

Agenda – Finance Committee

Meeting Venue: Hybrid – Committee room 4 Tŷ Hywel and video conference via Zoom	For further information contact: Owain Roberts Committee Clerk 0300 200 6565 SeneddFinance@senedd.wales
Meeting date: 5 November 2025	
Meeting time: 09.30	

Registration

(09.00–09.15)

Private pre-meeting

(09.15–09.30)

- 1 Introduction, apologies, substitutions and declarations of interest
(09.30)
- 2 Paper(s) to note
(09.30)
 - 2.1 PTN 1 – Welsh Government Draft Budget 2026–27– Written evidence:
National Institute of Economic and Social Research – October 2025
(Pages 1 – 2)
 - 2.2 PTN 2 – Welsh Government Draft Budget 2026–27– Written evidence:
Professional Association of Self-Caterers UK, Cymru – October 2025
(Pages 3 – 13)
 - 2.3 PTN 3 – Building Safety (Wales) Bill: Additional information from the Cabinet Secretary for Housing and Local Government – 17 October 2025
(Pages 14 – 36)
 - 2.4 PTN 4 – Building Safety (Wales) Bill: Additional information from the Cabinet Secretary for Housing and Local Government to the Legislation, Justice and Constitution Committee – 30 October 2025
(Pages 37 – 54)



- 2.5 PTN 5 – Letter from the Office for National Statistics to the Chair of the Finance Committee: Census 2031 – 28 October 2025**
(Page 55)
- 2.6 PTN 6 – Homelessness and Social Housing Allocation (Wales) Bill – Welsh Government response to the Finance Committee's report – 30 October 2025**
(Pages 56 – 60)
- 2.7 PTN 7 – Homelessness and Social Housing Allocation (Wales) Bill – Welsh Government response to the Legislation, Justice and Constitution Committee's report – 30 October 2025**
(Pages 61 – 63)
- 2.8 PTN 8 – Letter from Cabinet Secretary for Economy, Energy and Planning: Tourism Inter-Ministerial Group (IMG) – 31 October 2025**
(Pages 64 – 65)
- 2.9 PTN 9 – Letter from the Cabinet Secretary for the Finance and Welsh Language: Finance:Inter-Ministerial Standing Committee (F:ISC) – 31 October 2025**
(Pages 66 – 67)
- 2.10 PTN 10 – Environment (Principles, Governance and Biodiversity Targets) (Wales) Bill: Welsh Government response to the Finance Committee's report – 31 October 2025**
(Pages 68 – 70)
- 3 Audit Wales – Scrutiny of the Estimate 2026–27 and Interim Report 2025–26: Evidence session**
(09.30–10.30) (Pages 71 – 170)
Adrian Crompton, Auditor General for Wales, Audit Wales
Dr Ian Rees, Chair of the Wales Audit Office, Audit Wales
Kevin Thomas, Executive Director for Corporate Services, Audit Wales
Ann-Marie Harkin, Executive Director for Audit Services, Audit Wales

Break

(10.30–10.45)

- 4 Welsh Government Draft Budget 2026–27: Evidence session 3**
(10.45–11.45) (Pages 171 – 199)
Adrian Crompton, Auditor General for Wales, Audit Wales
Dave Thomas, Director, Audit Wales
Matthew Mortlock, Director, Audit Wales
- 5 Motion under Standing Order 17.42 (ix) to resolve to exclude the public from the remainder of this meeting**
(11.45)
- 6 Audit Wales – Scrutiny of the Estimate 2026–27 and Interim Report 2025–26: Consideration of evidence**
(11.45–11.55)
- 7 Welsh Government Draft Budget 2026–27: Consideration of evidence**
(11.55–12.05)
- 8 Financial implications of the Building Safety (Wales) Bill: Consideration of draft report**
(12.05 – 12.15) (Pages 200 – 219)

Agenda Item 2.1

NIESR submission on Welsh Budget 2025-26 and beyond

Key points

* In the 2025-26 budget, we welcome the Welsh government pledge to invest additional money in transport and social housing. The NIESR Regional Regeneration Dashboard and Index 2024 (<https://regional-dashboard.niesr.ac.uk/>) noted large areas of Wales as lagging behind comparator regions in other parts of the UK in both transport and housing, hence this focus is well placed.

* However, notwithstanding pledges towards building a greener economy, we think that progress in this direction have been limited. In particular, we encourage greater momentum towards the proposed "green hub" in north Wales, harnessing tidal power in the Severn Estuary, and careful transition away from environmentally harmful production processes in a fair way that protects livelihoods and communities and enhances productivity. A greater focus on nature emergency is also becoming urgent in light of climate events and increasingly volatile meteorological conditions.

* The Welsh economy has been ailing for some time now, but the situation has been exacerbated following the sequence of shocks – the Covid-19 pandemic, Brexit and the cost-of-living crisis. In our most recent economic outlook for Wales (February 2025, <https://niesr.ac.uk/publications/tale-two-halves?type=uk-economic-outlook>), we found that

- Wales' Gross Value Added grew relative to the fourth quarter of 2021 and is expected to see further growth over the next few years
- The revisions to the regional labour market data see Wales' employment relative to the fourth quarter of 2021 exhibit a much more volatile path than what was evident in previous ONS data (notwithstanding uncertainty surrounding labour market data). This is especially apparent between the second quarter of 2022 and the second quarter of 2024.
- In addition, employment in Wales sees a notable downward shift relative to levels in the fourth quarter of 2021 and is unlikely to return to previous levels in the coming years.
- Despite some employment growth, inactivity rates in Wales are expected to remain stable over the next two years. Wales continues to experience the highest inactivity rates of all the devolved nations and the English regions too.
- Productivity in Wales remains well below the UK average, though a small increase is projected by the fourth quarter of 2026. Relative to the other UK regions and devolved nations, Wales is expected to see somewhat more robust productivity gains, although upon a lower base.

* NIESR has highlighted significant overlap of lower economic growth, stagnating employment and human capital, and low capital investment across much of Wales (Box D, in NIESR UK Economic Outlook, Summer 2025, August 2025, <https://niesr.ac.uk/publications/uk-economic-outlook-chancellors-trilemma?type=uk-economic-outlook>). Investment on skills must go hand in hand with public and private investments, both of which are stagnating.

* Substantial recent revisions to ONS data on the labour market (including historical data) have cast new light upon Welsh productivity. Wales has been experiencing somewhat stronger growth in output (GVA) post-pandemic but also substantially weaker and flat employment trends well below post-pandemic levels together with higher and rising inactivity. However, this implies somewhat more stronger productivity trends relative to most English regions, comparable to Scotland and London, even if productivity levels are still lagging far behind. This presents a mixed picture that the Welsh budget should look to address. It is not entirely clear how budgetary allocations are targeting low economic participation and stagnant productivity.

* Beyond economic performance, we would also like to encourage greater focus on well-being, as initiated in the historic Well-being of Future Generations (Wales) Act 2015. Despite substantial budgetary allocations, including schemes designed to replace economic aid previously provided by the European Union, it is unclear as to how this is aligned with improving both economic growth and well-being.

* Most importantly, we find lack of data and evaluation mechanisms to verify not only whether the allocations are spent on the areas that are specifically targeted, but what impacts they have on the desired outcomes. We suggest greater attention to this area. This includes not only the efficiency in delivery of public services in relation to allocations, but also targeted investments in specific sectors such as health and AI which are critical for Wales.

Please use this template to draft your responses to submit via the online consultation form.

Tystiolaeth ysgrifenedig: Cymdeithas Broffesiynol Hunanddarparwyr y DU, Æq ũ
Written evidence: Professional Association of Self-Caterers UK, Cymru

Senedd Cymru | Welsh Parliament

Y Pwyllgor Cyllid | Finance Committee

Cyllideb Ddrafft Llywodraeth Cymru 2026-27 | Welsh Government Draft Budget 2026-27

You do not need to answer every question, only those on which you wish to share information or have a view.

1. What, in your opinion, has been the impact of the Welsh Government's 2025-2026 Budget?

Please outline your reasons for your answer to question 1 (we would be grateful if you could keep your answer to around 500 words).

The Welsh Government's 2025-2026 Budget has had a profound impact on thousands of genuine Welsh holiday let businesses - family-run micro-businesses which provide the essential accommodation base for Wales's visitor economy. These are not second homes; they are legitimate small businesses that sustain employment, preserve local heritage, and underpin economic activity across rural and coastal Wales.

The Welsh Governments's focus on housing affordability and addressing the impact of second homes is understandable. However, current interventions fail to differentiate between a second home and a genuine holiday let business. This lack of distinction has resulted in significant unintended consequences for legitimate operators who contribute to the Welsh economy, culture, and community life.

Tourism is one of Wales's largest employers and a critical driver of local prosperity. In many areas with limited hotel provision, self-catering holiday lets provide the majority of the bedstock that enables tourism to thrive. When these businesses are undermined, the effects ripple outward - impacting pubs, restaurants, shops, attractions, high streets and other local businesses (trades, laundry/cleaning companies) that employ locally and rely on visitor spending.

The introduction of the 182-day thresholds and disproportionate council tax premiums have caused substantial financial and emotional strain across the sector and beyond.

Evidence suggests that these policies are not achieving their stated aims: few properties have returned to the residential market as a result, yet genuine businesses face disproportionate taxation and financial insecurity.

The human cost has been stark. Surveys indicate that 94% of operators are experiencing increased stress since the 182-day rule was introduced, and 47% of those facing council tax premiums now operate at no profit or a loss. We have sight of backdated bills ranging from £10,000 to £54,000 – this is an unsustainable situation ... just to sustain the funds of local authorities.

These pressures threaten the viability of genuine Welsh businesses – often multi-generational Welsh family businesses. They are driving out Welsh-speaking residents to seek livelihoods outside Wales – or forcing them to rely on the state. This in itself is eroding both cultural continuity and language use in Welsh communities... exactly the communities the Welsh Government aim to protect.

Economic sustainability is compromised. High taxation and uncertainty have restricted reinvestment in property maintenance, sustainability improvements, and the move toward net zero. This hinders both competitiveness of Wales as a destination and the delivery of government climate goals.

The assumption that holiday lets can be readily converted to housing is misplaced. Many such properties are unsuitable for full-time residence or restricted to holiday let use only - 33% of Welsh holiday let businesses have restrictions for holiday let use only, 18% are on diversified farms. These and other limitations mean they are not able to be returned to the residential housing market.

In addition, council tax premium revenues are not ring-fenced for housing provision and are often diverted into general Local Authority budgets, limiting transparency and impact.

On a positive note, Small Business Rates Relief remains a critical safeguard for the sector. It supports innovation, investment, and the continued viability of genuine Welsh micro-businesses. There has never been a greater need for this targeted support.

With more flexible, evidence-based policy and recognition of the distinct role genuine holiday let businesses play, Wales can balance its housing goals with the need to protect a sustainable, community-based visitor economy - one that continues to provide livelihoods, cultural value, and pride for generations to come.

2. How financially prepared is your organisation for the 2026-27 financial year, how will inflation impact on your ability to deliver planned objectives, and how robust is your ability to plan for future years?

Please outline your reasons for your answer to question 2 (we would be grateful if you could keep your answer to around 500 words).

The Welsh Holiday Let sector remains in a more precarious and uncertain position.

How can one plan when from one day to the next you do not know whether you will be considered a business or not based on an arbitrary threshold of 182 days?? At the behest of the weather, a cost of living crisis or similar condition completely outwith your control – you may or may not meet the 182 day threshold!

Reach 182 and you can carry on... 181 and you face surrendering your entire annual profit to your Local Authority... for what?

The latest WG WAVE report states: 'Only about half of operators (52%) feel confident to operate their business profitably this year' with Self-catering operators '...struggling to meet the 182 day rule and may see their costs rise beyond what they consider worthwhile to operate'

Less than 50% of operators expect to meet the 182-day requirement, and 86% are discounting heavily to try to achieve it. This discounting is eroding profitability and triggering a damaging race to the bottom on price, impacting both the self-catering and serviced accommodation sectors.

Inflation compounds the challenge. Rising energy, maintenance, and insurance costs are squeezing already thin margins, leaving many operators unable to reinvest in property standards or sustainability improvements, while discounting to unviable levels simply to meet an arbitrary threshold.

This situation completely undermines confidence, profitability, and long-term investment across the sector.

The sector needs fair, evidence-based policy to protect its genuine tourism businesses and the communities they aim to sustain.

3. What action should the Welsh Government take to:

- help households cope with inflation and cost of living issues;
- address the needs of people living in urban, post-industrial and rural communities, including building affordable housing and in supporting economies within those communities?

(We would be grateful if you could keep your answer to around 500 words).

Carry out a full impact assessment into the effects of the 182 day threshold as this is the most destructive of tax measures. Then honestly review the results. It is set too high, businesses cannot achieve it. Then reduce the 182 accordingly to a realistic level achievable by genuine holiday let businesses.

VOA data is only one data set that should be considered as this is NOT exclusive to those not meeting the 182 day threshold.

We appreciate the engagement with Welsh Government since our submission last year. We are however not seeing any material change despite presenting supporting evidence.

WG should also use data to inform their policy decisions. Statutory Registration scheme which if implemented correctly is the opportunity to get robust data but only if done well. This can then inform good policy, address rogue actors and in turn return housing stock to the market. Further interventions should be paused ahead of obtaining this robust data.

4. Have Welsh Government business support policies been effective, given the economic outlook for 2026-27?

(We would be grateful if you could keep your answer to around 500 words).

5. 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?

(We would be grateful if you could keep your answer to around 500 words).

The current policies affecting FHL business owners are inhibiting investment in sustainable, green, energy efficient schemes.

- Cash reserves previously allocated to such schemes are now absorbed into excessive council tax premiums

- Businesses owners cannot afford time to complete works to improve greener technologies as this deducts from 'days let' & 'days available' therefore directly inhibiting ability to achieve the 182 day threshold.

The UK Government's proposal to include Short Term Lets in the EPC scheme is a direct risk to the sector. Holiday lets: 24% are listed, 21% are historic, 60% are over 100 years

old. Costs involved would mean many would be forced to leave the sector, leaving properties redundant as they would be considered unsuitable for long-term habitation either.

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

(We would be grateful if you could keep your answer to around 500 words).

No.

The 182 day threshold and resultant Council Tax Premiums is a blunt instrument. It was not intended to damage the genuine businesses but this is where it is resulting in the most damage.

Policy decisions are made in silos with no consideration of other policies affecting the same target audience. The result is a tsunami of policies affecting individual Welsh people, businesses and families with irreparable negative affects.

Welsh Holiday Let businesses currently face 22 interventions from all levels and areas of Government... all with financial and personal consequences to a higher or less extent.

7. 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?

(We would be grateful if you could keep your answer to around 500 words).

FHL owners are being forced into income poverty due to disproportionate levels of taxation. Very few Welsh Residents could raise £10,000+ easily, ready to hand over to the taxation system – this is what is expected.

Many Welsh business owners who are also Welsh residents are facing court summons for unpaid Council Tax demands – many of which are completely incorrect charges, and all of which are disproportionate. This is putting people under overwhelming stress.

FHL owners are being forced to ‘work longer for less’ as market trends lead to later booking for shorter stays. Resulting in owners working well below minimum wage levels and working hours that would not be appropriate according to Working Time Directive guidelines and far from appropriate in an employed environment.

When compared to general levels of income taxation, FHL owners are paying disproportionate levels of tax in relation to income or revenues. The most common s/c property size sleeps 4 people, turns over around £23,000 and generates £5,000 profit.

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

(We would be grateful if you could keep your answer to around 500 words).

The typical self-catering owner is female (53.4%), 60+ years (54%), has been running their business for 10 years or more (49.4%), and holiday letting accounts for half their total income. They rent a single small property, often that originated as a diversified farm building (23%). Over half of all owners (53.4%) live next door to their holiday rental property, and 68.6% live within 10 miles of it.

Examples of those struggling also include:

- young Welsh families supporting children through Welsh schools and
- Farming families encouraged to diversify who's FHLs prop us their farm business.
- Many are balancing caring responsibilities, supporting families and supplementing pensions or maintaining economic activity when they do not have pensions.

These demographics are therefore disproportionately impacted by such Government decisions.

Legislation that hurts the sector not only damages the Welsh economy, but it also has its greatest impact on local Welsh residents.

Alternative employment is not only not achievable but also not available.

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).

(We would be grateful if you could keep your answer to around 500 words).

There is much opportunity for preventative spending but we see little or no evidence of effective preventative spending within our sector.

We see evidence of Council Tax premiums being used for 'Emergency Accommodation' much of which is wasted. For example building temporary accommodation at costs in excess of permanent housing.

We have long been advising of the mental health crisis caused by the 182 day threshold. We have yet to receive any acknowledgement of this. This will cause preventable draw on social resources.

Second homes are not being returned to the housing stock, they are simply being recycled or being bought by Retirees from outside the area. This contributes to an already ageing population and creates further preventable draw on social resource.

The majority of Welsh FHL operators are reliant on their holiday let businesses to remain financially independent. 40% rely on their FHL for half of their income. With many now leaving the sector they may look to the state for additional support – this is preventable draw on social resources.

In short, allow people to maintain their financial independence by running their micro-business in exchange for needing support from social resources.

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

(We would be grateful if you could keep your answer to around 500 words).

We are calling for robust Economic Impact Assessments, which form part of the decision making process, for every intervention. An economic impact assessment should be published for every individual policy BEFORE implementation decisions are made – we are yet to see these even after implementation.

We then need to see a cumulative economic impact assessment which considers the impacts of all interventions from all areas of government.

These should then be clearly measured against achievement of stated policy decisions.

Impact assessments are required for all interventions but priorities include:

1) The implementation of the 182-day threshold – together with a full review of 182 (not simply VOA data).

The 182-day threshold is too high and it is a tax measure. People can't achieve it and as a consequence pay disproportionate amounts of tax, which in most cases they can't afford to pay forcing them into poverty, due to matters outside their control.

2) The Tourism Levy - the published Impact assessment was deeply flawed suggesting the introduction of a Levy will make a financial loss and result in a loss of FTE jobs.

Furthermore, it fails to account for the situation that now applies:

1. It did not take into account the severe downturn in visitor numbers to Wales (27% decline 2022-2024)
2. It did not account for the full administrative costs of implementing the levy including processing refunds, reduction in revenue from refunds and LA administration
3. It was based on highly imprecise estimates of the number of accommodation providers (16,000 to 55,000)
4. It did not take into account the extreme pressure that the hospitality industry is under from other recent legislative changes
5. It assumed that all local authorities would implement the levy, which is now unlikely

These considerations seriously undermine the economic calculations on which the levy is based. There is a significant risk that the levy will have far greater costs than benefits, while further damaging the extremely fragile hospitality sector.

We strongly urge the Welsh Government to stop and reconsider the implementation of this anti-growth measure before further damage is done to hospitality in Wales.

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

(We would be grateful if you could keep your answer to around 500 words).

Economic Impact Assessment for all interventions. Valid consideration given to consultation responses and data provided to Welsh Government.

Progress reports against stated policy objectives.

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?

(We would be grateful if you could keep your answer to around 500 words).

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.

(We would be grateful if you could keep your answer to around 500 words).

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

(We would be grateful if you could keep your answer to around 500 words).

How should the Budget support young people?

(We would be grateful if you could keep your answer to around 500 words).

If the Welsh Government wants to support jobs and housing for young people, these should be considered alongside growth measure for Tourism. Tourism is known to be an accessible source of employment for all age groups, including young people.

All age groups should be incentivised to work.

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

(We would be grateful if you could keep your answer to around 500 words).

Many consultations are carried out but the outcomes are often not considered. Consultations come at a cost and should be taken seriously within our democratic system.

Our sector has provided much data which is often largely ignored in policy decisions.

It is commonly known and frequently stated that there is a lack of robust data (not least Levy stating between 16,000 and 55,000). This must be rectified to allow for good data-led policy.

The sector has long been calling for a Statutory Registration Scheme which combines Phase 1 & Phase 2 (safe & legal) which if implemented correctly would provide robust data for Welsh Government to form policy decisions based on facts. It is imperative that this scheme is correctly executed to achieve the policy objective and to provide this essential data.

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?

(We would be grateful if you could keep your answer to around 500 words).

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?

(We would be grateful if you could keep your answer to around 500 words).

A prosperous Wales – Current legislation impacting FHL operators should support growth and investment especially among small entrepreneurial Welsh Businesses – currently it does not. Release the current legislative ‘straight jacket’ to allow innovation and growth.

A resilient Wales – Current legislation impacting FHL operators is causing unsustainable stress and mental health issues to small Welsh business owners. Resilience should be nurtured not destroyed.

A healthier Wales – current legislation affecting FHL operators in Wales is causing unsustainable and irreparable stress. Continued stress and anxiety is known to cause/contribute to irreversible mental health and general health conditions if left untreated. We have significant evidence of this damage and needs attention before it becomes too late to resolve. We have long been calling for urgent attention to this, which remains addressed.

A more equal Wales – We have provided demographic data. Small businesses are being disadvantaged against larger businesses eg recent levy announcement disadvantages small businesses. Government interventions are disproportionately disadvantaging sectors of Welsh residents as detailed earlier in this response. This is also causing distinct disparity between businesses inside Wales to those outside of Wales.

A Wales of more cohesive communities – Genuine FHL business contribute to the local economy. They provide jobs and income. FHLs bring in visitors who supports the local businesses eg pubs, cafés, visitor attractions. The demise of FHLs is being seen to affect local businesses who rely on these visitors. Whilst vacant second homes may detract from the communities, FHL businesses are generally at the heart of their communities and part of the economic eco-system on which the local communities survive. Demise of FHLs = reduced employment, reduced local spend.

A Wales of vibrant culture and thriving Welsh language – most FHLs celebrate the Welshness. Forcing Welsh businesses to leave the area for work is already seeing the next generation Welsh speaking taking their skills and language outside of Wales. This in turn affects the ability to sustain community needs such as local schools.

A globally responsible Wales

– Wales and local economies are dependent on Tourism. The Welsh Government should recognise the need for change when alerted to the irreparable damage on our sector caused by Government interventions.

- Opportunity to reward those small Welsh entrepreneurial businesses who are working to make a reasonable living in order to maintain financial independence and limit reliance on the state.
- More consideration of the devastating mental health impacts highlighted from the Welsh Govt interventions such as 182, council tax premiums
- Promoting and enabling Sustainable Development while eliminating barriers
- Taking action that produces long-lasting, scalable effects

Agenda Item 2.3

Jayne Bryant MS/MS
Ysgrifennydd y Cabinet dros Lywodraeth Leol a Thai
Cabinet Secretary for Housing and Local Government



Llywodraeth Cymru
Welsh Government

Peredur Owen Griffiths MS, Chair, Finance Committee

17 October 2025

Dear Peredur,

When I gave evidence on the Building Safety (Wales) Bill to the Finance Committee on 1 October, I agreed to write to you with further information on 3 matters:

1. A breakdown of the costs and benefits as stated in the Regulatory Impact Assessment, in relation to the specific policy requirements of the Bill.

Annex 1 sets out a breakdown of the costs in relation to the specific policy requirements of the Bill.

As I explained, we have not estimated the benefits of individual policy requirements, but Annex 2 sets out the method by which the monetised benefits of the Bill were estimated and why I believe the approach was appropriate.

2. A breakdown of the £25.51 million in administrative costs for the Welsh Government in relation to specific activities, and where it will incur ongoing costs.

Annex 1 also sets out a breakdown of administrative costs for the Welsh Government.

3. Clarification on whether any costs faced by leaseholders or residents in relation to the Bill will be outside of the rent cap.

For social housing that falls under the purview of the [Welsh Government's Rent and Service Charge Standard](#), service charges are not included in the rent cap. Service charges have to be identified separately to rent. We also require social landlords to ensure rent and service charges are affordable and reasonable for their tenants.

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

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

Thank you for the Committee's work on the Bill. I hope this information helps and I look forward to receiving the Committee's report in due course.

I am copying this to the Chairs of the Local Government and Housing Committee and the Legislation, Justice and Constitution Committee.

Yours sincerely

A handwritten signature in black ink that reads "Jayne Bryant". The signature is written in a cursive style with a large, stylized 'J' and 'B'.

Jayne Bryant AS/MS

Ysgrifennydd y Cabinet dros Lywodraeth Leol a Thai
Cabinet Secretary for Housing and Local Government

Annex 1: An estimate of costs arising from the Building Safety (Wales) Bill

Costs in relation to the specific policy requirements of the Bill

Table 1 shows an estimate of present value costs for each of the specific policy requirements of the Bill.

Table 1: 10yr NPV (£m) 2023 Prices

	Industry	Local Authorities	Fire and Rescue Authorities	Welsh Government	Total
Fire Safety Measures	£37.208	£0.000	£0.000	£0.000	£37.208
Safety Case & Building Certificate	£4.326	£0.623	£0.648	£0.000	£5.597
Golden Thread	£15.822	£0.000	£0.000	£0.000	£15.822
Building Registration Information	£0.404	£0.000	£0.000	£0.000	£0.404
Occurrence Recording and Reporting	£0.064	£0.066	£0.023	£0.035	£0.188
Duties on Residents	£9.418	£0.000	£0.000	£0.000	£9.418
Engaging Residents	£23.006	£0.000	£0.000	£0.000	£23.006
Providing systems to receive building safety complaints	£22.233	£1.262	£0.302	£0.000	£23.797
Sanctions and Enforcement	£1.939	£0.280	£1.474	£21.515	£25.208
Building Registration	£0.079	£2.347	£0.000	£0.485	£2.912
	£114.499	£4.578	£2.447	£22.034	£143.560
Familiarisation Costs	£1.296	£0.037	£0.017	£0.000	£1.350
	£115.795	£4.615	£2.464	£22.034	£144.910

Administrative costs for the Welsh Government in relation to specific activities

In present value, costs for Welsh Government are discounted from £25.51m to £22.03m. Table 1 includes a breakdown of the present value costs for Welsh Government.

Sanction and Enforcement accounts for £21.515m or 98% of the total. This is the estimated cost of the new regime to the Residential Property Tribunal (RPT). The estimate is uncertain, being based on assumptions about the number of cases which the RPT may be asked to consider. Officials are working with the Welsh Tribunals Unit and the RPT to fully understand additional resource implications. If the Bill is passed, we will keep these costs under review throughout the phased implementation period. This will be a recurring cost to Welsh Government.

Other costs for Welsh Government include £0.485m for the development of secondary legislation and guidance. This will be a transitional cost to Welsh Government.

Annex 2: Building Safety (Wales) Bill - Benefits Model: Assumptions, Methodology and Results

1.0 Introduction

1.1 This report outlines the methodology, underlying assumptions, and results of an assessment concerning the benefits associated with the occupation phase of the new building safety regime in Wales, as proposed under the Building Safety (Wales) Bill. It has been prepared to support the Finance Committee, specifically identifying which benefits have been monetised, and detailing the assumptions, methodologies, data sources, and evidence used in estimating the benefits of the Bill. To support understanding of the benefits calculation process, the report includes a worked example detailing the full sequence of benefit estimations for Category 1 buildings—defined as those exceeding 18 metres in height.

1.2 The analysis in the regulatory impact assessment (RIA) draws substantially on the methodology, data sources, and assumptions used in the analysis underpinning the UK Government's Building Safety Act 2022 (referred to as the England analysis). Nonetheless, it also incorporates the distinct policy context of Wales and leverages data that reflects the unique conditions and circumstances specific to the Welsh setting.

2.0 Policy Options

The analysis conducted by Adroit Economics evaluates the costs and benefits of two new policy options, in comparison to the baseline scenario:

- **Option 1:** Business as usual (the counterfactual): this represents the current approach with no changes to existing policy.
- **Option 2:** Do minimum: Legislate to introduce a new regime in Wales focusing on the occupation phase of a building's life cycle. The regime would cover the regulation of building safety risks in multi-occupied residential buildings of at least 18m. multi-occupied residential buildings under 18m and certain Houses in Multiple Occupation (HMOs) would be subject to the fire safety duties, including resident fire safety duties, but would be excluded from scope of the other duties in the regime.
- **Option 3:** Preferred option (the Bill): Legislate to introduce a new regime in Wales focusing on the occupation phase of a building's life cycle. It would cover the regulation of building safety risks in multi-occupied residential buildings. There would be three categories of building in scope of the regime as set out in section 6 below. Certain Houses in Multiple Occupation (HMOs) would be subject to the fire safety duties but would be excluded from scope of the other duties in the regime.

3.0 Appraisal period

The following appraisal periods are used for costs and benefits estimation:

Costs – 10-year policy appraisal period

According to HM Treasury's Green Book, a 10-year appraisal period is standard for this type of policy intervention and is sufficient for a steady state to be reached where costs follow a broadly even profile over time and are relatively consistent annually beyond the 10-year appraisal period.

Benefits – 70-year appraisal period (10-year policy period and 60-year building lifespan)

The 70-year appraisal period used to assess benefits to capture benefits that accrue during the 10-year policy appraisal period and the benefits (such as, health and environmental) that may persist over the lifespan of a building, assumed to be 60 years. This 70-year appraisal period is also consistent with the Green Book guidance on 'persistence' of benefits over longer time periods.

4.0 Start year and price year

The analysis uses a start year of 2027-28 and a price year of 2023-24

5.0 Monetised benefits

The benefits analysis includes avoided costs due to reduced fire incidents that includes fatalities and injuries, adverse mental health and well-being impacts on directly and indirectly affected individuals, and non-health impacts including property damage, personal possessions loss, displacement, and other service costs. The benefits analysis specifically accounts for the following categories of health and non-health impacts:

- *Health Impacts*
 - Fatalities – residents
 - Serious Injuries – residents
 - Slight Injuries – residents
 - Injuries - rescue services
 - Mental health - depression – residents/non-residents
 - Mental health – screening costs
 - Mental health - treatment – residents
 - Mental health - treatment – non-residents
- *Non-Health Impacts*
 - Lost personal possessions
 - Temporary accommodation
 - Residents' meetings
 - Demolition of building
 - Rebuilding /renovating cost
 - Legal fees
 - Specialist recovery
 - Experts' investigation

- Lost rent from commercial space

In addition, the assessment in the RIA estimates the costs of structural incidents that could be avoided by the policy.

6.0 Methodology, Assumptions, and Data Sources

The steps, assumptions and evidence that are used in the benefits analysis are as follows:

Step 1: Categorising buildings in scope

For the purposes of this analysis, the buildings within scope have been categorised according to their height and size. Initially, they were classified into four broad groups: (i) Category 1 buildings – those measuring at least 18 metres in height or comprising a minimum of seven storeys; (ii) Category 2 buildings – those under 18 metres and fewer than seven storeys, but at least 11 metres or five storeys; (iii) Category 3 buildings – those below 11 metres in height and fewer than five storeys; (iv) Relevant Houses in Multiple Occupation (HMOs). For analytical purposes, category 2 and 3 classifications are further subdivided into three subcategories based on height and size:

- Large blocks of flats (containing more than 25 units) in 4-7 storeys buildings.
- Small blocks of flats (comprising between 6 and 25 units) in 1-3 storeys buildings.
- Converted houses (containing between 2 and 5 units).

This classification by height and size is essential, as these factors influence the potential number of occupants and dwellings that may be directly impacted in the event of a fire.

Step 2: Identifying common types of fire incident

The fire spread incident types adopted in the analysis are:

- Major incidents - apply to large category 1 and 2 buildings where the fire affects the whole building and there are many casualties.
- Medium incidents – apply to all buildings (including category 3 buildings and HMOs) where the fire affects the whole building, but there are a limited number of casualties, and
- Minor incidents – which apply to all buildings where the fire spreads beyond the room of origin but is limited to 1 or 2 floors.
- Fire ignitions in communal areas that start but do not spread.

In identifying fire spread types, the analysis builds upon the classification used in the England assessment—primarily focused on buildings 18 metres and above—and expands it to include additional categories relevant to multi-occupied buildings of all heights, reflecting the broader scope of the Welsh regime. The analysis also draws on data from the Welsh Fire Statistics to identify fire incidents that originate but do not result in further spread.

Step 3: Estimating the extent and scale of casualties and other losses associated with each type of fire spread incident

In assessing the impact of a major fire in a large multi-occupied residential building, this analysis adopts the same assumptions regarding the extent of damage and casualty profiles as those used in the England assessment. The England analysis compiled a

comprehensive list of loss types associated with major fire spread incidents by reviewing recent cases in similar buildings and incorporating findings from the Grenfell Tower Inquiry. The table below outlines the estimated scale of losses for an incident comparable to Grenfell Tower.

Table 1: Scale of Loss for an Accident Comparable to Grenfell Tower		
		Grenfell Tower Economic Costs
Type of impact	Type of unit	number of units
Health Impacts		
Fatalities – residents	number of persons	72
Serious Injuries – residents	number of persons	20
Slight Injuries – residents	number of persons	42
Injuries - rescue services	number of emergency personnel	114
Mental health - treatment - residents	number of residents	231
Mental health - op - screening	number of non-residents - family, friends, neighbours	11,000
Mental health - treatment - other	number of non-residents - family, friends, neighbours	3,630
Mental health - wellbeing - avoiding depression	number of non-residents - family, friends, neighbours	3,630
Non-Health Impacts		
Demolition of building	number of buildings	1
Rebuilding cost	number of flats	120
Lost personal possessions	number of flats	120
Specialist recovery	number of flats	120
Temporary accommodation	number of residents	231
Lost rent from commercial space	number of weeks	48
Experts' investigation	average cost of investigation	1
Legal fees	average cost of investigation	1
Residents' meetings	number of meetings	10

Consistent with the approach taken in the England analysis, this assessment assumes that only a proportion of impacts is likely to occur in future fire spread incidents, due to changes in Fire and Rescue Service strategies and evolving resident evacuation behaviours. This proportion is further adjusted based on building size, including the number of flats, and the extent of fire spread. The table below outlines the assumed

proportion of Grenfell Tower losses applicable to each fire incident type within Category 1 buildings -- those measuring over 18m height.

Table 2: Assumptions regarding proportion of Grenfell Tower losses to occur in each type of fire spread incident for Cat 1 buildings						
Type of impact	Major incident - with fatalities	Major incident - with reduced fatalities	Medium incident - with casualties	Medium incident - without casualties	Minor incident - 2 floors	Minor incident - 1 floor
Health Impacts						
Fatalities – residents	25%	5%	*	0%	*	*
Serious Injuries – residents	25%	25%	*	0%	*	*
Slight Injuries – residents	25%	25%	*	0%	*	*
injuries - rescue services	25%	25%	5%	0%	0%	0%
mental health - treatment - residents	50%	25%	5%	0%	0%	0%
mental health - op - screening	50%	25%	5%	0%	0%	0%
mental health - treatment - other	50%	25%	5%	0%	0%	0%
mental health - wellbeing - avoiding depression	50%	25%	5%	0%	0%	0%
Non-Health Impacts						
Demolition of building	100%	100%	0%	0%	0%	0%
rebuilding cost	50%	50%	10%	10%	1%	0.5%
lost personal possessions	50%	50%	10%	10%	1%	0.5%
specialist recovery	50%	50%	10%	10%	1%	0.5%
temporary accommodation	50%	50%	10%	10%	1%	0.5%
lost rent from commercial space	50%	50%	10%	10%	1%	0.5%
experts' investigation	50%	50%	10%	10%	1%	0.5%
legal fees	50%	50%	10%	10%	1%	0.5%
residents' meetings	50%	50%	10%	10%	1%	0.5%

Regarding medium, minor fire incidents and fires in common areas in all multi-occupied residential buildings and HMOs, this analysis also draws on the incident level fire statistics for Wales which provide data on the number of casualties associated with different types of fires. The extent of damage is estimated in the analysis based on the size of the building (and number of flats) and on the extent of fire spread.

Step 4: Monetising the losses associated with each type of fire incident

This analysis incorporates findings from the England assessment, drawing on a combination of published statistics, evidence from the Grenfell Tower fire, and research into several recent major fire incidents. It also utilises additional metrics, including the average cost of a fire and reconstruction expenses. The economic cost per unit values applied to each impact type are presented in the following table and are gathered from the Department for Transport (DfT) TAG Databook, case studies, and consultants' industry expertise.

Table 3: Unit Values used in the Analysis for Each Type of Impact		
Type of impact	Type of unit	Economic cost per unit
Health Impacts		
Fatalities – residents	per person	£2,650,033
Serious Injuries - residents	per person	£294,835
Slight Injuries - residents	per person	£22,652
Injuries - rescue services	per person	£98,849
Mental health - treatment - residents	per person	£11,000
Mental health - op – screening - family, friends, neighbours	per person	£200
Mental health - treatment - family, friends, neighbours	per person	£6,000
Mental health - wellbeing - avoiding depression – residents, family, friends, neighbours	per person	£60,000
Non-Health Impacts		
Demolition of building	per building	£800,000
Rebuilding cost	per flat	£300,000
Lost personal possessions	per flat	£25,000
Specialist recovery	per flat	£2,000
Temporary accommodation	per resident	£1,200
Lost rent from commercial space	per week	£15,000
Experts' investigation	per building	£250,000
Legal fees	per building	£1,000,000
Residents' meetings	per meetings	£1,250

The economic costs of each type of fire incidents for the buildings in scope (e.g., Cat 1 buildings) are estimated by assigning economic cost per unit for each type of impact to the proportion of Grenfell Tower type incident losses assumed to occur for the building categories. For example, the economic costs of fatalities (residents) for a fire type (e.g., major incident with multiple fatalities) are estimated as follows: unit values of fatalities as shown in Table 3 (£2,650,033) * % of Grenfell Tower losses of Table 2 (25%) * number of fatalities of Table 1 (72) = £47m, and this provides the first entry of the following table which presents the estimated losses for each fire incident type within Category 1 buildings in Wales.

Table 4: Economic Costs of Fire Incidents for Cat 1 Buildings

Type of impact	Major incident - with multiple fatalities	Major incident - with reduced fatalities	Medium incident - with fatalities	Medium incident - without fatalities	Minor incident - 2 floors	Minor incident - 1 floor	Fires in common areas
Health Impacts							
Fatalities - residents	£47,700,599	£9,540,120	£441,672	£0	£82,814	£82,814	£ -
Serious Injuries - residents	£1,474,174	£1,474,174	£147,417	£0	£59,888	£59,888	£22,593
Slight Injuries - residents	£237,843	£237,843	£11,326	£0	£4,601	£4,601	£1,736
Injuries - rescue services	£2,817,183	£2,817,183	£563,437	£0	£0	£0	£ -
Mental health - treatment - residents	£1,270,500	£635,250	£127,050	£0	£0	£0	£ -
Mental health - op - screening	£1,100,000	£550,000	£110,000	£0	£0	£0	£ -
Mental health - treatment - other	£10,890,000	£5,445,000	£1,089,000	£0	£0	£0	£ -

Mental health - wellbeing - avoiding depression	£108,900,000	£54,450,000	£10,890,000	£25,200	£25,200	£ 25,200	£25,200
Total Health Costs, £m	£174m	£75m	£13m	£0.03m	£0.2m	£ 0.2m	£0.05m
Non-Health Impacts							
Demolition of building	£800,000	£800,000	£0	£0	£0	£0	
Rebuilding cost	£18,000,000	£18,000,000	£3,600,000	£3,600,000	£360,000	£180,000	£22,100
Lost personal possessions	£1,500,000	£1,500,000	£300,000	£300,000	£30,000	£15,000	
Specialist recovery	£120,000	£120,000	£24,000	£24,000	£2,400	£1,200	
Temporary accommodation	£138,600	£138,600	£27,720	£27,720	£2,772	£1,386	
Lost rent from commercial space	£360,000	£360,000	£72,000	£72,000	£7,200	£3,600	
Experts' investigation	£125,000	£125,000	£25,000	£25,000	£2,500	£1,250	
Legal fees	£500,000	£500,000	£100,000	£100,000	£10,000	£5,000	
Residents' meetings	£6,250	£6,250	£1,250	£1,250	£125	£63	£63
Total non-health costs, £m	£21.5m	£21.5m	£4.1m	£4.1m	£0.4m	£0.2m	£0.02m

Step 5: Scaling up –

In this final stage, the analysis estimates the number of fire incidents—and the related economic losses—expected to occur in applicable buildings across Wales over a 10-year policy appraisal period, both in the absence of the new building safety regime (counterfactual) and with its implementation. This stage involves estimating the baseline probability of fire incidents, assessing potential risk reductions over time through remediation under the baseline scenario, and additional risk mitigation through the policy measures. The outcome is a reduction in fire incidents attributed to the policy, along with the monetised value of those avoided incidents. The activities and assumptions underpinning both the counterfactual and policy scenarios are outlined below:

Without the Bill (Counterfactual) -- The annual probability of each fire incident type occurring across building categories in Wales is estimated using baseline figures from the England analysis, adjusted for Welsh proportion of the stock of buildings and fire statistics (pre-counterfactual scenario). Over the 10-year appraisal period, these probabilities are expected to decline due to increased remediation of at-risk buildings, improved building management, and enhanced resident engagement—particularly reducing the risk of fire spread in taller buildings (counterfactual scenario). Adjustments are made to reflect the varying relevance of remediations across building heights.

With the Bill (Policy Regime) -- The analysis anticipates a further reduction in fire spread risks through measures under the new regime. It assumes that principal accountable persons will proactively assess buildings and collaborate with residents to address identified issues. The Bill is expected to have the greatest impact on mitigating major fire incidents in Category 1 buildings, with more modest risk reductions in smaller buildings and less severe fire types, and adjustments are made to reflect this variation.

7.0 Illustrative calculations sequence for category 1 buildings at step 5 (Scaling up)

This section outlines a worked example demonstrating the methodology used to estimate the benefits—both in terms of reduced fire incidents and their associated economic value—attributable to the Building Safety Bill, beyond those expected under the counterfactual scenario. The example focuses on Category 1 buildings, with similar calculations applied to other building categories.

7.1 Estimating baseline fire incident probabilities (pre-counterfactual)

Baseline fire risks are assessed using historical data for the pre-policy (counterfactual) scenario. Major fire incident risks are adapted from England analyses and adjusted to reflect conditions in Wales. Medium and minor fire risks are derived from Welsh fire statistics covering the five-year period from 2018 to 2023.

Table 5: Estimated Risk of Fires - pre counterfactual (Baseline) - (% probability of fire occurring each year - historic data)

		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
	Incidents per annum	yr1	yr2	yr3	yr4	yr5	yr6	yr7	yr8	yr9	yr10
Major incident 25% fatalities	0.00030	0.0003	0.0003	0.0003	0.0003	0.0003	0.0003	0.0003	0.0003	0.0003	0.0003
Major incident (whole building loss)	0.00192	0.0019	0.0019	0.0019	0.0019	0.0019	0.0019	0.0019	0.0019	0.0019	0.0019
Medium incident (casualties)	0.20000	0.2000	0.2000	0.2000	0.2000	0.2000	0.2000	0.2000	0.2000	0.2000	0.2000
Medium incident (no casualties)	0.27000	0.2700	0.2700	0.2700	0.2700	0.2700	0.2700	0.2700	0.2700	0.2700	0.2700
Minor incident (2 floors)	0.07000	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700
Minor incident (1 floor)	0.96000	0.9600	0.9600	0.9600	0.9600	0.9600	0.9600	0.9600	0.9600	0.9600	0.9600
Fires in common areas	5.38000	5.3800	5.3800	5.3800	5.3800	5.3800	5.3800	5.3800	5.3800	5.3800	5.3800

7.2 Risk reduction for remediation efforts under the counterfactual scenario

An improvement in fire safety is expected even without the implementation of the Bill, driven by a proportion of remediated buildings, better building management, fire evacuation practices, and residents’ engagement. These efforts are particularly effective in reducing the risk of severe fire spread in taller buildings, with more limited impact on lower-rise structures. A risk reduction adjustment factor is applied to account for this variation.

Table 6: The anticipated improvement to fire safety without the Bill, based on the increasing proportion of buildings that are remediated (changes to the baseline counterfactual)

		yr1	yr2	yr3	yr4	yr5	yr6	yr7	yr8	yr9	yr10	
risk reduction		10%	20%	30%	40%	50%	55%	60%	65%	70%	70%	
relative risk of fire spread due to defect remediation compared to baseline fire statistics		90%	80%	70%	60%	50%	45%	40%	35%	30%	30%	
Gross impacts net of counterfactual												
Pack Page 28	risk reduction adjustment factor	yr1	yr2	yr3	yr4	yr5	yr6	yr7	yr8	yr9	yr10	
	Major incident 25% fatalities	100%	0.0003	0.0002	0.0002	0.0002	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
	Major incident (whole building loss)	100%	0.0017	0.0015	0.0013	0.0011	0.0010	0.0009	0.0008	0.0007	0.0006	0.0006
	Medium incident (casualties)	100%	0.1800	0.1601	0.1397	0.1194	0.0990	0.0900	0.0800	0.0700	0.0600	0.0603
	Medium incident (no casualties)	100%	0.2430	0.2161	0.1886	0.1612	0.1337	0.1215	0.1080	0.0945	0.0810	0.0814
	Minor incident (2 floors)	30%	0.0679	0.0658	0.0637	0.0615	0.0594	0.0585	0.0574	0.0564	0.0553	0.0553
	Minor incident (1 floor)	10%	0.9504	0.9408	0.9311	0.9213	0.9115	0.9072	0.9024	0.8976	0.8928	0.8929
	Fires in common areas	10%	5.3262	5.2727	5.2179	5.1631	5.1084	5.0841	5.0572	5.0303	5.0034	5.0041

7.2.1 Additional risk reductions under the policy regime

Further reductions in fire risk are attributed directly to the implementation of the Building Safety Bill, reflecting the enhanced safety measures it introduces.

Table 7- Assumptions on Further Risk Reduction for the Building Safety Bill

		yr1	yr2	yr3	yr4	yr5	yr6	yr7	yr8	yr9	yr10
Further risk reduction attributable to the Building Safety Bill		2%	5%	10%	15%	20%	30%	40%	50%	60%	75%
Risk reduction adjustment factor		yr1	yr2	yr3	yr4	yr5	yr6	yr7	yr8	yr9	yr10
Major incident 25% fatalities	100%	2%	5%	10%	15%	20%	30%	40%	50%	60%	75%
Major incident - minor fatalities	100%	2%	5%	10%	15%	20%	30%	40%	50%	60%	75%
Medium incident (casualties)	75%	2%	4%	8%	11%	15%	23%	30%	38%	45%	56%
Medium incident (no casualties)	50%	1%	3%	5%	8%	10%	15%	20%	25%	30%	38%
Minor incident (2 floors)	50%	1%	3%	5%	8%	10%	15%	20%	25%	30%	38%
Minor incident (1 floor)	25%	1%	1%	3%	4%	5%	8%	10%	13%	15%	19%
Fires in common areas	50%	1%	3%	5%	8%	10%	15%	20%	25%	30%	38%

7.4 Estimating the reduction in fire incidents

The reduction in fire incidents is calculated by applying the risk reduction percentages (as shown in Table 7) to the counterfactual probabilities of fire incidents (Table 6).

Table 8- Resulting Reduced Number of Incidents for the Building Safety Bill

	yr1	yr2	yr3	yr4	yr5	yr6	yr7	yr8	yr9	yr10
Major incident 25% fatalities	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0001	0.0001	0.0001
Major incident - minor fatalities	0.0000	0.0001	0.0001	0.0002	0.0002	0.0003	0.0003	0.0003	0.0003	0.0004
Medium incident (casualties)	0.0027	0.0060	0.0105	0.0134	0.0149	0.0203	0.0240	0.0263	0.0270	0.0339
Medium incident (no casualties)	0.0024	0.0054	0.0094	0.0121	0.0134	0.0182	0.0216	0.0236	0.0243	0.0305
Minor incident (2 floors)	0.0007	0.0016	0.0032	0.0046	0.0059	0.0088	0.0115	0.0141	0.0166	0.0207
Minor incident (1 floor)	0.0048	0.0118	0.0233	0.0345	0.0456	0.0680	0.0902	0.1122	0.1339	0.1674
Fires in common areas	0.0533	0.1318	0.2609	0.3872	0.5108	0.7626	1.0114	1.2576	1.5010	1.8765

7.5 Estimating the monetised value of avoided accidents

To quantify the economic benefits or avoided costs, the cost per fire incident type is applied to the estimated reduction in incidents, yielding the total monetised value of avoided fires under the policy regime.

Table 9- Monetised Value (£) of avoided incidents

Health Impacts	cost per incident	yr1	yr2	yr3	yr4	yr5	yr6	yr7	yr8	yr9	yr10
Major incident 25% fatalities	174,390,000	927	2,062	3,600	4,613	5,101	6,955	8,243	9,016	9,273	11,642
Major incident - minor fatalities	75,150,000	2,597	5,776	10,082	12,920	14,289	19,481	23,088	25,253	25,975	32,609
Medium incident (casualties)	13,430,000	36,261	80,629	140,753	180,370	199,481	271,958	322,320	352,538	362,610	455,231
Medium incident (no casualties)	30,000	73	162	283	363	401	547	648	709	729	915
Minor incident (2 floors)	180,000	122	296	573	831	1,069	1,578	2,066	2,536	2,986	3,735
Minor incident (1 floor)	180,000	855	2,117	4,190	6,219	8,204	12,247	16,243	20,196	24,106	30,136
Fires in common areas	50,000	2,663	6,591	13,045	19,362	25,542	38,131	50,572	62,879	75,051	93,827
Total (non-discounted)		40,836	97,633	159,480	205,315	228,546	312,765	372,609	410,247	425,678	534,268
PV (Discounted value)		£0	£35,753	£77,147	£130,504	£161,077	£193,089	£255,042	£295,212	£314,525	£373,363
Non-Health Impacts											
Major incident 25% fatalities	21,550,000	115	255	445	570	630	859	1,019	1,114	1,146	1,439
Major incident - minor fatalities	21,550,000	745	1,656	2,891	3,705	4,098	5,586	6,621	7,242	7,448	9,351
Medium incident (casualties)	4,150,000	11,205	24,915	43,494	55,736	61,642	84,038	99,600	108,938	112,050	140,671
Medium incident (no casualties)	4,150,000	10,085	22,424	39,145	50,162	55,478	75,634	89,640	98,044	100,845	126,604
Minor incident (2 floors)	410,000	278	675	1,305	1,892	2,435	3,595	4,707	5,776	6,802	8,507
Minor incident (1 floor)	210,000	998	2,470	4,888	7,255	9,571	14,288	18,950	23,562	28,123	35,159
Fires in common areas	20,000	1,065	2,636	5,218	7,745	10,217	15,252	20,229	25,152	30,020	37,531
Total (non-discounted)		24,490	55,031	97,386	127,066	144,070	199,252	240,765	269,826	286,435	359,260
PV (Discounted value)		24,490	53,170	90,911	114,606	125,549	167,765	195,863	212,081	217,522	263,600
Total Discounted Benefits (cumulative)	19,683,620										

In addition to these benefits, the discounted avoided costs for structural incidents in category 1 buildings are estimated at approximately £136k.

A comparable sequence of calculations is undertaken to estimate the monetised value of avoided costs as result of reduced fires for other building types, including 4–6 storey buildings and buildings under 4 storeys.

8.0 Non-monetised Benefits

As mentioned in the RIA, several identified benefits have not been monetised due to insufficient evidence to support reliable estimation or because detailed analysis was deemed disproportionate. These may be monetised in future in post-evaluation stage, subject to the availability of robust data.

- **Enhanced resident well-being:** A key non-monetised benefit is the anticipated improvement in residents' sense of safety within multi-occupied buildings, reducing anxiety about fire risks. This outcome is expected through proactive safety measures, improved communication, efficient complaint handling, and the establishment of building safety authorities. Quantifying this benefit remains challenging due to the complexity and cost of gathering preference-based evidence.
- **Increased confidence in mortgage and insurance markets:** The regime may strengthen mortgage and insurance markets by enabling lending against previously excluded properties and reducing insurance premiums through clearer risk differentiation. While evidence on post-remediation insurance costs is mixed, improved confidence could stimulate further investment in affected buildings.
- **Lower firefighting costs:** A reduction in fire incidents would decrease operational costs for Fire and Rescue Services, particularly for retained firefighters who are compensated per response. Avoided fires also reduce expenditure on fuel, materials, and equipment wear.
- **Environmental protection:** Fewer fires would lead to reduced use of firefighting chemicals, thereby lowering environmental contamination and associated health risks.
- **Reduced enforcement costs:** Competency requirements for fire risk assessors and clearer accountability for buildings over 11 metres are expected to streamline inspections and enforcement.
- **Improved sector intelligence:** Enhanced recording and reporting of safety incidents will promote shared learning and provide authorities with better insights into systemic safety issues.

9.0 Total Estimated Benefits of the Building Safety Bill

Total Benefits (in present value), £		
	Option 2	Option 3
7 storeys+	£19,820,068	£19,820,068
4-6 storeys	£3,228,855	£6,809,985
Under 4 storeys	£30,307,711	£34,328,225
HMO	£1,645,106	£1,645,106
Total benefits	£55,001,740	£62,603,384

While these figures provide valuable insight, they do not capture the full picture as many potential benefits are not monetised due to the lack of evidence and data constraints. For example, in the assessment included in the RIA, certain benefits—particularly the broader reduction in anxiety and the enhanced well-being of residents who feel reassured about the safety of their buildings—could not be monetised. Had all these intangible benefits been quantified, they would have contributed toward closing the benefit-cost gap or even shown that the benefits outweigh the costs.

10.0 Concluding Remarks and Limitations of the Assessment

The benefits analysis conducted by Adroit Economics evaluates the Building Safety Bill as a complete set of measures. Due to limited supporting evidence and data constraints, it is challenging to isolate and attribute specific benefits to individual policy components—for instance, there is insufficient supporting evidence to quantify the fire risk reduction resulting solely from increased resident engagement or golden thread information. However, this comprehensive approach could be useful in shaping the design and focus of the post-implementation review, particularly when more context-specific data will be available for England and Wales.

It is further important to note that the cost and benefit estimates in the RIA are based on provisional assumptions regarding the operational characteristics of the proposed regime. These assumptions have been reviewed and refined in consultation with key stakeholders, including representatives from industry, the UK Government, the Health and Safety Executive, Community Housing Cymru, Welsh local authorities, the Welsh Local Government Association, and Welsh fire and rescue authorities. Despite these efforts, a degree of uncertainty remains. Specifically, assumptions related to fire risk profiles for the buildings in scope, % of risk reductions over years, risk adjustments for fire and building types, and potential loss estimates are inherently uncertain. While the extent of uncertainty varies across individual assumptions, it collectively contributes to variability in the overall cost-benefit estimates.

Jayne Bryant AS/MS
Ysgrifennydd y Cabinet dros Lywodraeth Leol a Thai
Cabinet Secretary for Housing and Local Government

Agenda Item 2.4



Ref: PO/JB/535/2025

Llywodraeth Cymru
Welsh Government

30 October 2025

Dear Mike,

Thank you for providing the Committee's questions on the Building Safety (Wales) Bill. My responses are attached at Annex A.

I also said I would write to you with my thoughts on the formal consolidation of housing law. Your Committee will be familiar with the criteria the Government set itself for identifying suitable projects for consolidation and codification at the beginning of this Senedd. Those criteria clearly point to housing being a suitable subject for codification in due course. Indeed, this is identified as such in the Government's *Future of Welsh Law* programme.

There is a substantial body of Welsh law in the area of housing, including our work to progressively develop Welsh law in the field of 'Renting Homes'. The Renting Homes (Wales) Act 2016 was the first step in this: the 2016 Act brought together and updated many diverse statutes and incorporated relevant case law. The Renting Homes (Fees Etc.) (Wales) Act 2019 was the second significant step in this process.

We are also engaged, jointly with the UK Government, in the reform and updating of a wide range of legislation governing the operation of leasehold, freehold and commonhold law, with the Leasehold Reform (Ground Rent) Act 2022 and the Leasehold and Freehold Reform Act 2024 already having been passed and further reforms planned.

There is a tension between the need to improve the accessibility of the law through consolidation and codification, and the understandable need to reform existing legislation and make provision for emerging issues. However, I believe we are approaching a point where reforms could operate within a body of codified Welsh housing law and I would hope that the next Government will consider this area of the statute book for formal codification.

I also agreed to write to you about shell companies. Exactly which person or entity is identified as an accountable person will vary depending on the ownership and management model used in each building.

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

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

The Bill primarily places duties on those who own or have certain existing obligations for the building. This ensures accountability is placed on those entities who are in a position to keep the building safe for residents. Typically, we expect building owners and landlords, both social and private, to be identified as accountable persons.

In some buildings where complex ownership models are in place it could be possible for others, e.g. freeholders or head lessees, to be an accountable person depending on which entity in a chain of leases has the repairing obligations.

We know that many of the buildings that would be regulated under the regime established by this Bill would be owned through companies. Section 105 of the Bill means that senior officers of companies may be held criminally liable, if it is proven that they have committed an offence under the Bill. Senior officers of a company are capable of being held to account, for example, where the officer has themselves committed the offence or it is due to neglect on their part. This will help to ensure that individuals that are in practice responsible for breaches cannot avoid accountability by hiding behind a corporate veil. This provision seeks to ensure company directors and others do not avoid liability due to the accountable person or principal accountable person not being an individual.

I'm grateful for the Committee's work on the Bill. I hope this information helps with the Committee's ongoing considerations and I look forward to receiving its report in due course.

I am copying this to the Chairs of the Local Government and Housing Committee and the Finance Committee.

Yours sincerely,

A handwritten signature in black ink that reads "Jayne Bryant". The signature is written in a cursive, flowing style.

Jayne Bryant AS/MS

Ysgrifennydd y Cabinet dros Lywodraeth Leol a Thai

Cabinet Secretary for Housing and Local Government

Annex A: Response to Questions from the Legislation, Justice and Constitution Committee on the Building Safety (Wales) Bill

Legislative competence

- 1. We understand that certain provisions of the Bill that may affect the private interests or hereditary revenues of the King or the Duke of Cornwall and so, in our view, will require the signification of Crown consent under section 111(4) of the 2006 Act and Standing Order 26.67. Could you please tell us which provisions in the Bill you anticipate will require King's or Duke of Cornwall's consent and what is the status of those requests?**

The Bill will bind the Crown, by virtue of section 28 of the Legislation (Wales) Act 2019 (subject to the limitation in section 28(3) of the 2019 Act). This is also subject to the exceptions in section 97 of the Bill (application of this Part to the Crown). The exceptions relate to limitations on investigatory action, enforcement action and powers of entry.

By way of example as to how the Crown may be affected by the general application of the Bill as introduced, if His Majesty were the owner of the common parts of a building within scope of the regime then His Majesty could be identified as an "accountable person" (subject to section 8 being satisfied) for that building. If this were the case then the duties under the Bill would apply to His Majesty (subject to the aforementioned limitations), see in particular those in Chapter 4 (in respect of "regulated buildings"). The Duke of Cornwall would be capable of being affected by the Bill in the same way as His Majesty.

The Principal Private Secretary to the First Minister wrote to the Private Secretary to HM The King on 8 July 2025 to ask His Majesty for consent, in so far as he may be affected by the Bill as introduced. The Palace confirmed on 23 September 2025 that His Majesty has granted his consent.

Existing legislative framework

- 2. At our evidence session on 29 September, your official spoke about the Regulatory Reform (Fire Safety) Order 2005, its lack of applicability with housing law, and how the Bill aims to address those inconsistencies. Do you have anything further to add about whether this legislation combined with UK legislation amended by the Senedd, recently enacted UK legislation (e.g. the Building Safety Act 2022 ("the 2022 Act")), and associated subordinate legislation, will affect the accessibility and coherence of the law in relation to building safety in Wales? We would welcome any additional examples of how the Bill is improving the accessibility and coherence of the statute book in relation to building safety.**

The current regulatory system covering safety in multi-occupied residential buildings is not fit for purpose. The failings were laid bare in the Grenfell Tower tragedy and subsequent reviews and inquiries.

Whilst buildings within the scope of the Bill will also be subject to other legislative provisions, such as the Housing Health and Safety Rating System under the Housing Act 2004, the Hackitt Review recommended that there should be greater clarity about who is responsible for managing the safety of buildings in occupation.

The Bill identifies who those duty holders are and places a proportionate and relevant set of duties on them to ensure that risks are managed appropriately in buildings. I consider, therefore, that the changes brought about by this Bill will improve the coherence of the law on building safety.

I do note, however, the Committee's broader concern regarding overall accessibility and the question around whether housing law generally, and building safety law specifically, applicable in relation to Wales should be brought together into bilingual Acts of the Senedd and codified. I refer the Committee to the main body of my letter.

Development of the Bill

- 3. As we discussed on 29 September, there has been a very significant delay between the Grenfell tragedy in June 2017 and the development of this Bill. During the Local Government and Housing Committee's scrutiny of the Building Safety Bill LCM in November 2021 (already over four years after the Grenfell fire), the then Minister for Climate Change stated that:**

"... in the light of the Grenfell tragedy and the need to respond to the subsequent independent review of building regulations—the Hackitt review that Members will be familiar with—we need to respond as quickly as possible, and this Bill is the most effective way to do that. We've made it clear as a Government that, whilst protecting the devolution settlement remains a critical area of priority for us and that our general principle is to legislate in the Senedd, we should be open to taking pragmatic approach to using UK legislation to achieve the Welsh Government's objectives where that's necessary and it completely suits our policy agenda."

How would you respond to concerns that, by enacting legislation in Wales via the UK Parliament in 2021, and taking an additional four years to introduce this Bill to the Senedd, the Welsh Government has failed both to respond quickly to the Grenfell tragedy and to protect the devolution settlement?

The Bill forms part of a much wider programme of work taken forward since the Grenfell Tower tragedy, all aimed at ensuring residential buildings in Wales are as safe as possible. Since Grenfell we have:

- Made significant reforms to the building control system
- Introduced new regulation for higher-risk buildings during the design and construction phase
- Required mandatory registration and regulation of building control professionals
- Made regulations in 2019 preventing the installation of certain cladding on residential buildings of at least 18 metres
- Laid regulations, due to come into force in December, banning metal composite cladding panels with a polyethylene core (the type of cladding that was used on Grenfell Tower) on all buildings that require building regulations approval
- Undertaken a programme of remediation work (which is ongoing) to address in-built fire safety issues in multi-occupied residential buildings of 11m and above

The measures taken forward under the Building Safety Act 2022 are largely related to regulation of the building control profession, procedural reform for the design and construction of buildings and the introduction of dutyholder roles and responsibilities during the design and construction phase. The 2022 Act provided an opportunity to expediate the changes for the design and construction phase of higher risk buildings and create consistency for developers operating across England and Wales.

The scope of the Building Safety (Wales) Bill is wider than the regime currently in place in England and is concerned with buildings once they are occupied. It captures the vast majority of multi-occupied residential buildings in Wales and includes more extensive fire safety reforms. Developing the Bill has involved meaningful and significant stakeholder engagement, helping to make sure we get the regime right for residents and others in Wales, so that those who call these buildings home can feel safe. Time and engagement have been needed to get this right and to ensure that the new regime is fit for purpose.

- 4. You have stated that this Bill was developed in response to the Grenfell tower fire of 2017 and the Hackitt review a year later. You issued a white paper on the Bill's proposals in January 2021. However, in evidence to the Local Government and Housing Committee, you explained that some issues are still unresolved, which may lead to substantive amendments to the Bill (for example, in relation to how the Welsh Government can ensure consistency of application of the regulation regime across the 22 local authorities). Why did you not use the time since the White Paper to publish a draft bill for public consultation, which could have resolved some of these issues before the Bill was introduced?**

As outlined in response to question 3 above, the Bill forms part of a much wider programme of work taken forward since the Grenfell Tower tragedy, all aimed at ensuring residential buildings in Wales are as safe as possible.

Work on the policy development for the Bill has proceeded alongside this wider programme of work. This is a broad and complex Bill. The focus of our work has been on the considerable engagement with stakeholders that has been undertaken as part of the policy development stage for the Bill, and this takes time to complete. However, input from that stakeholder engagement has directly contributed to the proposals laid out in the Bill and will be ongoing as we move to develop regulations under the Bill.

The ongoing work that you are referring to is in relation to the operational model. So, it's not that the policy in the Bill is unresolved. The Bill is complete and workable as drafted. However, the Bill is framed in such a way to provide local authorities with a level of flexibility around how they organise themselves to effectively discharge their functions under the Bill. In my evidence to the Local Government and Housing Committee, I discussed the work we are doing with local authorities and fire and rescue authorities to agree the operational model for the new building safety regime.

While all 22 local authorities will be the building safety authority for their area, I've been clear that I do not envisage in practice all 22 will exercise their functions in isolation. Work is ongoing around how local authorities work together to operationalise the new regime.

I do not believe that publishing a draft Bill would have helped in this case. The ongoing work is part of our implementation planning.

Regulation making powers in the Bill, and accompanying guidance, will help to ensure consistent application of the functions given to the building safety authorities.

Implementation of the Bill

5. The Bill provides Welsh Ministers with the power to make subordinate legislation in some 65 areas. How many of these regulations will need to be in place in order for the effect of the Bill to be fully implemented?

We are planning for a phased commencement of regulations under the Bill. Our Statement of Policy Intent sets out those regulation making powers that we consider are not likely to be required for implementation but may be required in the longer term, for instance, to reflect changes in the built environment. Phasing commencement will allow local authorities and duty-holders to acclimatise and adjust to the new regime and for consultation with key stakeholders and the wider public to take place.

The phased approach also recognises the large number of in-scope buildings. We expect registration of category 1 buildings to be introduced in the first phase in 2027. Category 2 registration is expected to commence in early 2028. With category 3 duties expected to follow later in 2028. We believe this approach will support a smooth transition, recognising that stakeholder awareness and preparedness will be paramount to success.

- 6. Local Authority Building Control (LABC) has highlighted that under regulations currently in force made under the 2022 Act, a building is considered a “higher-risk building” if it contains at least one residential unit. However, for the purposes of the Bill, a “regulated building” must contain at least two residential units. They argue that this inconsistency “may lead to confusion in the wider industry”. How do you respond to these concerns, particularly given your general views about the importance of alignment between this Bill and the 2022 Act?**

For the design and construction phase the definition of a “higher-risk building” is set out in the Building Safety (Description of Higher-Risk Building) (Design and Construction Phase) (Wales) Regulations 2023. A “higher-risk building” is indeed only required to have one residential unit in order to be capable of meeting the definition (or be a hospital, care home or children’s home and not be an “excluded building”).

In the White Paper “Safer Buildings in Wales”, it was proposed that higher-risk buildings/category 1 buildings across both design and construction and occupation phases would be buildings with at least two residential units (and were at least 18 metres tall or had at least seven storeys). However, for the design and construction phase, this proposal was subsequently amended to one residential unit to bring the definition in line with requirements in respect of combustible cladding.

The occupation phase’s focus continues to be on multi-occupied residential buildings, so it defines category 1 buildings (and other “regulated buildings”) as having two or more residential units. Across the occupation phase regime, buildings with only one residential unit would include all conventional houses and bungalows and it has never been the intention to capture such buildings in the occupation phase building safety regime.

We are confident that we will be able to communicate this difference clearly to stakeholders. As the Committee points out, the intention is generally to align what constitutes a “higher-risk building” under the design and construction phase with what constitutes a category 1 building under the occupation phase, but the policy in relation to this specific matter (and in respect of some “excluded buildings”) does not align between the two phases and so different provision is required.

Regulation-making powers

- 7. There are 11 regulation-making powers to amend primary legislation (Henry VIII powers) in the Bill. Please set out a justification for why each Henry VIII power is necessary, reasonable and proportionate.**

There are 10 regulation-making powers to amend primary legislation in the Bill. The reference in the Statement of Policy Intent to the regulation making power in

section 65(3) being subject to the Senedd approval procedure is incorrect, it is subject to the Senedd annulment procedure and it does not amend primary legislation. My apologies for the original error. The regulation making power in section 59(2) is subject to the Senedd approval procedure, but it does not amend primary legislation. Each of the regulation-making powers that amend primary legislation are set out in turn below.

Power	Why the power is necessary, reasonable and proportionate
Section 16(1) (power to amend sections 2 to 14)	<p>This regulation making power is necessary to enable the Bill to be amended to respond to evidence of new and emerging risks and to ensure that the regime can be adapted to respond to such risks. It will also enable amendments to be made e.g. to account for new ownership models or building design. This power to amend Schedule 1 will provide flexibility to enable the list of “excluded buildings” to be amended should the need arise.</p> <p>There is a duty to consult each building safety authority, each fire safety authority and such other persons as the Welsh Ministers consider appropriate. Therefore, an appropriate consultation will be taken before making regulations. The regulations are also subject to the Senedd approval procedure which will allow additional Senedd scrutiny. The regulations do not amend any of the duties in the Bill. Rather, they are intended to make minor changes to clarify key terms in the Bill, or to take into account new ownership models etc. The regulation making power is therefore considered to be reasonable and proportionate.</p>
Section 27(2) (to modify the definition of “building safety risk”)	<p>The Bill is aimed at ensuring that building safety risks are properly assessed and managed. How the risks are assessed and managed, that is, the duties we place on the principle accountable person and accountable persons, and the enforcement of those duties are at the core of this Bill. The Bill is intended to ensure the safety of people in or about regulated buildings by making sure that someone is held accountable for that.</p> <p>The regulation making power is necessary as new evidence may emerge that there are risks other than fire and structural safety risks that, if not assessed and managed, may result in a risk to the safety of people in or about a regulated building. For example, this could be a risk arising from climate change such as flooding.</p> <p>The regulations may also make provision conferring functions for the regulation of that risk, onto any devolved Welsh Authority.</p> <p>Similarly to the power in section 16, there is a duty to consult prior to making any regulations. The regulations are also subject to the Senedd approval procedure which will allow Senedd scrutiny.</p>

<p>Section 41(9) (amend the period of time when a further building certificate application must be made – to change from 5 years).</p>	<p>The regulation-making power is necessary to allow flexibility to decrease or increase the five-year period depending on any emerging evidence about building safety risks.</p> <p>The regulation-making power is reasonable and proportionate because new evidence may emerge indicating that this timeframe should be changed. The scope of the regulation making power is limited to only adjusting the time period.</p>
<p>Section 56(4) (amend list of “reviewable decisions” and meaning of “affected person”)</p>	<p>This regulation making power is necessary to provide flexibility to add decisions of the building safety authority that must be subject to a review before an appeal, or to remove them. The policy intent of this section is to reduce the burden on the tribunal, but it may be the case that some decisions are in fact better left to the tribunal and that requiring them to be reviewed first achieves only delaying a final decision. The regulation making power provides flexibility to make amendments to this process based on experiences at implementation. To ensure that those impacted by a decision can request a review of a reviewable decision, and to ensure that the definition of an affected person captures the right people, the regulation making power also provides flexibility to amend the definition of an affected person should that need to be broadened, based on evidence gathered at implementation.</p> <p>The regulation-making power is reasonable and proportionate as it allows for minor amendments to be made to ensure that the review process works as intended, and that people who are affected by decisions may bring a review. It is deemed appropriate for this type of amendments to be made via regulations.</p>
<p>Section 62 (new section 30IC of LTA1985 – meaning of building safety measure) – can amend subsections (2), (3) or (4) to amend “building safety measure”.</p>	<p>The regulation making power in this section is necessary in order to allow the Welsh Ministers to amend the definition of a building safety measure, should it appear in future that the definition should be amended. It may be necessary to amend the meaning of building safety measure to account e.g. for new information obtained during implementation and subsequently. A regulation making power will enable this flexibility.</p> <p>The regulation making power is reasonable and proportionate as it is limited to adding, removing or modifying the definition of a building safety measure. The amendments are likely to be minor and technical in nature and it is therefore considered appropriate for these changes to be made by secondary legislation.</p>
<p>Section 64 (new section 20FA of LTA1985 – limitation of variable service charges: excluded costs for regulated buildings). Can</p>	<p>The regulation making power in subsection (5) allows the Welsh Ministers to amend the definition of “excluded costs” in subsection (3) by adding, removing or modifying a description of excluded costs. The regulation making power in subsection (5) is necessary to allow the Welsh Ministers to amend the definition of a “excluded costs” should it appear that the definition should be amended. This is to ensure that the liability for building safety costs is passed down</p>

<p>amend the definition of “excluded costs” in new section 20FA.</p>	<p>correctly. Similarly to the regulation making power in section 30IC above, it may be necessary to amend the meaning of “excluded costs” to account e.g. for new information obtained during implementation and subsequently. A regulation making power will enable this flexibility.</p> <p>The regulation making power is reasonable and proportionate as it is limited to adding, removing or modifying the definition of “excluded costs”. The amendments are likely to be minor and technical in nature, and it is therefore considered appropriate for these changes to be made by secondary legislation.</p>
<p>Section 67(8) (meaning of relevant HMO) power in section 68(8) to amend this section.</p>	<p>The power in subsection (3)(d) is necessary if it becomes apparent in future that premises are being inadvertently caught by the definition of “relevant HMO”. The regulation making power allows the definition to be amended but cannot make amendments to subsections (1) and (8). It is also necessary, for example, because the power in subsection (8) allows the definition to be extended if, for instance, new forms of tenure or occupancy emerge. The power is therefore to deal with currently unforeseen circumstances, and there are no plans to use the power at present.</p> <p>The power is reasonable and proportionate because it is important to ensure that multi-occupied premises which are not intended to be “relevant HMOs” are not inadvertently caught by the definition. Whilst subsection (3) already contains exclusions, this power enables ongoing flexibility i.e. for certain premises not to be capture within the definition. The amendments are likely to be minor and technical in nature, and it is therefore considered appropriate for these changes to be made by secondary legislation.</p>
<p>Section 86(7) (appeal against prohibition notice) power in section 86(7) to amend who can appeal against a prohibition notice.</p>	<p>The regulation making power in section 86(7) is necessary in order to amend the list of persons in subsection (2). An example of when this may be necessary is, for instance, where a new entity which had an interest in regulating building safety were created, or if such an interest arose out of a new form of housing tenure. These regulations may be needed in light of future wider policy or legislative change, including new information obtained during implementation and subsequently. This regulation making power provides flexibility should there be a need to amend this list in future. For example, if the meaning of building safety risk is modified using powers in section 27(2), then there may be other persons that have an interest in the management of that type of risk, that would need to be added to this list.</p> <p>The amendments are likely to be technical in nature, and it is therefore considered reasonable and appropriate for these changes to be made by secondary legislation.</p>

Section 112(3) (consequential and transitional provision)	This regulation making power is necessary to ensure that consequential amendments to other legislation and transitional provisions can be made to ensure that the Bill works together with other laws. Although the main amendments to primary legislation have been made on the face of the Bill itself, during implementation it may emerge that further consequential amendments are required. It is deemed reasonable and proportionate that consequential amendments are made via secondary legislation.
Paragraph 21(3) of Schedule 2 (Welsh Ministers can amend paragraph 24 to change the meaning of “interested person” – who is someone who must, for example, be given certain information about Special Measures Orders)	<p>This regulation making power is necessary to provide flexibility should there be a need to amend this list in future. For example, if the meaning of building safety risk is modified using powers in section 27(2), then there may be other persons that have an interest in the management of that type of risk, that would need to be added to this list.</p> <p>The amendments are likely to be technical in nature, and it is therefore considered reasonable and appropriate for these changes to be made by secondary legislation.</p>

8. Can you set out why you believe that it would be appropriate for a government in the Seventh or Eighth Senedd to change key matters in the Bill through secondary legislation, as is currently permitted by the broad relegation-making powers in the Bill, rather than by bringing forward primary legislation and allow full Senedd scrutiny, including by means of an expedited process if necessary?

The way in which buildings are owned and managed, particularly at the smaller end of the spectrum varies considerably. Additionally, the built environment is complex and constantly changing, as are the risks in it whether this be due to advances in technology, building design, construction products or otherwise. The regime may also need to respond to new models of property ownership, occupation and tenure.

The powers are proposed to ensure that if issues arise during implementation, or in the future, we are able to react to these to ensure the regime works as intended, without the need for further primary legislation.

The key terms are designed to ensure that the right buildings are identified and that the appropriate people for those buildings are identified, in order that duties are placed on the most appropriate persons. Whilst a future government could use powers in the Bill to amend the key terms, any amendment would have to have these purposes in mind.

9. Can you confirm whether some of the broad regulation-making powers in the Bill (such as those in section 16) would allow a future government to exclude certain buildings or structures from the regulatory regime? If so, have you considered inserting safeguards that would limit the use of those powers (for example, by limiting the power to *extending* the list of structures that fall within the regulatory framework of the Bill, rather than enabling future Welsh Government to also *remove* structures from that list)?

The power in section 16 is proposed to enable amendments to be made to the key terms sections. This power is not about changing the duties under the Bill. Whilst it is a broad power, it is an important one which ensures that if issues arise during implementation, or in the future, amendments can be made so as to ensure the Bill works as intended. Such regulations could only be made after consultation and with the approval of the Senedd.

Schedule 1 sets out a list of buildings that are excluded from being regulated buildings. The power to amend Schedule 1 will ensure the list of “excluded buildings” can be amended should the need arise.

It is possible that a future government could exclude certain buildings or structures from the regime. Such regulations could only be made after consultation and with the approval of the Senedd. Based on the existing available evidence, we believe all of the buildings we have included should be in scope of the regime. But it would be remiss of us not to ensure the regime can respond to evidence if it needs to. This could, for example, be because once the regime has been in operation for some time the evidence suggests that certain types of buildings are better regulated under the Regulatory Reform (Fire Safety) Order 2005 because it would be more appropriate for them to be treated as workplaces for example, making it more appropriate to exclude them from the regime.

This power is designed to be proportionate and ensure the Government is able to respond to change when there is clear evidence to support such a change and we have included safeguards that limit the use of these powers to that effect. These include the requirement to consult the building safety and fire safety authorities and the use of the Senedd approval procedure thus ensuring it is subject to additional Senedd scrutiny and the Senedd’s agreement.

10. Despite agreeing in principle that the powers granted to Welsh Ministers are appropriate, some key stakeholders including the WLGA have raised concern about how future regulations will be developed, and the extent to which the sector will be consulted. Do you have anything further to add to provide reassurance to these stakeholders and others about the use these powers by future Welsh Governments?

We are planning for a phased commencement of regulations which recognises the broader building safety environment and the need to support stakeholders through implementation. Given the large number of in-scope buildings, phasing commencement will allow local authorities and duty-holders to acclimatise and

adjust to the new regime. Local authorities would have time to put in place the systems they need to prepare to take on their new functions.

We expect the registration of category 1 buildings to be introduced in the first phase in 2027. Category 2 registration is expected to commence in early 2028, with category 3 duties expected to follow later in 2028.

Under this phased approach, our initial focus will be on the regulations needed to ensure registration, category 1 duties, and duties in HMOs are in place. We intend to consult on those proposals and subsequently consult on issues more particular to category 2 and 3 buildings, which will be commenced subsequently during the course of 2028.

11. Can you confirm that the current duties “to consult such other persons as Welsh Ministers consider appropriate” would in practice oblige future Welsh Governments to consult meaningfully with residents whenever residents have legitimate interests in the regulations or guidance being developed?

Many of the secondary legislation-making powers and the guidance-making powers included in the Bill are accompanied by a duty to consult ‘such other persons as Welsh Ministers consider appropriate’. While ‘residents’ are not a specified consultation group, there would be many instances where they would have legitimate interests in the regulations or guidance being developed and as such it would be appropriate for the Welsh Ministers to consult residents in those cases.

12. In your response to our question about why a definition of “storey” is not included on the face of the Bill, you explained that including technical detail such as the definition of a storey or a mezzanine “risks overcomplicating the Bill”. However, a definition of mezzanine is included in section 118(3) of the 2022 Act, and indeed the Act also provides some detail about the definition of a storey itself (section 118(3)). You went on to state that setting out the definition of storey in regulations, rather than on the face of the Bill, will help to ensure consistency with the 2022 Act and its subordinate legislation. Can you provide further clarity about your decision not to include a definition of “storey” and other key terms of the face of the Bill?

Whilst section 118 of the Building Safety Act 2022 defines “storey”, this definition does not apply in Wales (nor in England in respect of the occupation phase regime established by Part 4 of the 2022 Act).

The power to define “higher-risk building” for the design and construction phase is in section 120I of the Building Act 1984. The Building Safety (Description of Higher-Risk Building) (Design and Construction Phase) (Wales) Regulations 2023 (“the 2023 Regulations”) are made under this power. The 2023 Regulations set out, for example, how height is to be measured and how storeys are to be calculated (including in relation to mezzanine floors). The Approved Documents

under the Building Act 1984 set out, for example, how height is measured and this aligns with the provisions in the 2023 Regulations.

The policy is that generally (noting the point already discussed regarding the minimum number of residential units) a “higher-risk building” in the design and construction phase will be a “category 1 building” in the occupation phase.

As such, for the occupation phase regime the power in section 6(5) of the Bill has been proposed partly in order that there can be an alignment, now and in the future, between what constitutes a “higher-risk building” and what constitutes a “category 1 building”. The intention is that regulations under section 6(5) will largely mirror, in terms of height and storeys at least, the provision in the 2023 Regulations. This approach will enable regulations for both phases to be aligned now, and in the future. If the 2023 Regulations were amended then the power in section 6(5) would enable, but not require, the occupation phase regulations to follow suit.

As a secondary matter, we also consider that setting out this level of technical detail on the face of the Bill would risk detracting from the “core” provisions i.e. those currently contained in section 6.

13. One of the powers given to the Welsh Ministers in the Bill includes a power for the Welsh Ministers to change the definition of a “building”. During scrutiny, you told us that the definition of building may need to be amended if certain types of structures are being interpreted as buildings in a way that was not intended by the Bill, or if new types of multi-occupied residential accommodation emerge. Please can you:

- a) clarify whether consideration was given to taking alternative drafting approaches to include safeguards against different structures being used as buildings on the face of the Bill?**
- b) set out examples of structures that you may want to exclude from the regulatory regime set out in the Bill (for example, your official cited large floating barges)**

a) Consideration of alternative drafting approaches and safeguards

Yes, careful consideration was given to alternative drafting approaches and the need for balance between legislative clarity and the need for flexibility in response to emerging forms of residential accommodation. We explored the options of listing exclusions or defining building types more narrowly on the face of the Bill. However, these approaches were considered too rigid and potentially problematic given the evolving nature of residential accommodation.

It is difficult to anticipate with any certainty whether new approaches to structures and construction will or will not be defined as buildings and whether they should or should not be included in the regime, as we simply don't know what they will look like yet. The decision to include a regulation-making power to amend the definition of “building” was taken to ensure that the regulatory framework is able

to remain responsive to future developments in the design and construction of residential buildings, including non-traditional structures, in a way that makes sense.

The safeguards we have put in place include the requirement that any changes to the definition must be subject to consultation and will also be subject to the Senedd approval procedure. I believe this provides the appropriate level of transparency and accountability in the exercise of this power in the future.

b) Examples of structures that may be excluded from the regulatory regime

As you say, large floating barges used as residential accommodation were cited during scrutiny as a type of structure that may not be suitable for inclusion within the regulatory framework. We do not think they will be interpreted as buildings and as such we do not think they need to be expressly excluded on the face of the Bill. There is a risk that expressly excluding them may suggest that they should be interpreted as a building in the first instance.

As noted above, we do not know what new types of accommodation might emerge because they haven't arisen yet.

Modular housing example

During scrutiny when we were discussing the intention behind the power to amend the meaning of "building" to include vehicles, vessels or other movable objects, you asked why a modular building might be excluded from the definition of a building and I agreed to write to you on this.

To clarify, we believe the current meaning of building would capture modular buildings. That is the policy intention, and where modular buildings are used to provide multi-occupied residential occupation, they should rightly be in scope of the Bill. However, there is potentially a risk that future unconventional construction or modular designs may not be considered to meet the meaning of "building". Should that issue arise, the power could be used to amend the meaning of building if necessary to provide clarity or ensure they are included.

14. Section 29(3) gives regulation making powers for the Welsh Ministers to specify requirements relating to the competence of fire risk assessors. Given the importance of the qualification of fire risk assessors, why should this be left to regulations and subject only to scrutiny through the annulment procedure?

The requirement that fire risk assessors must be competent is on the face of the Bill and will be directly enforceable without needing any regulations under section 29(3). Such regulations cannot change that requirement. They will merely set out details of how assessors can demonstrate competence, for instance by holding specified academic or vocational qualifications, being members of relevant professional institutions, or their employers being accredited by a suitable

corporate quality assurance scheme. We intend to make the regulations once there is a UK-wide agreement with the fire safety sector on an overall structure of different forms of assurance and their equivalence, and to amend them if new forms of assurance (e.g. new qualifications) become available. We believe the level of detail involved here, the lack of any Henry VIII power and the likely need to amend the regulations frequently, mean that the Senedd annulment procedure is appropriate.

15. Similarly, section 33 (7) gives regulation making powers to the Welsh Ministers to make provision in relation to the making of structural risk assessments, including experience, qualifications and experience of assessors. Why are you satisfied that this should be left to regulations, and subject only to scrutiny through the annulment procedure?

The requirement for the person making the structural risk assessment to have sufficient skills and experience to assess the structural safety risks, is on the face of the Bill. This would be enforceable by a compliance notice.

We do not currently intend to make regulations using the power under section 33(7). This means that there will be a degree of flexibility in terms of how it can be demonstrated that the requirements under section 33(3) are met. However, should evidence emerge in future that suggests that introducing a qualification requirement or similar would be helpful to the sector, for example to provide clarity as to how it can be demonstrated that those requirements are met, then this could be done using this regulation making power.

Any regulations would be subject to regulatory impact assessment and consultation.

Regulations made under section 33(7) may need to be updated frequently, for example if different forms of qualifications or requirements emerge.

We believe the level of detail involved here, the lack of any “Henry VIII” power and the potential need to amend any future regulations frequently, mean that the Senedd annulment procedure is appropriate.

16. Section 65 (3) inserts new section 49B to the *Landlord and Tenant Act 1987* requiring a landlord to give the tenant a notice containing relevant building safety information. New section 49B (5) (e) provides a power for the Welsh Ministers to make regulations that can prescribe other information as relevant building safety information. Those regulations are made under the Senedd annulment procedure (new section 49B (8)). However, the Explanatory Memorandum states that this power will be subject to the draft affirmative procedure. Can you confirm which procedure will apply to this power, and whether any changes to the Explanatory Memorandum are necessary?

The power will be subject to the Senedd annulment procedure, and the Explanatory Memorandum will be amended accordingly. Please accept my apology for the original error in the Explanatory Memorandum.

Guidance

17. The only guidance that the Welsh Ministers are mandated to issue under the Bill relates to principle accountable persons and landlords of houses of multiple occupation for certain duties relating to the assessment of fire safety risks. Have you given any further consideration to whether a duty should be placed on the Welsh Ministers to produce guidance in other areas (for example, your official cited structural safety as one potential area where compulsory guidance might be worthwhile)?

We have made issuing guidance on the assessment of fire safety risks mandatory because some principal accountable persons and landlords could struggle to discharge their duties properly without it. Article 50 of the Fire Safety Order imposes a similar duty on the Welsh Ministers. If we did not issue new guidance, there would be a risk of principal accountable persons and landlords continuing to rely on the existing guidance made under the Fire Safety Order, when it no longer applied to the building.

The same is not true of other guidance under the Bill. We have therefore adopted the conventional approach of conferring a discretionary power to issue guidance. However, it is our intention to issue guidance to support all those with duties under the regime, including in relation to structural safety.

18. No Senedd scrutiny procedure is in place for the guidance that the Welsh Ministers must issue under section 98 (1) or may issue under section 98 (2). Do you consider that this guidance should be subject to the draft annulment procedure?

Guidance under section 98 is not law; it aims to support accountable persons and others to discharge their duties under the Bill. Much of the guidance under section 98(2) will be unavoidably technical, and it will need frequent amendment to deal with changes in technology, building design, forms of tenure or recognised good practice. We consider that the duty to consult, before issuing or approving

guidance, in section 98 is appropriate and sufficient. It would be unusual for any Senedd procedure to apply to material like this, and no such procedure is necessary or appropriate here.

19. Do you have a list of all the guidance that you plan to publish as a result of this Bill? If so, is there a timetable for the publication of this guidance, and can this be shared with committees, along with a list of all planned guidance?

We recognise the need for comprehensive guidance for the regulatory bodies, accountable persons and residents to be in place in good time ahead of the new building safety regime coming into force. Guidance would be developed in consultation with stakeholders so that we can use the knowledge and expertise of those in the sector to make sure guidance is accessible and operationally sound.

Guidance will cover core aspects of the new regime, including building registration, the operation of a complaints system, preparation of the Safety Case Report, preparation of the resident engagement strategy, occurrence reporting and the duties of regulatory bodies, accountable persons and residents. Guidance will reflect the range of ownership models and organisations who could be principal accountable persons and accountable persons. For residents, we also intend to develop a resident handbook to support their understanding of what the regime means for them.

In terms of timing, we intend to consult with stakeholders on the development of guidance after consultation on the content of regulations, at which stage we will be clearer about the areas where guidance is needed and what it needs to cover.

Emma Rourke | Acting National Statistician

Peredur Owen Griffiths MS
 Welsh Parliament
 Cardiff Bay
 Cardiff
 CF99 1SN

28 October 2025

Dear Mr Griffiths,

As Chair of the Finance Committee the Office for National Statistics (ONS) and Government Statistical Service (GSS) would welcome your contribution to two consultations launched today.

The ONS has launched the Census 2031 topic consultation, asking for your views about the topics you think should be included in the next census. For more than two centuries, a decennial census has provided information about the population and housing, helping to inform decisions about public services and to better understand the economy, public health and inequality. While the core topics of age, education and jobs have remained the same over time, other topics such as armed forces veterans have been added based on the needs of users. This 14-week consultation will provide evidence to inform what topics will be included in the next census of England and Wales in 2031.

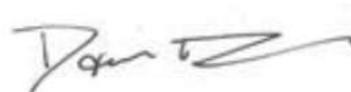
The GSS has also launched a consultation asking for your views on additional response options for ethnicity data. The GSS would like to understand your needs for data on additional ethnic groups, with the goal of making the harmonised ethnicity standard more inclusive.

Responses submitted over the 14-week period will feed into a new standard for ethnicity data collection, which will be recommended for use by collectors of ethnicity data across the GSS, including teams working on future censuses.

We ONS would welcome your contributions to these consultations before they close on 4 February 2026. You can respond to the consultation in Welsh or English.

Both consultations are live on the [ONS consultations web page](#).

Yours sincerely,

Emma Rourke, Acting National Statistician & Darren Tierney, Permanent Secretary, Office for National Statistics

Agenda Item 2.6

Jayne Bryant MS/MS
Ysgrifennydd y Cabinet dros Lywodraeth Leol a Thai
Cabinet Secretary for Housing and Local Government



Llywodraeth Cymru
Welsh Government

Ref: PO/JP/539/2025

Peredur Owen Griffiths MS
Chair
Finance Committee
Senedd Cymru
Cardiff
CF99 1SN

30 October 2025

Dear Peredur,

I am grateful to the Finance Committee for your consideration of the Homelessness and Social Housing Allocation (Wales) Bill and the conclusion that you are broadly content with the financial implications of the Bill, as set out in the Regulatory Impact Assessment, subject to the comments and recommendations in your report. Of course, should there be significant changes to the Regulatory Impact Assessment because of the recommendations made in your report, I would welcome further consideration of the Committee.

I have set out my response to your recommendations below.

Recommendation 1: The Committee recommends that the Cabinet Secretary conducts a sensitivity analysis in relation to the public sector cost of homelessness showing the potential range of costs, and that this information is included in an updated Regulatory Impact Assessment, after Stage 2.

Response: Accept

I note the concerns of the Committee that we have been unable to estimate the benefits of individual sections of the Bill and the range of uncertainty within our estimates. As you note, we have estimated the benefits of the Bill in its entirety, using switching analysis of a core scenario related to homelessness prevention and relief rates over time.

I am confident that we have exhausted available evidence sources for our estimates and maintained high standards of rigour within our evidential standards. Following publication of a draft Regulatory Impact Assessment to support our White Paper consultation, we made significant revisions to our estimates based on feedback from stakeholders.

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

Based on the data we have, I am of the strong view that the 3% growth rate estimate in the RIA represents the best estimate despite the data issues we have flagged. However, in light of your recommendation, I have instructed my officials to consider different growth rate assumptions and the impact these may have on the cost projections. I will include this information in the revised RIA at the end of Stage 2.

Recommendation 2: The Committee recommends that the Cabinet Secretary:

- **confirms what she considers to be the initial years of the implementation period in terms of the provision of Welsh Government funding to support local authorities, and**
- **provides assurances that the Welsh Government will continue to provide funding to support local authorities should funding deficits arise as a result of financial benefits not being realised at the pace identified in the Regulatory Impact Assessment.**

Response: Accept in principle

Implementation period

The RIA assumes a ten-year implementation period for the proposed reforms and takes account of costs and benefits across this period. Implementation will be phased and is likely to be grouped into four main stages.

Phase	Purpose	Timing
Pre-implementation period	Activity to prepare for transition between Housing (Wales) Act 2014 and the Homelessness and Social Housing Allocation (Wales) Act.	Following Royal Assent (approx. March 2026 and March 2027)
Phase 1	Prevention, support and allocations provisions brought into force.	2027-2028
Phase 2	Implementation of “ask and act.”	2028-2029
Phase 3	Abolition of the priority need and intentionality tests.	By or before 2030-2031

The phased approach will allow the prioritisation of provisions aimed at increasing prevention and flow out of the system (to relieve the pressure the system is currently experiencing) before enacting other reforms which may make new demands on the system, such as the changes proposed to the priority need and intentionality tests. I expect the wider financial benefits of the Bill to outweigh the costs by 2028-2029 but recognise that, as the Bill will not be fully implemented at this stage, specific, targeted investment for phase 3 will be required until full implementation is complete before or by 2030-2031.

Funding

Future funding will be a matter for future Governments. However, I accept in principle that a future Welsh Government should continue to provide funding to support local authorities should funding deficits arise as a result of financial benefits not being realised at the pace identified in the Regulatory Impact Assessment.

Recommendation 3: The Committee recommends that the Cabinet Secretary provides:

- a breakdown of the additional funding provided to local authorities in preparation for the Bill, to date, including the activities undertaken with this funding, and;
- further details about how, and when, additional funding to support implementation of the Bill will be distributed to local authorities to reflect their individual needs.

Response: Accept in principle

Work on this Bill is rooted in stakeholder engagement dating back almost a decade and was expedited, in part by the response of the Welsh Government to the Covid-19 pandemic and our 'no one left out' policy. This policy transformed our response to homelessness, almost overnight, and the Bill is a key lever in ensuring the transformation made at that time, is sustained. In the period since the pandemic, we have supported local authorities to sustain this practice through their statutory homelessness response, by providing additional grant funding towards temporary accommodation, increased prevention and strategic co-ordination. This funding supplemented local authority's funding awarded through the Local Government Revenue Support Grant settlement. From 2025/26, this grant funding, totalling £21.32m, was moved into the Revenue Support Grant (RSG) in recognition of it supporting the statutory homelessness response.

I recognise that local authorities will need to undertake pre-implementation activities to prepare for the new legislation and the RIA sets out an estimated cost of just over £2 million pounds for this within the next financial year. The Committee will note that the Cabinet Secretary for Finance and Welsh Language will set out the Welsh Government's detailed draft budget for 2026-27 on 3 November and I will be happy to update the Committee following that announcement.

Recommendation 4: The Committee recommends that the Cabinet Secretary provides details of restructuring activities already underway in some local authorities in preparation for the Bill's implementation, including the costs that have already been incurred, and confirms whether these costs are reflected in the Regulatory Impact Assessment.

Response: Accept in principle

Several local authorities have begun preparation for implementation of this Bill. We understand numerous authorities are now working to a six-month prevention period, including (but not limited to) Ynys Mon, Neath Port Talbot, Cyngor Gwynedd, Wrexham and Cardiff. Ynys Mon are also utilising an online system to make personal housing plans more accessible in preparation for the introduction of Prevention, Support and Accommodation Plans. Cyngor Gwynedd have integrated housing support and homelessness functions into a single role providing early, proactive support. We are aware of several authorities improving their multi agency partnership work and strengthening relationships with housing providers in readiness for the allocations provisions.

Whilst we encourage and commend the local authorities who are undertaking this work, we have not required them to do so and we do not, therefore, have any information on the costs of these changes and they are not included in the Regulatory Impact Assessment. We have estimated the full cost of implementation of the reforms and have not adjusted for any work already undertaken by particular authorities to deliver the legislation. We will continue to engage closely with local authorities and any resulting data will inform further revision of the RIA.

Recommendation 5: In relation to Common Housing Registers, the Committee recommends that the Cabinet Secretary works with local authorities to:

- agree the standardised information to be included in all registers and identify any gaps in the information currently collected by existing registers, and
- confirm whether the requirement to maintain a Common Housing Register remains cost neutral for those local authorities currently operating registers.

Response: Accept

The Bill will allow Welsh Ministers to introduce regulations specifically related to technical aspects of Common Housing Registers, including specifying the information they must hold. Such regulations will be developed with close engagement with local authorities to determine the types of information required to ensure effective prioritisation of applicants and the allocation of accommodation. This will ensure minimum standardised information requirements are established across all local authorities across Wales. Changes can be made over time in response to any gaps identified in the future.

The purpose of Common Housing Registers is to ensure a single accessible route for people to apply for social housing within an area. However, a single shared register also promotes efficiency and potential resource savings for local authorities and their housing partners. I do not believe this proposal will require additional costs for local authorities already operating Common Housing Registers.

My officials are in the process of finalising our pre-implementation workplan for financial year 2026-2027. It prioritises further stakeholder engagement on Part 2 of the Bill, including our commitment to Common Housing Registers. In light of your recommendation, we will seek to expedite this engagement and I will update the Committee further as this work progresses.

Recommendation 6: The Committee recommends that the Cabinet Secretary clarifies her approach to monitoring and reviewing the implementation of the Homelessness and Social Housing Allocation (Wales) Bill, including the proposed timescales.

Response: Accept

I was pleased to accept in principle, two recommendations from the Legislation, Justice and Constitution Committee and a recommendation from the Local Government and Housing Committee in relation to post implementation review. My officials are preparing amendments in relation to these recommendations, which I believe assist in clarifying our approach to monitoring and review of the legislation. As I outlined during my evidence session, we will consider the actual costs and benefits as part of the post-implementation review and our ongoing evaluation work.

I am grateful to the Finance Committee for your recommendations, and I hope you are assured of my commitment to robustly assess the costs of this Bill, alongside, its significant benefits. I trust this response helps to inform further scrutiny of the Bill as we approach the General Principles debate and I hope it is of assistance to the Committee on the points raised.

I am copying this letter to the Chair of the Local Government and Housing Committee and Chair of the Legislation, Justice and Constitution Committee.

I look forward to continuing to work with Committee Members as we proceed through the Senedd scrutiny process.

Yours sincerely,

A handwritten signature in black ink that reads "Jayne Bryant". The signature is written in a cursive, flowing style.

Jayne Bryant AS/MS

Ysgrifennydd y Cabinet dros Lywodraeth Leol a Thai
Cabinet Secretary for Housing and Local Government

Jayne Bryant AS/MS
Ysgrifennydd y Cabinet dros Lywodraeth Leol a Thai
Cabinet Secretary for Housing and Local Government



Llywodraeth Cymru
Welsh Government

Ref: PO/JP/539/2025

Mike Hedges MS
Chair
Legislation, Justice and Constitution Committee
Senedd Cymru
Cardiff
CF99 1SN

30 October 2025

Dear Mike,

I am grateful to the Legislation, Justice and Constitution Committee for your consideration of the Homelessness and Social Housing Allocation (Wales) Bill. I have set out my response to your recommendations and your conclusions below. I welcome and appreciate the considered and pragmatic recommendations of the Committee, which will help inform further scrutiny of the Bill as we approach the General Principles debate. I hope this response is of assistance to the Committee on the points raised.

As well as responding to your specific recommendations and conclusions, I also note the concerns of the Committee in relation to how accessible the Bill is, when read on its own. During the drafting process, careful consideration was given to replacing Part 2 of the Housing (Wales) Act 2014, rather than amending it. However, on balance, we felt that amending the 2014 Act was a preferable approach.

It is important to note that the Bill doesn't just amend the 2014 Act, it also amends the Housing Act 1996 and, to a lesser extent, the Social Services and Well-being (Wales) Act 2014. As we discussed during my evidence sessions, local authorities and service providers are very familiar with the existing legislation, and amending it draws attention to the proposed changes and areas of the law that are staying the same. It is my view that amendments to the current law will enable smoother implementation.

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

Recommendation 1: The Cabinet Secretary should respond to the report at least two working days before the Stage 1 general principles debate takes place.

Response: Accept

I acknowledge the prompt publication of the Committees findings, and I am pleased to provide this response by your deadline.

Recommendation 2: The Bill should be amended so that the Welsh Ministers are required to report to the Senedd, by no later than the end of 2028, on the steps taken by the Welsh Government in progressing towards full implementation of the Act. The Bill should also be amended so that a further report is required to be laid before the Senedd by the end of 2029 which provides an update on the progress being made in implementing the Act. This progress report must include details of any delays to implementation that were outlined in the first report and the reasoning for these delays.

Response: Accept in principle

I note the concerns of the Committee in relation to implementation of this legislation (should it be passed by the Senedd and enacted). As discussed during my evidence session and, as you acknowledge in your report, there will be challenges to implementation related to the readiness of the sector and the extensive structural reform required. Your recommendation will provide clarity and transparency to both the Senedd and our stakeholders around progress of the Act and strengthen accountability of the Welsh Ministers. I have instructed my officials to draft an amendment.

Recommendation 3: The Bill should be amended so that the Welsh Ministers are required to evaluate the Act, including its effectiveness in delivering its objectives, by the end of 2033

Response: Accept in principle

I am committed to evaluating this legislation. The Explanatory Memorandum sets out several ways in which we will monitor implementation, as it is crucial that we understand the impact of the Act in relation to our policy intention. I am happy to make this explicit on the face of the Bill and have instructed my officials to draft an amendment.

Recommendation 4. The Bill should be amended so that regulations made under section 160A of the Housing Act 1996, as amended by section 35 of the Bill, are subject to the Senedd approval procedure.

Response: Accept

Recommendation 5. The Bill should be amended so that regulations made under new sections 160D and 160E of the Housing Act 1996, as inserted by section 38 of the Bill, are subject to the Senedd approval procedure.

Response: Accept

I have asked my officials to prepare an amendment so that regulations made under section 160A of the Housing Act 1996, as amended by section 35 of the Bill, are subject to the Senedd approval procedure and that regulations made under new sections 160D and 160E of the Housing Act 1996, as inserted by section 38 of the Bill, are subject to the Senedd approval procedure.

Conclusion 1. We note the Cabinet Secretary's comments in respect of the Bill's impact on human rights but believe that, as a matter of good practice, an Explanatory Memorandum should always include a commentary on the consideration given to such implications.

The Welsh Government carries out a full Human Rights assessment before introduction of any Bill as part of its thorough assessment of legislative competence. The Senedd's Business Committee are considering explanatory materials as part of their review of the legislative scrutiny processes for Public Bills and Member Bills, which the Welsh Government is engaging with.

Conclusion 2. While we acknowledge the reasoning provided by the Cabinet Secretary as to why a full and final list of public bodies expected to be subject to the 'ask and act duty' is not already specified on the face of the Bill, we consider this to be regrettable from an accessibility of law point of view.

It is important to note that should the list be amended in the future, any amendment will be to the face of the Bill, which may address the concerns of the Committee in relation to accessibility.

Once again, I am grateful for the Committee's consideration of the Bill. I look forward to continuing to work with Committee Members as we proceed through the Senedd scrutiny process. I am copying this letter to the Chair of the Finance Committee and Chair of the Local Government and Housing Committee.

Yours sincerely,

A handwritten signature in black ink that reads "Jayne Bryant". The signature is written in a cursive, flowing style.

Jayne Bryant AS/MS

Ysgrifennydd y Cabinet dros Lywodraeth Leol a Thai
Cabinet Secretary for Housing and Local Government

Agenda Item 2.8

Rebecca Evans MS
 Cabinet Secretary for Economy, Energy and Planning
 Ysgrifennydd y Cabinet dros yr Economi, Ynni a Chynllunio



Llywodraeth Cymru
 Welsh Government

Mike Hedges MS
 Chair
 Legislation, Justice and Constitution Committee

SeneddLJC@senedd.wales

31 October 2025

Dear Mike,

I am writing in accordance with the inter-institutional relations agreement and further to my letter of 25 June to draw your attention to the [communiqué](#) which was published by DCMS on 17 October, following the Tourism Inter-Ministerial Group which met on 22 July 2025.

The meeting was chaired by the Minister for Creative Industries, Arts and Tourism, Chris Bryant MP, and I represented the Welsh Government.

The agenda enabled discussions on the current state of the tourism sector in their respective jurisdictions. As part of these discussions, I was pleased to be able to highlight the success of:

- the use of the Welsh language in the Hwyl marketing campaign to attract visitors to Wales;
- Visit Wales' weatherproofing fund for visitor attractions;
- the Welcome to Wrexham documentary which has been a significant benefit to Welsh tourism; and
- our focus on promoting business conferences.

I highlighted the introduction in Wales of the bill which gives local authorities the power to raise a visitor levy (which has since been passed into law). I also discussed challenges impacting the tourism sector, including a drop in domestic visitors due to the cost of living, rising National Insurance costs and high energy bills.

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

Rebecca Evans AS/MS
Cabinet Secretary for Economy, Energy and Planning
Ysgrifennydd y Cabinet dros yr Economi, Ynni a Chynllunio



Llywodraeth Cymru
Welsh Government

I have copied this letter to the Chairs of the Finance Committee; Economy, Trade and Rural Affairs Committee, and the Culture Communications, Welsh Language, Sport, and International Relations Committee.

Yours sincerely,

Rebecca Evans.

Rebecca Evans AS/MS
Cabinet Secretary for Economy, Energy and Planning
Ysgrifennydd y Cabinet dros yr Economi, Ynni a Chynllunio

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Agenda Item 29

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 Bay
CF99 1SN

31 October 2025

Dear Peredur,

I can confirm that the Finance: Interministerial Standing Committee (F:ISC) meeting was held on 17 October 2025. A communiqué has been published following the meeting: [Communiqués from the Finance: Interministerial Standing Committee - GOV.UK](#)

The meeting was chaired by Shona Robison MSP, Cabinet Secretary for Finance and Local Government (Scottish Government). I attended alongside James Murray MP, Chief Secretary to the Treasury (UK Government), and John O'Dowd MLA, Minister of Finance (Northern Ireland Executive). The focus was on improving collaboration, information sharing, and ensuring devolved governments are sighted on key UK Government decisions ahead of the UK Autumn Budget.

There was a shared recognition of the importance of timely information sharing, particularly around the scheduling of UK fiscal events and potential tax and spending decisions including public sector pay. There was also discussion on alleviating child poverty.

On budget flexibilities, I reiterated the Welsh Government's position that devolved governments should be able to operate more flexibly within existing arrangements. I was pleased to secure agreement to undertake joint work looking at ways of improving the operation of the Barnett formula, to report at the next F:ISC. This is an important step in ensuring the UK funding arrangements are transparent and fair.

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

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

I also had the opportunity to raise Wales-specific issues during a separate meeting with the Chief Secretary, including economic investment in Wales and post Brexit Border Control Posts.

Finally, it was agreed that a future F:ISC meeting would include a discussion on barriers to growth. The next meeting is expected to take place in February 2026.

Yours sincerely,

A handwritten signature in black ink that reads "Mark Drakeford". The signature is written in a cursive style with a large initial 'M'.

Mark Drakeford AS/MS

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

Agenda Item 2.10

Huw Irranca-Davies AS/MS
Y Dirprwy Brif Weinidog ac Ysgrifennydd y Cabinet
dros Newid Hinsawdd a Materion Gwledig
Deputy First Minister and Cabinet Secretary for
Climate Change and Rural Affairs



Llywodraeth Cymru
Welsh Government

Ein cyf/our ref: HID-PO-541-25

Peredur Owen Griffiths MS
 Finance Committee
 Senedd Cymru
 Cardiff Bay
 CF99 1SN

31 October 2025

Dear Peredur,

Environment (Principles, Governance and Biodiversity Targets) (Wales) Bill

Thank you for the Finance Committee Report published on 24 October regarding the Environment (Principles, Governance and Biodiversity Targets) (Wales) Bill as part of stage 1 scrutiny.

I am grateful to the Committee for its considered stage 1 scrutiny. I have carefully considered the committee's report and am pleased to read at conclusion 1 the committee is broadly content with the financial implications of the Bill.

Please see my response in Annex 1 to the set of recommendations in advance of the Stage 1 General Principles Debate, as requested within recommendation 1.

Yours sincerely,

Huw Irranca-Davies AS/MS

Y Dirprwy Brif Weinidog ac Ysgrifennydd y Cabinet dros Newid Hinsawdd
a Materion Gwledig
Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs

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

Bae Caerdydd • Cardiff Bay
 Caerdydd • Cardiff
 CF99 1SN

Gohebiaeth.Huw.Irranca-Davies@llyw.cymru
Correspondence.Huw.Irranca-Davies@gov.wales

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

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

Annex 1: Response to Finance Committee’s report on the Environment (Principles, Governance and Biodiversity Targets) (Wales) Bill – October 2025

<p>Recommendation 1. The Committee recommends that the Deputy First Minister details how the indicative cost of £644 million over the 78-year appraisal horizon has been calculated and includes this information in a revised Regulatory Impact Assessment, after Stage 2.</p>
<p>Accept</p> <p>If the Bill successfully passes Stage 1, I confirm I will include how the indicative cost of £644 million over the 78-year appraisal horizon has been calculated in a revised RIA following Stage 2.</p>
<p>Recommendation 2. The Committee recommends that the Deputy First Minister commits to providing full transparency in relation to the costs by publishing full and robust Regulatory Impact Assessments to accompany subordinate legislation made under the Bill</p>
<p>Accept</p> <p>I will ensure that any subordinate legislation made resulting from the implementation of this Bill is fully considered and supported by robust Regulatory Impact Assessments.</p> <p>The majority of regulations to be made under this Bill will be subject to the approval procedure and a Regulatory Impact Assessment will be laid before the Senedd ahead of any Plenary debate on the regulations, therefore allowing Senedd scrutiny.</p>
<p>Recommendation 3. The Committee recommends that the Deputy First Minister quantifies and publishes the actual costs and benefits arising from the Bill as part of the post-implementation review and confirms the proposed timescales for the review.</p>
<p>Accept</p> <p>I am happy to accept this recommendation and can confirm that the post implementation review will include an assessment of the costs and benefits.</p> <p>The implementation and impact, including the cost and benefits, of the environmental principles will be monitored through ongoing engagement with a stakeholder group, including industry representatives. This will inform whether the principles are working effectively in practice and may lead to updates to the accompanying statement and guidance. I intend to support this further by considering government amendments which require Welsh Ministers to review the statement in Section 6 of the Bill once per Senedd term as well as a stronger role for the Senedd in scrutinising this statement.</p> <p>The OEGW will play a key role in reviewing the effectiveness of the environmental principles as part of its broader remit to oversee compliance with and the effectiveness of environmental law. It may provide advice and recommendations to the Welsh Ministers on the principles’ application and impact. The OEGW will</p>

also publish a public-facing strategy outlining how it will deliver its functions, including enforcement and investigation. The Auditor General for Wales will audit the OEGW's accounts and assess its use of resources for economy, efficiency, and effectiveness.

However, I recognise the indicative nature of the cost and benefits published in the RIA as drafted and commit to updating the RIA after stage 2. I also commit to publishing a full RIA for any regulations made under this Bill, notably, this includes outlining the cost and benefits of the suite of agreed Biodiversity Targets.

Recommendation 4. The Committee recommends that the Deputy First Minister details how the £2.79 million annual running cost for the Office of Environmental Governance Wales was calculated, and explains why these costs are based on the running costs of Environment Standards Scotland and how they were revised to take account of the Welsh context, and includes this information in a revised Regulatory Impact Assessment, after Stage 2.

Accept

I am happy to accept this recommendation and can confirm that an updated RIA will be provided after stage 2.

Recommendation 5. The Committee recommends that the Deputy First Minister provides a breakdown of the staffing resources required, by grade, for the Office of Environmental Governance Wales, and includes this information in a revised Regulatory Impact Assessment, after Stage 2

Accept

I am happy to accept this recommendation and can confirm that an updated RIA will be provided after stage 2.

Recommendation 6. The Committee recommends that the Deputy First Minister, in consultation with the Auditor General for Wales, estimates the cost to the Wales Audit Office for engaging with, and auditing, the proposed Office of Environmental Governance Wales, and includes this information in a revised Regulatory Impact Assessment, after Stage 2

Accept

I am happy to accept this recommendation and can confirm that an updated RIA will be provided after stage 2.



Estimate of Income and Expenses for Audit Wales for the year ended 31 March 2027

October 2025

Jointly prepared and laid before the Senedd under Section 20(1) of the Public Audit (Wales) Act 2013

Ian Rees

Chair, Wales Audit Office

Adrian Crompton

Auditor General for Wales

Audit Wales
1 Capital Quarter
Tyndall Street
Cardiff CF10 4BZ

For each financial year, Section 20 of the Public Audit (Wales) Act 2013 requires the Auditor General and the Wales Audit Office jointly to prepare an estimate of the income and expenses of the Wales Audit Office and to lay that estimate before the Senedd at least five months before the beginning of the financial year to which it relates.

In accordance with Section 20 of the Act, each estimate must cover (amongst other things) the resources required by the Auditor General for the exercise of his statutory functions.

The Finance Committee of the Senedd may make any modifications to the estimate which it considers appropriate, but no modification can be made unless:

- The Auditor General and the Wales Audit Office have been consulted; and
- any representations that either may make have been taken into account.

The Welsh Ministers must each year move a motion in the Senedd under Section 125 of the Government of Wales Act 2006 that includes authorisation of the resources to be used (including accruing resources) and payments to be made by the Wales Audit Office. This Estimate sets out the amounts to be included in respect of the Wales Audit Office.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg.
This document is also available in Welsh.

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Foreword

Audit Wales exists to give the Senedd and the people of Wales confidence in a high-performing and accountable public sector. It provides transparency and accountability for taxpayers and their elected representatives. It provides public bodies with accurate and reliable financial information with which to plan and manage their services and finances effectively.

Our value for money work is vital to robust parliamentary accountability through the Senedd Public Accounts & Public Administration, Finance and other Committees. We audit the accounts and governance of over 850 public bodies across Wales, providing the principal means of assurance about how public money in Wales is being managed from the Welsh Government itself to the smallest community council, through almost every area of public service delivery.

Public audit provides the Senedd, public bodies and the public with independent assessment of the use and management of public money and early warning of problems. When the quality or timeliness of audit reduces, the risks of waste, fraud, and mismanagement increase.

The Cabinet Secretary for Finance and Welsh Language set out the challenges for public sector spending in Wales in his letter of 11 July 2025 – setting out the 3 year resource settlement for the Welsh Government for the next 3 years and the substantial and growing pressures on the costs of delivering key public services.

We recognise this pressure on the public finances. Indeed, it is that pressure that makes the work of Audit Wales all the more essential. The need for value for money from every pound of public spending, and for trusted, timely assessment of the state of financial management and governance in the Welsh public sector, has never been greater. It is the responsibility of the Auditor General and the Wales Audit Office Board to make clear to the Senedd what is needed to provide that through a strong, sustainable, independent public audit office. Without such an office, the risk of failing to make best use of those scarce resources is greatly increased. And the cost to the public purse of the weaknesses that quickly arise as a result, far outweigh the cost of maintaining a properly resourced, high quality public audit regime. The total cost of delivering the independent assurance and insight of Audit Wales represents a little over 1 penny for every £10 spent on devolved public services in Wales.

A recent report by the [Audit Reform Lab](#) discusses the breakdown of public audit in England and the significant costs associated with this. The report shows that public audit in Wales is in a much better and more cost effective position.

Taking all this into account, our Estimate allows for an increase in our baseline call on WCF in resource terms of 3.5%. An average increase in our fee rates of 5.3% is allowed for in the draft Fee Scheme appended to the Estimate.

Our [Annual Report and Accounts for 2024-25](#) sets out our record of achievement for the last financial year. In April this year we laid our [Annual Plan for 2025-26](#) at the Senedd. This Estimate secures funding for our forward priorities for 2026-27 and includes indicative funding requirements and considerations for future years. Our Annual Plan for 2026-27 will be laid before the Senedd by 31 March 2026.

We look forward to discussing our Estimate with the Finance Committee in due course.



Ian Rees

Chair, Audit Wales



Adrian Crompton

Auditor General for Wales



Budget 2026-27

Our budget for 2026-27 is set out below and provides for:

- The audit of accounts at over 850 audited bodies for which we charge fees in line with the provisions of the Public Audit (Wales) Act 2013.
- Our performance audit work at Local Government and Health bodies for which we charge fees as above.
- National Value Examinations and Studies and Local Government Studies.
- Work to explore themes arising from our accounts work.
- Support for our response to issues brought to our attention by members of the public and their elected representatives.
- Our Pan Wales financial training programme.
- Participation in the National Fraud Initiative, and our Good Practice Exchange.

	2025-26		2026-27			
	Budget 2025-26 £'000	Pressures/ Inflation £'000	Budget movements £'000	Investment £'000	Efficiencies/ Reductions £'000	Budget 2026-27 £'000
Staff costs	24,069	1,301	150	-	(700)	24,820
Non staff costs(cash)	3,751	13	(150)	150	(432)	3,332
NFI	95	130	-	-	-	225
Capital (cash)	280	-	-	-	(100)	180
Total Expenditure(cash)	28,195	1,444	-	150	(1,232)	28,557
Audit Fee income	(18,610)				119	(18,491)
Net Expenditure(cash)	9,585	1,444	-	150	(1,113)	10,066
Depreciation & interest	408	3	-	-	-	411
Capital IFRS16	187	-	-	-	(187)	-
Total Resource	10,180	1,447	-	150	(1,300)	10,477
Depreciation & interest	(408)	(3)	-	-	-	(411)
Capital IFRS16	(187)	-	-	-	187	-
Movements in working capital	40	-	-	-	(40)	-
Cash requirement from WCF	9,625	1,444	-	150	(1,153)	10,066

Supporting information for our Estimate 2026-27 provides more detail on each of these areas.

Budget Ambit 2026-27

Estimated budget requirements of the Wales Audit Office for the year ending 31 March 2027

- 1 Under Section 125 of the Government of Wales Act 2006, Ministers must move a Budget Motion in the Senedd to authorise the use of resources, retention of income and drawings of cash from the WCF for certain relevant persons, including the Wales Audit Office.
- 2 In respect of the services and purposes of the Wales Audit Office and the Auditor General in the year ending 31 March 2027, the Budget Motion will authorise:
 - the amount of resources which may be used in the financial year by the Wales Audit Office (in line with the budget for the year);
 - the amount of resources accruing to the Wales Audit Office in the financial year, which may be retained rather than being paid into the WCF; and
 - the amount which may be paid out of the WCF to the Wales Audit Office.
- 3 These requirements, which due to the variability of income streams can only be estimates, are summarised in **Exhibit 1**.
- 4 Details of how we propose to use this funding to deliver public audit in Wales in 2026-27 are set out in our supporting information.

Exhibit 1: summary of the estimated 2026-27 budget requirements

	£'000
Resources, other than accruing resources, for use by the Wales Audit Office on the discharge of the statutory functions of the Wales Audit Office and the Auditor General and on the administration of the Wales Audit Office.	10,477
Accruing resources from fees and charges for audit, grant certification and related services; other recoveries of costs associated with the functions of the Auditor General or Wales Audit Office; miscellaneous income such as from publications, conferences, provision of administrative, professional and technical services and recoveries of costs incurred for a third party – all for use by the Wales Audit Office on the discharge of the functions of the Auditor General and on related services and the administration of the Wales Audit Office.	18,491
Net cash requirement from the WCF to meet the net amounts falling due for payment in the year by the Wales Audit Office.	10,066

- 5 **Exhibit 2** provides the schedule to be included in the Welsh Government Budget Motion for the year ended 31 March 2027.

Exhibit 2: budget breakdown for Welsh Government Budget Motion

	£'000
Resources	
Net revenue	9,886
Net capital	180
Non-cash (depreciation and amortisation)	411
Annually managed expenditure	-
	£'000
Accruing Resources	18,491



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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.



Supporting information for the Estimate of Income and Expenses for Audit Wales for the year ended 31 March 2027

October 2025

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Estimate summary

Overview of Estimate 2026-27

- 1 With this Estimate we are requesting an increase to our baseline call on Welsh Consolidated Fund (WCF) funding in 2026-27 of 3.5% resulting in an overall 2.9% increase in our resource requirements and a 4.6% increase in cash as compared to 2025-26.
- 2 The main drivers of the change in our call on the WCF for next year are set out in **Exhibit 3** on **page 13**: These are:
 - the increase in our fee rates associated with that part of our audit work funded from WCF;
 - inflationary pay increases;
 - investment in our 'Audit Horizons' programme; and
 - a further reduction in our capital investment requirements over and above that reflected in our Estimate for 2025-26.
- 3 Our 2025-26 Estimate allowed for an increase in our fee income of £1,134,000 (6.5%) to allow us to deliver more audit work than in a typical year as we reduce our backlog of audit work. As we expect to complete the delivery of our audit backlog during 2026-27 we will see an associated reduction in both our fee income and expenditure from the middle of that year.
- 4 More information on our proposals for fee income are set out on **page 9**.

Our response to the Statement of Principles

- 5 In May 2019, the Senedd Finance Committee issued a Statement of Principles for Directly Funded Bodies (DFBs) to consider when preparing their annual Estimates.
- 6 On 11 July 2025 the Cabinet Secretary for Finance and Welsh Language wrote to the Chair of the Finance Committee setting out the 3-year resource position for the Welsh Government budget. – an increase of 3% per year from 2026-27 to 2028-29 (1.2% per year in real terms).
- 7 The letter references the Office for Budget Responsibility's (OBR) forecast for a GDP deflator of 2.6% in 2025-26 and 1.7% in 2026-27 – this in the context of expected CPI inflation of 3.2% in 2025-26 and 1.9% in 2026-27.
- 8 The OBR is also forecasting increases to average earnings of 3.7% in 2025-26 and 2.2% in 2026-27.
- 9 The core message is that Welsh Government have a reasonable settlement for the next 3 years but that this needs to be seen in the context of substantial and growing pressures on the costs of delivering key public services.
- 10 Welsh Government are planning a 'business as usual' budget for 2026-27 to provide the next Senedd with additional resource to allocate to its priorities.
- 11 We have responded to the Statement of Principles, and the Cabinet Secretary's letter by:
 - identifying efficiencies in our organisational processes to minimise both the increase in funding requested from the WCF and our audit fees for 2026-27;
 - setting out in this document how we seek to maximise value for money at Audit Wales; and
 - providing evidence for changes in our funding requirements in 2026-27.

Value for money at Audit Wales

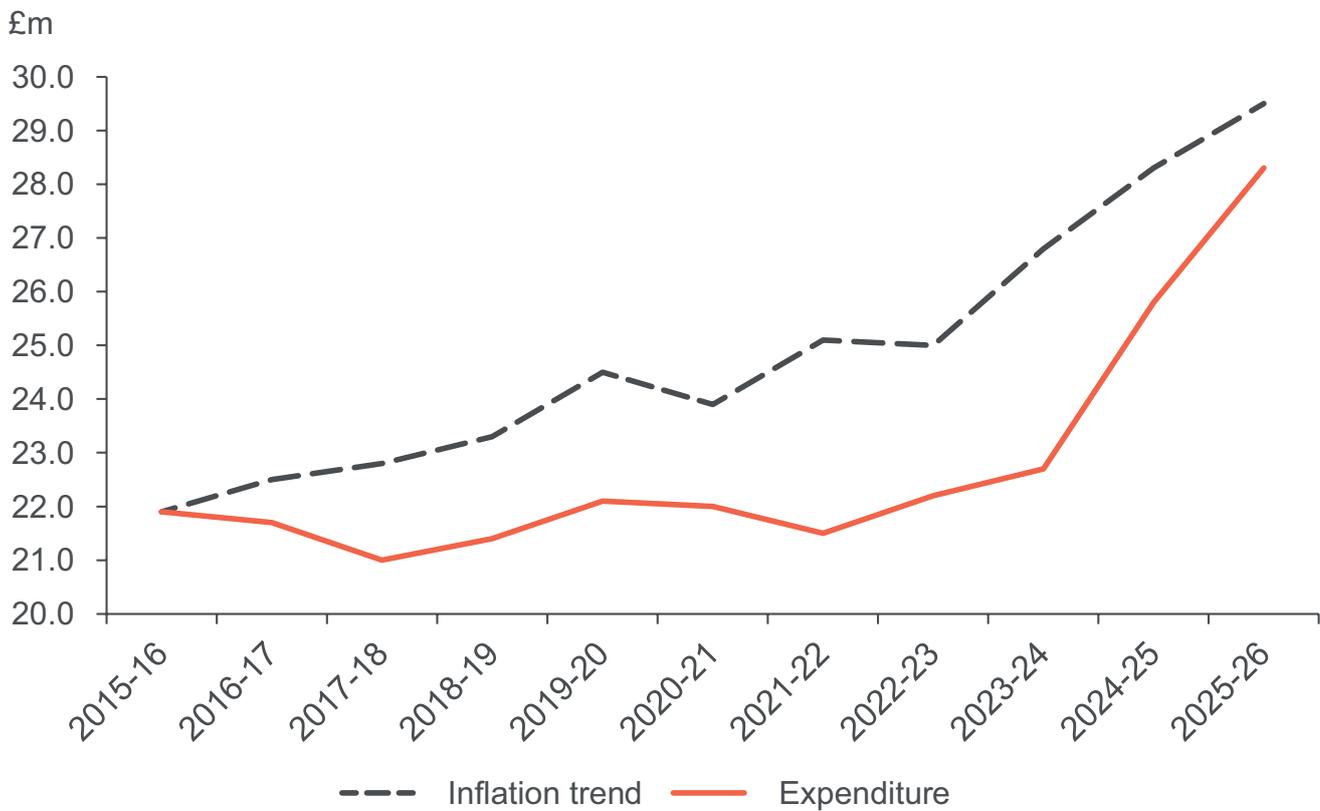
The value of public audit

- 12 Audit provides transparency and accountability to taxpayers and their elected representatives. It provides public bodies with accurate, reliable financial information with which to plan and manage their services and finances effectively.
- 13 Audit provides the Senedd, public bodies and the public with an independent assessment of the state of financial and corporate management in the public sector and early warning of problems arising. When the quality or timeliness of audit reduces, the risks of waste, fraud and mismanagement increase.
- 14 In England, [significant measures](#) to tackle a worsening backlog in local audit and restore transparency and accountability over how public money is spent have been announced by the Ministry for Housing, Communities and Local Government.
- 15 A recent report by the [Audit Reform Lab](#) discusses the breakdown of public audit in England and the significant costs associated with this. The report shows that public audit in Wales is in a much better and more cost-effective position.
- 16 But we cannot be complacent – we are still behind where we should be but we are now working through our backlog of audits at pace with the aim of clearing our audit backlog by the end of 2026. This is however subject to Local Government bodies being able to provide us with well supported draft accounts in a timely manner.
- 17 This Estimate is aimed at maintaining the momentum for this work but also keeps an eye to the audit of the future so that we do not prejudice the good progress currently being made.

Our performance to date

- 18 We are acutely aware of the importance of demonstrating that we bear down on our own costs and provide value for money.
- 19 At Audit Wales, we continually strive to provide world class public audit for the Welsh public sector in the most cost-effective way.
- 20 In the last ten years we have reduced the cost of public audit in Wales by 4% in real terms¹ despite an increase in the scope of our work, increased requirements for audit quality and new auditing standards. This reduction is represented in **Exhibit 1**. The increases in 2024-25 and 2025-26 represent the additional investment in staff required to clear the backlog of audit work. This has been funded from fees rather than WCF.
- 21 The cumulative savings generated across those years amounts to over £21 million.

Exhibit 1: the cost of public audit 2015-16 to 2025-26



1 Based on GDP deflators published by ONS, June 2023. **Back Page 87**

22 We have made these savings by:

- Significantly changing the shape of our workforce. We have reduced the proportion of directors and managers in our workforce and have invested in a graduate and apprentice training programme – providing opportunities for school leavers and graduates in Wales and improving social mobility as well as providing future financial managers for the Welsh public sector.
- In-sourcing our audit work. Since 2021-22 we no longer use private sector firms to carry out our audit work. In this regard we are unique amongst the UK public audit bodies. Though adding to the delivery pressures on Audit Wales staff, this has protected the public purse from significant price increases for this work being experienced by other UK audit agencies.
- Reducing the cost of travel from £1.2million in 2019-20 to just over £200,000 in this Estimate. We negotiated with our trade unions the removal of a travel allowance previously paid to our audit staff, and we have changed the way that we work to reduce our overall travel – providing environmental as well as cost efficiencies.
- We have moved to smaller, cheaper and more energy efficient offices across Wales, which better meet business needs, saving around £250,000 each year despite increased utility costs.
- We continually challenge our non-pay budgets and our operating model to drive out efficiencies where possible.
- We are using technology and data analytics to carry out our audit work as efficiently as possible and minimise our travel across Wales.

23 For 2026-27, we have set ourselves an ambitious £300,000 savings target across our non-audit costs – equivalent to a further 7% reduction in our overheads.

Our budget 2026-27

Budget 2026-27

- 24 Around two thirds of the running costs of Audit Wales are met from fees that we charge audited bodies for our work. The remaining third, along with all capital expenditure, is met directly from the WCF – more detail on which is provided in the next chapter.
- 25 This Estimate describes our total budget for 2026-27 including that part which is funded by fees. A draft Fee Scheme for 2026-27, which explains how fees will be charged to audited bodies, is appended to this document.
- 26 A summary of our revenue budget – along with detailed tables for each budget heading - is attached as **Appendix 1**. Further detail on our most significant costs is provided below.

Staff costs

- 27 Our budget makes provision for the employment of 293 full time equivalent (FTE) staff – as compared to 305 FTE in 2025-26. This reduction in staffing is linked to our plan to have addressed the backlog of audit work that built up during the Covid pandemic by the end of 2026. Our workforce strategy sets out our plans to manage this reduction through natural wastage, reduced recruitment and the use of short-term contracts to avoid redundancies where possible.
- 28 We have made provision for an inflationary pay uplift for our staff which will be the subject of negotiations with our Trade Unions in 2026.
- 29 We have also allowed for expected savings from in year staff turnover.
- 30 In addition, we have a budget set aside to fund short term temporary staff required to meet peaks in workload and to provide cover for maternity and sickness absence to ensure that we can continue to deliver audit work.

Travel and Subsistence

- 31 Audit Wales has significantly reduced its travel and subsistence costs in recent years both with the removal of a travel allowance previously paid to our operational staff and with a move to more sustainable ways of working.
- 32 We have further reduced our budget for travel and subsistence in 2026-27 although this is being closely monitored as we move to more on-site working to ensure we maintain audit quality.

Accommodation

- 33 Audit Wales has 3 operational offices serving South, North and West Wales situated in Cardiff, Llandudno Junction and Penllergaer respectively. Over the last 3 years we have completed the rationalisation of our office space to reflect new hybrid ways of working – resulting in a reduction in expenditure of over £250,000 each year.

Audit Fees

- 34 For 2026-27 we plan for around 64% of our expenditure to be met from the fees that we charge to audited bodies. We are required by legislation to charge 'no more than the full cost' of the audit work at each audited body. We calculate this full cost based both on our budget for the year and the contribution from the WCF towards our running costs.
- 35 We are acutely aware of the financial pressures on all parts of the public sector and our responsibility to deliver our audit work as efficiently as possible. We strive consistently, therefore, to minimise the overall cost of audit to public bodies without sacrificing audit quality.
- 36 The income we receive from fees is governed by a Fee Scheme, which legislation requires us to publish at least on an annual basis.
- 37 Included within this Estimate document is our draft Fee Scheme for 2026-27 (**Appendix 2**). This has been included to demonstrate the interdependency between fee income and the approved Estimate. Following consideration of the Estimate and draft Fee Scheme, we will lay our Fee Scheme for 2026-27 before the Senedd and then confirm estimated fees for next year to our audited bodies.
- 38 In September 2025, we consulted all audited bodies and representative groups on our proposed fee scales for 2026-27 which made allowance for an estimated increase in our fee rates of 5.5%.

- 39 This increase followed a significantly below inflation increase on fee rates of just 1.7% in 2025-26 as we increased the number of audit staff to help address the post Covid backlog of audit work. Those additional staff meant that that our organisational overheads were spread more thinly, hence contributing to an increase in fee rates well below inflation.
- 40 Across the two years – 2025-26 and 2026-27 – the increase in our fee rates has been 7.1% as compared to CPI inflation of 8% over the same period.
- 41 As set out above, we plan to have cleared this backlog by the end of 2026 with a consequential reduction in the number of audit staff and hence increase in fee rates as we have a lower base over which to recover our overheads. This is a direct consequence of our annual funding regime and legal requirement to charge no more than the full cost of our audit work in any one year.
- 42 We have mitigated the impact of this by setting an ambitious savings target of £300,000 for our non-audit costs.
- 43 We received 17 responses of which 10 highlighted the above inflation increase in fee rates for 2026-27. The Auditor General intends to write to audited bodies to explain the reasons for this increase and what we are doing to mitigate the impact on audit fees.
- 44 The Board has reflected on these responses and has responded by reducing the proposed increase to an average of 5.3% and requiring a higher level of savings to be identified.

Capital investment

- 45 Capital investment is targeted at projects that will deliver future efficiencies and savings; ensuring that our ICT provision makes the best use of available technology and that we take advantage of available digital solutions in the delivery of our work.
- 46 The industry move towards cloud-based IT solutions with annual rental rather than significant up-front investment along with the completion of our future workplaces project means we have been able to further reduce our requirement for capital investment from 2026-27.
- 47 We have an established change programme within Audit Wales to provide effective management of upcoming change projects. Our planned capital expenditure for 2026-27 and beyond is set out in **Exhibit 2**.

Exhibit 2: capital investment 2025-26 to 2028-29

	2025-26 £'000	2026-27 £'000	2027-28 £'000	2028-29 £'000	2029-30 £'000
Change Programme	180	80	80	80	80
ICT Strategy	100	100	100	100	100
IFRS16 re West Wales office	187	-	-	-	-
Total	467	180	180	180	180

48 A detailed breakdown of planned expenditure in 2026-27 is set out below:

	2025-26 £'000
Change Programme	
Audit digitalisation	53
Office accommodation upgrades	12
New learning management system	15
ICT replacement	100
Total	180



Our call on WCF 2026-27

How we use WCF

- 49 Around 36% of our total budget is funded from the Welsh Consolidated Fund (WCF) with the balance being funded from the fees that we charge to audited bodies.
- 50 Our proposed use of the WCF for 2026-27 as it compares to 2025-26 is set out in **Exhibit 3**.
- 51 In addition, all capital investment is funded directly from WCF.

Exhibit 3: changes in our call on the WCF 2026-27

	2026-27 £'000	2025-26 ² £'000	Change £'000	Commentary
Funding for audit work not funded through fees	5,013	4,762	251	Note 1
Funding for wider public sector benefit:				
• Pan Wales financial training	927	900	27	Note 2
• GPX	652	621	31	Note 3
• NFI annual costs	95	95	-	Note 4
Contributions to running costs				
• Staff L&D	800	800	-	Contribution from WCF to time and cost – assumes unchanged
• 2019-20 pension increase	732	732	-	Funded by Treasury since 2019-20 – No change
• 2025-26 NI increase	389	389	-	Assumes continued funding from WCF
• Board & associated costs	320	345	(25)	Returns Board evaluation funding in 2025-26
• All Wales travel equalisation	200	200	-	Unchanged
• WCF control/ compliance, audit quality, travel time	311	300	11	WCF contribution to costs - reflects pay increase
• Data Analytics	220	214	6	WCF contribution to costs - reflects pay increase
• Cyber Security	180	180	-	Unchanged
• Translation	90	90	-	Unchanged
• Audit Horizons	150	-	150	Note 5
• IFRS16 Depreciation	88	85	3	Reflects West Wales office move
• Capital investment	180	280	(100)	See Exhibit 2 on page 11

	2026-27 £'000	2025-26 £'000	Change £'000	Commentary
Baseline WCF	10,347	9,993	354	3.5% increase
NFI cyclical funding	130	-	130	Note 4
IFRS16 capital re West Wales office	-	187	(187)	Non-cash reduction
Total WCF (Resource)	10,477	10,180	297	2.9% increase
Non-cash adjustments	(411)	(555)	144	Note 6
WCF Cash	10,066	9,625	441	4.6% increase

Note 1: Audit work

- 52 Most of our audit work (64%) is funded through fees charged to audited bodies with fee rates set to recover all overheads (other than those funded directly from WCF) in line with the no-more than full cost requirement of PAWA 2013. This includes all of our audit of accounts work as well as our local performance audit work.
- 53 Audit work funded from the WCF is costed on the same basis – i.e. using the fee rates calculated to recover no more than full cost and hence has been increased in line with our proposed 5.3% fee rate increases for 2026-27.
- 54 Audit work funded through the WCF includes:
- National Value for Money Examinations and Studies and related work.
The Auditor General's programme of national value for money examinations and studies provides support to the scrutiny work of the Senedd. These studies are reported to the Senedd's Public Accounts and Public Administration Committee (PAPAC) and described in our Annual Plan for 2025-26.
This funding is also used to help discharge the Auditor General's duties under the Well-being of Future Generations (WFG) (Wales) Act 2015.
The PAPAC is one of the key mechanisms for the Senedd to hold to account publicly funded organisations. We therefore aim to ensure that the Committee is well supported by us in its work. Increasingly, we also support the work of other Senedd Committees.
 - Staff time associated with our National Fraud Initiative work.
 - Work to explore themes arising from our accounts work.
 - Support for our response to issues brought to our attention by members of the public and their elected representatives.

Note 2: Pan-Wales financial skills development

- 55 Funding from the WCF is used to provide ongoing support to our successful programme providing graduate and apprentice opportunities to students from across Wales.
- 56 The increase for 2026-27 allows for an inflationary pay increase from April 2026.
- 57 We currently employ 68 trainees and apprentices providing them with world class training opportunities and ensuring a supply of future finance professionals for the Welsh public sector.
- 58 We use the WCF funding to:
- provide secondment opportunities for our graduate trainees to other Welsh public sector bodies;
 - target our recruitment to improve social diversity and inclusion within our workforce and the wider finance profession in Wales;
 - fund an annual conference for public sector trainees across Wales, which promotes the value and importance of a career in public finance; and
 - support the training costs for our graduate training programme, reducing costs which would otherwise be recovered from fees.
- 59 Since 2015 we have welcomed 11 cohorts of trainees and 8 cohorts of apprentices to Audit Wales with a total of 191 young people being offered the opportunity to study for a professional accountancy qualification. To date, 8 of those cohorts have completed their training with 71 of our former trainees now being fully qualified accountants and 18 apprentices have completed their AAT qualification. Of these, 51 were offered roles at Audit Wales and 33 remain in post.
- 60 In August 2025, 12 new graduates and 4 apprentices joined Audit Wales.
- 61 The total cost of our graduate and apprentice programme for 2025-26 is £3.2million of which £927,000 is provided from WCF to meet the additional costs associated with the above activities. The balance of the cost is met from the fees charged to audited bodies for the work carried out by our trainees and apprentices.
- 62 A breakdown of how we use the WCF funding provided is set out in **Exhibit 4**.

Exhibit 4 – Pan-Wales financial skills development (WCF)

	2026-27 £'000	2025-26 £'000	Change £'000
Trainee and apprentice secondments	370	355	15
Training costs	206	206	-
Programme management	331	319	12
Annual conference	20	20	-
Total funded from WCF	927	900	27

Note 3: Good Practice Exchange

- 63 We use funding provided by WCF to run our highly regarded Good Practice programme free of charge to public bodies and the third sector across Wales. The funding supports the small team that directly manages the programme and the considerable time invested by other staff to support events and activities designed to share learning from our work.
- 64 Staff time associated with this work is charged at fee rates in the same way as our audit work. The increase for 2026-27 reflects the proposed increase in fee rates from April 2026.
- 65 In 2025, our programme of work focuses on the themes of the Auditor General's report 'From firefighting to future-proofing: The challenge for Welsh public services'. Those themes include the cost of failure in financial management and governance, prioritising prevention, tackling fraud and error and the complex public service landscape. We will also deliver events focusing on how we work together to produce quality and timely Local Government accounts.
- 66 We have continued to publish a range of good practice outputs through our blog, podcast and resource pages.
- 67 Full details of our upcoming events are detailed on our website.

Note 4: National Fraud Initiative

- 68 Since 2015, the Finance Committee has supported the principle of participation in the NFI for all public bodies in Wales at no cost to those bodies. Our most recent biennial report identified outcomes valued at £7.1 million across Wales's public services, increasing cumulative outcomes to £56.5 million since 1996.
- 69 Without this funding, the costs of carrying out this work would instead need to be passed on directly to participating bodies as additional fees, potentially resulting in a significant reduction in the number of bodies who opt to take part.
- 70 Funding for our NFI work is subject to alternate year increases / reductions to meet bi-annual Cabinet Office costs for data checking. 2026-27 will see an increase of £130,000 as compared to 2025-26.
- 71 The cost of our audit work associated with the management of the NFI programme is included in the amount allocated for audit work in **Exhibit 3**. Table 5 in **Appendix 1** provides a full cost breakdown.

Note 5: Audit Horizons

- 72 Audit Horizons has been developed in response to an ever-evolving audit landscape. A landscape that will be shaped by new and rapidly changing technologies (including artificial intelligence); increasing demands for sustainability reporting and for assurance over that reporting; ever-growing regulatory requirements; alongside increasing public expectations of audit and accountability arrangements.
- 73 These developments will also require us to examine the skills we will have to develop in response, consider how our workforce will need to evolve and to review the shape of Audit Wales over the longer-term (as the public sector itself will need to transform over the coming years and decades).

- 74 Our internal Audit Horizons project seeks to bring together those known and emerging developments shaping our audit work.
- 75 Audit Horizons also identifies our current and future potential audit investment needs and provides a framework to evaluate the success of those planned developments. Audit Horizons will be updated at least annually as new plans are developed and refined in response to this changing landscape.
- 76 Our five-year Strategy provides the direction for Audit Horizons, and Audit Horizons in turn feeds into our other strategies and plans informing their priorities and future direction.
- 77 We have developed a Vision that places technology at the core of our work. It sets the direction for Audit Horizons and defines our ultimate ambition as being the delivery of high-quality audit.

Our Vision

A high-quality audit:

- is **compliant** with professional standards and regulatory expectations
- is **efficient** and achieves value for money
- provides timely **insights** and achieves **sustainable impact**



... is achieved:

- with a highly **skilled and talented workforce**
- through **rigorous** and **innovative** audit approaches
- through a **data-driven** approach using **modern digital tools**

- 78 Audit Horizons provides a framework to allow us to enable each of those drivers and to determine how best to direct our available investment into new digital tools, skills development and other areas as necessary.
- 79 To fully achieve this Vision we have estimated additional investment requirements of over £800,000. We recognise that this level of funding is unlikely to be available and hence are allocating £150,000 in our 2026-27 Estimate to allow us to start this journey. We will also look to re-prioritise existing resources where we can to invest further in this ambition.

Note 6: Non-cash adjustment

- 80 In our 2025-26 Estimate, non-cash movements included reductions of £408,000 for depreciation and interest (including that associated with IFRS16) and £187,000 for the IFRS16 capitalisation requirement associated with our West Wales office move. These were offset by a £40,000 increase in our cash requirement for the release of a provision held in respect of dilapidations on our vacated West Wales office.
- 81 For 2026-27, the only non-cash adjustment is in respect of depreciation and interest. (See **Appendix 2**, Table 6)

Our Medium-Term Financial Plan

- 82 Our medium-term financial plan (MTFP) assumes that our audit work backlog will be cleared by the end of 2026 and that by 2027-28 we will have achieved a steady state of delivering one years' audit work in each financial year.
- 83 A strategic workforce plan has been developed to help us manage this process as well as ensuring that we have a workforce that is fit for the future.
- 84 As set out in Note 5 above, developing technology could have significant impact on the way that we deliver our audit work in the future. That change may require investment post 2026-27 to ensure that we are able to take advantage of emerging technologies and the efficiencies in audit delivery that these could deliver.
- 85 The pace and extent of any such change will depend as much on the digital readiness of our audited bodies as on Audit Wales. Indeed, far more important for them than any improvement in audit efficiency will be the strengthened governance and decision making made possible by better core systems and use of digital technology. There are significant weaknesses in this area in many parts of the public sector and this will affect our assessment of the cost and potential of investment on our part.
- 86 Given that uncertainty, we have not included in this Estimate the MTFP table seen in previous years. The Board is prioritising the development of our thinking around the potential for change and its implications so that this can be reflected in our Estimate for 2027-28 and beyond.

Appendices

- 1 Resource Budget 2026-27**
- 2 Draft Fee Scheme 2026-27**

1 Resource Budget 2026-27

	Budget 2026-27 £'000	Budget 2025-26 £'000	Year on Year Change £'000	See Table
Staff costs	24,500	23,749	751	1
Travel and subsistence	217	352	(135)	
Accommodation	731	718	13	2
Irrecoverable VAT	500	500	-	
ICT	654	683	(29)	3
Audit Wales governance	320	345	(25)	-
External training	443	368	75	4
NFI annual costs	95	95	-	5
Depreciation & interest	411	408	3	6
Other supplies and services	1,087	1,305	(218)	
Savings target	(300)	(200)	(100)	
Cyclical NFI costs	130	-	130	5
Expenses total	28,788	28,323	465	

	Budget 2026-27 £'000	Budget 2025-26 £'000	Year on Year Change £'000	See Table
Fee Income				
Audit Fees	17,440	17,612	(172)	
Grant certification fees	1,051	998	53	
INCOME TOTAL	18,491	18,610	(119)	
Capital	180	280	(100)	Exhibit 2
Capital IFRS16	-	187	(187)	Exhibit 2
Total to be funded from WCF	10,477	10,180	297	Exhibit 3

Table 1: Staff costs

	2026-27	2025-26	Change
	£'000	£'000	£'000
Staff salaries including pension and NI	25,154	24,228	926
Savings from staff turnover	(1,258)	(1,208)	(50)
Short term contract staff	604	729	(125)
Total staff costs	24,500	23,749	751

Table 2: Accommodation

	2026-27	2025-26	Change
	£'000	£'000	£'000
Lease rental	283	283	-
Business Rates	149	149	-
Utilities and other accommodation costs	299	286	13
Total accommodation	731	718	13

Table 3: ICT

	2026-27	2025-26	Change
	£'000	£'000	£'000
Cloud infrastructure	200	200	-
IT Business Applications	158	195	(37)
Cyber security	195	195	-
Hardware, line rentals and other IT costs	101	93	8
Total ICT	654	683	(29)

Table 4: External training

	2026-27	2025-26	Change
	£'000	£'000	£'000
Professional Studies FA trainees	206	206	-
Organisational development	199	159	40
Technical training	38	3	35
Total external training	443	368	75

Table 5: NFI

	2026-27	2025-26	Change
	£'000	£'000	£'000
NFI Application Checker (App Check).	50	50	-
Additional data matching	45	45	-
Payments to Cabinet Office (alternate years)	130	-	130
Total NFI	225	95	130

Table 6: Depreciation and interest (non cash)

	2026-27	2025-26	Change
	£'000	£'000	£'000
Depreciation	320	320	-
Depreciation and interest (IFRS16)	291	288	3
Lease rental payments (cash)	(200)	(200)	-
Total Depreciation and interest	411	408	3

2 Draft Fee Scheme 2026-27

Fee Scheme 2026-27

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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Auditor General for 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, 64% of our expenditure is funded through fees charged to audited bodies. The remaining 36% 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 2025, you will remember that for 2025-26 we identified efficiencies which allowed us to increase our fee rates by less than 1.7% despite facing inflationary pressures on our cost base, amplified by fierce competition for public sector auditors, and ever-increasing quality demands. At the same time, our review of the new ISA315 audit approach allowed us to **reduce** our actual fees for the audit of accounts by an average of 3%.

- 7 For 2026-27 we are having to increase our fee rates by an average of 5.3% to meet that same combination of inflationary pressures on our cost base and quality expectations. For a large unitary authority with a turnover of £1billion, this will translate into a cash increase in our typical audit fee of just £14,000. For a smaller body such as a Fire & Rescue Authority, the increase equates to around £2,000.
- 8 Taken together, our fee rates over the 2 financial years – 2025-26 and 2026-27 - will have increased by 7.1%. The efficiencies that we have driven in our work mean that despite this increase in fee rates, the average fee for our audit of accounts work will have increased by **just over 2%** over that 2-year period.
- 9 A recent report by the [Audit Reform Lab](#) discusses the breakdown of public audit in England and the significant costs associated with this. The report shows that the position of public audit in Wales is in a much better and more cost-effective position.
- 10 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.
- 11 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
- 12 We went beyond the statutory fee consultation requirements and, in September 2025, consulted all audited bodies and other stakeholders on our proposed fee rates and fee scales for 2026-27.
- 13 We received 17 responses of which 10 expressed concerns about the above inflation increase in fee rates for 2026-27. The Auditor General has written to all respondees to explain the reasons for this increase and what we are doing to mitigate the impact on audit fees.
- 14 The Board has reflected on these responses and has responded by identifying further efficiencies to reduce the proposed increase to an average of 5.3%.
- 15 Our fees in Wales must also be considered against the position in England where the PSAA³ announced fee increases of 151% for the audit of 2023-24 accounts followed by 9.5% increases for 2024-25 and recently announced 4% increase for 2025-26.

Fee rates and fee scales

Fee rates 2026-27

1 Our proposed fee rates for 2026-27 are set out in **Exhibit 1**.

Exhibit 1: proposed fee rates 2026-27

Grade	Rate (£ per hour) 2026-27	Rate (£ per hour) 2025-26
Audit Director	187	183
Audit Manager	144	141
Audit Lead	118	115
Senior Auditor	95	91
Auditor	72	66
Graduate trainee	63	59
Apprentice	49	47

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

Local Government Fee scales 2026-27

- 3 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.
- 4 Fee scales for the audit of 2025-26 financial accounts, together with fee funded performance audit work to be undertaken in 2026-27, are provided in **Appendix C** 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.
- 5 A separate fee scale is provided in relation to the NFI.
- 6 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.
- 7 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.
- 8 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.
- 9 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.

- 10 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.
- 11 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.
- 12 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

- 13 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.
- 14 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.
- 15 If required by audited bodies, a purchase order for the agreed audit fee should be raised in advance of invoices being sent.
- 16 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

- A Public Audit (Wales) Act 2013 – full text of section 24**

- B List of enactments under which the Wales Audit Office may and must charge fees**

- C Fee Scales 2026-27**

A 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 WAO:
 - (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^[4].

4 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.

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

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 & Elections (Wales) Act 2021

C Fee Scales 2026-27

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

- 17 The Auditor General conducts the NFI using his statutory data-matching powers under Part 3A of the Public Audit (Wales) Act 2004.
- 18 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.
- 19 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.
- 20 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 2026-27
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 2025-26 accounts

Gross Expenditure £m	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
100	146	172	198	166
200	176	207	238	200
300	196	230	265	222
400	211	249	286	240
500	224	264	303	255
600	235	277	319	267
700	245	289	332	279
800	254	299	344	289
900	262	309	355	298
1,000	270	317	365	306
1,100	277	325	374	315
1,200	283	333	383	322

Exhibit 4: fee scale for 2026-27 performance audit work

All unitary authorities	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	114	121	137	118

Local Government Pension Funds

Exhibit 5: fee scale for audit of 2025-26 accounts

All pension funds	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	44	58	61	56

Fire and Rescue Authorities

Exhibit 6: fee scale for audit of 2025-26 accounts

Gross Expenditure £m	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
20	43	50	58	49
40	52	61	70	59
60	57	68	78	65
80	62	73	84	70
100	66	77	89	75

Exhibit 7: fee scale for 2026-27 performance audit work

All fire and rescue authorities	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	20	21	24	18

National Park Authorities

Exhibit 8: fee scale for audit of 2025-26 accounts

Gross Expenditure £m	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
2	27	31	36	30
4	32	38	43	36
6	36	42	48	40
8	38	45	52	44
10	41	48	55	46

Exhibit 9: fee scale for 2026-27 performance audit work

All national park authorities	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	22	24	27	23

Police and Crime Commissioners

- 21 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 2025-26 accounts

Combined Gross Expenditure of PCC and CC £m	Combined fee range for PCCs and CCs			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
50	74	85	96	82
100	87	100	114	97
150	96	111	126	107
200	103	119	136	115
250	108	126	144	122
300	113	132	150	127
350	118	137	156	132

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

- 22 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.
- 23 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

- 24 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 30.
- 25 **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 2024-25 audits.

Exhibit 12: estimated time charges for the audit of 2025-26 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- £1,010	£600- £1,260	£800- £1,510
Limited procedures	£200- £300	£200- £300	£200- £300	£250- £350	£250- £350	£250- £350

Fee rates for other work in local government

- 26 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.
- 27 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.
- 28 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



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

Interim Report

An assessment of progress made against our 2025-26 Annual Plan during the period 1 April to 30 September 2025.

October 2025

This Interim Report covers the period from 1 April to 30 September 2025. It has been jointly prepared, and is laid before the Senedd, by the Auditor General for Wales and the Chair of the Wales Audit Office, in accordance with the requirements of the Public Audit (Wales) Act 2013.

The Interim Report includes an assessment of the extent to which:

- the exercise of the functions of both the Auditor General and the Wales Audit Office has been consistent with the Annual Plan prepared for 2025-26;
- progress has been made towards achieving the priorities set out in the Plan; and
- progress has been made towards achieving our key performance indicator targets.

Audit Wales is the collective name for the Auditor General for Wales and the Wales Audit Office, which are separate legal entities with their own legal functions. Audit Wales is not a legal entity. Consequently, in this Report, we make specific reference to the Auditor General or Wales Audit Office in sections where legal precision is needed.

If you require this publication in an alternative format and/or language, or have any questions about its content, please contact us using the details below.

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Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.
Ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome correspondence and telephone calls in Welsh and English.
Corresponding in Welsh will not lead to delay.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg.
This document is also available in Welsh.

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Foreword

Rydym yn falch i gyflwyno ein Hadroddiad Interim ar gyfer 2025.

We are pleased to present our Interim Report for 2025.

This Report describes the progress we made during the period 1 April to 30 September 2025 on delivering the programmes of work and key performance indicator targets set out in our [Annual Plan for 2025-26](#). We are unable to report against some of the performance indicators as the data for these annual measures is not yet available.

We made good progress on delivering a comprehensive and impactful programme of audit work. All except one audit of 2024-25 NHS accounts were completed by 30 June 2025. All scheduled audits of central government accounts were completed by 30 September 2025. However, quality issues with some draft 2024-25 local government accounts, along with a deterioration in the quality of working papers and delays in local government bodies' responses to audit queries, mean that successful delivery of all audits in this sector by the 31 October deadline is at risk.

We delivered six national report outputs in the period 1 April to 30 September 2025 from our programme of national studies. We continued to shape our local performance audit work to address the evolving challenges faced by audited bodies.

We have also seen a 77% increase in new correspondence and external whistleblowing cases compared to the same period in 2024. These are routes through which potential concerns about the use of public money can be raised with us by members of the public, their elected representatives and others, to inform our audit work.

In terms of our longer-term business improvement priorities, we made good progress on working with audited bodies to bring the timetable for the delivery of accounts audit work further forward. Next year, the deadline for local government audits will be brought forward by a further month to 30 September. Achieving this deadline will be very much dependent on local government bodies being able to deliver good quality draft accounts to us and respond to audit queries in a more timely manner.

We have made good progress in bringing forward elements of our local performance audit work and placing greater focus on value for money through stronger financial and outcomes analysis, although there is still more to do in this area. We also took forward our response to a review of how effective we are at engaging diverse audiences, including through developing guidance to help further embed inclusion through our communications processes.

For most of the last six months, we ran an initiative to explore the potential use of Microsoft Copilot in enhancing quality, productivity, and digital confidence across the organisation. Several promising use cases were identified through the pilot for further exploration, subject to retaining appropriate levels of human judgement and oversight.

This Interim Report is the last of Adrian's tenure as Auditor General and reports on continued progress towards the delivery of our five-year strategy. We are committed to building on this momentum for the remainder of the year, using our unique perspective and expertise to assure people that public money is being managed well, explain how that money is being spent, and inspire the public sector to improve.



Adrian Crompton

Auditor General for Wales



Dr Ian Rees

Chair of the
Wales Audit Office

Audit delivery



Local Audit Work

- 1 We undertake local audit work at most public bodies in Wales. This mainly consists of audits of accounts and local performance audit work. A comprehensive list of the public bodies that we audit and the type of local audit work carried out at those bodies is provided in our [Annual Plan for 2025-26](#).
- 2 The biggest area of our local work is auditing the accounts of over 800 public bodies across Wales. Our accounts work provides the Senedd, audited bodies and the wider public with an ongoing independent and expert assessment of financial management and resilience across the public sector.
- 3 As of 30 September 2025, work was on-going to complete our audits of 2024-25 accounts across different sectors. With one exception, we completed our accounts work at NHS bodies in June 2025 in line with our delivery plan. The accounts for Powys Teaching Local Health Board were certified on 1 August 2025 due to audit identified issues that required the body to undertake additional work on the draft accounts. By the end of September 2025, all scheduled audits of central government 2024-25 accounts were also complete.
- 4 In local government, delivery of audits of accounts by the 31 October deadline continues to be a challenge. Quality issues with some draft 2024-25 local government accounts, along with a deterioration in the quality of working papers and delays in local government bodies' responses to audit queries, mean that successful delivery of all audits by the 31 October deadline is at risk. We continue to work closely with individual bodies and the wider sector to support timely 2024-25 certification and drive improvements in future delivery. At this stage, the sector's ability to produce high-quality and timely accounts for 2025-26 is a significant concern, with one body still outstanding for 2022-23 and three for 2023-24.

- 5 We continued to shape and deliver local performance audit work to address the evolving challenges faced by our audited bodies, and where relevant and practical to help discharge the Auditor General's sustainable development examination duties.
- 6 So far, this has included:
 - In the NHS, completing our work on financial savings and supporting improvement through a good practice checklist for board members. We have also completed reviews of waiting list backlogs at all health boards and substantially completed our programme of work on urgent and emergency care which has included health and social care factors affecting timely patient discharge. Structured Assessment work and a review of digital transformation are up and running at all NHS bodies and planning work has been completed for our work on the NHS estate and cancer service delivery.
 - Work in all 22 councils on their arrangements for commissioning services has been completed, and a national report is being drafted, outlining factors impacting on the sector's ability to deliver value for money through the application of these arrangements. Fieldwork has commenced across the sector focusing on workforce pressures and how councils are managing recruitment and retention issues. Assurance and risk assessment work is being rolled out to all councils while local bespoke audits are continuing to be delivered.
- 7 In September 2025, we also published a [Report on governance failures and member engagement at Wrexham County Borough Council](#). This follow-up review, which examined values and behaviours at senior level across the Council, found that the Council has not yet fully addressed our previous recommendations.
- 8 Further information on progress made towards addressing a backlog in our local audit work and bringing our large programmes of work back to pre-pandemic timescales is provided in the Business Improvement section of this report.



National Studies

- 9 We carry out an ongoing programme of national studies. These include other NHS and local government focused studies in addition to our local audit programmes in those sectors. We also prepare additional outputs highlighting common themes from our local audit work.
- 10 Our [Annual Plan for 2025-26](#) includes details about national studies that were in progress as of 31 March 2025 and about new work that we planned to start in 2025-26. We have made further information about work in progress available on [our website](#).
- 11 The table below lists six higher-profile national report outputs of various types that we delivered in the period 1 April to 30 September 2025.
- 12 These outputs sit alongside other reports for central government bodies that are part of the wider package of national work described in our Annual Plan but have not been individually press released. Specifically, this includes reports on well-being objective setting at [Medr](#) (the Commission for Tertiary Education and Research), and the [Arts Council of Wales](#). It also includes reports on financial sustainability at the [National Library of Wales](#), [Arts Council of Wales](#), and [Sport Wales](#).
- 13 We continue to keep our programme of studies under regular review, taking account of the evolving external environment, our own resourcing and the capacity of audited bodies to engage with us. We maintain sufficient flexibility so that we can respond effectively to emerging issues of public or parliamentary concern. Additional outputs may also emerge from ongoing research and development work.

National report outputs completed in the reporting period

	 Tackling inequality	 Responding to the climate and nature emergency	 Service resilience and access	 Well managed public services
<u>No time to lose: Lessons from our work under the Well-being of Future Generations Act</u>	✓	✓	✓	✓
<u>The Wales Infrastructure Investment Strategy</u>	✓	✓		✓
<u>NHS cost savings planning</u>				✓
<u>Temporary accommodation, long-term crisis?</u>	✓		✓	✓
<u>The Welsh Government's funding for the failed Porthcawl Maritime Centre</u>				✓
<u>NHS finances and data tool update</u>				✓



Supporting effective scrutiny and accountability

Supporting the work of the Senedd

- 14 During the reporting period, our work continued to play a key role in supporting the work of the Senedd Public Accounts and Public Administration Committee (PAPAC) in its consideration of how resources are used in the discharge of public functions.
- 15 The outputs from our work supported six formal meetings of the Committee. This included briefing the Committee on some of the national report outputs published in the period (from the list above).
- 16 We have continued to engage with clerking and research teams to other Senedd committees to discuss our work where this is of mutual interest. We gave evidence to the Equality and Social Justice Committee in June as part of its inquiry into the implementation of the Well-being of Future Generations Act. And we submitted written evidence over the summer to the Climate Change, Environment and Infrastructure Committee to support its scrutiny of the Welsh Government's Environment (Principles, Governance and Biodiversity Targets) (Wales) Bill.

Supporting the audit and scrutiny committees of public bodies

- 17 Throughout the reporting period, we regularly attended meetings of the audit and scrutiny committees of public bodies in Wales to provide briefings and report on our local audit work.
- 18 We also continued our regular briefings on audit-related matters to the NHS Audit Committee Chairs and Directors of Finance groups, the local government Society of Welsh Treasurers Group and its Chief Accountants Sub-Group, and the Central Government Audit Committee Chairs Group.

Supporting the public and their local representatives

- 19 We regularly receive correspondence from the public, their local and national elected representatives and others that raises potential concerns about the stewardship of public money and assets. The Auditor General is also a Prescribed Person for receiving whistleblowing disclosures about the proper conduct of public business, value for money, fraud and corruption in relation to the provision of public services.
- 20 During the reporting period, we received 90 items of correspondence and ensured that we responded to those concerns in a fair, proportionate, and professional manner. In addition, 16 individuals contacted us between 1 April and 30 September 2025 indicating that they wished to make a whistleblowing disclosure. In combination, this represents a 77% increase in new cases compared to the same period in 2024.

Business improvement

21 In our [Strategy for 2022 to 2027](#), we identified three areas of focus where we are prioritising actions to help Audit Wales achieve its overall vision.



A strategic, dynamic, and high-quality audit programme



A targeted and impactful approach to communications and influencing



A culture and operating model that enables us to thrive

22 In our [Annual Plan for 2025-26](#), we set out our business planning priorities for the current financial year, aligned with the strategic areas of focus to which they relate. The following tables set out the progress we have made towards delivering each of those priorities over the period 1 April to 30 September 2025.



A strategic, dynamic, and high-quality audit programme

Priorities

Bring the timetable for the delivery of 2024-25 accounts audit work further forward to 30 June for NHS and 31 October for local government (equivalent 2023-24 accounts deadlines were 15 July and 30 November).

What has been delivered so far in 2025-26

Status: On track

Commentary:

Nearly all NHS and scheduled central government 2024-25 accounts were certified on time. While delivery of the audits of local government sector accounts by the revised 31 October deadline continues to be a challenge, all local government accounts that were prepared on time will be certified by the deadline. We are also continuing to support bodies with prior year accounts open.

Over the last six months, we worked collaboratively with the local government Society of Welsh Treasurers Executive and wider Group through regular meetings, workshops, and participation in key forums such as the Chief Accountants Sub-Group. This work provided a valuable opportunity to share audit insights and reflect on sector challenges, with the aim of achieving earlier completion through timelier and better supported accounts.

We have also arranged two Good Practice events for December 2025, focused on a main theme of 'Working Together to Deliver Quality and Timely Local Authority Accounts'. These events will bring representatives from across the sector together to explore the challenges and opportunities in strengthening financial reporting across Welsh local government.

Priorities

Bring the timeframe for the completion of local performance work further forward, such that a greater proportion is completed within three months of the end of the year to which the audit plan relates.

What has been delivered so far in 2025-26

Status: Improvement required

Commentary:

In the period 1 April to 30 September 2025, we made progress on bringing forward the timeframes for delivery of our in-year local government and NHS work, with significant efforts also being made to reduce the remaining post pandemic backlog.

To accelerate this work, some additional resource had been secured from other teams across the organisation to support delivery of local performance audits, alongside additional relief auditor capacity. However, ongoing resourcing challenges remain and, in some cases, the pace of input from audited bodies has had an impact.

Over the reporting period, we have also progressed project work that will improve the quality and accessibility of management information about the delivery of our local audit projects and programmes.

Priorities

What has been delivered so far in 2025-26

Greater focus on value for money through stronger financial and outcomes analysis in our performance audit work.

Status: On track

Commentary:

In July 2025, we launched a new performance audit reporting template. The template is designed to draw out key facts and figures in a clearer way, including about spending and outcomes. Work is currently ongoing to fully embed the new template approach, including through providing additional training for report reviewers. We have also updated our guidance for auditors around aspects of our local audit work to encourage a greater focus on outcomes.

As part of our recent National Fraud Initiative (NFI) work, we developed a data tool to make it easier to assess bodies' progress in reviewing potential fraud/error data matches and the outcomes being achieved. We are using the data tool to support our engagement with participating bodies and provide briefings for local audit committees. This work will inform our next national NFI report in Autumn 2026 and our thinking on future data matching opportunities. In recent months, we have also largely completed pilot data matching work on NHS GP registrations.

At the end of September 2025, we had largely completed local audit work on urgent and emergency care, and on NHS planned care. We will be sharing national summary messages later this year, including bringing together analysis around potential financial saving opportunities.

Together with other UK audit agencies, we have also taken part in piloting a certificate level CIPFA value for money auditor qualification and developing a new higher-level qualification. Initially, we will be supporting two staff to enrol as part of the first cohort of participants for the higher-level qualification from early 2026.



A targeted impactful approach to communications and influencing

Priorities

Achieve an increase in the reach and awareness of our work and its impact on communities in Wales, by encouraging more people to read, share, and act on our content.

What has been delivered so far in 2025-26

Status: On track

Commentary:

Over the last six months, a new ‘Style Hub’ has been launched internally, providing a one stop shop for all staff on writing and design guidance, including in relation to our new performance audit reporting template. We also recently reviewed our social media channels usage, with a focus on developing our LinkedIn site to increase the volume of use and better promote recruitment opportunities and the impact of our work.

As part of the strategic initiative to explore the potential use of generative AI tools (discussed later in this report) we also ran a series of pilots to determine how AI can potentially enhance the impact and efficiency of our communications. In September 2025, we launched a refreshed external e-bulletin newsletter which goes out to around 1,700 people every month, keeping them informed about the latest news, insights, jobs and stories from Audit Wales.

Towards the end of 2024-25, we commenced an internal review, working in partnership with the communications agency FOLK, to:

- better understand the communication needs of our diverse range of audiences;
- gather stakeholder views on whether relevant and timely coverage is being given to equality, diversity and inclusion matters in our audit programme;
- analyse how effective our existing communications are at engaging diverse audiences and addressing the needs of protected groups; and
- develop guidance to help further embed inclusion through our communications processes.

Following consideration of the recommendations of the review by the Executive Leadership Team, and further engagement with key internal stakeholders, a number of key actions were implemented during the reporting period, including further updates to writing guidance for all staff and a review of imagery used in reports. More detail on the resultant range of improvement actions that are being or planned to be implemented will be provided in our Equality Report for 2025-26 and our Strategic Equality Plan for 2026-2030.



A culture and operating model that enables us to thrive

Priorities

Prepare for the period after completion of our current five-year strategy by giving particular focus to themes we have identified as crucial in shaping the future culture and operating model of Audit Wales:

- Digital developments
- Evolving auditing standards
- The scope of our work including developments in sustainable reporting
- The skills and shape of our workforce

What has been delivered so far in 2025-26

Status: On track

Commentary:

Digital developments

In July 2025, we launched a new Artificial Intelligence (AI) and Digital Initiatives Policy. The Policy provides clear guidance for staff on the day-to-day use of approved AI tools, and on the process for consideration and approval of new AI tools (which is based on the [AI Playbook for the UK Government](#)).

Commencing in March 2025, Audit Wales ran an initiative to explore the potential use of Microsoft Copilot in enhancing efficiency, productivity, and digital confidence across the organisation. The project engaged a diverse cohort of 50 colleagues in a structured pilot to test Copilot capabilities in audit and corporate contexts. As part of this initiative, we took careful account of data protection, ethical and other associated considerations and risks.

Overall, several promising use cases were identified through the pilot for further exploration, subject to retaining human judgement and oversight. Most of the participants in the pilot also reported improved confidence in using digital tools. The pilot project is now at evaluation stage, with provisional recommendations for expansion to consider more opportunities to use AI in a controlled way to help enhance the productivity and efficiency of our work.

Evolving auditing standards and developments in sustainable reporting

There have been no substantive developments in this area during the six-month reporting period. We have continued to proactively monitor upcoming changes as new policy and guidance become available, so that we can evaluate any implications for Audit Wales and respond appropriately.

Priorities

What has been delivered so far in 2025-26

Prepare for the period after completion of our current five-year strategy by giving particular focus to themes we have identified as crucial in shaping the future culture and operating model of Audit Wales:

- Digital developments
- Evolving auditing standards
- The scope of our work including developments in sustainable reporting
- The skills and shape of our workforce

Skills and shape of our workforce

We have continued the delivery of a range of strategic workforce planning activity, including the launch of a new performance management system, identification of skills and action required to support the implementation of the Audit Horizons modernisation project, and the management of the establishment as we continue progress in addressing the audit backlog.

Our Executive Leadership Team has monitored an expanded range of performance measures to determine whether our Workforce Strategy is delivering as intended and has scrutinised how vacancies are managed to ensure recruitment decisions are fully aligned with that Strategy.

Over the last six months, we have worked with the Institute of Chartered Accountants in England and Wales (ICAEW) to map skills pathways for specific accounts audit roles. This work will enable colleagues to better identify learning needs for career progression and has included publishing an updated skills 'catalogue' covering both non-technical and technical skills.

Together with other UK audit agencies we have also taken part in piloting a certificate level Chartered Institute of Public Finance and Accountancy (CIPFA) value for money auditor qualification, and in developing a new higher-level qualification.

Work is also now underway to update our digital skills framework. The project involves a small multi-disciplinary working group and seeks to identify and suitably adapt best practice in digital skills frameworks in operation at other organisations.

Key performance indicators

23 The position as of 30 September 2025 in terms of achieving the 18 key performance indicator (KPI) targets set out in our [Annual Plan for 2025-26](#) is summarised below. In the exhibit, some numbers are rounded to make them easier to read and compare. The KPIs are aligned with the strategic areas of focus to which they relate.



A strategic, dynamic, and high-quality audit programme

No	Indicator	Description	2025-26 Target	2024-25 Performance	Performance to 30 Sep 2025
1	Statutory deadlines	Proportion of accounts audit opinions delivered by the statutory or planned deadline. ¹	100%	● 99%	● 100%
2	On time	Proportion of other key audit products delivered in accordance with the planned timetable for ensuring timely and impactful reporting.	90%	● 81%	● 80%
3	Quality	Number of reviewed audits that are delivered in accordance with Financial Reporting Council (FRC) quality standards .	All audits sampled in the highest two audit quality categories	● 6 out of 8	Annual measure – data not yet available

● On track to achieve our target ● Improvement required ● Significant improvement required

¹ Where accounts are received on time and the public interest report is required.

No	Indicator	Description	2025-26 Target	2024-25 Performance	Performance to 30 Sep 2025
4	Credibility	Proportion of stakeholders that consider us to be an independent and authoritative communicator on the governance and stewardship of public money and assets.	At least 90%	● 76%	Annual measure – data not yet available
5	Providing insight	Proportion of stakeholders who said that through our work, they gained useful insight that they would not have acquired otherwise.	At least 80%	● 78%	Annual measure – data not yet available
6	Driving improvement	Proportion of stakeholders who believe our work has led to improvements in the provision of public services.	At least 80%	● 62%	Annual measure – data not yet available
7	Savings identified	Value of potential savings, productivity gains and other financial benefits identified through our work.	At least £30 million during 2023-2026	● £16 million	● £16 million ²

● On track to achieve our target ● Improvement required ● Significant improvement required

² Specific audit work currently in progress will enable us to achieve our target of at least £30 million by 2026.



A targeted impactful approach to communications and influencing

No	Indicator	Description	2025-26 Target	2024-25 Performance	Performance to 30 Sep 2025
8	Good practice outputs	Proportion of stakeholders who rate our good practice outputs as useful or very useful.	At least 90%	● 100%	● 100%
9	Website visits	Number of visits to our website where at least one action is performed, eg download a report, click on a video.	53,000 each year	● 81,000	● 36,900
10	Social media	Number of social media engagements, ie interactions with our posts such as a like, a comment, or a retweet/share.	4,000 each year	● 3,500	● 2,500
11	Sharing audit learning	Number of instances where we present audit learning to key policy working groups or at relevant externally hosted events.	50 each year	● 53	● 31 ³

● On track to achieve our target ● Improvement required ● Significant improvement required

³ This figure does not include attendance at meetings as part of our routine audit business. Where we have regularly attended specific groups in relation to a single topic, we have counted these collectively as a single event.



A culture and operating model that enables us to thrive

No	Indicator	Description	2025-26 Target	2024-25 Performance	Performance to 30 Sep 2025
12	Employee engagement	Percent positive annual staff survey engagement index score.	At least the median benchmark score for the latest Civil Service survey	● 71% ⁴	Annual measure – data not yet available
13	Turnover	Proportion of employees who voluntarily leave Audit Wales per annum.	Between 5% and 10%	● 5.8%	● 3.8%
14	Sickness absence	Proportion of total time lost due to sickness absence.	Less than 4%	● 3.9%	● 3.5%
15	Financial balance	Net underspend variance on income and expenditure from that set out in our Estimate for the current year.	Less than 2% of gross expenditure budget	● 3.2%	● 1.7%
16	Cost savings	Value of in-year cost savings delivered across the business.	£200,000 as set out in our 2025-2026 Estimate	● Exceeded £400,000 non-pay savings target	● £200,000

● On track to achieve our target ● Improvement required ● Significant improvement required

No	Indicator	Description	2025-26 Target	2024-25 Performance	Performance to 30 Sep 2025
17	Greenhouse gas emissions	Total CO ₂ equivalent emissions. ⁵	Less than 290 tonnes (50% reduction from 2019-2020 baseline)	● 380 tonnes	● 170 tonnes
18	Trainee success rate	Proportion of trainees achieving first-time passes in their Professional and Advanced level examinations with the Institute of Chartered Accountants in England and Wales.	At least 90%	● 85%	Annual measure - data not yet available

● On track to achieve our target ● Improvement required ● Significant improvement required

⁵ Not including supply chain emission estimates which are reported on separately in our annual Sustainability Report.



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

Document is Restricted

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Reference: AC526/caf

Date issued: 29 October 2025

Dear Peredur

Scrutiny of the Welsh Government's draft budget 2026-27

Thank you for the invitation to give evidence as part of the Committee's scrutiny of the Welsh Government's draft budget 2026-27. The timing sits well with the fact that I have recently begun giving thought to key themes that have emerged from the work of Audit Wales since 2018, and as I approach the end of my tenure as Auditor General. As I emphasised in our recent 'No time to lose' report about implementation of the Well-being of Future Generations Act, we cannot afford to design solutions that do not meet people's needs, burden future generations with avoidable higher costs, or miss opportunities to deliver more with the same or less.

We would not wish to comment on the relative merits of specific policy/spending objectives. However, our work provides broader insights into public bodies' arrangements for securing value for money through the implementation of key policies and programmes and, more generally, in how they are governed day to day. It also considers how they are applying the Well-being of Future Generation Act's sustainable development principle and the associated ways of working. We have been urging public bodies to see the sustainable development principle as a value for money issue rather than something separate.

I understand that areas of particular interest to the Committee include themes around productivity in the public and private sectors, as well as around the cost of living and the prevention agenda. We can also see that some consultation responses the Committee has received already reference recent Audit Wales work.

We can expand in our session but, for now and while not exhaustive, I have enclosed a summary of examples from our work that we think are of particular relevance to the financial pressures on public bodies and the areas of interest to the Committee. We

have focused on outputs from the past 18 months, although we have highlighted some earlier work too. We have also mentioned other work in progress.

The examples listed include work on some of the core building block areas for public service productivity around digital transformation, workforce, and asset management. On these and other cross-cutting topics, including decarbonisation and nature recovery, we see the need for longer-term planning and a clearer understanding of the resources required to deliver plans and priorities. Another common theme from our work concerns whether public bodies have reliable data with which to assess value for money and are clear about the outcomes they are looking to achieve. I also have concerns about the overall complexity of the public service delivery landscape in Wales and whether this supports productivity and wider value for money.

We look forward to discussing further with the Committee.

Yours sincerely



ADRIAN CROMPTON
Auditor General for Wales

Annex: Examples of relevant Audit Wales work

No time to lose: Lessons from our work under the Well-being of Future Generations Act – April 2025

This report drew together findings from a wide range of audit work over the previous five years. It was set in the context of escalating financial and demand pressures on public bodies since the introduction of the Act in 2015.

We see the Act having increased prominence in decision-making and working practices, but we also still see instances where public bodies have given little or no explicit consideration to it. From what we see, the Act is not driving the system-wide change that was intended. Notably, there is still much to do to apply the Act to functions such as workforce planning, asset management, and financial planning. These functions are essential in driving wider change and translating strategic intentions into operational reality.

We find variation in practice within organisations, and within and between sectors. In our view, the health system in particular has some way to go in applying future generations thinking across its planning and delivery. Other audit work, such as on cancer services (see below), has demonstrated this.

We emphasised that accelerating progress under the Act starts with prioritising prevention. Without a more systematic shift towards prevention, budgets will be exhausted, and outcomes will likely be worse.

We raised four strategic recommendations to the Welsh Government, designed with the wider conditions for progress in mind. They included a call on government to minimise funding uncertainty to help public bodies plan effectively and to encourage investment in prevention. On the latter, we recommended that the Welsh Government should work with public bodies to:

- strengthen the understanding of the levels of investment in prevention and its impact;
- build on work to embed prevention in the budget process, considering, for example, opportunities to bring funding together across different parts of the system to support prevention;
- incentivise and protect preventative spend at a local level; and

- learn from others beyond Wales, for example, taking account of work that CIPFA is undertaking on understanding preventative spend.

Since our report, we have convened or contributed to several other events that have explored preventative spending in more detail. At the time of writing this letter we were still awaiting the Welsh Government's formal response to our recommendations, although we understand it is imminent.

The Biodiversity and Resilience of Ecosystems Duty – March 2025

This work considered whether the Welsh Government and other public authorities are responding appropriately to the Environment (Wales) Act 2016 (the Act) that places an enhanced biodiversity and resilience of ecosystems duty on them.

Overall, we found that the nature emergency has not been a high enough priority, with many public authorities failing to comply with key biodiversity requirements, including the Welsh Government itself in one respect. More than eight years since the duty came into force, we found that nearly half of public authorities covered by our work had not complied with the requirement to both prepare and publish a biodiversity plan. And approaches to planning varied widely. Around a quarter of public authorities had never produced a biodiversity report.

Our report acknowledges examples of efforts to integrate biodiversity and nature ambitions with wider policies. And public authorities provided positive feedback on aspects of national strategic leadership. The Welsh Government has also provided various funding streams that support biodiversity action. Nevertheless, there has been far less national focus on biodiversity than on decarbonisation.

We have since taken forward further work on nature recovery examining Natural Resources Wales's approach to designating Sites of Special Scientific Interest (SSSIs). SSSIs are important for vulnerable species and NRW has said it will identify opportunities to enlarge and better connect them. However, there have also been concerns about gaps in data about protected sites and about NRW's capacity given wider financial pressures. We expect to publish our report in November.

Cancer services in Wales – January 2025

Performance varies across Wales, but we reported that no health board had met the current waiting time target since 2020, with rising demand for cancer diagnosis and treatment a significant challenge for NHS Wales.

We called for stronger and clearer national leadership to improve cancer services, along with a greater focus on prevention. While the Welsh Government wants the waiting list to return to pre-pandemic levels, we found that is unlikely without a significant increase in diagnosis and treatment. There are also challenges associated with gaps in staff capacity.

And with around four in ten cancers each year in Wales being preventable, we emphasised that there are considerable opportunities to save lives and reduce pressure on NHS resources by tackling lifestyle factors which increase the risks of some cancers occurring in the first place. Those opportunities go beyond the prevention of cancer because many of the lifestyle risk factors for cancer are also risk factors for other major conditions which affect people's well-being and consume significant amounts of NHS resource.

The Senedd Public Accounts and Public Administration Committee heard evidence on this topic from various stakeholders earlier this year. We will also shortly be taking forward further local audit work at individual NHS bodies.

NHS finances – September 2025

This article provided an update on the financial position of the NHS. We also published an update to our [NHS finances data tool](#).

Our audit of NHS bodies' 2024-25 accounts showed that all seven health boards again breached their statutory duty to break even over a three-year period, raising further questions about the financial sustainability of the current system. I qualified my regularity opinion for those bodies as failing this duty means that the bodies have exceeded their authority to spend.

Record levels of investment and ever-increasing levels of savings are failing to control the costs that are being driven by rising demand for services, inflationary pressures and overall growth in pay costs. Last year I highlighted the need for a more fundamental and transformative approach to returning the NHS to financial sustainability. That need still exists. While we have seen good progress in reducing spend on expensive agency staff, and less reliance on one-off savings, the growing cumulative deficit suggests that collectively the NHS in Wales is still a long way from being able to live within its means.

Sound strategic planning is key if the NHS is to deliver services which are clinically and financially sustainable. Generally, it is proving increasingly difficult for NHS bodies to produce financially balanced plans in the current climate of cost pressures and service demand. Within the current system, a failure of an NHS body to produce

a financially balanced three-year plan typically results in a reversion to a one-year plan. Although the need to demonstrate in-year financial balance is understandable, it risks perpetuating a focus on the short term at the expense of a longer-term plan. That longer-term view needs to include a greater focus on preventing illness which can have significant cost and outcome benefits.

Relevant to the wider financial challenges, we have been progressing local audit work on digital transformation in the NHS. This is examining the extent to which NHS bodies are using digital transformation to modernise service and improve their efficiency and effectiveness.

We will also shortly be progressing work looking at NHS estates management, set in the context of a significant proportion of the estate being rated below optimal standards for physical condition and a significant increase in backlog maintenance over recent years. Recent examples of significant estates issues highlight some of the challenges that the NHS has been facing. We are also currently completing a stand-alone review of issues relating to decision-making around the new Velindre Cancer Centre.

The risk adjusted backlog maintenance cost for NHS Wales has risen from £265 million in 2017-18 to £977 million in 2023-24. The high-risk backlog has increased from £62 million in 2017-18 to £284 million in 2023-24. This includes critical repairs needed to maintain safety and service continuity. We note that the NHS Confederation Wales has commented on some of the implications of the backlog maintenance position in its submission to the Committee.

NHS cost savings arrangements – June 2025

We published a short article summarising themes from earlier local audit work at individual NHS bodies. Our NHS finances data tool (see above) provides information about the profile of bodies reported savings (both one-off and recurring).

Overall, we highlighted that:

- NHS bodies have a good understanding of what drives their costs.
- Not all savings opportunities are being realised – and while NHS organisations are using some benchmarking data to identify potential savings, their use of this information is inconsistent. As a result, they need to apply all available data and insights more effectively and consistently to make the most of cost-saving opportunities.

- There is still an over-reliance on non-recurrent savings, despite some positive progress in 2023-24 and 2024-25 to reverse an increasing reliance on one-off savings in the previous three years. Reliance on short-term one-off savings does not support bodies long-term financial health or tackle underlying budget shortfalls.
- More engagement with clinicians and staff is needed in efforts to identify cost-saving opportunities and to ensure that changes are grounded in day-to-day service delivery.

Addressing workforce challenges in NHS Wales – February 2025

Again, this report summarised themes from earlier local audit work at NHS bodies. Despite improvements in some areas, we highlighted how the NHS is still experiencing challenges with recruitment and retention and a still heavy reliance on expensive agency staff to plug gaps in the workforce (notwithstanding the positive downward trend since 2022-23).

We noted that staff turnover was still higher than before the pandemic, and staffing gaps continue to present real challenges. We also questioned whether continued growth in staff costs at the rate seen over recent years is sustainable.

While NHS Wales needs to adapt to the changing demand that it is facing, it did not have a workforce plan linked to new and sustainable models of care. Among other things, our recommendations urged the Welsh Government to develop such a plan, working with other key partners. We also called for work to strengthen workforce data to inform workforce planning. Uncertainty around system leadership on workforce issues also needed addressing.

Urgent and emergency care – work ongoing

We are nearing the end of a significant body of local audit work about how urgent and emergency care demand is being managed. This work has also looked at the impact delayed discharges are having on patient flow within hospitals and on accident and emergency departments, ambulance handovers and response times.

All parts of the urgent and emergency care system are facing pressures from high levels of demand. For limited resources to be used as effectively as possible, patients need to be directed to services that best meet their urgent and emergency care needs. Significant amounts of NHS resources are also absorbed by caring for hospital patients who are medically fit for discharge. Patient flow problems related to

delayed discharges will have knock on effects on other parts of the system including access to urgent and emergency care with associated risks for the quality and safety of services.

We are preparing some national commentary but have already published various local and regional reports on [our website](#). The work on patient flow has highlighted some of the significant cost implications of delayed discharges. It has also highlighted the impact of workforce capacity issues in social care.

Findings informed our [written evidence](#) as part of the Senedd Local Government and Housing Committee's recent inquiry on the role of local authorities in supporting hospital discharges. Our work has also touched on issues relating to the Welsh Government's Regional Integration Fund. The Regional Integration Fund is intended to contribute to the Welsh Government's aims to embed a preventative approach to population health and wellbeing, and delivery of seamless health and care support, at or as close to home as possible when needed. We have [work in progress](#) looking in more detail at the arrangements for the Fund.

NHS planned care – work ongoing

Local audit work on NHS planned care follows on from our national [Tackling the Planned Care Backlog](#) commentary in 2022. Our work has examined progress with planned care recovery, including the extent to which health boards have implemented actions in the national planned care recovery plan and used the additional funding which has been made available to secure sustainable improvements to planned care services.

As with our work on urgent and emergency care, various local audit reports have already been published on [our website](#). While our work recognises progress with reducing the longest waits, it also raises ongoing concerns around how planned care demands are being tackled, and the level of attention being directed towards sustainable service change. There are also clear opportunities for improved productivity by tackling issues around missed outpatient appointments, late surgical cancellations and poor theatre use.

Financial sustainability of local government – December 2024

The Committee referenced this work in its report on the Welsh Government's draft budget for 2025-26. Building on local audit reports to each principal council, we set out information about significant risks to the sustainability of local government finances, which were likely to increase over the medium term without action to

alleviate them. We also published an updated version of our [local government finances data tool](#) which includes comparative data on councils' levels of financial reserves and borrowing.

We recognised that councils have taken difficult decisions to manage their finances through a long period of financial constraint. But as the cumulative impact of that restraint builds we cannot assume that local government will remain financially sustainable. Our work shows that, while councils know the scale of their funding gaps, they have not had longer term plans in place to address them. This leaves them vulnerable to short term decision making that may not represent value for money or be in the longer-term interests of local communities.

The report highlighted the scale of some of the growing demand pressure on council budgets in areas like children's, adult and older peoples' social care, and in additional learning needs provision and housing. These sit alongside other general cost-of-living budget pressures and the climate change agenda. We have since reported separately on temporary accommodation (see below) and we have work in progress on issues relating to [additional learning needs](#), [councils' capital planning arrangements](#), and [children's services](#). We have also completed local audit work recently looking at councils' arrangements for commissioning services. These reports are available on [our website](#) and we are preparing a national summary output.

Temporary accommodation, long-term crisis? – July 2025

This report highlighted a significant increase in demand for temporary accommodation in the last decade, significantly outpacing available accommodation. We found that councils are in 'firefighting' mode, focussed on managing demand rather than prevention and value for money. Often councils' provision of temporary accommodation is not meeting people's needs, can cause harm, or is not fit for purpose.

Resonating with messages from our earlier 'No time to lose report' (see above), we found that councils have made limited progress with improving homelessness prevention to achieve better outcomes and reduce costs. This is not the first time in the past decade that we have highlighted concerns around arrangements for tackling homelessness. We raised fresh recommendations for councils around their approach to considering options for temporary accommodation and the assessment of value for money, planning for prevention – including around demand management and workforce planning, and partnership working.

Some of the issues raised by this work are also relevant to the Senedd Local Government and Housing Committee's inquiry work on the Homelessness and Social Housing Allocation (Wales) Bill.

Digital by design? Lessons from our digital strategy review across councils in Wales – August 2024

This is another example of a summary report on issues arising from local audit work reported to individual councils. We found that councils were, to varying extents, thinking about how they could use digital to deliver better outcomes and achieve their strategic ambitions over the long term. However, we identified consistent weaknesses in resourcing and monitoring that pose value for money risks and, fundamentally, councils did not appear to have an explicit focus on value for money or the sustainable development principle in developing their digital strategies.

We set out five key lessons from our work:

- Councils could draw on a broader evidence base to inform a long term, citizen centred approach to digital.
- Councils could go further in working across internal boundaries and with external partners to deliver maximum value from their digital strategies.
- Councils could do more to identify the benefits that could be achieved and the resources required to help them turn ambition into reality.
- Councils need to make sure they can assess the impact of their digital strategies and individual projects.
- Councils could take a more systematic approach to learning, so they can adapt and improve their work on digital.

Springing Forward: Lessons from our work on workforce and assets in local government – September 2023

Again, this report summarised local audit findings. While now quite dated – the local audit work spanned 2021 to 2023 – the context remains relevant to some of the ongoing challenges councils are facing. At the time of this work, councils were coming out of a period of adaptation in how and where staff worked during the COVID-19 pandemic. We found that most councils were working through what their

'new normal' should look like as staff tended to still work partly remotely, at council offices or out in the community.

Key learning points from this work were:

- Councils did not appear to have fully appreciated that the sustainable development principle is relevant to the way the approach both workforce and asset management.
- Councils were not effectively drawing on the breadth of intelligence that could help them manage the present or plan for the future, with benchmarking – that could inform an assessment of value for money – also rare.
- Opportunities to link asset and workforce management with the delivery of wider corporate objectives, and to work together to address common challenges.
- Weaknesses or gaps in some core arrangements around strategic and service planning.

While it will not cover the wider topic of workforce planning, we are currently rolling out further local audit work across councils that will consider the arrangements councils have to:

- understand existing recruitment and retention challenges, particularly for 'hard-to-fill' posts;
- take action to address those challenges and mitigate risks for the future; and
- review the value for money of their approaches.

We have reported previously on workforce constraints in specific areas of local government service delivery. These include regeneration, active travel (see below), building safety, and flood defence. Local government also formed a large part of the picture for the analysis in our 2022 report on public sector readiness for net zero. One of the five key calls for action from that net zero work was for bodies to understand their skills gaps and increase their capacity.

Poverty in Wales – November 2022; Social Enterprises – December 2022; and Community Resilience and Self-reliance – January 2023

While this work dates back several years, it may still be of relevance to the Committee's consideration of cost-of-living issues. This package of material explored issues relating to how councils empower citizens to tackle and prevent issues developing into a crisis that requires statutory intervention.

In Poverty in Wales, we highlighted how the Welsh Government's child poverty strategy was out of date and that while councils and partners were prioritising work on poverty, the mix of approaches and a complicated partnership landscape meant that ambitions, focus, actions and prioritisation varied widely.

There was a lack of clarity around spending on tackling poverty and with councils finding it hard to deliver preventative work because of the scale of demand from people in crisis. We raised concerns around councils' approaches to impact assessment, in a similar vein to findings in our [September 2022 pan-public sector report on equality impact assessment](#). We made a range of recommendations to councils, including around impact assessment. We also made recommendations to the Welsh Government, including around its grant funding processes.

Our report on Social Enterprises emphasised the role they can play in assisting people who are in poverty through their focus on keeping wealth in local communities. We found that councils were not effectively working with them to maximise their impact, make better use of resources, and improve services.

Finally, our report on Community Resilience and Self-reliance focused on understanding how councils are creating the conditions to transform ways of working and empower communities to thrive as independently as possible. Much of the narrative on community resilience at the time was framed around the response to emergencies and civil contingency requirements. We highlighted a risk that services were returning to their pre-pandemic ways of working and that the opportunity to shift from being an 'influencer' and 'enabler' rather than a 'direct provider' was potentially being wasted.

The Wales Infrastructure Investment Strategy (WISS) – May 2025

This report highlighted how the Welsh Government plans to spend roughly £3.4 billion on infrastructure during 2025-26. However, inflationary pressures have squeezed capital budgets.

We found that the WISS is a step forwards and provides longer-term direction focused on 16 strategic outcomes rooted in the well-being of future generations. It had been supported by a three-year Infrastructure Finance Plan (IFP) for 2022-23 to 2024-25. However, the Welsh Government needs to do more to ensure that departments are maximising their contributions to these outcomes. This included better embedding the WISS outcomes into its wider framework for programme and project management. And while the Welsh Government's approach to evaluation uses good practice principles, it has not been applied consistently, and overall outcomes are unclear.

The report encouraged the Welsh Government to provide more certainty through longer-term financial planning for infrastructure investment. However, we recognised that the Welsh Government faces some challenges when setting longer-term financial plans, such as its funding being set through UK budget cycles and the constraints of the Senedd electoral cycle. The Welsh Government set a one-year IFP for 2025-26, pending the UK Government spending review in June 2025, and was considering its options for future IFPs.

The report made 11 recommendations for improvement in the areas set out above as well as strengthening public reporting of progress against the WISS. It was informed, in part, by previous audit work on topics including [flood risk management](#), [affordable housing](#) (see below), and [active travel](#) (see below). Also relevant is [ongoing audit work on the Sustainable Communities for Learning Programme](#).

Affordable Housing – September 2024

This report considered spending and performance against the Welsh Government's 20,000 social homes target and the underpinning governance and management arrangements. We reported in positive terms on aspects of the arrangements, but emphasised the need for stronger long-term planning, with the lack of a long-term approach hampering progress and contributing to an unstable pattern of spending and delivery. We also found that the Welsh Government had not done enough to ensure affordable housing investment contributes to wider policy objectives.

We noted that to get close to delivering its target, the Welsh Government would need to significantly increase spending. However, we explained that options to make available funding go further may not be desirable for other reasons (such options including increasing acquisitions and leasing, reducing quality standards, or changing the balance of tenure).

Since our work, there has been further reporting on issues relating to social housing supply by the [Senedd Local Government and Housing Committee](#) and the Welsh Government's [Affordable Housing Taskforce](#).

Active Travel – September 2024

This report found that while there has been increased spending through the Active Travel Fund, rates of active travel have not improved in recent years. We recognise that it might take time for the benefits of that increased spending to be felt. However, one of the main messages from the report concerned the need for better evidence to track progress and assess value for money. The report also raised questions about the balance of expenditure between the building of physical infrastructure and investment in awareness raising and behaviour change. We also identified concerns about the funding of ongoing maintenance of active travel infrastructure.

The Senedd Public Accounts and Public Administration Committee has heard a wide range of evidence on this topic since we reported. This topic has also been of interest to the Climate Change, Environment and Infrastructure Committee.

Challenges for the Culture Sector – Financial Sustainability

Finally, the Committee may be interested in work we have been completing recently on financial sustainability at Welsh Government arm's length bodies in the culture sector. We have already published reports on the [National Library of Wales](#), the [Arts Council of Wales](#), and [Sport Wales](#). Our work at Amgueddfa Cymru is close to completion.

Each of these bodies was facing significant financial pressures arising from a combination of factors, including rising costs and a reduction in Welsh Government grant in aid funding for 2024-25. Among other things, we found that the bodies did not all have medium-term financial plans in place. Even where they did, we recommended expanding them to cover broader considerations.

ENDS

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Agenda Item 8

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

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