We have not included a costs apportionment formula on the face of the Bill to ensure that if only one local authority were to initially take up the levy that any associated costs incurred from levy receipts are proportionate.

Paragraph 14 contains provision about when information is to be regarded as made available to the WRA in relation to WRA assessments.

16. Could you clarify why this is required?

The Bill amends the definition to clarify when information is regarded as 'made available' to the WRA where they should make an assessment because there has been a loss of tax or excessive repayment of tax. The amendment seeks to provide clarity on what 'made available' means for the WRA and taxpayers. This additional clarity will be important going forward as WRA deals with a larger and diverse customer base. The clearer definition will help our new taxpayers understand how and why assessments may or have been raised. This clarity is already available to HMRC taxpayers.

Paragraph 17 removes the requirement for the WRA to seek the approval of the tribunal before issuing a taxpayer notice requiring them to provide information or documents.

17. Does this weaken taxpayer protection?

Both HMRC and Revenue Scotland have the ability to issue taxpayer notices without the prior approval of a notice by the tribunal; as such this is a well understood power used across other taxes and allows for greater consistency, and so clarity in the tax system.

Aligning WRA powers with HMRC and Revenue will also improve the efficiency of administration of all taxes the WRA collects and manages. This will be particularly important as it prepares to support increasing numbers of taxpayers as the visitor levy is implemented.

Where WRA issues a notice without Tribunal approval, the decision will be an appealable and reviewable decision to ensure appropriate checks and balances are still in place. Therefore, appropriate and well-established taxpayer protections remain in place.

Other issues

During the evidence session you committed to write to us to confirm whether visitor accommodation providers will be required to itemise the levy on a visitor's bill.

There is a regulation making power included in section 37 which may be used to require visitor accommodation providers to itemise the levy on a visitor's bill.

Good practice by visitor accommodation providers would be to itemise the visitor levy where the charge is passed on to visitors, however as a minimum we would expect the charge to be indicated through any booking process, advertisement or displayed within the premises. These are not requirements in the Bill and it will be for visitor accommodation providers to decide how best to display or notify that a visitor levy applies.

Does 30 days relate to calendar days or working days?

During the evidence session on the 5 December the Committee asked for clarity on whether the reference in section 15(2) of the Bill to 30 days, was to calendar or working days. We can confirm this reference is to calendar days.

On the Welsh Government's plans for further amendments at Stage 2, you said: "There is one further important area, which is the area of data sharing. I do anticipate that there will have to be Stage 2 amendments on that. I hope to share a document with the committee. I may not be in a position, as we are with the enforcement processes at this moment, to give you the actual text of the amendments, but I do hope to write to the committee shortly setting out the approach we are taking to data sharing." (paragraph 148)

We also look forward to receiving further information on your proposed approach to data sharing.

We attach a letter at Annex 1 setting out this approach.

Yours sincerely,



Mark Drakeford AS/MS

Ysgrifennydd y Cabinet dros Gyllid a'r Gymraeg
Cabinet Secretary for Finance and Welsh Language

Annex 1

Visitor Accommodation (Register and Levy) Etc. (Wales) Bill - Data Sharing Policy Aims

Keeper of the register

We intend to make clear through amendment at Stage 2 that the WRA will be the keeper of the register.

The register

As it stands, the Bill sets out that the register **must** contain the following information (“mandatory information”) in relation to every visitor accommodation provider in Wales:

- (a) the name of the visitor accommodation provider (“VAP”),
- (b) any trading name used by the VAP,
- (c) the proper address of the VAP,
- (d) a statement of whether the VAP is an individual, a partnership, a body corporate or an unincorporated body,
- (e) the type of visitor accommodation that the VAP provides or offers to provide, and
- (f) the name and address (including the county or county borough) of the premises at which that visitor accommodation is provided.

By the end of Stage 2 the Bill will provide clarity as to what the WRA’s powers will be relating to the register, which will as well as the above include a power to collect other information that the WRA considers appropriate. This power could include information in relation to capacity or seasonality data as this will support the development of accurate utilisation statistics and estimations of leviable amounts which could be collected. We are also exploring what other information the register can hold in the future, for example licensing information.

Publication of data from the register

It is intended that most of the mandatory information collected and contained on the register (and some additional information collected) will be published where there is public interest. There may be some scenarios where it may not be proportionate to publish data about visitor accommodation providers or the premises they operate. A key example would be a visitor accommodation provider offering to provide or providing visitor accommodation in their own home; we may only wish to publish limited information in such a circumstance.

The mandatory information from the register is intended to be used for several purposes. It will be used to:

- Support the collection and management of the visitor levy (the WRA)
- Support decision making by principal councils regarding introducing the visitor levy (principal councils)
- For research and analysis to inform ongoing policy development across tax, housing and tourism (Welsh Ministers)
- Provide a foundation for any future licensing scheme (TBC – licensing authority)

Disclosure of data from the register by the WRA

As the WRA will hold the register, there will need to be provision that enables registration data to be shared with other public bodies for specified purposes related to their functions. This is because not all the information contained on the register will be made public (for example, contact information), but it will be needed by other public bodies pursuant to their respective functions.

This will support join-up of government services, reduce the administrative burden on users of those services and provide better value for money for taxpayers.

Access to information from the register will be needed by the following bodies and for the following purposes:

- Principal councils – where information not on the public register relates to the exercise of their functions.
- Welsh Ministers – for research and analysis purposes to help inform policy development.
- Future licensing authority – for licensing functions to help identify which providers and premises need to be licensed, and to streamline the administration as far as possible.

We will look to include a regulation making power for the Welsh Ministers to enable other disclosures from the register in the future. This is an area where we would like to undertake further work before making any regulations.

Cyflwynwyd yr ymateb i ymgynghoriad y [Pwyllgor Cyllid](#) ar [Cyllideb Ddrafft Llywodraeth Cymru 2025-26](#).

This response was submitted to the [Finance Committee](#) consultation on the [Welsh Government Draft Budget 2025-26](#).

WGDB25-26(6)73: Ymateb gan: Cymdeithas Llywodraeth Leol Cymru(CLLC)
| Response from: Welsh Local Government Association (WGLA)



Finance Committee and Local Government & Housing Committee: Scrutiny of Welsh Government's Draft Budget Proposals 2025-26

Jon Rae, Director of Resources

Welsh Local Government Association - The Voice of Welsh Councils

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

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

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

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

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

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

We'll achieve our vision by

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

29th November 2024

Overview

1. This evidence paper addresses the questions posed by the committee in annex 2 of the commissioning letter. It is largely based on the paper that we presented to Welsh Government in a meeting of the Finance Sub Group (FSG) on 23rd October.
2. Most of it comprised our assessment of local government spending pressures that have remained persistently high over the current financial year. At the time of writing, we were still collecting data on the impact of the increase in national insurance contributions. We are collecting data both on the direct impact and on the impact of commissioned social care and can make these available to the committee in due course

Committee Questions

What, in your opinion, has been the impact of the Welsh Government's 2024-2025 Budget?

3. Last year we reported a total pressure for local government of £720m in 2024-25. There was some uncertainty around funding for teachers' and fire-fighters' pensions and an element of teachers' pay. The pensions issue is due to be resolved and allocations have been circulated in late November 2024. The eventual settlement gave local government an additional 3.3% increase or £180m which along with £110m of CT income left and estimated budget gap of around £400m which has meant difficult decision for non-statutory services and increasingly, schools. Issues with schools' budgets are set out in the annex, paras 19 to 31, which provide a summary of the state of the service, fabric of school buildings and schools' reserves.
4. In the report to the FSG that is attached at Appendix I we report projected overspends in the current financial year running to £238m. Social care accounts for £106m, education £92m and other services £40m. The impact means difficult decisions are made in-year.

How financially prepared is your organisation for the 2025-26 financial year, how will inflation impact on your ability to deliver planned objectives, and how robust is your ability to plan for future years?

5. We carried out a survey with our finance directors over the summer, collecting data and information on local authority medium-term financial plans covering next financial year, and the two subsequent years. The estimated pressure next year is £559m. This would require a spending increase of just over 7% in net revenue

29th November 2024

expenditure¹. The pressure is unrelenting in subsequent years although it falls slightly to £454m in 2026-27 and then rises slightly to £464m in 2027-28. The pressure next year is double what we would ordinarily expect to see and full paper in the appendix details this. Social care accounts for 40% (£223m) of pressure in 2025-26, schools account for 22% (£120m) of the pressure and other local authority services account for the remaining 40% (£224m).

6. Cumulatively, the pressures building up in the system amount to £1.478bn, and the resulting budget gap means that the outlook is extremely challenging and the options for local services will be unpalatable. To address a pressure of £559m, without additional funding, will require a mix of council tax increases, cuts to services and efficiencies. The pressure is equivalent to a 26% increase in council tax, or the loss of just under 14,000 posts².

What action should the Welsh Government take to help households cope with inflation and cost of living issues?

7. Whilst the Welsh Government provides advice and supporting information on their website, there is more that could be done with regard to specific tailored support schemes. Local councils in England have been able to provide more targeted support through the Household Support Fund. This fund is aimed at anyone who is vulnerable or cannot pay for essentials and councils are free to operate their own support scheme. They are also free to utilise partner agencies to help administer funding to those in most need.
8. From the first announcement in September 2021 to date, a total of £3.5 billion has been put into this scheme with the decision lying with the devolved governments on their own use. Due to the decision not to transfer any of the equivalent consequential funding to Welsh councils, we have not been able to offer our residents the same level of support. Additional funding has been put into the Discretionary Assistance Fund but that has limited reach and we have not been able to introduce innovative support schemes like those in existence in English councils.

What action should the Welsh Government take to address the needs of people living in urban, post-industrial and rural communities, including building affordable housing and in supporting economies within those communities?

9. The current level of capital subsidy invested by Welsh Government in supporting Councils and Registered Social Landlords to deliver additional affordable homes

¹ Total net revenue expenditure is budgeted at £7.762bn in 2024-25 (Source: Welsh Government RA Returns)

² See table 3 in the Council Tax Levels in Wales 2024-25 Statistical Release ([Council Tax Levels in Wales, 2021-22 \(gov.wales\)](https://gov.wales/council-tax-levels-in-wales-2021-22)), total council tax income is currently £2.148bn. Cost of an average post is estimated at £40,000 (including oncosts).

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in communities across Wales should be seen as the minimum floor for future investment in delivering much-needed new homes, rather than as a high point. Additional social housing grant should be made available. A healthy multi-year settlement from Welsh Government will give social landlords, developers and supply chain partners in the construction industry confidence and certainty to plan, resource and deliver increasing numbers of affordable homes.

10. This should include greater certainty over rent policy and future funding arrangements for retrofitting existing homes. In line with the recommendations from the recent Local Government and Housing Committee's inquiry into social housing supply, Welsh Government should consider establishing a national development corporation to lead on delivery of large-scale strategic sites and to support alignment of housing and regeneration efforts."

Have Welsh Government business support policies been effective, given the economic outlook for 2025-26?

11. Whilst Business Wales has delivered some generic programmes of support to businesses, it is important to recognise the vital role that councils play in supporting local companies. As a result of the Shared Prosperity Fund (SPF) councils have been able to rebuild their capacity to work with businesses in their areas. The feedback from councils is that this support has been extremely well-received and has resulted in expansion, job creation and training opportunities.
12. Whilst it is potentially confusing for companies to have different bodies offering them advice and assistance, and for that offer to vary from one council area to another, this can be overcome through close co-ordination and regular dialogue. A 'Team Wales' approach can ensure roles and responsibilities are clarified from the outset and avoid duplication of effort. There are significant benefits of having a local contact, with immediate links to the full range of other council services (e.g. waste/recycling collections, highways, planning, environmental health), offering in-person advice and support to local businesses. In 2025/26, and beyond, it will be important to sustain councils' capacity to work alongside Welsh Government in this area.

Are Welsh Government plans to build a greener economy clear and sufficiently ambitious? Do you think there is enough investment being targeted at tackling the climate change and nature emergency? Are there any potential skill gaps that need to be addressed to achieve these plans?

13. WG has a range of ambitious high-level plans, but ambitions are constrained by the practical ability to deliver and subject to resources available. It is important in striving to build a 'greener economy' that WG's plans inform all economic activities and go beyond those that are readily identifiable as 'green' (such as



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renewable energy and energy management). That means ensuring key areas such as procurement and finance support whole-life cycle assessment and place a value on carbon reduction and net benefit for biodiversity.

14. That often requires paying more upfront for 'whole system' benefits that can be generated in construction, in operation and at the end of life. Upskilling to embed 'green thinking' and 'nature positive' approaches across all economic activity is as important as investing, for example, in low carbon energy, electric vehicles, public transport, digitisation and repair and reuse activities. Whilst undoubtedly more WG support for such investment would help, it is also a question of spending existing money wisely on the most sustainable options (or sometimes choosing not to invest in something new, but to achieve goals in innovative ways). That gives signals to the market and can encourage (far greater) private sector investment in 'good growth'.

Is the Welsh Government using the financial mechanisms available to it around borrowing and taxation effectively?

15. We would like the Welsh Government to have more flexibility around the use of its borrowing and reserves and we have made our views known to the UK Government both directly via correspondence and in our press releases around the UK Government Budget on 29 October.

The Committee would like to focus on a number of other specific areas in the scrutiny of the Budget. Do you have any specific comments on any of the areas identified below?

Is enough being done to tackle the rising costs of living and support those people living in relative income poverty?

16. Whilst many of the levers lie solely with the UK Government such as the amount paid in Welfare benefits and the associated annual uprating, the Welsh government has remained committed to ensuring residents who are entitled to full council tax support receive it due to the operation of a national scheme. Councils in Wales do not have to redesign a scheme to fit with their funding however this does come at a cost to local government as the cost of the scheme exceeds to amount allocation through the settlement.
17. WLGA are distributing Welsh Government grant funding to councils, to support food insecurity, sustainable food partnerships and more recently for community/warm hubs. The latter also enable the funding to support accessibility via community transport to enable accessibility to the hubs, in particular for rural localities. Although this funding is short term, it aims to improve sustainability of



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food security and align with national ambition for community resilience and resourcefulness in localities.

How could the budget further address gender inequality in areas such as healthcare, skills and employment?

18. When budgets are scarce, prevention and local government's role in prevention can often be overlooked. Local government's position is to advocate for the focus of government to be on the longer-term, preventative agenda and to address the root causes of gender inequality and equality more broadly. The cuts to local authority budgets over a decade or more have impacted disproportionately on the life chances, opportunities and quality of life of individuals and communities who are disadvantaged and depend on essential services, be they statutory or otherwise.
19. Local government has done its best to protect discretionary services that support the preventative agenda and many of these e.g. access to leisure centres, libraries, youth services, drug and alcohol community provision, services that prevent violence against women and girls, play a key role in addressing inequality and the complexity of need within families and communities which is multi-faceted.
20. Increased funding to enable service provision in areas such as housing, education/ALN, social care for adults and children, should provide a safety net for the most vulnerable, which over recent years has been increasingly stretched. These services are underfunded and oversubscribed and there is a need for government to recognise the service demand and how the continued financial pressure impacts on the resilience of individuals and communities, especially those who are from disadvantaged groups where intersectionality is more prevalent.

Is the Welsh Government's approach to preventative spending represented in resource allocations?

21. Local government has long recognised the need for a refocusing of our social care and health services to prioritise prevention and early intervention and promote independence and good wellbeing. It is only by doing so that we will reduce our dependence on more intense and costly interventions, such as the use of acute and hospital services. Councils recognise and support Welsh Government's ambition to focus on and invest more in prevention and early intervention but, as a nation, have often struggled to shift from ambition to reality.
22. There is a need for far greater investment in early intervention and prevention services to improve personal outcomes, maintain independence and reduce the need for more costly services. Historically, prevention has always been overtaken by the immediate funding challenges for acute and hospital care and responding

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to crises. Without resources specifically earmarked for prevention, we will unlikely achieve the radical step change required to turn the curve on a growing burden of health inequalities, ill-health and long-term conditions. Councils want to work with Welsh Government and the NHS to articulate what this means for people and families who require support in our communities.

How should the Welsh Government prioritise its resources to tackle NHS waiting lists for planned and non-urgent NHS treatments. Do you think the Welsh Government has a robust plan to address this issue?

23. Since the pandemic, the overall size of the waiting list and the length of time people are waiting for treatment have increased significantly. Recent announcements amounting to £50m have been made to target the longest waiting times in Wales, to increase weekend and evening working and to set up more regional clinics in south-east Wales. This funding will be available to health boards to spend against their plans to provide more treatments, more tests, more out-patient appointments, to see more people and, where necessary, to use private hospital capacity to end long waits.
24. Councils appreciate that cutting long waiting times and ensuring people have timely access to planned care is a priority for the public and for this Government. However, the approach to only making additional funding available to health boards is a missed opportunity. Social care plays a central role in enhancing the care and support options available to patients and 'unblocking' care and discharge pathways from hospitals, as well as helping to reduce waiting times. Councils can work closely with the NHS to improve self-management of conditions, focus on prevention and early intervention, make better join up and use of community and primary care services and improve access to community support and information and advice, which are all services that stop people presenting at the 'front door' in the first place and reduce additional pressure on the NHS.

Is the Welsh Government providing adequate support to the public sector to enable it to be innovative and forward looking through things like workforce planning.

25. Welsh Government provide the WLGA with an annual improvement grant of up to £800k for local government as part of their commitment to sector-led improvement. The improvement grant is used to support collective corporate improvement priorities, based on engagement with the sector and broader intelligence gathering. The sector-led programme encourages innovative practise and sector learning. During 2023-24, part of the grant was used to commission specialist workforce planning training and support via the LGA. This was well received by local government with 19 councils taking up the offer.



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26. Building upon this work, the WLGA with financial support from Social Care Wales, has commissioned the LGA to provide targeted workforce planning support to council social services departments. This includes addressing recruitment and retention challenges and improving workforce data and intelligence. Training will be provided for both adult and children services to help councils develop their internal workforce planning approaches and apply this learning to the broader social care sector in Wales.

Has there been adequate investment from the Welsh Government in basic public sector infrastructure.

27. Whilst investment implies capital expenditure, it is arguably revenue spend on maintenance that is critical in terms of basic public sector infrastructure. Historically, new assets have been created with an assumption that existing maintenance budgets will pick up the ongoing costs. However, highways, structures (e.g. bridges; street lighting), drainage and flood defences require continual maintenance if they are not to deteriorate over time. With the very real prospect of increasingly frequent severe weather events and continuing pressure on councils' revenue budgets, the risks associated with such infrastructure are rising in terms of likelihood and impact.

28. Maintenance of existing assets should therefore be afforded a high priority. Otherwise, complete replacement (at higher cost) becomes the only alternative. That applies both directly (replacement capital cost) and also indirectly (e.g. in terms of dealing with flood damage; economic costs of lengthy diversions after bridge failure).

How should the Budget support young people?

29. In relation to education, the budget should support local authorities to be able to effectively resource support for learners and their families, to provide interventions where necessary, and to offset increasing costs in relation to demand for services and increasing costs of provision.

30. In particular, with increasing demand on schools and LAs in relation to behaviour, attendance and mental health / wellbeing, it is important that local authorities can resource the support for children and their families to ensure they are supported to engage in education, receive a suitable education, and be safeguarded from harm. This is equally true in terms of support for the increasing numbers of children with ALN and the rising complexity of need within that population – not just in schools but also in the early years.

31. Implementing the new curriculum and preparing for upcoming changes to qualifications, alongside the other significant reforms noted above, also increases

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workload and financial pressures for the education workforce and local authorities. Reforms, including unintended consequences on workload, should be fully resourced to maximise the support young people receive.

32. Local authorities are seeing rising costs for home to school transport, issues around supplier availability, and increasing demand in relation to ALN and transport to schools such as accompanied / taxi requirements. An increase in funding in this area is needed to ensure statutory responsibilities are met, as well as to ensure general attendance and engagement in wider school activities.
33. Since 2010-11, total maintained youth work sector income has reduced by 26% (WG Youth Work Funding Review, Phase 2 Report). In this time, school attendance and attainment has declined, whilst school exclusions and youth crime have increased. Funding pressures in youth work have also seen numerous buildings/facilities sold on. Youth work has become more reliant on external (short term) funding streams as core funding has reduced. Some councils report that, given the ongoing reduction in numbers of staff, they may struggle to even be able to draw down/spend certain grants due to lack of core capacity.

Is the support provided by the Welsh Government for third sector organisations, which face increased demand for services as a consequence of the cost of living crisis and the pandemic, sufficient?

34. Local authorities worked very closely with the voluntary sector throughout the pandemic. The deployment of community resources and the voluntary sector has been integral to the national and local support of people who were shielding or required to self-isolate, often supporting councils as the first point of contact. Welsh Government surveys undertaken in April and July 2020 identified that the rapid mobilisation of councils, voluntary organisations, community and town councils and community groups to provide wrap around support for the most vulnerable in their localities has demonstrated the effectiveness of collaboration and partnership working. The escalation of service demand and complexity of service users' needs has increased in the past few years and exacerbated by the on-going cost-of-living crisis.
35. The voluntary sector welcomed the Welsh Government funding programmes such as Voluntary Sector Recovery Fund and the Third Sector Resilience Fund, distributed primarily through WCVA. However, there has been a decline in funding for the voluntary sector in the years following the Covid-19 pandemic. Subsequent cuts in funding across nearly all portfolios, have and will continue to impact negatively on the preventative support and will leave the sector in a precarious financial situation. Consideration should be given to Welsh Government financial support for the sector to sustain the momentum of the community's response during the pandemic, including to extend their activities,



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maintain stability in localities and continue the successful collaborative partnerships that were fostered during the pandemic.

What are the key opportunities for the Welsh Government to invest in supporting an economy and public services that better deliver against the well-being goals in the Wellbeing of Future Generations (Wales) Act 2015?

36. Wales has clear opportunities in terms of renewable energy generation, with tidal, coastal, wind (onshore and offshore), hydro and solar possibilities. Investment in those and in the development of associated supply chains, along with smart local energy systems and storage capacity, helps to generate opportunities in local economies. It also helps public services directly by providing long term, low carbon, secure sources of energy. As the grid decarbonises, so public services become lower carbon in operation, in line with the 'prosperous' theme of the Well-being Act.
37. All investment, whatever its nature, ultimately has to be delivered at a local level. Local government therefore has a critical role and stake in ensuring it is delivered successfully. Where councils are involved in investment decisions from the outset, they are ideally placed to help shape them to ensure integration, maximise long-term community benefits and prevent potential problems from emerging and growing. That may be through, for example, identification of training and apprenticeship opportunities, collaboration with partner organisations and impacted communities, or through input from their local planning, environmental and highways and transport functions.
38. There are knock-on, indirect benefits to the public sector associated with a growing economy (which generally reduces pressure on services).

29th November 2024APPENDIX I
Item 01**Finance Sub Group**

16th September 2024

FINANCIAL OUTLOOK**Purpose**

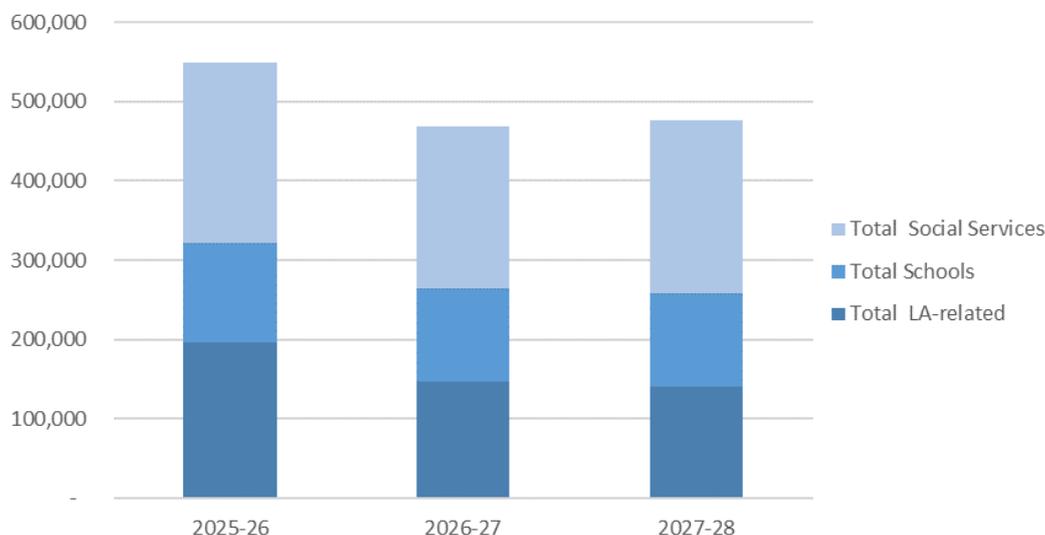
39. This paper provides the latest analysis of spending pressures over the next three years based on councils' medium-term financial plans. This is based on the results of a full survey of councils and fire and rescue services carried out during July/August with the help of the Society of Welsh Treasurers (SWT). The results are summarised in Annex I.
40. The paper also includes information on the in-year position for 2024-25 which is summarised in Annex II. This reflects there will be a need for a combination of cuts, efficiencies, and use of reserves to balance budgets. The financial resilience studies carried out by Audit Wales show that several councils would be close to financial collapse if the funding outlook does not improve.

Summary

41. The estimated pressure next year is £43m higher than previously thought. In exchanges of correspondence with Welsh Government over the summer we quoted estimates of £521m for 2025-26 and the survey confirms this is £563m. This would require a spending increase of just over 7% in net revenue expenditure³. This falls to £457m in 2026-27 and then rises slightly to £462m in 2027-28.

Figure 1: Budget pressures by service, 2025-26 to 2027-28, £000s

³ Total net revenue expenditure is budgeted at £7.762bn in 2024-25 (Source: Welsh Government RA Returns)

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Source: SWT Survey 2024

42. The pressure next year is double what we would ordinarily expect to see and figure 1 above shows how these are spread over the broad service areas. Social care accounts for 40% (£224m) of pressure in 2025-26, schools account for 22% (£122m) of the pressure and other local authority services account for the remaining 40% (£224m). The full break down is set out in Annex I. Cumulatively, the pressures building up in the system amount to £1.482bn, and the resulting budget gap, means that the outlook is extremely challenging and the options for local services will be unpalatable.
43. To address a pressure of £563m without additional funding will require a mixture of council tax increases and cuts to services. The pressure is equivalent to a 26% increase in council tax, or the loss of just over 14,000 posts⁴.
44. It is becoming clear that there are projected in-year pressures in 2024-25 which are larger than previous years, amounting to £38m more than previously anticipated. This is set out in more detail in Annex II. In some authorities, these projected overspends have become particularly acute with a range of measures being implemented to balance budgets. In terms of a service breakdown, social care makes up 45% of the overspend, or £106m, with high-cost children's care and soaring demand for adults' social care accounting for most of the runaway costs. Education and schools account for around 39%, or £92m of the total overspend, which has doubled from last year. Other council services account for £40m which is just under 16% of the overall overspend.

⁴ See table 3 in the Council Tax Levels in Wales 2024-25 Statistical Release ([Council Tax Levels in Wales, 2021-22 \(gov.wales\)](https://gov.wales/council-tax-levels-in-wales-2021-22)), total council tax income is currently £2.148bn. Costs of an average post is estimated at £40,000 (including oncosts).



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45. Viewed another way, £83m or just over a third of projected overspend in 2024-25, is due to inflation (including pay inflation) and commissioning costs, which is higher than originally anticipated when budgets were set in early 2024. However much of the in-year pressures arise from unanticipated demand, especially in social care, and accounts for 48% or £114m.
46. On the funding side, the latest estimates from Wales Fiscal Analysis for subsequent years shows the outlook on funding to be particularly bleak, with councils relying mostly on council tax for any additional funding.
47. Without additional funding, the risk to council services including education and social care cannot be overstated. The aggregate annual budget gap in each of the next 3 years is £449m, £368m and £377m in the run up to 2027-28. In total, the cumulative funding gap could potentially be £1.194bn. Some of the gap will be met through efficiencies and other measures but given the scale of the challenge, many councils are bracing for large scale service cuts and a loss of posts that may run into thousands.
48. The scale of the financial challenges councils have already overcome, and of those they face going forward are not dissimilar to those in England. Over the border, it is not surprising that the financial sustainability of some councils is being severely tested. This is clearly demonstrated by the fact that 18 councils, are reliant on Exceptional Financial Support from the Ministry of Housing, Communities and Local Government to secure their current financial sustainability. The LGA says this is unprecedented⁵ and goes on to say that while the underlying reasons for this support vary across these councils, the sheer scale of this intervention by the Government indicates the risk of financial failure is potentially becoming systemic.

⁵ [Further funding cuts for councils would be disastrous; urgent funding and reform is needed | Local Government Association](#)



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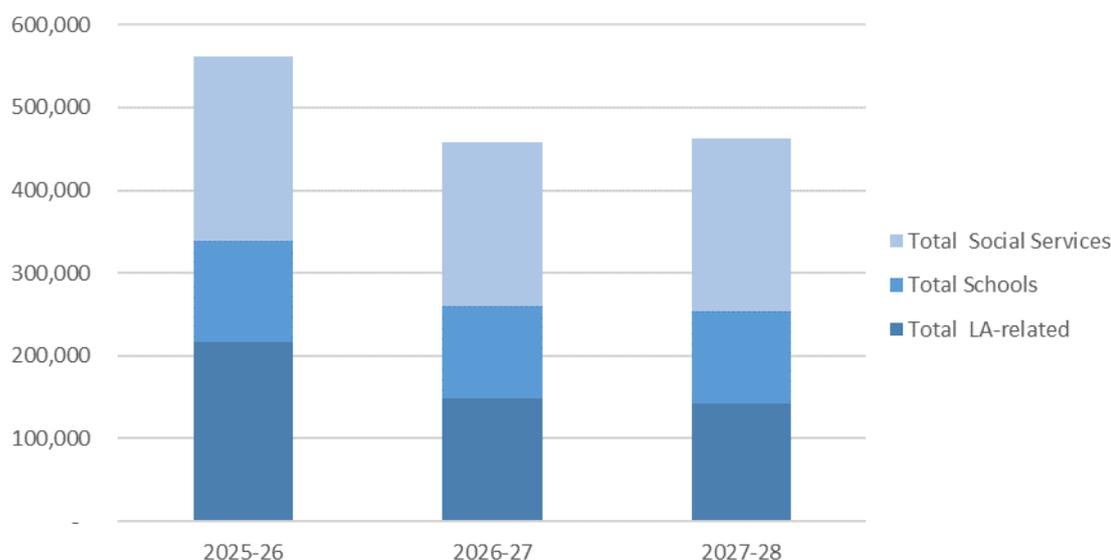
Overview

49. Budget setting over the autumn and the 2025 Spending Review is taking place in the context of challenging economic and fiscal conditions. At the same time the new UK Government has set out an ambitious programme to reform and restore key elements of public services. Our submission is aimed not only at improving the lives of those in our communities but also at helping the Welsh Government deliver its programme in the context of these financial challenges. The 22 councils, the Fire and Rescue Services and National Parks are key partners in delivering Welsh Government objectives.

50. However, we cannot shy away from the fact that councils are under severe financial strain. Inflation, wage pressures and growing demand and complexity of need mean that councils face a sizable funding gap over the next 3 years. And this needs to be seen in the context of the estimated £3bn of cuts and efficiencies in service spending that councils made since 2009-10. This is more or less equivalent to the current cost of the social care system across Wales. If councils’ service spend had grown in line with inflation, wage growth, demographics and demand since 2009-10 it would have been 32 per cent higher in 2024-25 than at the start of the period. Councils have had to absorb these huge pressures through service cuts or efficiencies. Many discretionary services have been hollowed out.

51. The main objective of the SWT survey is to capture and condense the information held in medium-term financial plans. Figure 2 below summarises budget pressures over the 3 years to 2027-28 under 4 main headings: pay inflation, non-pay inflation, commissioning costs (in social care) and demand.

Figure 2: Budget Pressures by type, 2025-26, 2026-27 and 2027-28, £000s



Source: SWT Survey 2024

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52. Demand is clearly a significant element of pressure in all three years accounting for a third of total pressure in 2025-26 for £242m. This falls to around £147m in the next financial year and rises to £143m in the year after that.
53. Basic inflationary costs are all unavoidable costs that must be met just to stand still. These account for just over £320m in 2025-26 and fall slightly to around £310m in the next financial year and return to £320m in the year after that.
54. The employers side of the National Joint Council (NJC) for Local Government Services made a full and final offer to trade union in May proposing from April 2024, an increase £1,290 (pro rata for parttime employees) to be paid as a consolidated, permanent addition on all NJC pay points 2 to 43 inclusive (equivalent to 5.77 per cent on the bottom pay point, tapering to 2.50 per cent on the top pay point and above).
55. The offer means an employee on the bottom pay point in April 2021 (then earning £18,333) will have received an increase in their pay of 29% over the three years to April 2024. For an employee at the mid-point of the pay spine (pay point 22), their pay will have increased over the same period by 19% per cent and for those on pay point 43, at the top of the spine, 11 per cent. The offer, if accepted, is estimated to increase the paybill by just over 4.5% in Wales.
56. Following the announcement on 29 July of funded pay awards to other parts of the public sector NJC trade unions sought a new pay offer from the National Employers, who again reaffirmed the offer made in May as full and final as it would "...be difficult to fund in a number of local authorities and anything beyond it would take many more authorities well past their level of affordability." However, in agreeing to reaffirm the offer, the National Employers also agreed that the LGA (along with WLGA and NILGA) should be asked to consider lobbying central government (and devolved governments) for funding for future pay awards. The National Employers last met on 12 September 2024 and are continuing to monitor the situation.
57. The remainder of this submission paper sets out our 5 priority areas that were set out in the recent letter to the Prif Weinidog.
- Priority Area 1 – Schools and Education
 - Priority Area 2 – Social Care and Prevention
 - Priority Area 3 – Housing and Homelessness
 - Priority Area 4 – Regional and Local Economic Development
 - Priority Area 5 – Capital and Investment

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Priority Area 1 - Schools and Education

58. Councils have reported £92m of in-year pressures added to school budgets for 2024-25, which is well over double that reported in the pressures survey for the previous year. This showed £41m of in-year pressures for 2023-24. In the current financial year 30% of the overspend is due to pay pressures. Whilst this is concerning, what worsens the situation is the fact reserves have largely been depleted so no longer remain the option they were in previous years. This is discussed in greater depth below. The future pressures that schools are facing is sobering, showing £122m in 2025-26, with a further £111m and £112m in 2026-27 and 2027-28 respectively. Pay accounts for around 80% of schools' pressure in each of the years.

59. One theme repeatedly highlighted in the survey responses was that school budgets are starting from an already fragile position. The starkness of the situation is illustrated by a response stating:

“Schools have increasingly relied upon their reserves but these have reduced from £6.7m in 2022-23 to less than £0.9m (March 2024). Where schools have used reserves to cover rising inflation costs in previous financial years, this is now not an option. £2.3 million of pressure in previous years is required to base line school budgets, in addition to the pressures shown. Without further funding into school delegated budgets or considerable reductions in spend the projections for the next 3 years will see schools falling collectively into a deficit balance of over £15m.”

60. In addition to the revenue strain, a response also noted specific capital pressures on the education budget, commenting:

“General investment in school buildings has been impacted by previous years funding, to reduce backlog maintenance issues, fulfil our current capital transformation commitments and invest to achieve net zero across the schools estate, we have broadly estimated investment levels of more than £400m. Borrowing to support this level of investment would require annual revenue contributions of more than £25m, levels clearly beyond affordability”.

61. Whilst councils have been working hard to reduce costs through, for example better procurement, councils are supporting schools with robust in-year budget monitoring and sustainable financial planning arrangements over the medium term.

62. The survey responses exhibited widespread fear about the current trajectory with more than half the respondents emphasising the reserves burn rate. One response highlighted that “Schools budgets have been set in the past two years at a level that does not fully cover inflationary pressures. Schools have mainly funded this cost from school balances, but these balances are being eroded quickly”. Comments surrounding declining reserves include:

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- Schools drew £5.8m from their reserves last year [86.7%] and the collective Net school reserves balance as at 31st March 2024 was £0.891m. 20 of our schools now hold deficit reserve balances totalling £5.7m
- We project that school reserves will continue to reduce at a significant rate as budget savings need to be made. This is not a sustainable position, where school expenditure continues to exceed the income they receive there is a likelihood that school reserve balances will be soon in a net deficit position
- First forecast based on schools budget returns is £11m draw on balances (currently £5m, so would be a £6m deficit balance in March 25 if this happens)
- Significant draw on schools reserves in 2024-25, £7.6m. Majority of schools now in a deficit reserve position, with recovery plans in place
- School budgets are projecting an overall deficit of £5m at the end of 2024-25 which is unsustainable and schools are saying they cannot cut further and deliver the curriculum / meet statutory or safe staffing ratios. Funding for pensions and pay awards must be fully funded.

63. There were many comments about how the sustainability of small schools will need to be reviewed as financial pressures persist. However, it was also noted that the increased cost of transport to neighbouring schools could negate savings made, especially in rural areas. The lengthy timescales involved were also cited as being a barrier even when the profile indicates net saving having taken the increased transport into account. One authority reported how a review of 6th form provision is in the pipeline with the financial sustainability of the current provision to be considered as part of this review.

64. It is beyond doubt that education departments and schools face difficult, unpopular choices with one response commenting, "Asking schools to simply provide education to the same number of pupils is ever more difficult because the only real option available is to reduce teacher numbers and increase class sizes". Another notes the likely negative impact on future generations, stating "schools will be unable to fulfil the needs of the curriculum without falling into deficit, the offer for our pupils will be more limited and attainment levels will be impacted".

65. The causes of financial pressure are myriad, but recurring themes from the responses received include:

- "all schools are seeing an increase in both the numbers of learners with additional learning needs and in the complexity of those needs"
- Due to the ALN Reform, there has been an increase in the number of Statemented pupils in mainstream schools with hours attached to their Statement.
- Headteachers report significant increasing demand in terms of meeting additional learning needs, combined with the growth under the IDP system.

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- Within additional learning needs (ALN) there is increased growth and demand across all age ranges. Early years data predicts this trend will continue. Notably there is a national increase in neurodiversity. This, combined with responsibility across an extended age range results in increased resource requirements creating a c£2M pressure and need to plan more places.
- Grants which have been flat cash (vs double digit NJC and teachers pay)
- Posts delivering against statutory requirements are grant funded with costs increasing and grant remaining static resulting in further financial pressures.
- The need for Post 16 specialist places has resulted in additional school places within and beyond the local authority with the former restricting the overall quantum available to all schools and the latter adding further pressure to insufficient budgets.
- Demands across schools continue to be high particularly in relation to pupil behaviour, the level of exclusions and attendance.
- Home to School Transport Demand and inflation pressures are year on year increases in excess of £1.5 million particularly in respect to ALN.

66. Clearly such pressures will have negative impacts on the next generation, with concerns highlighting “The risk is that to maintain a balanced budget that [the] Education [Department’s] ability to give targeted support to Schools for specific ALN interventions will be withdrawn”. Another response went further, citing “the risks to schools will be a loss of teaching and support staff roles. This will include insufficient support staff to cover required ALN posts”, whilst another stated simply that “Efficiencies will inevitably lie with staffing as 85% plus of a school budget is tied with staffing”.

67. Most responses mentioned the increased pressures in ALN. The Welsh Government’s own data shows that costs⁶ have escalated in recent years well beyond historic levels. From 2007-08 to 2018-19 expenditure ranged between £300m to £400m. It breached £300m in 2019-20 and budgeted expenditure for the current financial year is £592m. the ALNET Act is cited as the main reason for the escalation in costs. Furthermore some authorities are reporting

68. It should also be noted that as stark as the projections going forward are, the actuality could be even worse, with a number of responses commenting the figures indicated assumed the increase in teacher’s pension contribution is fully funded by WG.

⁶ See Figure 2 in [Budgeted Expenditure on Special Educational Needs/Additional Learning Needs \(SEN/ALN\) Provision: 2024-25 \(gov.wales\)](https://gov.wales/budgeted-expenditure-on-special-educational-needs/additional-learning-needs-sen-aln-provision-2024-25)

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Priority Area 2 - Social Care and Prevention

69. Councils continue to be extremely concerned about the current pressures facing social care. The survey responses demonstrate the continuing impact of growing demographic, cost of living, workforce and inflationary pressures facing all parts of the social care system, as well as the impact of additional responsibilities and legislation without appropriate levels of resources attached. There are also additional risks such as those around the procurement of the replacement system for the Wales Community Care Information System (WCCIS) which may result in further additional costs needing to be met. Rising demand for services, and the increasing complexity add to these pressures and concerns. The impact is that budgets are not stretching as far, families and unpaid carers are facing further strains, and recruitment and retention remain huge challenges.
70. The SWT survey shows the significant in-year pressures being experienced across both adults and children's services. The projected overspend for 2024-25 currently stands at £106m which is around 4.2% of budgeted net revenue expenditure⁷. This is similar to the £107m overspend that was projected this time last year for 2023-24.
71. Without exception councils will have taken measures to bridge gaps in social care and other service areas as an unbalanced position would be unlawful. By comparison the Auditor General has very recently⁸ qualified his 'regularity' audit opinion for all 7 NHS Boards, as they have failed to meet their statutory duty to break even over a three-year period. The three-year cumulative over-spend across the NHS increased from £248 million in 2022-23 to £385 million in 2023-24 compared to councils who have to ensure balanced budgets at year end.
72. For councils, the considerable financial challenges already being experienced continue for social care into 2025-26 and beyond. Next financial year there is a £224m pressure which represents an 9% increase in current budgets. Commissioning costs and pay and non-pay inflation account for £130m of the pressure, and the remainder is due to demand which accounts for £94m. There is an additional pressure of £198m in 2026-27, and £209m in 2027-28 respectively giving a cumulative total of £631m for the next 3 years.
73. A number of councils highlighted that the increasing demands and costs being experienced across social services show no signs of easing. Added to this is the fragility of the social care workforce which was reflected in responses with on-going recruitment and retention challenges. For some, this means a continuing reliance on more expensive agency workers, despite initiatives such as "grow your own" being invested in. For many, social services is the area of greatest risk to council's

⁷ Social care net revenue expenditure is budgeted at £2.553bn in 2024-24 (Source: Welsh Government RA Returns)

⁸ [All Health Boards breach break even duty amid deepening financial pressures | Audit Wales](#)

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budgets where pressures are most acutely seen. While councils continue to mitigate these pressures through the use of other areas of savings delivery, slippage and increased income many of these will be of a one-off nature leaving councils with recurrent pressures that impact on future years budget planning.

74. Commissioned services, which are essential to the provision of social care, are also affected by similar issues to local authority social care services. Given the reliance on externally commissioned placements, and the increase in demand for them across both children's and adults' services, the higher costs associated with increased running costs further add to significant financial pressures. Councils also reported significant pressures in relation to the fees set across residential and nursing care homes. In particular, the requirement for social care providers to pay the Real Living Wage, without sufficient funding being made available in the settlement, was highlighted as a specific concern. This adds further to the inflationary pressures being experienced by commissioned services.
75. The majority of responses highlighted that both levels of demand and the complexity of need continues to increase. Reference was made to the impact of an ageing population and the increase in the number of people living with dementia adding further to levels of increased complexity being seen and the knock-on cost implications. One council identified that they had experienced a 15% increase in demand across all client groups in Adult Services.
76. In particular, concerns in the survey responses were reported in relation to the provision of domiciliary care and the pressures and costs associated with packages of care and support across mental health and learning disability services. An emerging risk highlighted by one council was the need to better understand the implications for Adult Services in the future of the significant rise in high-cost children's services and children's disabilities. With both growing significantly in recent years the concern is what this means for the number which transition into requiring high- cost support as adults.
77. The challenges facing social care also have an impact on the wider health and social care system, as a sustainable NHS with the necessary flow depends on a properly funded social care system. There remains a need to recognise the value social care has in its own right as a service. But, where the NHS and social care work well together, there is evidence that this helps people to recover and to keep people well and thereby reducing demand on secondary health services. Here councils can work closely with the NHS to improve self-management of conditions, focus on prevention and early intervention, better use of community and primary care services, improving access to community support and information and advice, which are all services that stop people presenting at the 'front door' in the first place and reducing additional pressure on the NHS.
78. Councils, care providers and wider health services continue to do all they can to enable people to be discharged from hospital and back to their homes with the

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correct support as soon as they can, as well as focussing on preventing hospital admissions in the first place. This has involved increasing community care capacity, developing extra step-down beds and community care packages, helping people get care closer to home and free up hospital beds. This has highlighted the benefits of councils and health working in partnership with a shared endeavour to deliver tangible benefits and positive impacts for individuals, but it also comes with a need to invest significant amounts of time and resource, including additional funding, to support this work. It also highlights the importance of developing future models of community-based care which take a 'whole-person' approach, addressing people's physical health, mental health and social needs together.

79. At the same time a lack of capacity and resources in health also has implications for local authorities. Additional costs have been identified by at least one council linked to discharges from hospital where the individual is not ready for discharge and there is no rehabilitation package in place from health, so costs have to be picked up by social care and the social services budget.
80. Significant concerns were also raised in survey responses in relation to both Continuing Healthcare Care (CHC) and Funded Nursing Care (FNC). Councils reported that the level of FNC provided is not enough to fully cover the cost, with care homes unable to cope with the FNC contribution that is made. It was also highlighted that CHC discussions can be extremely challenging. This means that costs are often passed on from the NHS onto local authorities, essentially meaning that councils are having to subsidise health care, often at a significant cost.
81. In addition, some authorities have referred to the financial impacts of social care 'Tourism' with clients moving over from England to benefit from the more generous social care charging regimes in Wales. Councils also report seeing individuals who have delayed accessing healthcare and so now on presentation to social services have higher dependency requiring more costly care provision.
82. Across Children's Services significant challenges continue to be experienced in finding appropriate placements for children and young people that meet their specific needs. This is a major factor which is driving up costs in Children's Services with councils reporting unprecedented levels of emergency placements for residential care, increased independent placements and increased pressure to find foster placements. It was highlighted that placement costs are rising significantly due to demand far exceeding supply with one council experiencing a 40% increase in the cost of new placements over the past 18 months. One council gave the example of the need for a court ordered placement that requires a 4:1 staffing ratio which means that the care and support for one child's costs could potentially be £1m.
83. Survey responses also recognised that the need to place children via the National Transfer Scheme (NTS) has increased cost pressures and has resulted in Unaccompanied Asylum Seeking Children (UASC) often being placed out of

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county/country to meet their identified needs which comes with significant cost pressures. One council reported a 146% increase in the number of UASC (rising from 13 to 32) between 2023/24 and 2024/25, the costs of which are not fully covered by the Home Office, leading to a projected full year overspend of £440k for that council.

84. The introduction of legislation to eliminate private profit from the care of looked after children is further exacerbating these challenges with concerns over the level of resources (both revenue and capital) to achieve this ambition and how these will be met. This comes at a time of significant overspends across children's services combined with the harsh financial reality of a flat local government spending increase and the expectation of being able to front load investment to support the development of in-house provision whilst maintaining existing services across all council responsibilities. Concerns were raised over the additional costs that have already been incurred and the potential disruption that will be made to the market resulting in further increasing costs which could put at risk councils' ability to deliver safe outcomes for those children in need of care and support.
85. Survey responses also highlighted a number of challenges associated with grant funding. It was noted that there are a number of grants that are only confirmed until 31st March 2025, including the funding that has been made available to support the work to take forward the commitment to eliminate profit. A number of other grants are also in the same position, notably the Housing Support Grant and the Children and Communities Grant which support with the provision of early help and prevention activity, seek to intervene early for better outcomes for people, promote independence, resilience and help avoid the need for expensive statutory services. The risk is that if these grants disappear, the cost pressure on statutory services will significantly increase over the coming years. The impact of the requirement to 'mainstream to core' projects that are funded via the Regional Integration Fund (RIF) was also raised with concerns that this will require councils to either reduce service provision elsewhere or cease continuation of the RIF projects in order to manage within available resources.
86. The risk is that the continuation of reductions in grant funding levels across social services will require reviews of service provision to be undertaken and the high likelihood of on-going service reduction proposals needing to be considered.



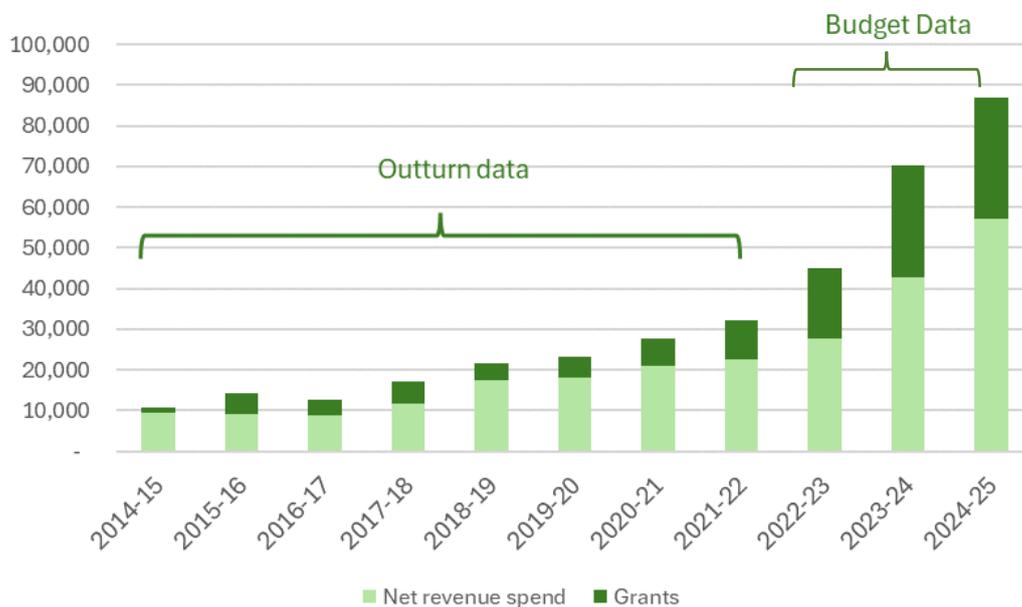
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Priority Area 3 - Housing and Homelessness

87. There continues to be very high numbers of people seeking support and assistance from councils due to the threat of or they are experiencing homelessness. Wales has continued with the approach of “no-one left out” in relation to homelessness, following the end of the public health emergency. This approach is supported by councils, however, the numbers of households approaching authorities for assistance has continued to increase. This sustained increase in homelessness presentations to councils in the period since the pandemic means that core homelessness services are overwhelmingly now dealing only with crisis and unable to work to prevent homelessness.

88. The demand is reflected in the costs. The data in figure 3 below is drawn from council finance returns to Welsh Government over an 11-year period, with the last 3 years’ returns from the budget (RA) forms as no outturn is yet available. Net current spend has increased from £10.8m in 2014-15 to £86.8m in 2024-25.

Figure 3: Councils' Net Current Spend on Homelessness and Temporary Accommodation, £000s



Source: WG RO/RA Returns

89. Welsh Government housing and homelessness grants are making a contribution and funding from other sources is being used. However, the vast majority of spend is funded from general funding which has grown at rates of 23%, 54% and 34% in the last three years respectively. This is significantly higher than the increases in the general settlement and council tax, which implies that other services have been cut to fund them.

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90. The early release of prisoners due to overcrowding in prisons, including those covered by the current Standard Determinate Sentences (SDS) 40 scheme, inevitably involves significant numbers of people with no accommodation available at the point of release. This is creating further pressures on housing options teams and increasing demand for temporary accommodation in many areas. The complexity of needs that often accompany prisoners, as well as others who are homeless (and rough sleepers) can make it more difficult to find appropriate temporary accommodation, which can also be more costly, and with councils also taking into account safeguarding duties in relation to the needs of others and in particularly families with children.
91. Additional housing pressures and increased demand and costs for temporary accommodation, are also seen in many areas as a result of various migration and humanitarian protection schemes, including competition for private rented sector properties across Wales as a result of asylum dispersal being widened to all council areas. The UK Government's decision to reduce the backlog of asylum decisions will inevitably lead to increased numbers of people leaving accommodation provided by the Home Office and seeking assistance from councils in finding a home, often requiring the provision of temporary accommodation before a permanent home is found. There is no additional funding from the Home Office for the increased pressures on councils for this work and the costs of temporary accommodations are quite literally, rising exponentially.
92. The recently published White Paper on homelessness will also add further financial pressures on councils and it is important that a robust and thorough assessment of the financial implications of all legislative proposals are undertaken, in partnership, so that appropriate levels of funding are provided by Welsh Government to support the successful implementation of any legislative changes. Councils are being encouraged to engage with the work currently undertaken by Alma Economics on behalf of Welsh Government to ensure a full and credible picture of the financial implications is developed.
93. The latest data reflects that there are currently more than 11,000 people in temporary accommodation. This comes at a significant cost to council budgets and the level of funding provided by the Welsh Government, or recoverable from DWP, is not keeping pace with such increased demand. The feedback from the survey undertaken reflects overspend on homelessness budgets and this is an increasing financial pressure on councils. One authority cited homelessness pressure contributing to a £660k overspend in the current year as demand outstripped the available budget. The Housing Support Grant budget is critical in supporting homeless people and those at risk of homelessness, including funding for third sector bodies, and the WLGA stresses the need to maintain the current level of funding if additional funding is not available.



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94. Building more homes is essential to ensure that we have enough for everyone who needs them, including those households who become homeless or are inadequately housed. Those councils with housing stock are implementing ambitious new-build programmes and seeking to acquire existing homes (often former Right to Buy properties) to increase the numbers of homes available for social rent. Increased land, labour and material costs mean that the much-needed building of new council homes has become more expensive - this threatens the viability of many house building schemes without increased capital subsidy from Welsh Government.
95. All councils are also working with RSL partners to build new low carbon social rented homes. It is therefore important to ensure that capital funding is available to support the building of social housing at the pace and scale needed to reduce reliance on temporary accommodation and ensure the housing needs of citizens in housing need can be met.
96. However, the recently published Audit Wales report on Affordable Housing concluded that 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, this will largely be through increased capital subsidy to councils and RSLs to support the delivery of additional homes.
97. Councils support the achievement of Welsh Government's key housing objectives, set out in the Programme for Government, however adequate funding is required to enable successful delivery. In addition to the above issues, other financial pressures in housing come from reform of the building safety regime, meeting the revised Wales Housing Quality Standard, workforce pressures and meeting any workforce gaps (for example the recent Audit Wales report on Building Control) and the ambitions in relation to decarbonisation of more homes.
98. Social landlords, including those councils with housing stock, require long-term certainty over rental income in order to effectively plan for the maintenance and improvement of existing properties, and the development of much-needed new homes. The current Social Rent settlement agreed with Welsh Government has been extended to cover 2025-26, and work has commenced on a new social rent settlement framework. It is vital that any future social rent settlement is affordable to tenants and provides certainty over future levels of sufficient income for landlords to deliver on services and new homes that fully meet the needs of existing and future tenants.
99. To reduce the numbers of people becoming homeless and requiring temporary accommodation, councils need to be fully resourced to support households and intervene in ways which prevent homelessness in the first place. To provide homes for the many thousands of people on housing waiting lists across Wales, and to provide opportunities for those in expensive and unsatisfactory emergency temporary accommodation to 'move-on' to permanent housing that is suitable and



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affordable there needs to be significant and sustained increases in the development programmes delivering new homes for councils and RSLs. This will require considerable increases in the level of capital subsidy from Welsh Government, as identified in the recent Audit Wales report.

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Priority Area 4 - Regional and Local Economic Development

Including Levelling up Fund (LUF) and the Shared Prosperity Fund (SPF)

100. Sustainable economic growth at all spatial levels has been identified as a key way to help ease demands on public services and generate the tax revenues needed to provide these services with the additional funding they require.
101. Creating conditions for 'good growth' therefore has to be a top priority. Agreeing the 'institutional' arrangements for economic development at UK, Wales, regional and local levels is critical to this. In anticipation of funding to replace former EU funds, considerable effort went into developing a Regional Investment Framework for Wales, led by Welsh Government and with input from councils and other stakeholders. This looked at respective roles at a Wales, regional and local level and was informed by work commissioned from the OECD.
102. In the event, the previous UK Government (UKG) used the Internal Market Act to enable it to allocate funding in areas devolved to Wales. That included the successor to EU funding, for economic and community development purposes. The Shared Prosperity Fund (SPF) was allocated by UKG on a local authority basis, co-ordinated by lead authorities working together with constituent councils at a regional level. It has included a mixture of revenue and some capital funding. In addition, as part of the wider Levelling up policy, a (competitive) Levelling up Fund has been awarded directly to councils to support a range of primarily capital projects across Wales.
103. In total, the UK Government allocated £585m to Wales through the UKSPF. This included £101m that was top-sliced by the UK Government to support an adult numeracy programme called Multiply. The allocations by region were as shown in the Table below:

Region	Core SPF	Multiply	TOTAL
Cardiff Capital Region	£230.4m	£48.1m	£278.5m
Mid Wales	£35.1m	£7.3m	£42.4m
North Wales	£104.6m	£21.8m	£126.4m
South West/Swansea Bay	£114.0m	£23.8m	£137.8m

104. Welsh Government has argued that this funding does not match the level of former EU funding received in Wales. It calculates that EU ERDF and ESF funding would have been worth £1.404bn for the period January 2021 to March 2025, allowing for inflation and exchange rates. Its figures suggest that, taking into

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account £47m from the Community Renewal Fund pilot in 2021/22, the total of £632m over this period is £772m less that should have been received.⁹

105. Due to a delay in the allocation of SPF funds by UKG at the start of the programme, and the need to allow time for programme closure by the end of March 2025, what should have been a three-year programme has effectively been condensed into 18 months. However, councils have worked well and managed to expedite delivery as far as possible, supporting a wide range of projects under the three themes of 'Communities and Place', 'Business Support' and 'People and Skills'.
106. Under the first two rounds of the Levelling up Fund Wales received £329m out of a UK total of £3.8bn, or 8.7% (£121m in round 1 and £208m in round 2). A further £111m was allocated to projects in Wales in the third round, bringing the total to £440m. The total LUF pot for the UK was £4.8bn, so Wales was *allocated* 9.2% overall. However, some of the LUF round 3 allocations are currently being reviewed by the incoming UKG which has signalled a move away from the 'Levelling up' approach. If no agreement has been signed with the councils concerned, then some of those awards may now be at risk.
107. Adding together the total SPF and LUF *allocations* to Wales by the previous UKG gives a grand total of £1,025m. Whilst, as noted in para 53, WG has argued the overall amount of support made available to Wales has been less than under the EU funding regime, it clearly still represents a substantial amount of funding to support economic development activities in Wales.
108. With the change in UKG earlier this year, the position over any successor programme when SPF finishes next March is currently unclear. The only certainty provided by UKG at present is that there can be no carry-over of any underspend remaining at the end of the programme. WLGA has been lobbying for a one-year extension of the fund to enable projects to be fully delivered to realise maximum benefits. However, no decision is expected on this now until the Spending Review is announced. It seems likely there could be an additional year of funding for a 'transition year', whilst a new programme is developed. However, this should not be viewed as enabling the continuation of current projects as they must be brought to a close by the end of March 2025. This raises questions both about the current programme and about how and when funding levels and delivery arrangements for any successor programme will be announced.
109. The concerns with the current programme are, first, that many projects may have to be brought to an early close or may no longer be viable, reducing the anticipated outputs and outcomes. Second, staff employed under the programme

⁹ see Written Statement: Loss of funding to Wales as a result of the UK Government's arrangements for replacement EU funding (4 May 2022) | GOV.WALES.

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may start to leave for other posts unless there is an early announcement of a new scheme that includes a significant and ongoing role for councils. If the role of councils is reduced in future, then there will be significant job losses across Wales amongst those currently employed under the programme.

110. In relation to a future programme, WLGA has called on both UKG and WG for local government to be involved in discussions. WLGA has written to Angela Rayner MP and Eluned Morgan MS offering to work with both governments as partners, to agree the best way forward in Wales. There is an urgent need for such a three-way discussion, not least because of the substantial number of jobs throughout Wales funded by SPF at risk due to current uncertainties.
111. Looking ahead, there are lessons we can draw on from delivery of LUF/SPF, where councils have worked collaboratively at a regional level. It is important, too, that devolution proposals in England are matched by equivalent and appropriate measures in Wales, building on existing regional arrangements.
112. In England, the UKG has called for Local Growth Plans to be developed and is looking to devolve integrated packages of funding and responsibilities to Mayoral Combined Authorities. After a transition year, a successor programme is likely to see funds being allocated to MCAs and county authorities in England in response to plans they submit.
113. Welsh Government is keen to see Corporate Joint Committees develop the strategic planning roles they have been given. There are discussions underway about transport grants being devolved to the CJsCs after a period of transition.
114. Building on the work undertaken on the Regional Investment Framework, WG is likely to want to see CJsCs playing a significant role in the management of some elements of funding for economic development that comes from any successor programmes to SPF/LUF. However, how this will work is still the subject of discussion between UKG and WG. The risk for councils is that a large part of any such funding will be allocated to national and regional levels and many of the local activities that have been supported under SPF will be viewed as non-strategic and lose funding.
115. Another risk is that the process for allocating funding becomes too bureaucratic and 'layered'. That potentially could see funding being passed from UK Government to Welsh Government and/or the Wales Office, then some of that down to CJsCs and then some to the local council level. Three-way partnership discussions can help to identify the most efficient way of getting funds to the right geographic level with the minimum of bureaucracy. It is vital that the lessons learned under SPF, including many positive outcomes, are considered in determining the way forward. If councils do lose access to funds then this could seriously undermine their capacity to promote economic development at a local level.



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116. Local contacts and knowledge are crucial to successful economic development, as well as councils' ability to co-ordinate support across their full range of services. This underlines the importance of lobbying for councils to continue to have a central role in any successor programme.

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Priority Area 5 - Capital and Investment

117. The importance of sustained public sector investment to long-term economic growth has recently been underlined by the Office for Budget Responsibility.¹⁰ The responses indicate that a tightened revenue settlement will impact capital programmes. Across capital programmes we are seeing an increase in costs from when the programme was approved at feasibility stage, to the design and development stage of capital projects, due to the current inflation rates and volatility of the construction market. With little or no additional funding available, there has been a lot of reprioritising between schemes and scaling back where possible.
118. Although inflation has returned to more normal levels, costs have remained at the inflated levels whereas core capital funding has not kept up with inflation, resulting in core capital budgets remaining static. Increases in costs are being experienced across the whole programme resulting in some schemes being unaffordable and/or not providing value for money. General Capital Funding has risen around 4% in cash terms since the pandemic while general construction inflation¹¹ has increased 6 times faster.
119. Where possible, programmes are being reprofiled, however this does not resolve the budget pressure, it may just spread it over a longer period which in itself can then increase the costs even more. Many authorities are finding that contractors have become more adversarial in terms of contracts and cost increases as they are working to very tight prices from subcontractors and suppliers. This can impact the final prices for schemes. The urgent is crowding out the important with burgeoning maintenance backlogs in estates and highways being prioritised over strategic projects because of capital rationing.
120. Due to pressures on the revenue budgets, costs are continually being reviewed and challenged in terms of what can be capitalised, however with no additional capital funding it results in less capital budget to actually spend on scheme delivery. Similarly, any annual revenue funding that was being used to support the capital programme has been removed.
121. PWLB interest rates are having an impact on schemes funded by Prudential Borrowing, both in terms of the business cases for borrowing and payback periods (e.g. invest to save schemes) and the impact that the interest costs have on the revenue budget.
122. This comes at a time when significant additional resources will be needed for investing in four main areas:

¹⁰ [Discussion paper No.5: Public investment and potential output \(obr.uk\)](#)

¹¹ [ONS Construction Output Price Indices](#) (OPIs) from April 2019 to June 2024, UK. Summary. All construction (new work and repair and maintenance) index

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- digital infrastructure to improve services and productivity, for example Connecting Care
- residential care investment to support the *Eliminate Agenda*
- housing investment for councils that are social landlords.
- estate decarbonisation¹² and EV infrastructure to support net zero

123. The major challenge of taking necessary climate change mitigation and adaption measures is recognised by all councils. However, climate change measures must not be seen as a separate 'item' to be funded but as something integral to all service areas. Therefore, aligned with the other four priorities outlined in this report, capital spend on new schools, social care provision, housing and economic development all need to be implemented in ways that help address the challenge.

124. To the extent that upfront costs will be higher, there is a need for additional capital to help cover the gap in costs. Over time however, lifetime costs should be lower as a result of more energy efficient/self-sufficient and lower emission buildings, care homes, houses and business units, and lower running and maintenance costs for electric vehicles.

125. There are, therefore, major 'invest to save' opportunities aligned to the priority areas in this report. These could be accelerated if more capital were to be made available. It should be noted though, that there are also revenue implications in terms of the costs of transitioning to net zero operations, associated with, for example, design work and developing a workforce with the skills required to build/retrofit and operate new assets in what is a very competitive labour market.

¹² Some initial work by Local Partnerships (LP) suggests that over £1bn will be needed to cover the capital cost of treating council buildings across Wales if decarbonisation, insulation and renewables measures are installed. LP note that this is an under-estimate of total costs as:

- (1) their capital cost figures are based on floor space details, which were provided for only 83% of the buildings reported
- (2) they note that they have not included other project costs which will be incurred, which could add 30-40% to the total delivery cost (e.g. survey, design, contingencies). Further work is underway to enable a more accurate picture to be developed by each council.

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Conclusion

126. In conclusion, our latest estimates of pressures remain exceedingly high and whilst they show some sign of reducing in the medium-term, indications are they will remain significantly above a level deemed to be normal. Without further additional funding, local authorities face impossible decisions for the preventative services that local government provides and the people who rely on them. A local authority budget gap similar to last year would be catastrophic for the NHS which relies on a well-funded care system. Further cuts would be demoralising for our workforce.

127. The Welsh Government recently made a commitment to funding pay rises across the public sector. This commitment to our workforce is welcomed especially considering the erosion of public sector pay in recent years. We are grateful that the Prif Weinidog has signalled she wants to protect local services. We welcome the partnership approach to forging a new relationship between the Welsh Government and local government. The close working relationship that we developed in recent years has served us all well. We are committed to continuing with that approach to protect our shared priorities from the worst effects of the economic headwinds to come.

Cleared by: Councillor Anthony Hunt, WLGA Finance Spokesperson

Authors: Jon Rae, Director of Resources
Nathan Gardner, Finance Manager

Tel: [REDACTED]

E-mail: [REDACTED]

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ANNEX I

Projected financial pressures, 2025-26 to 2027-28

	2025-26	2026-27	2027-28
A. Local Authority Related (excluding schools and social services)			
Pay inflation pressures	64,783	60,898	66,400
Non pay inflation pressure	35,193	31,333	30,421
Fees/Charges inflation (positive)	- 4,303	4,408	575
LA Inflation (Stand Still) pressures	95,673	96,639	97,396
Budget pressures			
a. Demand related pressures	47,754	29,473	26,253
b. Capital financing pressures	13,149	7,114	6,204
c. Reduction in specific grants	10,118	1,626	510
d. Local priorities	6,758	2,752	1,189
e. Other	42,888	11,050	10,156
LA budget pressures	120,667	52,015	44,312
Total LA-related	216,340	148,653	141,708
B. Schools			
Pay inflation pressures	91,079	79,191	84,188
Non pay inflation pressure	3,396	6,765	6,654
Fees/Charges inflation (positive)	- 493	504	525
Inflation (Stand Still) pressures	93,981	85,452	90,317
Budget pressures			
a. Demand related pressures	13,714	12,998	9,554
b. Capital financing pressures	- 738	702	741
c. Reduction in specific grants	1,003	105	105
d. Local priorities	1,328	1,007	-
e. Other	12,620	12,387	12,392
Total Schools Budget Pressures	27,927	25,795	21,311
Total Schools	121,909	111,248	111,628

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Projected financial pressures, 2025-26 to 2027-28 (cont.)

	2025-26	2026-27	2027-28
<u>C. Social Services</u>			
Pay inflation pressures	28,146	25,700	28,540
Commissioning Cost Pressures - Adults'	67,712	65,069	62,502
Commissioning Cost Pressures - Children's	18,066	16,783	15,143
Non pay inflation pressure	17,395	22,198	27,629
Fees/Charges inflation (positive)	- 865 -	1,678 -	1,796
Inflation (Stand Still) pressures	130,453	128,071	132,018
Budget pressures			
a. Demand related pressures			
<u>Adults Services</u>			
Domiciliary Care (incl supported living)	18,553	12,644	11,818
Residential Placements	20,427	13,189	16,446
Other	8,693	5,521	4,776
<u>Childrens Services</u>			
Domiciliary Care	2,382	2,453	2,685
Residential Placements	29,296	13,888	13,331
Foster Care	457	1,259	1,252
Other	7,367	10,306	11,680
b. Capital financing pressures	369	63	13
c. Reduction in specific grants	2,549	4,668	9,223
d. Local priorities	431	26	53
e. Other	3,345	5,479	5,690
Total SC Budget Pressures	93,871	69,496	76,966
Total Social Services	224,324	197,567	208,984
Total Pressures	562,573	457,468	462,320

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ANNEX II

In-year (2024-25) projected financial pressures (in excess of budget)

	£000s
A. Local Authority Related (excluding schools and socia	
Pay inflation pressures	5,085
Non pay inflation pressure	7,318
Inflation (Stand Still) pressures	12,403
Financial pressures	
a. Demand related pressures	27,584
b. Capital financing pressures	- 2,898
c. Reduction in specific grants	1,264
d. Local priorities	150
e. Other	1,863
LA Budget Pressures	27,963
Total LA Related	40,366
B. Schools	
Pay inflation pressures	25,916
Non pay inflation pressure	24,907
Fees/Charges inflation (positive)	-
Schools Inflation (Stand Still) pressures	50,823
Financial pressures	
a. Demand related pressures	17,915
b. Capital financing pressures	21,073
c. Reduction in specific grants	2,202
d. Local priorities	-
e. Other	- 140
Total Schools Budget Pressures	41,050
Total Schools	91,873



29th November 2024

29th November 2024

In-year (2024-25) projected financial pressures (cont.)

	£000s
<u>C. Social Services</u>	
Pay inflation pressures	1,960
Commissioning Cost Pressures - Adults'	5,553
Commissioning Cost Pressures - Children's	10,209
Non pay inflation pressure	1,914
Inflation (Stand Still) pressures	19,636
Financial pressures	
a. Demand related pressures	
<u>Adults Services</u>	
Domiciliary Care (incl supported living)	17,382
Residential Placements	15,841
Other	5,590
<u>Childrens Services</u>	
Domiciliary Care	-
Residential Placements	38,011
Foster Care	850
Other	8,927
Total Social Services Budget Pressures	86,601
Total SC Pressures	106,237
<u>Total projected financial pressures (A+B+C)</u>	238,476

Document is Restricted

Cyflwynwyd yr ymateb i ymgynghoriad y [Pwyllgor Cyllid](#) ar [Cyllideb Ddrafft Llywodraeth Cymru 2025-26](#).

This response was submitted to the [Finance Committee](#) consultation on the [Welsh Government Draft Budget 2025-26](#).

WGDB25-26(6)69: Ymateb gan: **Confederasiwn GIG Cymru** | Response from: **Welsh NHS Confederation**





Welsh NHS Confederation response to the Finance Committee's scrutiny of the Welsh Government's 2025-2026 Draft Budget proposals

Contact: Nesta Lloyd-Jones, Assistant Director, Welsh NHS Confederation

Date: 3 December 2024

Introduction

1. The Welsh NHS Confederation welcomes the opportunity to respond to the Finance Committee's scrutiny of the Welsh Government's Draft Budget 2025-26 proposals.
2. The Welsh NHS Confederation represents the seven Local Health Boards, three NHS Trusts (Velindre University NHS Trust, Welsh Ambulance Services University NHS Trust and Public Health Wales NHS Trust), and two Special Health Authorities (Digital Health and Care Wales and Health Education and Improvement Wales). The twelve organisations make up our membership. We are part of the NHS Confederation and host NHS Wales Employers.
3. NHS leaders welcome the increase to the health budget at a time where public finances across the UK are extremely challenging. The additional funding has supported the NHS to respond to increasing demand on services, however members are concerned by the rising demand on, and costs of delivering, healthcare services. The priority for NHS leaders, especially within local health boards, is to return to normal financial arrangements where they are operating within financial allocations, with approved Integrated Medium-Term Plans (IMTPs).
4. NHS leaders acknowledge the need to maximise available resources to focus on achieving the best outcomes for patients. However, it is important to note that financial certainty has an immense impact on the NHS's ability to plan and deliver quality services to provide the best outcomes for patients. The decisions made now by the Welsh Government and NHS leaders will have a long-term impact on the health and wellbeing of the population.
5. Ultimately, creating a sustainable system requires a cross-sector effort to build healthier and more prosperous communities, reducing demand well into the future. To this end, services that support people's health and reduce inequalities should be considered across all government departments. It is vital the whole public service ensures that any policy implementation and spending decisions make the biggest impact on the lives of the communities they serve. Therefore, concerted and coordinated effort is needed to reduce the unfair health gap in Wales and create an economy and society orientated

toward health, wellbeing and equality, to put Wales on a stronger footing for the challenges that lie ahead.

6. The Budget also plays a pivotal role in advancing the goals of the Well-being of Future Generations (Wales) Act 2015, by directing resources towards initiatives that align with its seven well-being goals. A Budget focused on these goals fosters long-term sustainability while promoting health, equality and prosperity for future generations.

Key priorities for NHS leaders

7. As the membership body representing NHS leaders in Wales, we ask that the Welsh Government Budget for 2025-26 supports the following areas:
 - **Introduce longer-term funding cycles to ensure financial certainty:** Move from short-term to long-term thinking and budget setting to give sectors some long-term financial certainty. Across the UK, the NHS's ability to meet its long-term plans to transform services and prevent more illness is being hindered by short-term funding constraints and annual budgets.
 - **Capital:** Increase capital funding and develop a ten-year investment plan for service change to reshape NHS estates and infrastructure. This includes examining how fiscal rules might be amended to allow for the recycling of capital. This would make NHS estates more sustainable, boost productivity and support the NHS to tackle the elective care backlog, reduce its environmental impact, maximise public assets, regenerate the local economy and ultimately improve patient outcomes.
 - **Revenue:** Provide funding to cover inflationary and demand pressures to address the backlog in elective care, the increased acuity of patients post-pandemic and support the maintenance of NHS estates and infrastructure, including digital.
 - **Workforce:** Support the development of an overarching long-term workforce plan and sustainably increase investment in the NHS workforce, so we continue to see an increase in the number of students and trainees across a range of professional groups. This includes investment in alternative training and education pathways, including apprenticeships and in education and training to upskill existing staff and enable the adoption of innovative ways of working.
 - **Social care:** Increase funding for local authorities to ensure the sustainability of the social care sector. Ring-fenced funding should have clearly defined outcomes to ensure spend drives the change needed.
 - **Tackling inequalities through prevention and health in all policies:** Shift funding to better resource the wider determinants of health and publish a delivery plan outlining the resources, funding, priorities and actions taken across all government departments to tackle inequalities. This is a whole-government issue, as the building blocks of health include housing, transport, energy and education among other sectors. These present a major opportunity to tackle inequalities as they have the biggest impact on the most vulnerable communities in Wales. The NHS cannot address the health impacts of inequalities alone. For example, spending on key determinants of health such as fuel poverty, housing quality and public health programmes will reduce future healthcare costs by improving population health and reducing the burden of preventable disease.
 - **Digital investment:** Adequately invest in digital infrastructure to underpin ambitions to maximise the potential of digital advancements in the NHS. Investment in digital will build digital functionality across patient pathways, enabling data to be captured to inform decision making and using tools to support improved delivery of care and drive efficiencies. Opportunities include enhanced self-care; connecting parts of our health, care and wider public services; enabling organisations to work in partnership to support the highest risk citizens first and deploying scarce staffing resources efficiently.
 - **NHS and the economy:** Recognise the NHS's role as a key driver of economic activity and employment when allocating budgets. As large employers, purchasers, and capital asset holders, NHS organisations are well positioned to use their spending power and

resources to address the adverse social, economic, and environmental factors that widen inequalities and contribute to poor health outcomes. A well-resourced NHS is vital to the running of the economy, including supporting people to get work. [Research](#) by the NHS Confederation demonstrates that for every £1 invested in the NHS, the economy gets £4 back in gross value added (GVA). Furthermore, for every £1 spent on [primary and community care](#), there could be increased economic output (GVA) by £14.

Consultation questions

What, in your opinion, has been the impact of the Welsh Government's 2024-2025 Budget?

8. The Welsh Government 2024-25 Budget recognised the need to stabilise the health system and the increase in the budget allocation to health services was welcomed. It provided additional financial support to NHS organisations, especially local health boards, as they continued to respond to demand and system-wide challenges. While the additional funding was welcomed, NHS leaders acknowledge that this has caused pressures elsewhere for a number of Welsh Government departments and other sectors.
9. Some positive developments following the increase in resources include:
 - Urgent care pathways in primary and secondary care for mental and physical illnesses have been redesigned
 - New technologies and treatments continue to be introduced
 - Funding the pay award for the workforce
 - Investment in attracting and training future workforce.
10. While there have been positive developments and additional funding welcomed, like other public services across the UK, the NHS in Wales has been significantly impacted by a range of external drivers, leading to increased financial uncertainty and deficits. With a significant gap between the growth in healthcare demand and the inability to respond fully in the short to medium-term, within certain fiscal constraints, six out of the seven health boards submitted deficit annual plans for this financial year (2024-25) and are concerned about the financial difficulties for 2025-26.
11. Factors contributing to the increased deficits over recent years include:
 - **Underlying deficits from 2023-24:** All health boards' deficits from 2023-24 were carried forward to 2024-25, acting as the starting point for 2024-25 budgets. As highlighted in the [Audit Wales](#) report, the overall deficit for 2023-24 was £183m: *“Against a backdrop of significant demand, the total in-year deficit for 2023-24 has increased to £183 million (£150 million in 2022-23) and the three-year cumulative over-spend across the NHS increased from £248 million in 2022-23 to £385 million in 2023-24”.*
 - **Workforce:** A sustainable workforce is essential for a sustainable NHS. Workforce costs have increased in both the NHS and social care. Pay costs accounted for 45 per cent of local health board revenue spend in 2023-24, around £5.8 billion. Workforce pay pressures are due, in part, to high levels of vacancies and sickness, which drive up the use of variable pay expenditure, such as agency costs. As highlighted by [Audit Wales](#), expenditure on agency staff has grown steadily from 2018-19 to 2022-23 but did reduce by 19% in cash terms in 2023-24, with annual overall agency spend being £262 million across NHS Wales. Whilst the majority of this spend covers workforce vacancies, some also supports additional activity to help meet demand.

- **Workforce planning:** The Welsh Government's 2024-25 investment in education and training of the NHS workforce was maintained at the same level as the previous financial year. Whilst this meant the number of commissioned places was maintained, it was around £20m lower than the recommended levels in the Health Education and Improvement Wales (HEIW) Education and Training Plan 2024-25 submitted to Welsh Government. Investment in education and training is key to supporting recruitment into NHS Wales, improving retention and developing new workforce roles to support service transformation.
- **Social care:** Social care services play a crucial role in care pathways by keeping people well at home, preventing hospital admissions, and enabling faster, safer discharges home. There continues to be a significant number of patients, on average [1,600](#), waiting to be discharged from hospital at any one time due to capacity challenges in the social care sector, costing the NHS hundreds of millions of pounds every year. The average rate of a hospital bed is £250 - £350 per night, meaning with 1,600 people medically fit for discharge, it costs an average of £400,000 – £560,000 per night to the NHS in Wales. This is a significant driver of financial pressure.
- **Medicines and prescriptions:** There has been increased spending on primary care and hospital prescriptions due to patient demand and the increased costs of medicines.
- **Maintenance of outdated estates and infrastructure:** The cost of running NHS estates and infrastructure continues to increase. The NHS is faced with an ageing estate, including digital infrastructure, which was not designed for current demands and therefore fails to meet modern standards. Many hospitals in Wales were built in the 1960s or earlier, with [11 per cent](#) of the estate built pre-1948 and only 6 per cent post-2015. For many NHS organisations, there are significant ongoing costs to repair estates and undertake essential maintenance. It is also key to invest in digital infrastructure, which is becoming increasingly important to mitigate cyber security risks and connect the health and care system.

12. While there have been higher deficits in recent years, NHS bodies are driving significant financial efficiencies in an attempt to contain costs. As [Audit Wales](#) highlighted, reported savings across the NHS increased again in 2023-24 to £210m, continuing the trend in 2022-23 and at their highest level since 2018-19. The NHS still relies heavily on one-off non-recurrent savings, with 41% of total reported savings in 2023- 24 falling into this category. However, positively, this percentage has reduced from 60% in 2022-23.

How financially prepared is your organisation for the 2025-26 financial year, how will inflation impact on your ability to deliver planned objectives, and how robust is your ability to plan for future years?

13. The financial health and sustainability of several organisations within the NHS in Wales continues to be challenging. In 2024-25, six of the seven local health boards' annual plans projected financial deficits, amounting to £221m (Cwm Taf Morgannwg University Health Board, the three NHS trusts and two special health authorities are projecting financial balance). Therefore, managing expenditure within available resources will continue to be challenging into 2025/26 and beyond.
14. Inflationary pressures have had a significant impact in recent years, but it is forecasted to be lower in 2025-26 and therefore should have a reduced impact on NHS budgets. Whilst NHS Wales organisations have welcomed the additional funding from the Welsh Government, increasing costs as a result of inflation has had a significant impact on NHS delivery against government priorities. Historically, health services have required above inflation funding increases to meet growing demand and the needs and expectations of the public.

15. While core inflation is forecasted to improve for the next financial year, there is increasing concern over the impact of the employer's National Insurance increase on suppliers to the NHS, specifically primary care, social care and the voluntary sector. These sectors are heavily dependent on staff, and the costs of National Insurance increases will inevitably be passed onto the NHS.
16. The significant risk and uncertainty of key funding streams makes financial planning increasingly difficult. For example, the current gap in funding digital programmes, with uncertainty surrounding the Digital Priorities Investment Fund, could disrupt progress on key digital programmes. Consequently, this presents a material risk specifically for Digital Health and Care Wales (DHCW). Digital maintenance contracts are a particular concern, especially given the reliance on contracts based in the US and the impact of inflationary pressures and exchange rates.
17. In relation to workforce, the HEIW Education & Training Plan for 2025-26 has been submitted to Welsh Government. It recommends a further increase in education and training based on the workforce challenges raised by NHS Wales bodies, as well as workforce intelligence gained from a range of sources. The NHS workforce needs to adapt over the next few years to recruit and retain its staff and effectively respond to the demand for healthcare in Wales. In addition, HEIW has developed a range of programmes and actions to improve recruitment into NHS Wales, improve retention of the existing NHS workforce and enable reform through workforce transformation, such as new workforce roles. Securing sustainable funding to deliver this work will enable a productive workforce to deliver the improved healthcare required.
18. The tight financial settlements over a period of years necessitates the ever-growing cost reduction programmes, which will require a fundamental rethink of the sustainability of some service areas in present service model configurations. NHS organisations are concerned that the focus on financial requirements could drive short-term decision making, shelving efficiency investment such as digital and service reconfiguration, and in some cases false economies. The severe constraints on capital will also hold up the delivery of cost-efficient service reconfigurations. The current state of many NHS facilities and the cost of the estate maintenance backlog also hampers the ability to meet decarbonisation and sustainability targets and capitalise on digital opportunities. However, it is the NHS's priority to meet control totals and demonstrate a balanced budget over the next three years.
19. Finally, while it is well documented that the NHS accounts for around 50 per cent of the Welsh Government's budget, there must be recognition of the significant [contribution](#) the NHS makes to local and national economies, its influence on the health and wellbeing of local populations and its role in addressing regional inequalities. The NHS directly employs over 110,000 people across Wales to quality and stable jobs, is a purchaser of local goods and a commissioner of local services, which are used for social benefits, while its buildings and spaces support communities. Interventions designed to improve health, inclusive growth and wellbeing in Wales should be a shared priority in the interests of all local, regional and national partners, businesses and communities.

What action should the Welsh Government take to:

- **help households cope with inflation and cost-of-living issues;**
20. Financial wellbeing is a building block of health and has a significant impact on the current and future demand on health services.
 21. The cost-of-living crisis is an ongoing public health issue that will have negative impacts on the health and wellbeing of the Welsh population both now and into the future. A [Public Health Wales Survey](#) in 2023 found that 43% of people reported a worsening financial situation, with 44% of people saying the rising cost of living negatively impacted

their mental health. It is likely that those making the difficult decision to eat or heat their homes will require the support of the NHS, and so preventative action is required to alleviate any potential demand and to ensure inequalities are not exacerbated.

22. The impact of the cost-of-living crisis requires a public health response that:
 - Recognises the immediate threat of the cost-of-living crisis poses to health and wellbeing, with a greater focus on supporting those who will be hardest hit
 - Prioritises preventative action, the significant negative impacts of the cost-of-living crisis and the COVID-19 pandemic pushes on the existing vulnerabilities of entrenched poverty and inequity in Wales.
23. In the short-term this includes:
 - A focus on mental health and wellbeing support
 - Income maximisation (including debt support and social prescribing)
 - Efforts to reduce fuel poverty and the impact of cold homes, preventing homelessness, and ensuring equitable public service access
 - Employers supporting staff, including careful management of redundancy
 - Health and care system stakeholders preparing for winter pressures
 - Safeguarding against an increased risk of violence and domestic abuse.
24. In the medium/longer-term this includes:
 - Energy efficiency measures and a shift to affordable, green energy
 - Implementing the right to adequate housing
 - Developing healthy and sustainable local food systems
 - Encouraging active, low-carbon travel and public transport
 - Promoting fair work
 - Violence prevention initiatives
 - Enhancing support for parents to address common family stressors.
25. To create a healthier and more equal Wales longer-term, this includes:
 - Implementing legislation to mainstream the consideration of health, wellbeing and equity in all policies ('health in all policies').
 - Building societies and communities that support health, including: developing community resilience, cohesion and social capital; promoting healthy behaviours; and creating an 'Economy of Wellbeing'
 - Taking a life-course approach, with a focus on early years.
26. We must shift the focus from public health initiatives delivered through the NHS and local authorities to addressing factors that cause ill-health such as education, poor housing, transport and food quality. As highlighted in the Welsh NHS Confederation Health and Wellbeing Alliance report, ['Mind the gap: what's stopping change?'](#), addressing the factors that cause ill-health in the first place should be a central focus for the Welsh Government, supported by a cross-government approach to inequalities.
27. Harnessing a renewed focus on health inequalities has the potential to reap vital benefits in the longer-term as well as in the current crisis. Making progress involves thinking and planning for the long-term and translating the evidence on tackling health inequalities into practice. It also involves rethinking the approach to decision-making in policy areas that shape the building blocks for a healthy life, such as employment, education, income, housing, environment and community factors.

Address the needs of people living in urban, post-industrial and rural communities, including building affordable housing and in supporting economies within those communities?

28. Urban, post-industrial and rural communities are impacted by Brexit, the COVID-19 pandemic and climate change (the 'triple challenge'), as well as the cost-of-living crisis, in a myriad of interconnected and compounding ways that will affect the health and wellbeing of people living in those communities. The factors that lead to different impacts for different people need to be carefully considered if the Budget is to address the needs of all people living in Wales.

Post-industrial communities

29. Job loss and unemployment has particularly scarring effects on mental health and wellbeing, and [evidence](#) focusing on the 2008 recession highlighted financial and job insecurity and unemployment as major risk factors for mental illness, suicide, substance misuse and food insecurity. Job loss also has a negative effect on the physical health of individuals, including via increases in unhealthy behaviours such as smoking and excess drinking. This [results](#) in increased risk of death from suicide, alcohol-related diseases, heart attack and stroke.

30. Coastal and post-industrial towns were found to be most at risk and disproportionately affected by the COVID-19 pandemic in terms of employment. According to the Welsh Index of Multiple Deprivation (WIMD), the local authorities identified as having the most workers in at-risk industries are also home to some of the most deprived areas of Wales.

31. With support and investment, areas with labour or skill shortages can become places that offer new employment and training opportunities. There is an opportunity for the Budget to invest in post-industrial communities in Wales to create employment and training opportunities, and therefore, positive health and wellbeing outcomes.

Rural communities

32. [Evidence](#) suggests that rural communities in Wales are being harder hit by the cost-of-living crisis due to higher energy, housing and transport costs compared to those living in towns and cities. As a result, they are more likely to experience poor health and wellbeing outcomes.

33. [Research](#) conducted by Public Health Wales with rural communities identified that financial instability, uncertainty, challenges in succession planning, and a lack of sense of control are considerable sources of stress and anxiety, yet NHS providers in rural communities were identified as more likely to have experienced exacerbated workforce issues during the pandemic.

34. If the Budget seeks to tackle poverty and support all those in Wales experiencing it, it will need to take account of the frequently 'hidden' nature of rural poverty, which is not easily captured by geographically focused programmes where eligibility is defined by WIMD (in contrast with post-industrial areas). Currently, people living in rural areas receive less funding despite increased needs. It is therefore important for Budget decisions to recognise the specific context of rural areas, whether that be investment aimed at supporting people in Wales through the cost-of-living crisis; increasing employment opportunities; supporting small businesses and the self-employed (including farmers); improving access to health and care services; or responding to climate change.

Are Welsh Government plans to build a greener economy clear and sufficiently ambitious? Do you think there is enough investment being targeted at tackling the climate change and nature emergency? Are there any potential skill gaps that need to be addressed to achieve these plans?

35. The green agenda is important both for the health of the population and for the organisations within NHS Wales. However, further investment, including capital funding,

is required to support public bodies to reach the Net Zero target by 2030, set by the Welsh Government. The pressures on capital resource will make it challenging to transition to a more energy efficient estate within the given timeframes.

36. NHS organisations have a substantial impact on the environment, as delivering high-quality health and care places numerous demands on natural resources and the environment. This includes the use of energy, water and consumables, including single-use plastics; waste production and waste management; and travel, which requires fossil fuels and contributes to air pollution.
37. In response, the Welsh Government is investing in digital technologies and the NHS's fleet of vehicles to reduce energy usage. NHS Wales organisations are also looking at establishing local supply chains using their buying powers, to help shorten the supply chain and reduce emissions. In addition, making better use of digital technology across services and communities, such as video consultations, reduces the environmental impact of healthcare delivery.
38. While there has been some investment, a better understanding of the options and support available for the renewal of the NHS Wales estate would better align the NHS with Welsh Government strategy. Where there are timescale gaps in the availability of green technology to replace older technologies and carbon-heavy energy solutions, better understanding of interim solutions is needed. For example, one arm of Welsh Government might influence the rejection of funding for a traditional technology without an available alternative holistic green solution. This can contribute to business continuity risk and medium-term carbon inefficiencies, as older technologies are patched up to maintain services. While all options are being considered by NHS leaders, without sustained investment and new infrastructure the Net Zero target is unlikely to be met.
39. Bringing the workforce with us on the sustainability journey is key. This involves delivering sustainable healthcare within curricula, including recognising the impact climate change has on the health of the population. HEIW leads on recruiting climate smart champions within the NHS and provides training resources to staff, such as the new Climate Smart Community platform. In addition, Green Health Wales is an all-Wales network for professionals and organisations to make health and care services "climate smart" by spreading innovative sustainable practice across the NHS in Wales.

Is the Welsh Government using the financial mechanisms available to it around borrowing and taxation effectively?

40. While we have no specific comments on financial mechanisms available to the Welsh Government, our members support increases to public health taxation. At a UK level, we support the increase in the soft drinks levy, the increases in tobacco duties as well as a new vaping products duty. These measures will help tackle the key public health challenge of obesity, and other harms caused by high sugar intake, and support progress towards a smoke-free generation. We also welcome the UK Government's commitment to implement further measures such as reviewing the current sugar thresholds and restricting junk food advertising on TV and online.

The Committee would like to focus on a number of other specific areas in the scrutiny of the Budget. Do you have any specific comments on any of the areas identified below?

- **Is enough being done to tackle the rising costs of living and support those people living in relative income poverty?**

41. While the rising cost-of-living has affected most households across Wales, it is disproportionately impacting and widening health inequalities for the most disadvantaged. Those already in relative income poverty in Wales have been hardest hit, with certain groups or households more likely to be in relative income poverty, including women. [Recent data](#) show these groups are more likely to find it difficult to afford or are behind on their energy, rent or mortgage payments due to the cost-of-living crisis. In [2022](#), 98% of low-income households in Wales were classified as living in fuel poverty, with over four in 10 estimated to be in severe fuel poverty.
42. The worsening scale and severity of poverty in Wales has been exacerbated by the cost-of-living crisis, which negatively impacts the scale and severity of poor health and wellbeing. The health needs of the most deprived groups are likely to increase further, while others are likely to find their worsening financial situation negatively impacting their health for the first time.
43. Addressing the wider determinants of health would help ease the impact of the cost-of-living crisis and relieve pressure on the NHS in the longer term. A key determinant is the quality of housing and the [impact of cold homes](#), especially on respiratory conditions.

How could the budget further address gender inequality in areas such as healthcare, skills and employment?

44. Continued focus on delivering equitable health and public services would support reducing gender inequality. Women's health is one of the priority areas for the NHS, as set out in previous Welsh Government planning frameworks, and is likely to continue to be a priority in the next financial year. Women's health is influenced by more than access to healthcare. For the women of Wales to be healthy, we need the right building blocks of health and wellbeing in place. These include warm homes, good jobs, enough money to pay bills, safe childhoods and connections with people in our communities. Investment into (and the implementation of) the Women's Health Plan in Wales will be key to addressing gender inequality in these areas. Therefore, whilst the Budget should focus on reducing inequalities and target support for those most in need, understanding people's multiple and overlapping disadvantages (and their underlying causes) will be crucial to reduce poverty and other forms of inequality in the long-term.
45. Currently the UK health and social care system, like across the globe, was designed around a white, cis-gender, heterosexual, male prototype. However, the UK stands out as the country with the [largest female health gap](#) in the G20 and the 12th largest globally, with women spending [three more years in ill health and disability](#) when compared to men. The 'male default' permeates research, clinical trials, education and training, as well as the design of policies and services.
46. Women make up a disproportionate percentage of those out of work and economically inactive due to long-term conditions, a trend that has been consistent since 2014. While sickness absence rates have been on the rise for both women and men since 2020, they are 1 percentage point higher in women than in men. The recent NHS Confederation report, [Women's health economics: investing in the 51 per cent](#) evidences that for every additional £1 of public investment in obstetrics and gynaecology services per woman in England, there is an estimated ROI of £11. If an additional £1 per woman in England were invested in these services, the economy could benefit from an additional £319 million in total gross value added (GVA). The report also considers the economic cost of absenteeism due to severe period pain and heavy periods alongside endometriosis, fibroids and ovarian cysts is estimated to be nearly £11 billion per annum and unemployment due to menopause symptoms has a direct economic impact of approximately £1.5 billion per annum with approximately 60,000 women in the UK not being in employment due to menopause symptoms.

Is the Welsh Government's approach to preventative spending represented in resource allocations (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early).

47. As demand on health and care services is so pressing, it is currently very challenging to invest in preventative measures. Resources must be allocated to provide the best outcomes for the population, and it is important the Welsh Government mandate that a nominal proportion of health and social care funds should be spent on preventative and early intervention activities, with spending bodies are held to account for the use of these monies.
48. Affordability versus long term value and sustainability must be delivered in tandem. It is important to recognise that the NHS is already investing in preventative services, including vaccinations, public health teams, community services to support people to manage their condition at home and primary care services, such as dentistry, GPs and pharmacies.
49. The whole public sector needs to be appropriately resourced to aid prevention, including social care, housing and education. There is considerable evidence that demonstrates preventing, rather than treating ill-health, is financially preferable. Within the health and care system, preventative actions should be taken at different levels (known as primary, secondary and tertiary prevention). There is strong [evidence](#) that secondary prevention can substantially reduce disease incidence and progression.
50. A 2019 Public Health Wales [report](#) on the return on investment of public health interventions demonstrated that, on average, for every £1 invested in public health, £14 is returned to health services or the wider system. Examples include spending on increasing cycling and walking in urban areas could save £0.9 billion for the NHS in Wales over 20 years and a return of £1.35 is possible for every £1 spent on targeted flu vaccination.
51. Investment can mitigate the negative impact that current challenges are having on health and wellbeing. For example, [research](#) shows that poor housing in Wales has an estimated cost to society of around £1 billion per annum, with a significant proportion of that cost being felt by the NHS through treatment for falls and respiratory illnesses. Public health interventions such as falls prevention and housing improvements, costing £584 million, offer positive returns over the short to medium term (1-6 years). If the most severe hazards were removed from housing in Wales, there would be an estimated £95m saved per year in treatment costs.
52. Investments can be made now to create a healthier, more equal society and increase resilience for future challenges. We know that those living in the most deprived areas use hospital services more than those in less deprived areas. [Public Health Wales](#) estimated that higher use of hospital services due to deprivation, or poverty-driven poor health, costs the NHS in Wales an extra £322 million per year, equivalent to around £1 in every £12 (8.7%) spent on Welsh hospitals.
53. Taken together, addressing immediate health concerns should be balanced with tackling the underlying structural causes of poor health and wellbeing to prevent avoidable ill-health and create a healthier and more equal society. PHW have developed the [Prevention-Based Health and Care \(PBHC\) Framework](#), which identifies fundamental components needed to shift the health and care system towards a prevention-based approach.

54. Finally, NHS leaders recognise that services across the public sector, who play a key role in prevention and supporting the health and wellbeing of the population, are facing acute financial challenges. NHS leaders therefore support an approach to further protect funding for preventative measures, recognising the importance of improving population health outcomes and the sustainability of services in the longer term. However, funding allocated for preventative services, including for social care, needs to have clear levers imposed by the Welsh Government to ensure the desired outcomes are achieved.

How should the Welsh Government explain its funding decisions, including how its spending contributes to addressing policy issues?

55. It is vital that the Welsh Government, and all politicians, explain the financial uncertainty and challenges faced and the impact this could have on NHS and wider public services.

56. As highlighted in our briefing, [The NHS at 75: How do we meet the needs of future generations?](#), the scale of the challenge must be communicated to the public and an honest conversation is needed about what the NHS can be expected to provide in the future. Without transparency from the government on how funding decisions are made, it is challenging for NHS and wider public sector leaders to explain to local populations the reasons behind difficult decisions around service change. We must better engage with the public on service change, as long-term service transformation will take time to implement, meaning short-term measures must be established to deliver higher priority services.

57. Individuals must feel personally invested in their wellbeing and our health and care service to help ensure its long-term sustainability, which will only be possible through public involvement and co-production of services. This will allow people to feel supported, empowered and informed to take more responsibility for their health and wellbeing, manage their conditions and use services responsibly. Now is the time to galvanise the Welsh public to engage in how the health and care system can innovate and transform to meet the needs of future generations, enabling patients to be navigators of their care.

How can the documentation provided by the Welsh Government alongside its Draft Budget be improved?

58. Given the uncertainties of budgeting at a national level, it might be appropriate to scrutinise the application of Barnett consequentials received after the main annual budget motion has been completed.

59. There must be improved transparency around the level of funding held in reserve at the centre and for all-Wales projects. This will help paint a clear picture of what is required and the funding available to enable the NHS to plan for services, programmes and the workforce and skills required.

How should the Welsh Government prioritise its resources to tackle NHS waiting lists for planned and non-urgent NHS treatments. Do you think the Welsh Government has a robust plan to address this issue?

60. NHS leaders welcomed the recent additional [resources](#) in 2024-25 to support health boards to reduce the longest waiting times, increase outpatient appointments and for diagnostic testing. However, it is important that such funding is recurrent as there is greater opportunity to deliver value by implementing recurrent solutions.

61. It is clear the effects of the pandemic are having a significant and lasting impact on healthcare systems. This includes the ability to achieve the level of activity needed to eradicate clinical treatment delays, with rising demand on services and more patients presenting with higher acuity, and the ability to recruit and retain the workforce needed across health and care services.
62. Reducing the elective backlog will take sustained investment over many years. While the provision of funding in October and November 2024 to address waiting list backlogs was welcomed, plans to reduce the elective backlog must consider all parts of the health and social care system, not just acute hospital settings. Mental health services, allied health professionals, primary and community care form an eco-system that helps patients wait well before elective treatment, sometimes resulting in the patient no longer needing the planned treatment. Ambulance services, for instance, play a critical role in supporting communities. They have a unique role in connecting with all parts of the NHS and other emergency services and can play a big role in supporting the pump priming of 'upstream/out of hospital' transformation and long-term service development. Social care has a big impact on NHS capacity by keeping people well at home and in their communities, as well as the ability to discharge medically fit patients from hospital, to free up beds to treat more patients. Unless the challenges of demand and capacity across the whole health and care system are addressed, specific, non-recurrent funding for schemes won't be enough to achieve a sustainable health and care system in the long term.
63. In the short-term, waiting lists present a clear starting point for identifying individuals and groups in need of care. By using the available data, we have the opportunity to prioritise and design tailored communications and service interventions such as waiting well and prehabilitation, to achieve optimum positive impact. However, consideration should be given to how Wales can take an equitable approach to address the challenges and impact of waiting times. Healthcare needs are not equal across the population, and in Wales the greatest burden of disease is closely linked to socio-economic disadvantage. We [know](#) that across the UK, those with socioeconomic disadvantages face longer waiting times.
64. In addition, we need to simultaneously seek ways to reduce future demand on health and care services through a variety of prevention approaches. This will help reduce new additions to waiting lists and have longer-term benefits on service resilience. Approaches include upscaling preventative interventions and providing extra support and capacity to social care and primary and community care services. Digitally enabled and behaviourally informed health improvement interventions (including services, support and communications) could be effectively used to connect people with services they want and need.

Is the Welsh Government providing adequate support to the public sector to enable it to be innovative and forward looking through things like workforce planning.

65. A sustainable workforce is essential for a sustainable NHS. Investment in student education and staff training across a range of professional groups should continue to be a priority if the healthcare system is to respond to future demands and deliver improved outcomes for patients. In addition to traditional routes, investment in alternative training and education pathways, including apprentices, is important. Investment in educating and training existing staff to acquire new skills and expertise is essential to support the NHS' drive to deliver new ways of working and adopt innovative technology and digital advancements.
66. Strategic workforce solutions should be developed to actively encourage recruitment from local communities, to study, train and work in the NHS across Wales, including

increased promotion of [Train Work Live](#). This should include developing new roles and skills which align with the use of innovative technologies to provide greater resilience.

67. Robust long-term workforce planning must be in place to maintain a sustainable workforce and enable the best use of resources. Given the lead times, this would need a 10–15-year approach to change the shape of care, the shape of work and the shape of education. This would provide the opportunity for a radical rethink of how we work.
68. Further support is required to consider future opportunities such as in Artificial Intelligence and the emerging work of the AI Commission for Health and Social care. Digitisation is critical to improving productivity in the NHS, but there is a severe digital and data skills shortage in the workforce. This impacts the NHS's ability to fully develop, deliver, and scale the digital transformation required to realise real productivity gains.
69. Maintaining and growing an appropriately staffed and skilled workforce is critical to a functioning health service and, therefore, recruiting people into healthcare careers that will prioritise their wellbeing and job satisfaction remains vital.

Has there been adequate investment from the Welsh Government in basic public sector infrastructure.

70. The ongoing lack of capital funding and investment is a major barrier to service delivery now and in the future. At a UK level, the health and social care capital budget will increase by 9.8 per cent and 12.1 per cent (or £3.1 billion overall) this year and next. However, this extra money cannot alone help fix the capital process and the overall system requires reform to make it easier to plan and execute capital projects. Also, additional capital funding without an associated increase in revenue funding means the full benefits of capital investment may not be realised.
71. The NHS is faced with an ageing estate, including digital infrastructure, which was not designed with current demands and risks in mind. NHS leaders share the government's commitment to boost NHS productivity and are doing all they can to tackle the elective care backlog, however the lack of capital funding is a major barrier. We need a funding solution from the Welsh Government for major capital infrastructure work required to keep services running in their current configuration. We have called on the Welsh Government to develop a ten-year investment plan for service change to reshape NHS estates and infrastructure, including digital infrastructure, making it more sustainable, reducing carbon emissions and maximising public assets.
72. Capital investment is key to continuing to deliver high-quality, safe healthcare, as well as reaching longer-term goals to decarbonise and integrate care. Having a multi-year capital funding settlement for the entire NHS would help reduce the backlog, ensure the safety of the NHS estate, improve patient outcomes and the working environment for NHS staff, and truly make inroads to reducing inequalities by transforming models of care and improving access to health and care services.
73. Many NHS organisations have significant estates maintenance backlogs, with high costs even just for essential maintenance. One health board has an estimated £150m of maintenance costs, with many organisations needing to replace expensive equipment well past its effective working life. This is expensive and prevents NHS organisations from using funds for new services and infrastructure.
74. Capital and associated revenue funding is needed to invest in digital infrastructure and capitalise on digital innovations, which are increasingly important to mitigate cyber security risks, improve productivity, enable enhanced self-care and connecting parts of health, care and the wider public sector to enable people to keep safe and healthy at home for longer. COVID-19 highlighted the opportunities afforded by digital technology

across the health and care system. Its availability, dependency, access, resilience and security are now essential to ensure the continuity of services and NHS organisations are committed to building on the progress made. The Track Trace Protect system demonstrated the art of delivering a product on a national scale safely, quickly and efficiently. There are future opportunities to accelerate the shift to data driven, value-based and locally delivered models of care.

How should the Budget support young people?

75. Young people are the future of Wales. Giving every child the best start in life is fundamental for achieving a healthier and more equal society, recognising that disadvantage can start before birth and accumulate over the life-course. Consequently, the building blocks that shape the mental and physical health of children and young people, including education, their living environments and social relationships, should be prioritised for investment. Investment in early years development can help to break cycles of poverty and the return on investment could see reduced pressure on NHS resources in the long term.
76. Public Health Wales conducted a [Mental Wellbeing Impact Assessment](#) to examine the impacts of the COVID-19 pandemic on the mental health and wellbeing of young people in Wales. This highlighted a need to mitigate the effects of the pandemic by investing in:
- Social skills, relationships and reducing social isolation
 - Collaborative working
 - Opportunities for valued roles
 - Building self-belief, self-efficacy, confidence and a sense of belonging
 - Community cohesion
 - Physical activity
77. Several areas for action were identified to maintain and protect mental wellbeing for young people through infrastructure. These included:
- Developing places and spaces that support young people's physical and social development e.g. providing safe places for young people to meet with peers indoors and outdoors
 - Housing that provides adequate internal space and access to safe outdoor space
 - Investment in accessible green and natural spaces.
 - Digital inclusion and equity of access to online information and services
 - Providing access to affordable transport and active travel as an important enabler of recovery and to support young people's participation and inclusion in education, employment, and social life
 - Investment in community arts and youth participation.
78. These factors require further action and investment to ensure mental wellbeing for young people in Wales.

How is evidence and data driving Welsh Government priority-setting and budget allocations, and is this approach clear?

79. There is an opportunity to further improving evidence-based decision making by continuing to invest in key digital and data infrastructure, such as the National Data Resource, to provide a source of insight for priorities and budget allocations.

Is the support provided by the Welsh Government for third sector organisations, which face increased demand for services as a consequence of the cost-of-living crisis and the pandemic, sufficient?

80. NHS leaders recognise the significant financial challenges many third sector organisations in Wales currently face, at a time of increased demand on their services. NHS leaders have always valued the significant contribution the third sector makes to supporting the health and wellbeing of the population. They recognise that third sector organisations are mutual partners who have the skills and expertise to improve patient and service user experience and outcomes. All NHS organisations in Wales work in partnership with the third sector by commissioning organisations to deliver services, in effect bolstering capacity and reducing demand on the NHS.
81. The influence and reach of third sector organisations are not limited to supporting the delivery of health and care services. The sector also plays a vital role in the prevention and wellbeing agenda by providing health and care information; patient and service user advocacy; enabling people to maintain their independence, health and wellbeing in their own home and in their community outside of NHS settings; and improving quality of life and community cohesion by supporting volunteers and volunteering opportunities.
82. During the pandemic, volunteers played a vital role in both helping the most vulnerable and helping official agencies by becoming an integral part of the wider, more formal response to the pandemic; with communities themselves often being the most knowledgeable about their community's own needs and how to meet them, and with established connections and trust. Research from Public Health Wales and partners identified three key elements to enable and sustain [community-led action](#) in Wales. These were:
- Understanding community assets and place factors;
 - Integration of community-led action into the wider system; and
 - Enabling the conditions that drive health equity.
83. Harnessing the upsurge in community-led action during the pandemic response is key to building more resilient communities throughout Wales, who are better able to respond to the ongoing impacts and to adapt to future crises (be that infectious disease, climate change, or economic challenges). However, communities need resource to continue to deliver these kinds of services.
84. Connecting citizens to community support, often provided by the third sector, can enable people to better manage their health and wellbeing. Social prescribing is holistic approach to connecting people to non-medical services and community resources, such as mental health support, physical activities, and social groups, to help improve their health and wellbeing. The all-Wales social prescribing framework provides a standardised approach, ensuring that people across Wales have equitable access to quality social prescribing services, regardless of where they live. Its implementation is key to consistency in social prescribing.
85. The third sector also plays a significant role in engaging with health and social care services when the NHS and other public sector bodies consult on new services or service change. Within A Healthier Wales, there is a clear emphasis on shifting towards community-based models of health and social care that cut across traditional organisational boundaries. A Healthier Wales has enabled third sector bodies to take on a more enhanced role in supporting people and communities, including through engaging with Regional Partnership Boards (RPBs) and Public Service Boards (PSBs).

What are the key opportunities for the Welsh Government to invest in supporting an economy and public services that better deliver against the well-being goals in the Well-being of Future Generations (Wales) Act 2015?

86. NHS organisations are committed to delivering on the vision set out in the Well-being of Future Generations (Wales) Act 2015. This supports new ways of working across the health and social care system and acts as a framework for considering how the decisions made in the here and now could impact the health and wellbeing of future generations.
87. While health boards make small financial contributions to Public Service Boards (PSBs) from their own budgets, health boards do not receive financial support or resources from the Welsh Government to support the implementation of the Act. Therefore, earmarked Welsh Government funding would support public bodies to make further progress. The expectation is that implementing the Act falls within an NHS organisation's core business responsibilities, so it is currently absorbed by the budgets of those who lead on the Act within each organisation. In recent years, many of these roles have had to be broadened to encompass significant reporting responsibilities to comply with the Act.
88. NHS leaders recognise that implementing the Act should be a key part of core business, both at an organisational and departmental level. However, developing the level of knowledge and robust partnerships needed to implement the Act takes time and workforce capacity, despite no allocated financial resource. In addition, some health boards are members of multiple PSBs that sit within their health board footprint. The strategic priorities of each PSB vary, which can lead to competing priorities for the health board. While RPBs align with health board footprints, PSBs align with local authority footprints, causing challenges with the governance arrangements for RPBs and PSBs. Further clarity is required on the relationship between RPBs and PSBs so they can work in a complementary way.
89. The Well-being of Future Generations Act does provide a clear mechanism for improving the building blocks for a healthy life that underpin health inequalities. Looking to the future, we know that unless action is taken now, there will be more challenges that have the potential to exacerbate existing inequalities. For example, research co-produced by Public Health Wales, the Future Generations Commissioner for Wales and Cardiff University examining the potential impacts of the ageing population, the changing nature of work with increased automation, and climate change, found that existing inequalities in Wales risk being carried into the future unless they are specifically addressed. This includes actively promoting health and equity across all areas of policy development.
90. Finally, investment in improving the food system with an ambition to enable all people to access affordable, healthy food in Wales could support the Act's objectives, environmental, decarbonisation and Foundational Economy policy. Support to public sector bodies to source food from Welsh, environmentally and globally responsible providers would enable alignment with the ambitions of [Cymru Can](#) focus area on food.

Other comments

Introduce longer-term funding cycles

91. Demand for healthcare has grown significantly across the UK and is projected to accelerate along with the ageing population, with more people living with multiple complex health conditions. Therefore, Welsh and UK Governments must move away from short-term thinking when setting budgets.
92. As highlighted in the '[NHS in 10+ years](#)' report, the proportion of those of state pension age in Wales is projected to increase faster than those of working age over the next ten years. Diagnoses of several long-term conditions, including dementia and some cancers, is also projected to increase. Therefore, we must consider longer-term funding cycles to

allow health and care leaders to plan for, and invest in, projected long-term demand and service improvement.

Social care

93. Health leaders have warned that the lack of funding for social care is one of the biggest risks to the future sustainability of the health and care system. Funding for social care services should be prioritised to prevent people going into hospital and enable faster, safer discharge. It is not possible to consider the long-term future of the NHS in Wales without considering the issue of how, and to what level, the social care system should be funded in the future. We need to work towards achieving a consensus that NHS and social care services are interdependent.
94. The last few years have exposed deep cracks in the social care system and have exacerbated structural vulnerabilities, with devastating consequences for social care residents and their families. We need a stable provider market and a sustainable workforce that is properly valued, paid and respected for their important work.
95. As recently [highlighted](#) by the Welsh Local Government Association, councils are calling for urgent investment in social care in the upcoming Welsh Government Budget to help meet huge funding pressures facing the sector. A WLGA survey of council budgets has identified £106m of in-year pressures in social services (2024-25). An additional £223m pressure is anticipated next year, representing 40% of the overall pressure for local government (£559m) just to stand still. The WLGA has warned that without further help, meeting care and support needs will become increasingly difficult, further impacting healthcare service delivery with residents waiting longer for care in the community. Councils are having to focus more on social care spend, leaving fewer and fewer resources available for preventative support to help people maintain independence and healthy lives and preventing individuals and their families from reaching crisis point.
96. We need to provide local authorities with ring-fenced allocations for social care to meet the needs of their population and to support system-wide sustainability. The variation in investment in social care across Wales needs to be addressed through a renewed collaboration between the Welsh Government and local government, with an independent assessment on local authorities' social care spending. The funding allocated to social care needs to have clearly defined target outcomes imposed by Welsh Government to ensure spending drives the change we need to see.

NHS and the economy

97. A physically, psychologically and socially healthy population results in a more economically active population. Interventions designed to improve health, inclusive growth and wellbeing are in the interests of all local, regional and national partners, businesses and communities and act as a key driver for economic activity and employment. NHS organisations are well positioned to use their spending power and resources to address the adverse social, economic, and environmental factors that widen inequalities and contribute to poor health outcomes.
98. Poor health outcomes negatively impact the economy and reducing the number out of work due to health problems would benefit the economy and prosperity of Wales. The UK Government has recently committed £240 million to trial new ways of getting people back to work. The NHS Confederation welcomed this following our recent [report](#) which showed since 2020 economic inactivity in the UK has risen by 900,000, with 85% of the increase those on long-term sick. Our analysis with Boston Consulting Group found reintegrating half to three-quarters of these people could deliver a £109-177 billion boost to the UK's GDP (2-3 per cent in 2029) and unlock £35-57 billion in fiscal revenue over the next five years.

99. Therefore, investing in the NHS enables economic growth by getting people back into work and reduces the gap in healthy life expectancy (HLE), which currently [stands](#) at 13.3 years for men and 16.9 years for women between the richest and poorest. Beyond decreasing NHS and social care costs, recent research shows a one-year increase in HLE in the UK's working population could generate an annual boost of £60 billion in aggregate lifetime earnings.

Conclusion

100. Healthcare, reducing inequalities and maintaining mental health and wellbeing should be at the heart of the Welsh Government's Draft Budget. NHS leaders understand the current budget limitations on the Welsh Government and believe we need to work together with the government, all political parties and public sector leaders to create innovative solutions across a streamlined set of priorities, which effectively balance short-term need with long-term vision. However, the scale of the challenge must be clearly communicated to the public.

101. NHS organisations across Wales are committed to doing the very best they can to deliver high-quality, timely and safe care to the people of Wales. Our members recognise the importance of improving population health and wellbeing by creating an environment that enables people to maintain good physical and mental health for as long as possible.

102. Creating a sustainable system requires a cross-sector effort to build healthier and more prosperous communities, reducing demand well into the future. To this end, population health must be a consideration across government department budgets. We need to emphasise the importance of working with partners across the public sector so we may collectively rise to the challenges faced. We cannot lose sight of the fact that this is not just about budgets, targets and deficits – it is about people's lives. They will bear the brunt of the impact, as will the staff who do their very best to care for them every day.

Cyflwynwyd yr ymateb i ymgynghoriad y [Pwyllgor Cyllid](#) ar [Cyllideb Ddrafft Llywodraeth Cymru 2025-26](#).

This response was submitted to the [Finance Committee](#) consultation on the [Welsh Government Draft Budget 2025-26](#).

WGDB25-26(6)71: Ymateb gan: Cymdeithas Cyfarwyddwyr Gwasanaethau Cymdeithasol (CCGC) a Cymdeithas Llywodraeth Leol Cymru (CLLC) (Saesneg yn unig) | Response from: Association of Directors of Social Services (ADSS) and Welsh Local Government Association (WGLA) (English only)



Senedd Cymru Finance Committee: Welsh Government Draft Budget 2025-26

Contribution by ADSS Cymru

Authority	Lance Carver - Cadeirydd
Completed by	Paul Pavia, Policy and Research Lead
Date	December 2024

General Comment

The Association of Directors of Social Services (ADSS) Cymru is the professional and strategic leadership organisation for social services in Wales and is composed of statutory directors of social services, the All-Wales Heads of Children’s Service (AWHOCs), the All-Wales Adult Service Heads (AWASH) and tier three managers who support them in delivering statutory responsibilities: a group which consists of over 300 social services leaders across the 22 local authorities in Wales.

The role of ADSS Cymru is to represent the collective, authoritative voice of senior social care leaders who support vulnerable adults and children, their families, and communities, on a range of national and regional issues in relation to social care policy, practice, and resourcing. It is the only national body that articulates the view of those professionals who lead our social care services.

As a member-led organisation, ADSS Cymru is committed to using the wealth of its members’ experience and expertise. We work in partnership with a wide range of partners and stakeholders to influence the important strategic decisions around the development of health, social care, and public service delivery. Ultimately, our aim is to benefit the people our services support and the people who work within those services.

ADSS Cymru welcomes the opportunity to contribute to this consultation on the Welsh Government’s Draft Budget 2025-26. We have produced a briefing in partnership with the Welsh Local Government Association (WLGA) and the Society of Welsh Treasurers (SWT), summarising the financial pressures on social services. The paper presents the pressures for 2025/26, as well as describing the current in-year pressures that are being experienced for 2024-25. It also examines predicted forecasts beyond the next financial year. We have attached the report to this covering document for the Committee’s consideration.

Social care and support services in Wales face significant financial pressures, with projected social services budget shortfalls reaching £628 million by 2028. Local councils, despite their commitment to delivering high-quality care and supporting individuals’ independence, are struggling to maintain essential services due to rising costs and growing demand. This financial strain threatens the sustainability of social care, risking longer waiting times, reduced community care, and increased pressure on the NHS. Councils are forced to prioritise critical services, limiting investment in preventative measures crucial for early intervention, homelessness prevention, and crisis avoidance.

The briefing paper underscores the urgent need for additional funding and policy support from the Welsh Government to address these pressures. Without this, councils face difficult budgetary decisions that could further erode service quality and accessibility. Workforce stability is also a major concern, with fears that continued underfunding will exacerbate staff shortages and demoralisation.

Despite these challenges, councils remain committed to improving service delivery through innovative approaches, including enhancing community care capacity, facilitating hospital discharges, and integrating services through emerging technologies. However, achieving long-term sustainability depends on securing sufficient funding to support both immediate and future service demands. ADSS Cymru advocates for prioritising social care funding alongside health care to prevent a deeper crisis and ensure timely, person-centered support for Wales' most vulnerable populations.

Lance Carver
Cadeirydd
ADSS Cymru (2024-25)

Summary of Social Services Financial Pressures 2025-26 and Onwards

Purpose

1. This consultation paper provides an assessment of social services spending pressures. It includes information covering the current financial year (2024-25) and also provides estimates of the pressures in 2025-26, 2026-27 and 2027-28. This information is based on local authorities' medium-term financial plans and information supplied in a survey of all 22 councils carried out by the WLGA during August/September 2024 with the help of ADSS Cymru and the Society of Welsh Treasurers.
2. It should be noted that the pressures calculated within this paper are based upon maintaining working practices and core structures as they are at present – these are the financial pressures services are facing to just 'standstill'. The paper allows for inflationary pressures in line with increasing salaries and fees within normal parameters, however, this does not allow for increasing salaries and fees at a higher aspirational rate to address the current workforce and system challenges and without consideration for any new legislative requirements. Without additional funding these challenges are likely to continue and exacerbate.

Overall Local Government Pressures

3. The estimated pressure across local government services for 2025-26 is £559m, this is £38m higher than previously thought. This would require a spending increase of just over 7% in net revenue expenditure¹. This falls to £454m in 2026-27 and then rises slightly to £464m in 2027-28.
3. The pressure next year is double what we would ordinarily expect to see. To address a pressure of £559m, without additional funding, will require a mix of council tax increases, cuts to services and efficiencies. The pressure is equivalent to a 26% increase in council tax, or the loss of just under 14,000 posts².
4. In addition, there are projected in-year pressures in 2024-25 which is larger than previous years, amounting to a projected £238m overspend. In some authorities, these projected overspends have become particularly acute with a range of measures being implemented to balance budgets.
5. The aggregate annual budget gap in each of the next 3 years is £451m, £347m and £357m in the run up to 2027-28. In total, the cumulative funding gap could potentially be £1.155bn. Some of the gap will be met through efficiencies and other measures, but given the scale of the challenge, many councils are bracing for large scale service cuts and a loss of posts that may run into thousands.

Summary of Social Services Pressure in Current Year (2024-25)

¹ Total net revenue expenditure is budgeted at £7.762bn in 2024-25 (Source: Welsh Government RA Returns)

² See table 3 in the Council Tax Levels in Wales 2024-25 Statistical Release ([Council Tax Levels in Wales, 2021-22 \(gov.wales\)](https://gov.wales)), total council tax income is currently £2.148bn. Cost of an average post is estimated at £40,000 (including oncosts).

7. Social care makes up 45% of the estimated overall additional in-year pressures facing councils, or £106m. This builds on significant social services overspends seen in previous financial years, with a £107m overspend projected this time last year for 2023-24 and a £93m overspend in 2022-23.
8. The table below provides a breakdown of the make-up of the social services overspend:

Current year pressures	2024-25
	£000s
Pay Inflation pressures	1,960
Non pay inflation pressures	1,914
Commissioning cost pressures – Adults	5,553
Commissioning cost pressures – Children’s	10,209
Demand related pressures – Adults	38,813
Demand related pressures – Children’s	47,788
Overall Total	£106,237

Source: WLGA Survey, September 2024

9. The increasing demand and complexity of need across both adults and children’s services, including the need for high-cost placements, accounts for much of these additional costs. The returns indicate that children’s residential placements account for over £38m of the total, adults residential placements nearly £16m and adults domiciliary care over £17m.

Summary of Social Services Pressures 2025-26, 2026-27 and 2027-28

10. Looking ahead to future years the significant financial pressures continue. At this time, for 2025-26 there is a £223m pressure which represents a 9% increase in current budgets. Commissioning costs and pay and non-pay inflation account for £130m of the pressure, and the remainder is due to demand which accounts for £93m. There is an additional pressure of £196m in 2026-27, and £209m in 2027-28 respectively giving a cumulative total of £628m for the next 3 years.

11. The table below provides a summary of how these financial pressures for social services are broken down:

	2025-26	2026-27	2027-28
	£000s	£000s	£000s
Pay inflation pressures	27,644	25,128	28,399
Non pay inflation pressures	16,509	21,067	26,222
Commissioning cost pressures – Adults	67,565	64,175	62,312

Commissioning cost pressures - Children's	18,751	17,251	16,066
Fees/Charges inflation	-821	-1,592	-1,704
Demand related pressures - Adults	47,967	31,615	33,686
Demand related pressures – Children's	38,764	27,091	28,210
Capital financing pressures	350	60	12
Reduction in specific grants	2,419	4,430	8,754
Local priorities	409	25	50
Other	3,175	6,578	7,242
Overall Total	£222,732	£195,828	£209,250

Source: WLGA Survey September 2024

What Lies Behind these Pressures?

12. Our members within local authorities continue to highlight increasing demands, as well as increasing complexity being experienced across social services which add to the financial pressures set out, with no signs of this easing. The infographic below demonstrates some of the levels of demand that continue to be met by councils:



Social Services Contacts

416,040 contacts received by statutory social services for adults, carers and children. This equates to **1,139 contacts every day**.



Assessments

135,110 new assessments were undertaken across both adults and children's services. This equates to **over 370 new assessments undertaken every day**.



Care and Support

On 31 March **76,315 people** (adults, children and carers) had a care and support plan in place.

Source: StatsWales³

³Available at <https://statswales.gov.wales/Catalogue/Health-and-Social-Care/Social-Services/social-services-performance-andimprovement-framework>. Data covers 2022-23

13. These figures go some way to demonstrating the number of people supported by social services teams every day, with well over 1,000 people making contact with social services daily. Of the 370 new assessments undertaken every day over 4 in 5 of these (82%) lead to that individual's needs needing to be met, either through a care and support plan or by other means. Compared with the previous year there has been a 13% increase in the number of contacts made to social service and a 7% increase in the number of new assessments undertaken, evidencing the increasing demand reported through the finance survey, with one council reporting that they had experienced a 15% increase in demand across all client groups in Adult Services.
14. Added to this is the concern at the fragility of the social care workforce which was reflected in responses with on-going recruitment and retention challenges which have been reflected in previous workforce surveys⁴. Whilst social care workers feel valued by the people and families they support and remain committed to supporting what matters to people and their families in every community in Wales, their wellbeing is worse than the UK average. Staff well-being is being affected by stress, fatigue, working conditions, and feeling undervalued and underpaid for the work they do. A quarter (25%) of workers say they are aiming to leave the sector. Among the people who suggested they were looking to leave the sector, the average amount of time they saw themselves staying was 13 months. This all adds further pressure onto a system under considerable strain.
15. These workforce challenges mean that for some councils they have a continuing reliance on more expensive agency workers, this is despite initiatives such as "grow your own" being invested in and the implementation of the All-Wales Pledge – a commitment initiated by ADSS Cymru with our members in Children's Services across Wales, to work cooperatively and transparently to manage the agency supply chain, improve the quality of agency staff and regulate pay rates within children's social work⁵.
16. Commissioned services, which are essential to the provision of social care, are also affected by similar issues to local authority social care services. Given the reliance on externally commissioned placements, and the increase in demand for them across both children's and adults' services, the higher costs associated with increased running costs further add to significant financial pressures. Councils also reported significant pressures in relation to the fees set across residential and nursing care homes. In particular, the requirement for social care providers to pay the Real Living Wage, without sufficient funding being made available in the settlement, was highlighted as a specific concern. This adds further to the inflationary pressures being experienced by commissioned services.
17. Reference was made in survey responses to the impact of an ageing population and the increase in the number of people living with dementia adding further to levels of increased complexity being seen and the knock-on cost implications. One authority noted that as a result of the social care demand projections over the next 5-10 years there will be a need to significantly increase their in-house residential beds capacity, otherwise they will become almost fully reliant on externally commissioning these placements. However, early indications suggest costs could be between £50-100m to achieve this.
18. In particular, concerns in the survey responses were reported in relation to the provision of domiciliary care and the pressures and costs associated with packages of care and support

⁴ ['Have Your Say' workforce survey 2024: Full report and summary of findings - Social Care Wales - Research, Data & Innovation](#) ⁵ [New All-Wales Pledge Comes Into Effect \(ADSS Cymru\)](#)

across mental health and learning disability services. An emerging risk highlighted by one council was the need to better understand the implications for adult services in the future of the significant rise in high-cost children's services and children's disabilities. With both growing exponentially in recent years, the unknown is what this means for the number which transition into requiring high-cost support as adults.

19. The challenges facing social care also have an impact on the wider health and social care system, as a sustainable NHS with the necessary flow of patients through the system depends on a properly funded social care system⁵. There remains a need to recognise the value social care has in its own right as a service. However, where the NHS and social care work well together, there is evidence that this helps people to recover and to keep people well and thereby reducing demand on secondary health services. Here councils can work closely with the NHS to improve self-management of conditions, focus on prevention and early intervention, make better join up and use of community and primary care services and improve access to community support and information and advice, which are all services that stop people presenting at the 'front door' in the first place and reduce additional pressure on the NHS.
20. Councils, care providers and wider health services continue to do all they can to enable people to be discharged from hospital and back to their homes with the correct support as soon as they can, as well as focusing on preventing hospital admissions in the first place. This has involved increasing community care capacity, developing extra step-down beds and community care packages, helping people get care closer to home and free up hospital beds. This has highlighted the benefits of councils and health working in partnership with a shared endeavour to deliver tangible benefits and positive impacts for individuals. But it also comes with a need to invest significant amounts of time and resource, including additional funding, to support this work. It also highlights the importance of developing future models of community-based care which take a 'whole person' approach, addressing people's physical health, mental health and social needs together a direction of travel supported by local government's 'Vision for Social Care in Wales'.⁶
21. At the same time a lack of capacity, resources and clarity of financial responsibilities in health also has implications for local authorities. Additional costs have been identified by at least one council linked to discharges from hospital where the individual is not ready for discharge and there is no rehabilitation package in place from health, so costs have had to be picked up by social care and the social services budget.
22. Significant concerns were also raised in survey responses in relation to both Continuing Healthcare (CHC) and Funded Nursing Care (FNC). Councils reported that the level of FNC provided is not enough to fully cover the cost, with care homes unable to cope with the FNC contribution from health that is made. It was also highlighted that CHC discussions can be extremely protracted and challenging. This means that costs are often passed on from the NHS onto local authorities, essentially meaning that councils are having to subsidise health care, often at a significant cost.
23. In addition, some authorities have referred to the financial impacts of social care 'Tourism' with clients moving over from England to benefit from the more generous social care charging regimes in Wales, as well highlighting the need to increase and keep under review the current

⁵ [paying-for-social-care.pdf \(gov.wales\)](#)

⁶ [ADSS Cymru, SOLACE, Social Care Wales & WLGA, A Vision for Social Care in Wales, September 2023.](#)

maximum charge for non-residential care and support to better reflect increased costs and inflationary pressures. Councils also report seeing individuals who have delayed or experienced difficulties in accessing healthcare and so on presentation to social services have higher dependency requiring more costly care provision.

24. Across Children's Services significant challenges continue to be experienced in finding appropriate placements for children and young people that meet their specific and sometimes extremely complex needs. This is a major factor which is driving up costs in Children's Services with councils reporting unprecedented levels of emergency placements for residential care, increased independent placements and increased pressure to find foster placements. The survey demonstrates that children's services residential placements account for over £38m of the total overspend for 2024-25 and over £29m of the demand related pressures for 2025-26. This creates huge pressure on councils' budgets.
25. Responses highlighted that placement costs are rising significantly due to demand far exceeding supply with one council experiencing a 40% increase in the cost of new placements over the past 18 months. One council gave the example of the need for a court ordered placement that requires a 4:1 staffing ratio which means that the care and support for one child's costs could potentially be £1m. Others highlighted that children's out of county placements resulted in an overspend of £1.5 million and £1.9m in 2023/24, with the numbers continuing to increase an overspend of £3.3 million is being forecasted for 2024/25 for one.
26. Survey responses also recognised that the need to place children via the UK Government's National Transfer Scheme (NTS) has increased cost pressures and has resulted in Unaccompanied Asylum Seeking Children (UASC) often being placed out of county/country to meet their identified needs which comes with significant cost pressures and impacts on staff resources in terms of travel. One council reported a 146% increase in the number of UASC (rising from 13 to 32) between 2023/24 and 2024/25, the costs of which are not fully covered by the Home Office, leading to a projected full year overspend of £440k for that council.
27. The introduction of legislation to eliminate private profit from the care of looked after children is further exacerbating these challenges with concerns over the level of resources (both revenue and capital) to achieve this ambition and how these will be met. This comes at a time of significant overspends across children's services combined with the harsh financial reality of a flat local government spending increase and the expectation of being able to front load investment to support the development of in-house provision, whilst also maintaining existing services across all council responsibilities. Some authorities are working on business cases where the outlay is as high as £1 million per property, this will vary across Wales and also does not reflect the additional workforce costs required to support the increased in-house provision. Concerns were raised over the additional costs that have already been incurred and the potential disruption that will be made to the market, as well as to children and young people's existing placements, resulting in further increasing costs which could put at risk councils' ability to deliver safe outcomes for those children in need of care and support.
28. The impact of the reduction of educational support teams on early intervention and prevention in children's services has also been highlighted. While the Nest/Nyth strategy is being implemented, providing awareness and training for additional skills across education teams, it does not give those staff the additional capacity to do all interventions and preventative work.

29. Survey responses also highlighted a number of challenges associated with grant funding. It was noted that there are a number of grants that are only confirmed until 31 March 2025, including the funding that has been made available to support the work to take forward the commitment to eliminate profit. A number of other grants are also in the same position, notably the Housing Support Grant and the Children and Communities Grant which support with the provision of early help and prevention activity, seek to intervene early for better outcomes for people, promote independence, resilience and help avoid the need for expensive statutory services. A significant number of Early Help services, for example, Parenting classes, direct work with families and Flying Start are reliant on grant funding, with concerns that any reductions to these grants will severely impact on these services providing essential preventative services, leading to increased pressure on social services.
30. Both the National Adoption Service (NAS) and Foster Wales (FW) are in receipt of Welsh Government grant funding, with both services receiving a 'core' funding allocation. A significant level of the funding for both services is passported to local authorities to support their service provision and development; for NAS, funding is also made available to the third sector Voluntary Adoption Agencies (VAA) services. However, both services are fast approaching the end of the current 3-year period for which much of the funding from Welsh Government is available. The lack of assurance that it will continue is a significant risk to the improvements achieved and has the potential, over the current year, to lead to large numbers of staff in local authorities across Wales and in the VAA (for NAS) having their employment placed at risk.
31. The risk is that if the grants currently available to councils disappear or reduce, the cost pressure on statutory services will significantly increase over the coming years. The impact of the requirement to 'mainstream to core' projects that are funded via the Regional Integration Fund (RIF) was also raised with concerns that this will require councils to either reduce service provision elsewhere or cease continuation of the RIF projects in order to manage within available resources.
32. If there is a continuation of reductions in grant funding levels across social services this will require reviews of service provision to be undertaken to assess what can be delivered within a reduced financial envelope and the high likelihood of on-going service reduction proposals needing to be considered.
33. Separately, councils have also highlighted increasing concerns in relation to the move from the Welsh Community Care Information System (WCCIS) programme to the new approach under Connecting Care. Whilst the replacement of the national WCCIS programme with a new approach under Connecting Care was generally welcomed by local government, there continue to be significant concerns around funding, data migration, programme management, and delivery capability. This is compounded by a critical timeframe in which the social care software system must be replaced. Urgent decisions and actions are required to ensure that social care is not left without a functioning system, such a scenario would present significant and unacceptable risks and could undermine service delivery and citizen and staff safety.
34. Councils have previously supported the need to review the current maximum charge for non-residential care and welcomed the recent consultation on this. The last increase to the charge was made in 2020 and since that time we have seen the economic impact of significant inflationary pressures. In 'real terms' for people paying the charge, the maximum has actually fallen as it has not risen in line with increases in income and inflation. The Bank of England's

inflation calculator using the Consumer Price Index (CPI) indicates that goods and services costing £100 in 2020 would cost £123.08 in July 2024. An increase to the maximum charge would help ensure the charge kept better pace with inflationary pressures and also reflect increased costs such as those associated with implementing the Real Living Wage for social care workers. This would also provide additional funding for councils to meet escalating costs being incurred in social care, helping to reduce overspends councils are currently experiencing. However, the recent Welsh Government statement on this matter, published on 6th December, clarified that there will be no increase in the cap at this time. While the additional funding linked to this announcement is appreciated, it will not have the same effect in closing the gap as an increase in the rate would. ADSS Cymru believe this is a missed opportunity.

Conclusion

35. Our members in local authorities across Wales, remain deeply concerned about the ongoing pressures facing social care. Survey responses highlight the continued impact of growing demographic challenges, the rising cost of living, workforce shortages, and inflation across the entire social care system. Additionally, new responsibilities and legislation are being introduced without appropriate levels of funding attached. Increasing demand for services, combined with greater complexity of care and support needs, further intensifies these challenges. As a result, budgets are being stretched, recruitment and retention of staff remain significant challenges, there are increasing concerns about councils' ability to meet all care and support needs and families and unpaid carers are placed under even greater strain.
36. The levels of overspend that are attributed to social services demonstrate that councils are spending above the funding allocated by Welsh Government for social care services. For many, social services are the area of greatest risk to council's budgets where pressures are most acutely seen. While councils continue to mitigate these pressures through the use of other areas of savings delivery, slippage and increased income many of these will be of a one-off nature leaving councils with recurrent pressures that impact on future years budget planning.
37. Despite councils' best efforts, financial pressures are impacting the range, scale, and quality of services able to be offered to local communities. A priority for councils has been a focus on early intervention and preventative services. However, as resources have diminished, councils have tried to protect services such as social care as far as they can where there are clearly defined statutory responsibilities. With councils' spending increasingly focused on social care services this means that there is less resource available to support other key areas of council activity. The impact is that spending is increasingly concentrated on fewer people and services, meaning that councils' ability to support local and national agendas on key issues such as housing, economic growth, the cost-of-living crisis and climate change are severely hampered.
38. At the same time there continues to be growing evidence⁷ that demonstrates that preventative spending in areas such as social care and homelessness services improves people's lives and outcomes and reduces cost to the public sector over the long-term. Equally, investment in services such as culture, leisure, and community safety offers the similar benefits in terms of outcomes and savings. A greater focus on preventative spend – providing appropriate services at the right time rather than waiting until an individual is in acute need – therefore provides

⁷ [8](#) Healthy, prosperous lives for all: WHO European Health Equity Status Report (2019)

much better value for money in the longer term, improves people's lives and should be at the heart of our approach to public services.

39. Sustainable investment in social care also needs to be seen as an essential component to the ambition of building an NHS that is fit for the future. The current system of health and social care places too much emphasis on treating sickness and not enough on preventing or reducing people's needs. Properly supported social care saves the NHS money, time and capacity, whether that is by reducing the number of people presenting to hospital in the first place or by helping to ensure the effective flow of people out of hospitals and back into their communities. Whether it is councils' innovative work on hospital discharge to free up acute capacity, the vital work councils do to support people to remain fit and well and away from hospitals in the first place, or the work councils do with partners to recruit, retain and develop the care workforce, local government and social care is central to realising a sustainable NHS.
40. The reality is that without increased funding, some councils will struggle to balance budgets and deliver core services, let alone deliver more. This will worsen existing pressures and significantly impact on the ability to deliver timely and good quality care and support to those who need it, when they need it.

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Agenda Item 5

Cyflwynwyd yr ymateb i ymgynghoriad y [Pwyllgor Cyllid](#) ar [Cyllideb Ddrafft Llywodraeth Cymru 2025-26](#).

This response was submitted to the [Finance Committee](#) consultation on the [Welsh Government Draft Budget 2025-26](#).

WGDB25-26(6)51: Ymateb gan: Sefydliad Bevan | Response from: Bevan Foundation



Senedd Finance Committee Inquiry into Welsh Government Draft Budget 2025/26

Response by the Bevan Foundation

The Bevan Foundation is Wales's most influential think tank. We create insights, ideas and impact that help to end poverty, inequality and injustice in Wales. We are a registered charity and company limited by guarantee, funded by charitable trusts and foundations, donations, and trading as a social enterprise.

We welcome the opportunity to contribute our views on the draft budget for 2025-26 in advance of its publication. Our responses relate only to poverty and inequality.

What, in your opinion, has been the impact of the Welsh Government's 2024-2025 Budget?

The year 2024-25 has seen no improvement in living standards in Wales, with the proportion of people reporting going without everyday essentials being unchanged during the period.¹ In some ways the position has worsened, with more people saying that they are in debt than previously.

The Welsh Government's interventions have undoubtedly helped to relieve some of the most severe consequences of poverty, In the 6 months April – September 2024, there were 111,471 emergency payments from the Discretionary Assistance Fund to people in financial crisis, up on the number of payments made in in the same period in 2023.

In other areas, progress against the scale of need or demand has been disappointing. In the first quarter of the financial year, just 389 new social homes were completed, compared with the 1,000 completions per quarter required to achieve the social housing target. Statistics are not available on progress with the Nest Warm Homes programme, although those from 2022-23 suggest that only a small proportion of households in fuel poverty benefited (4,364 households received a home energy improvement package compared with 614,000 households living in fuel poverty).

What action should the Welsh Government take to help households cope with inflation and cost of living issues?

The Foundation has identified five priorities that we have urged the Welsh Government to include in its budget, which were sent to the Cabinet Secretary for Finance on 11th November. They have been chosen because they help to mitigate the immediate effects of high prices on low-income households and offer long-term routes out of poverty and inequality.

1. Protect the Discretionary Assistance Fund

The Discretionary Assistance Fund (DAF) is a lifeline for people in financial crisis. The need for the Welsh Government to retain a strong DAF Emergency Assistance Payment scheme is demonstrated by the continuing growth in demand² as well as the financial difficulties people are experiencing. Given the importance of DAF, we urged the Welsh Government to, at a minimum, protect the amount allocated to DAF and ideally increase it.

¹ <https://www.bevanfoundation.org/resources/a-snapshot-of-poverty-in-autumn-2024/>

² <https://www.gov.wales/discretionary-assistance-fund-april-june-2024-html>

We are also urging the Welsh Government to extend use of the Independent Assistance Payment element to include providing essential baby items – a Baby Grant - for new mothers on low incomes, in absence of progress with the Baby Bundle.

2. Uprate the eligibility criteria and cash value of Welsh benefits in line with inflation

The eligibility criteria for many Welsh benefits like Education Maintenance Allowance, the School Essentials Grant and Free School Meals in secondary school have not increased in line with inflation.³ Families have to be poorer than ever before to access them while for people who are eligible, the value of support is in many cases lower in real terms. We have urged the Welsh Government to uprate eligibility thresholds and payment values of its own means-tested benefits in line with inflation as a matter of urgency. It has previously urged the UK government to uprate benefits and ought to apply the same principle to its own grants and allowances.

3. Funding for fair free school meals

The Bevan Foundation and partners have urged the First Minister to protect children's rights,⁴ because most local authorities in Wales do not provide free school meals to children from low income families who have no recourse to public funds. The few authorities that do provide meals do so on an ad hoc basis.⁵ We have urged the Welsh Government to permanently extend eligibility for free school meals to all children from all low-income households, irrespective of a child's immigration status and introduce a fair and appropriate system for assessment of financial eligibility.

4. Fund Phase 3 of the Flying Start Expansion

With more than half of children living in poverty in Wales living in a family with a child aged 0 to 4, affordable, accessible and good quality childcare for this age group is crucial to enabling parents (especially the second adult in a couple household) to work and help to reduce poverty. The Welsh Government's plans to expand the childcare element of Flying Start are positive but we are concerned that it has said it is "*not currently in a position to confirm any new developments to childcare*".⁶ This could leave 40% of two-year-olds without provision in March 2025. Meanwhile there is no funded provision at all for children aged under two. We have therefore called for the budget to provide adequate funding for Phase 3 of Flying Start from April 2025.

5. Increase investment in social housing

The number of households living in temporary accommodation in Wales increased by 18% during 2023-24, while waiting lists for social homes stand at record levels.⁷ Increasing the supply of social housing is one of the key solutions to Wales' temporary accommodation problem and wider housing crisis. We are urging the Welsh Government to boost the capital funding available for social housing construction, as well as using all possible means (e.g. acquisition and pausing demolitions / disposals) to accelerate delivery.

³ <https://www.bevanfoundation.org/resources/the-impact-of-inflation-on-welsh-benefits/>

⁴ <https://www.bevanfoundation.org/news/2024/10/join-our-call-for-fair-free-school-meals/>

⁵ <https://www.bevanfoundation.org/resources/living-with-no-recourse-to-public-funds-in-the-nation-of-sanctuary/>

⁶

<https://business.senedd.wales/documents/s153373/Written%20response%20by%20the%20Welsh%20Government%20regarding%20the%20Equality%20and%20Social%20Justice%20Committee%20report%20.pdf>

⁷ <https://www.bevanfoundation.org/resources/living-in-ta/>

Is the Welsh Government using the financial mechanisms available to it around borrowing and taxation effectively?

The Bevan Foundation reiterates its view that the Welsh Government should make fuller use of its borrowing and taxation powers as well as the block grant when determining its budget. In respect of income tax, we have recommended that the Welsh Government seeks powers to set tax bands as well as rates, although we recognise that the revenue potential is relatively limited. Other sources of revenue, notably a more progressive council tax regime, could also be developed.

Is enough being done to tackle the rising costs of living and support those people living in relative income poverty?

The Bevan Foundation recognises that some of the levers that reduce poverty and help people to manage rising living costs rest with the Westminster government. However the Welsh Government's actions also support people on low incomes, both directly, through cash transfers or subsidies, and indirectly by creating the conditions for an improvement in living standards.

The Welsh Government directly boosts household income through its devolved, means-tested grants and allowances (such as Council Tax Reduction, Education Maintenance Allowance, School Essentials Grant, and Discretionary Assistance Fund), providing up to £4,000 a year extra for eligible households. We have welcomed the first steps being taken to bring these grants and allowances into a Welsh Benefits system, and as mentioned earlier are urging that their value and eligibility thresholds be reviewed and updated in tandem. The 2025/26 budget will need to make provision to compensate local authorities for additional costs arising from increased uptake, extended eligibility and higher value payments if progress is to be maintained.

The Welsh Government also directly reduces some costs faced by eligible low-income households, for example through the provision of social housing at below market rents; home energy efficiency measures; and free school meals for secondary school pupils. These are very welcome, but as noted earlier, many lack the scale needed to make a significant difference. For example, the new Nest Warm Homes scheme provides welcome support with the energy efficiency of homes of low income households, but provides for improvements to just 11,500 properties over seven years, compared with 614,000 households estimated to live in fuel poverty. Similarly, while the target of creating 20,000 new affordable homes over five years is welcome, it falls far short of meeting the needs of the 140,000 people estimated to be on social housing waiting lists in October 2024.

It is important to remember that low-income households also benefit from universal provision of free services such as free prescriptions, funded childcare for 3-4-year-olds, and concessionary bus fares. However, as these are not targeted measures they do not close the gap between the least-well off and others.

In the longer term, the Welsh Government also has an important role enabling people to find routes out of poverty, and in particular to access decent, secure work. Having a paid job dramatically cuts the risk of being poverty: 45% of workless couple households are in poverty, compared with 24% of couple households with one full-time worker, and 4% of couple households with one full-time and one part-time worker. Wales's low employment rates are undoubtedly a factor in its relatively high rates of poverty, and there is more that the Welsh Government could do to increase employment and strengthen the economy.

For individuals, a good education and relevant skills, availability of affordable childcare and adult social care, access to reliable transport and digital connectivity all contribute to finding and keeping a

decent job. The Welsh Government is responsible for all of these areas, and could do more to link their provision to solving poverty.

For communities, too many in post-industrial and rural areas have a shortage of job opportunities, below-average pay rates and limited public transport options. It is unclear if and how disadvantaged areas are prioritised by the Welsh Government.

Is the Welsh Government's approach to preventative spending represented in resource allocations?

Placing people in temporary accommodation is estimated to have cost local authorities £99 million in 2023/24⁸ - a cost to councils and an impact on households that could have been reduced (if not entirely prevented) by more ambitious past and current social housing targets, speedier construction and acquisition of new social homes, and greater steps to avoid homelessness (e.g. via Housing Support Grant and top ups to Discretionary Housing Payment).

The Bevan Foundation

29th November 2024

⁸ https://sheltercymru.org.uk/cy/policy_and_research/the-cost-of-crisis-the-impact-of-wales-reliance-on-temporary-accommodation/

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

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Agenda Item 8

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

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Fee Scheme 2025-26

January 2025

This is a fee scheme prepared by the Wales Audit Office under section 24 of the Public Audit (Wales) Act 2013.

This fee scheme is laid before the Senedd under section 24(4)(c) of the Public Audit (Wales) Act 2013.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

This document is also available in Welsh.

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Adrian Crompton

Auditor General
for Wales



Dr Ian Rees

Chair,
Audit Wales

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Introduction

- 1 This Fee Scheme has been prepared under section 24 of the Public Audit (Wales) Act 2013 (the Act) (**Appendix 1**). The Fee Scheme, following approval by the Senedd, provides the basis on which we charge fees.
- 2 This Fee Scheme sets out:
 - the enactments under which we charge audit fees (**Appendix 2**).
 - the arrangements for setting those fees, which comprise either:
 - fee scales that set out fee ranges for particular areas of audit work in local government; or
 - fee rates for work not covered by fee scales.
- 3 Broadly, 67% of our expenditure is funded through fees charged to audited bodies. The remaining 33% is provided from the Welsh Consolidated Fund through the budget motion passed by the Senedd.
- 4 Legislation requires that the fees we charge a body **may not exceed** the full cost of exercising at that body the function to which the fee relates. We set our audit fees based on our estimated cost base, the estimated skills mix for audit work and the estimated number of days required to complete the work. We do not and cannot make profits on our work. Our fee rates are set at a level to recover the estimated full cost but no more.
- 5 There is a tension between providing audited bodies with an up-front fee for the work to be undertaken on specific audits and having a sufficiently flexible regime that recognises the inevitability of variances. We set our audit fees based on our estimated expenditure, the estimated skills mix and the estimated number of days required to complete the work. Where the required work is significantly greater than that originally estimated, because of complexities experienced during the audit, we may charge a higher fee, as permitted by legislation.
- 6 As set out in our consultation on proposed fees in September 2024, you will remember that for 2024-25 we increased our average fee rates by 6.4% in order to respond to significant staff cost pressures exacerbated by a global shortage of audit and finance professionals, which was impacting our ability to recruit and retain qualified staff.

- 7 We are acutely aware of the pressures facing the bodies that we audit and have challenged our operating model to ensure that our audit fees continue to provide value for money whilst continuing to invest in audit quality which is central to all decisions we make.
- 8 For 2025-26 we have identified efficiencies which will help us keep the average increase in fee rates to under 1.7% as compared to the 1.8% increase anticipated in the consultation.
- 9 The actual fee that any individual audited body will pay depends not just on our fee rates but on the quantum of work and the skill mix required. In 2023-24 you will recall that we implemented a fundamentally different audit approach for our financial audit work, required by new international auditing standards. This required a richer, more costly skill mix that was reflected in higher fees. We have now reviewed the implementation of this new audit approach and identified efficiencies which allow us to reduce our fee scales for Unitary Authorities by an average of 3% in 2025-26.
- 10 We continue to make significant investment in audit quality to respond to UK-wide reviews¹ of audit and new professional standards. These various reviews reflect increasing expectations of audit and of the quality of that audit.
- 11 We went beyond the statutory fee consultation requirements and, in September 2024, consulted all audited bodies and other stakeholders on our proposed fee rates and fee scales for 2025-26.
- 12 We received just 6 responses 5 of which were supportive of our proposals and 1 where no comment was made.
- 13 We have consulted separately with One Voice Wales² on proposed changes to our fee scales for Town and Community Councils which reflect our experience of the new audit regime that we have been operating since 2020. The fee scales included within this document have been agreed with One Voice Wales.

1 Competition and Markets Authority Review; Kingman Review; and Brydon Review

2 One Voice Wales is the representative body for Town & Community Councils in Wales.

Fee rates and fee scales

Fee rates 2025-26

14 Our proposed fee rates for 2025-26 are set out in **Exhibit 1**.

Exhibit 1: proposed fee rates 2025-26

Grade	Rate (£ per hour) 2025-26	Rate (£ per hour) 2024-25
Audit Director	183	179
Audit Manager	141	137
Audit Lead	115	112
Senior Auditor	91	91
Auditor	66	64
Graduate trainee	59	59
Apprentice	47	46

15 We plan to continue to provide access to the National Fraud Initiative on a free-of-charge basis.

Local Government Fee scales 2025-26

- 16 Fee scales are a means of regulating the cost of public audit, through setting limits and by reviewing fees against those limits. Fee scales also provide a framework for auditors to assess the amount of annual audit work necessary and the fee to be charged for that work at a particular audited body.
- 17 Fee scales for the audit of 2024-25 financial accounts, together with fee funded performance audit work to be undertaken in 2025-26, are provided in **Appendix 3** in relation to unitary authorities, fire and rescue authorities, national park authorities, police and crime commissioners, chief constables, town and community councils, and local government pension funds.
- 18 A separate fee scale is provided in relation to the NFI.
- 19 Performance audit includes sustainable development examinations, improvement information audits, improvement assessments and special inspections. Not all these functions apply to all types of audited body.
- 20 Audited bodies not covered by the statutory requirement for a fee scale have their estimated audit fees calculated in the same way as for those which are covered – that is, through applying the fee rates published in this Fee Scheme to the estimated team mix and hours of input required for the audit.
- 21 Auditors undertake grant certification work on behalf of the Auditor General. The amount of grant certification work undertaken in any year is dependent on the number of schemes subject to audit and the number of audited bodies participating in those schemes. Charges for this work are calculated using the fee rates and reflecting the size, complexity or any particular issues in respect of the grant in question.
- 22 The fee rates apply to all audit work except to the extent that the fee scales, where applicable, regulate the amount to be charged (or in the case of work done under agreements made prior to 1 April 2014, rates are in terms as agreed). If it subsequently appears that the work involved in a particular audit differs substantially from that originally envisaged, we may charge a fee which differs from that originally notified.

- 23 In the case of the provision of other administrative, professional or technical services provided, fees will be charged in accordance with the relevant agreement, subject to such amounts being capped at the full cost of providing the service.
- 24 To meet statutory responsibilities, it is sometimes necessary for auditors to carry out work which goes beyond their general duties. Additional work can include reports in the public interest, extraordinary audit, special inspections and further work in relation to electors' questions and objections, and the prevention of unlawful expenditure. Charges for this type of work will reflect the nature of the work required and are calculated by applying the fee rates published in this Fee Scheme to the team mix and hours of input required for the work.
- 25 Where specialist support or legal or other professional advice is required, this will be charged to audited bodies in addition to the cost of our audit staff.

Charging of fees

- 26 Each body's Engagement Director will explain the skills mix needed for the audit and the factors influencing the overall fee. Charging arrangements are agreed with audited bodies and may encompass one-off, periodic, regular or annual charging, as appropriate in the circumstances.
- 27 Audited bodies are expected to pay our invoices within their performance target for creditor payments, which is usually ten days. We may charge for the administrative costs incurred in pursuing late payments.
- 28 If required by audited bodies, a purchase order for the agreed audit fee should be raised in advance of invoices being sent.
- 29 On completion of audit assignments, we will assess the actual costs incurred in undertaking the assignment in comparison with the fee charged. We will refund any excess of fee over cost and, conversely, we may charge additional costs where the fee falls short. We will process refunds and additional charges in a manner which seeks to minimise administrative costs, such as through offsetting against future fees or fees for other aspects of audit activity.



Appendices

- 1 Public Audit (Wales) Act 2013 – full text of section 24**
- 2 List of enactments under which the Wales Audit Office may and must charge fees**
- 3 Local Government Fee Scales 2024-25**

1 Public Audit (Wales) Act 2013 – full text of section 24

- (1) The Wales Audit Office must prepare a scheme relating to the charging of fees by the Wales Audit Office.
- (2) The scheme must include the following:
 - (a) a list of the enactments under which the Wales Audit Office may charge a fee;
 - (b) where those enactments make provision for the Wales Audit Office to prescribe a scale or scales of fees, that scale or those scales;
 - (c) where those enactments make provision for the Wales Audit Office to prescribe an amount to be charged, that amount;
 - (d) where no provision is made for a scale or scales of fees or for an amount to be prescribed, the means by which the Wales Audit Office is to calculate the fee.
- (3) The scheme may, amongst other things:
 - (a) include different provision for different cases or classes of case; and
 - (b) provide for times at which, and the manner in which, payments are to be made.
- (4) The Wales Audit Office:
 - (a) must review the scheme at least once in every calendar year;
 - (b) may revise or remake the scheme at any time; and
 - (c) must lay the scheme (and any revision to it) before the National Assembly^[3].

³ The extant legislation refers to the 'National Assembly' despite the change in name to 'Y Senedd/The Welsh Parliament'.

- (5) Where the Welsh Ministers prescribe a scale or scales of fees under:
 - (a) section 64F of the Public Audit (Wales) Act 2004 (fees for data matching); or
 - (b) section 27A of the Local Government (Wales) Measure 2009 (Welsh Ministers' power to prescribe a scale of fees) to have effect instead of a scale or scales prescribed by the Wales Audit Office, the Wales Audit Office must revise the scheme to include the scale or scales prescribed by the Welsh Ministers instead of those prescribed by the Wales Audit Office.
- (6) If a revision made in accordance with subsection (5) is the only revision to a scheme, it does not require the approval of the National Assembly.
- (7) The scheme takes effect when approved by the National Assembly or, in the case of a revision made in accordance with subsection (5), once it has been laid before the Assembly.
- (8) The Wales Audit Office must publish the scheme (and any revision to it) as soon as reasonably practicable after it takes effect.

2 List of enactments under which Audit Wales may and must charge fees

Nature of work	Enactments
The Wales Audit Office may charge fees for the following activities	
Audit of accounts by the Auditor General (other than local government accounts).	Section 23(2) Public Audit (Wales) Act 2013
Value for money studies undertaken by agreement (except educational institutions and local government bodies – see below).	Section 23(3)(a), (b) and (c) Public Audit (Wales) Act 2013
An examination, certification or report under section 31 of the Tax Collection and Management (Wales) Act 2016 in respect of the Welsh Revenue Authority's Tax Statement.	Section 23 (3)(ba) Public Audit Wales Act 2013
An examination under section 15 of the Well-being of Future Generations (Wales) Act 2015 (anaw 2) (examinations of public bodies for the purposes of assessing the extent to which a body has acted in accordance with the sustainable development principle).	Section 23(3)(ca) Public Audit (Wales) Act 2013
Any functions of a relevant authority exercised by the Wales Audit Office or the Auditor General and undertaken by agreement, and any administrative, professional or technical services to be provided by the Wales Audit Office or the Auditor General by arrangement under section 19 of the Public Audit (Wales) Act 2013.	Section 23(3)(d) Public Audit (Wales) Act 2013
An extraordinary audit of the accounts of a local government body.	Section 37(8) of the Public Audit (Wales) Act 2004

Nature of work	Enactments
Advice and assistance provided by the Auditor General for registered social landlords.	Section 145D(2) of the Government of Wales Act 1998 Terms of payment may only be made in accordance with a scheme for charging fees under s24 of the Public Audit Wales Act 2013
The Wales Audit Office must prescribe fee scales for the following activities	
Audit of accounts of local government bodies	Section 20(A1)(a) of the Public Audit (Wales) Act 2004
Assistance to HM Chief Inspector of Education and Training Wales	Section 41A(6) of the Education Act 1997
Studies relating to Registered Social Landlords (housing associations)	Section 145C(3) of the Government of Wales Act 1998
Studies at request of local government bodies	Section 20(A1)(b) of the Public Audit (Wales) Act 2004
Benefit administration studies for the Secretary of State	Section 45(7) of the Public Audit (Wales) Act 2004
Grant certification services	Section 23(4)(a) Public Audit (Wales) Act 2013
Studies at the request of educational bodies	Section 23(4)(b) Public Audit (Wales) Act 2013
Improvement information audits, improvement assessments and special inspections of Welsh Improvement Authorities	Section 27 of the Local Government (Wales) Measure 2009
Special inspections of principal councils	Section 101 of the Local Government and Elections (Wales) Act 2021

3 Local Government Fee Scales 2025-26

Fee scales for work undertaken under the National Fraud Initiative (NFI)

- 30 The Auditor General conducts the NFI using his statutory data-matching powers under Part 3A of the Public Audit (Wales) Act 2004.
- 31 The NFI matches data across organisations and systems to help public bodies identify potentially fraudulent or erroneous claims and transactions. The NFI has been a highly effective tool in detecting and preventing fraud and overpayments.
- 32 Since 2015, the Finance Committee has supported the principle of participation in NFI for all public bodies in Wales at no cost to those bodies. Our recent biennial report identified outcomes valued at £7.1 million across Wales’s public services, increasing cumulative outcomes to £56.5 million since 1996.
- 33 Since April 2015, the Senedd has met the costs of running the NFI through payment from the Welsh Consolidated Fund. This is intended to encourage participation of organisations on a voluntary basis and to simplify arrangements for mandated participants. As required by legislation, the fees for mandatory participants are shown in **Exhibit 2**.

Exhibit 2: NFI fees

	Fee 2025-26
Unitary authority; police and crime commissioners and chief constables; fire and rescue authorities; NHS trusts; local health boards	Nil
Voluntary participants	Nil
All participants may also be provided with access to the NFI Application Checker (App Check)	Nil

Fee scales for Local Government bodies

Unitary authorities

Exhibit 3: fee scale for the audit of 2024-25 accounts

Gross Expenditure £ million	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
100	141	166	191	171
200	170	200	230	205
300	189	222	256	229
400	204	240	276	247
500	217	255	293	262
600	227	267	308	275
700	237	279	320	287
800	245	289	332	297
900	253	298	343	307
1,000	260	306	352	315
1,100	267	314	361	324
1,200	273	322	370	331

Exhibit 4: fee scale for 2025-26 performance audit work

All unitary authorities	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	111	118	134	115

Local Government Pension Funds

Exhibit 5: fee scale for audit of 2024-25 accounts

All pension funds	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	43	56	58	56

Fire and Rescue Authorities

Exhibit 6: fee scale for audit of 2024-25 accounts

Gross Expenditure £ million	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
20	41	49	56	50
40	50	59	67	60
60	55	65	75	67
80	60	70	81	72
100	63	75	86	77

Exhibit 7: fee scale for 2025-26 performance audit work

All fire and rescue authorities	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	18	18	18	18

National Park Authorities

Exhibit 8: fee scale for audit of 2024-25 accounts

Gross Expenditure £ million	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
2	26	30	35	31
4	31	36	42	37
6	34	40	46	42
8	37	44	50	45
10	39	46	53	48

Exhibit 9: fee scale for 2025-26 performance audit work

All national park authorities	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	22	23	26	24

Police and Crime Commissioners

- 34 Auditors undertake audits of two statutory bodies in a police area – the Police and Crime Commissioners (PCCs) and the Chief Constables (CCs). The split of the total fee between the two bodies in a particular police area will be a matter for auditors to determine, based on accounting requirements and the operational arrangements put in place by each of the bodies.

Exhibit 10: fee scale for audit of 2024-25 accounts

Combined Gross Expenditure of PCC and CC £ million	Combined fee range for PCCs and CCs			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
50	71	82	93	84
100	84	97	110	100
150	92	107	122	110
200	99	115	131	118
250	105	122	139	125
300	109	127	145	131
350	114	132	151	136

Town and community councils with annual income or expenditure under £2.5 million

- 35 Town and community councils in Wales are subject to a limited assurance audit regime. The audit arrangements are made to discharge the Auditor General's duties under the Public Audit (Wales) Act 2004. The audit is not commissioned by individual councils.
- 36 In October 2020, the Auditor General published a [paper](#) setting out how these audits will be carried out on a three-year cycle as set out in **Exhibit 11**.

Exhibit 11: three-year audit cycle for town and community councils

	Group A	Group B	Group C
2024-25 audits	Full audit	Basic audit	Basic audit
2025-26 audits	Basic audit	Full audit	Basic audit
2026-27 audits	Basic audit	Basic audit	Full audit

- 37 Charges for this work are based on time taken to complete the audit at fee rate charges as set out in **Exhibit 1** on **page 6**.
- 38 **Exhibit 12** provides a range of fees for differing sizes of councils as measured by income and expenditure. These updated ranges take into account Audit Wales' experience of fees arising from the 2021-22 to 2023-24 audits.

Exhibit 12: estimated time charges for the audit of 2024-25 accounts of town and community councils

	Band 1 (<£10k)	Band 2 (<£25k)	Band 3 (<£50k)	Band 4 (<£100k)	Band 5 (<£500k)	Band 6 (>£500k)
Transaction audit	£250 – £500	£300 – £700	£500 – £900	£600 – £1,000	£600 – £1,250	£800 – £1,500
Limited procedures	£200 – £300	£200 – £300	£200 – £300	£250 – £350	£250 – £350	£250 – £350

Fee rates for other work in local government

- 39 Other than those types of bodies for which fee scales have been prescribed as shown above, there are a small number of other types of local government body where our prescription of the fee scale is a matter of converting the resource requirements into fees directly based on the costs of delivering the work or by applying the fee rates as set out in **Exhibit 1**. This will include audits of Corporate Joint Committees. It remains the case that for audits of these bodies we apply a zero-based approach to audit planning.
- 40 For all types of local government body, to meet his statutory responsibilities, it is sometimes necessary for the Auditor General to carry out work which goes beyond general duties (those set out in section 17 of the Public Audit (Wales) Act 2004 and in section 15 of the Well-being of Future Generations (Wales) Act 2015). Additional work can include reports in the public interest, extraordinary audit, special inspections and further work in relation to elector challenge and the prevention of unlawful expenditure. Charges for this type of work will reflect the nature of the work required.
- 41 Auditors may also undertake grant certification work at local government bodies on behalf of the Auditor General. The amount of grant certification work undertaken in any year is dependent on the number of schemes subject to audit and the number of audited bodies participating in those schemes. Charges for this work are made on a per-hour basis and reflect the size, complexity and/or any issues in respect of the grant in question as set out in **Exhibit 13**.

Exhibit 13: estimates of the relative proportions of audit staff grades to be used for different types of grants work

Grade of staff	Complex grants staff mix %	All other grants staff mix %
Engagement director	1 to 2	0 to 1
Audit Manager	4 to 6	1 to 2
Audit Lead	18 to 21	12 to 16
Auditor/graduate trainee/apprentice	71 to 77	81 to 87

Complex grants include:

- BEN01 Housing and council tax benefits scheme
- LA01 National non-domestic rates return
- PEN05 Teachers' pensions return



Audit Wales
1 Capital Quarter
Tyndall Street
Cardiff CF10 4BZ

Tel: 029 2032 0500

Textphone: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

We welcome correspondence and
telephone calls in Welsh and English.

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