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Llywodraeth Cymru
Welsh Government

John Griffiths MS
Chair of the Local Government and Housing Committee
Welsh Parliament
Cardiff Bay
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CF99 1SN

7 March 2022

Dear John

Thank you for the Committee's report on the Scrutiny of the Welsh Government's Draft Budget 2022-23 outlining 16 recommendations for the Welsh Government.

We would like to thank members of the Committee for their report. Please find enclosed the Welsh Government response to these recommendations in advance of the vote on the Final Budget on 8 March

Yours sincerely

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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.

Written Response by the Welsh Government to the report of the Local Government and Housing Committee on the 2022-23 Draft Budget

Detailed Responses to the report's recommendations are set out below:

Recommendation

We recommend that the Welsh Government and WLGA work together to explore alternative ways of supporting larger capital budgets for local government in future, including the role of supported borrowing.

Response: Accept

We will continue to work with the WLGA at official level through the Capital Finance and Investment Group and with leaders through the Finance Sub Group to review capital funding provision and the possibility of amalgamating capital grants where appropriate. Authorities have a number of sources of capital funding, the general capital grant, specific capital grants, supported borrowing, unsupported borrowing and internal finance. Welsh Government itself also has a range of sources of capital finance, including traditional capital grants, financial transactions capital, borrowing and mutual investment models, and looks to utilise the cheapest and most appropriate forms first when supporting different sectors.

Specific grants have a role to play in ensuring new priorities are resourced and given sufficient importance in delivery plans. This may be for Programme for government commitments including the Co-operation Agreement or for shorter term policies. There are large multi-year programmes of specific funding such as 21st century schools where Welsh Government works closely with local authorities so that larger schemes can be delivered.

Any type of borrowing, whether supported or unsupported has an ongoing revenue cost to either the local authority or Welsh Government and this needs to be considered as part of any capital funding programme.

Financial Implications: There are no overall financial implications to continued review of capital funding and amalgamation of capital grants where appropriate. Any increase to the provision of supported borrowing carries an ongoing revenue cost.

Recommendation 2

We recommend that the Welsh Government, ahead of the debate on the final budget, provides further information as to how it envisages the £60 million identified by the Minister for reforming the care sector will contribute to the long-term sustainability of the sector.

Response: Accept in Principle

From April 2022 there will be a new Social Care Reform Fund of £45m. Rising to £55m in 2023-24 and £60m in 2024-25. The Social Care Reform Fund will increase the funding available to promote reform and improvement in social care set out following our 'Rebalancing Care and Support' White Paper. The funding will be used to help deliver the Programme for Government commitments to reform social care for looked after children and to protect, re-build and develop our services for vulnerable people. It will improve delivery and increase the sustainability of services across the social care sector.

Detailed plans, within the above context, are being developed and will be announced in due course. At this stage we can confirm that we will invest:

- £10m in 2022-23 in preparation to deliver our commitment to eliminate private profit from the care of looked after children during the next Senedd term; and
- an additional £3m in Social Care Wales in 2022-23, to continue the expansion of the professional registration of the social care workforce and provide ongoing support for the stabilisation and recovery of the sector through delivery of the Health and Social Care Joint Workforce Strategy.

We will also invest in:

- the establishment of health and social care community hubs to contribute to the prevention and early intervention agenda;
- the ongoing work under the Chief Social Care Officer for Wales to take forward action complementary to the Race Equality Action Plan; and,
- continued support for the provision of funding to enable unpaid carers to access respite care and the intervention fund for supporting child and family well-being to safely divert cases from child protection registration.

Financial Implications: There are no new financial implications

Recommendation 3

We recommend that the Welsh Government continues to take forward the recommendations from the Homelessness Action Group, and actions outlined in the recently published Ending Homelessness Action Plan. We further recommend that the Welsh Government closely monitors the pressures on emergency temporary accommodation to ensure that local authorities have the necessary financial resources and access to sufficient accommodation to continue with the “everyone in” approach.

Response: Accept

We will continue to take forward the recommendations in the Homelessness Action Group reports, as outlined in our Ending Homelessness Action Plan.

We continue to work closely with local authorities to monitor the pressures on temporary accommodation, both through a team of dedicated Relationship Managers and through regular data collection. We have made additional funding available to local authorities in the draft budget to support the continuation of the ‘no-one left out’ approach.

Financial Implications: There are no new/additional financial implications associated with this response beyond those in the draft Budget.

Recommendation 4

We recommend that the Welsh Government works with the UK Government to ensure that, after the public health emergency, it is still able to extend housing related help and support to people with no recourse to public funds.

Response: Accept in Principle

The Welsh Government will continue to engage with the UK Government to urge them to work towards a collaborative No Recourse to Public Funds regime which enables compassionate support to be provided for those who are engaging with the visas or immigration system. We continue to urge UK Government to work with us to work on ensuring sustainable outcomes for people in line with our ambitions to making Wales a Nation of Sanctuary. This includes seeking amendments to the Nationality and Borders Bill to avert an impending human tragedy in our communities.

We are funding a consortium of third sector organisations, led by Housing Justice Cymru, to help us implement the recommendations of the Accommodation for refused asylum seekers feasibility study. This includes commitments to expand ‘hosting’ provision and other forms of temporary accommodation for those with No Recourse to Public Funds.

Financial Implications: There are no new/additional financial implications associated with this response beyond those in the draft Budget.

Recommendation 5

We recommend that the Welsh Government sets out how it will address issues relating to material prices, the supply chain and a skilled workforce in order to meet its target of delivering 20,000 new affordable homes.

Response: Accept

In these unprecedented times, there are several challenges facing the delivery of the 2021-26 housing target including increased costs of building materials and the lengthened supply chain for a number of imported construction materials.

Work with Registered Social Landlords, local authorities and contractors to mitigate these risks saw additional capital provided in 2021-22 to support the delivery of affordable housing schemes with unprecedented increases in materials costs.

There are early signs that prices are starting to ease for some materials. Welsh Government are members of the UK Product Availability Working Group and will continue to monitor the situation, taking actions as necessary and to determine if additional funding needs to be requested over the course of the term of government.

Work to improve and build on the Welsh supply chain and ensuring more Welsh timber is used in the construction of low carbon, social rented homes in Wales will continue. Work is also being undertaken with the housing sector to explore opportunities to deliver, learn and co-ordinate retrofit and wider green skills provision across Wales. This includes utilising existing programmes for current and new house building skills.

It is clear that the target for this term is more challenging, with a crucial focus on homes being low carbon, kind to the climate, warm and affordable. Delivering low carbon homes will cost more than building to a lower energy standard.

Despite these challenges, commitment to delivering more social homes for Wales has and will not waiver. Commitment to delivering this target was demonstrated in the allocation of a substantial budget of £250m to the Social Housing Grant for 2021-22, doubling the budget from 2020-21. The indicative draft budget builds on this with record levels of funding allocations of £310m (a £60m increase on 2021/22 allocations), £330m and £325m in 2022-23, 2023-24 and 2024-25 respectively.

Financial Implications: There are no new financial implications associated with this response.

Recommendation 6

We recommend that once Unnos has been established, the Welsh Government provides an update to the Committee on how it will be monitored and measures put in place to ensure value for money from the investment.

Response: Accept

The terms of reference for Unnos have yet to be established but it is likely that engaging with both public and private organisations will be key to its delivery. The nature of the monitoring and evaluation of Unnos will be driven by its constitution namely if the body sits within or outside of government.

If Unnos is an extension of current Welsh Government departments then there is an established monitoring and evaluation process already in place to monitor value for money. If Unnos is established as an arms-length body then we would look for guidance from the Welsh Government Public Bodies Unit on the best method of assessing its effectiveness. In addition, board members and/or Welsh Government observers will be given full training regarding their role and what will be expected of them.

We will be happy to provide the Committee with a further update on the issue raised within the recommendation as soon as Unnos's proposed form is established, be it inside of government or an arm's length body.

Financial Implications: Unnos' constitution will dictate the monitoring that will need to take place i.e. internal or external to Government. This will have a financial implication but it is not known what that will be at this time. An approved annual revenue budget has been secured for Unnos. A proportion of which will be applied to ensure correct due diligence is maintained in the proposal's development and delivery.

Recommendation 7

We recommend that the Welsh Government, ahead of the debate on the final budget, prioritises the allocation of funding for the Help to Buy scheme.

Response: Accept in Principle

The Help to Buy Wales scheme has funding in place until the end of March 2023.

We have only allocated part of our Financial Transactions capital budget in the final Budget and plan to make further allocations in the Supplementary Budget. This more prudent approach is appropriate while we await the outcome of discussions with HMT regarding the profile of our FT capital budget. It will also enable work to be completed to understand the impact of the ONS classification of the Development Bank of Wales on the Financial Transactions budget we will have available in the years ahead. The Development Bank of Wales manages the majority of our Financial Transactions investments, including the Help to Buy scheme. It is therefore crucial that the outcome of both these pieces of work are understood before making further allocations. The Help to Buy Wales scheme remains a priority and a decision on funding from April 2023 will be made as soon as we are in a position to do so.

Financial Implications: There are no new/additional funding implications relating to this response.

Recommendation 8

We recommend that the Welsh Government sets out how the budget allocation for the Integrated Care Fund will be used to meet increased demand for suitable housing for an ageing population.

Response: Accept

The new Housing with Care Fund replaces the previous ICF capital programme from April 2022. It is a 4 year programme. The fund has two principal objectives:

- To increase the existing stock of housing with care. The majority of these units will be Extra Care housing for older people and people with dementia. The remainder will provide supported living accommodation for adults with a learning disability, other neurodevelopmental conditions and mental health needs.
- To provide new small scale residential accommodation for children with higher needs in order to bring children back from, or avoid, out of county/out of country placements, as well as intermediate care settings in the community e.g. step up/step down and reablement/rehabilitation flats to enable older people to return to independent living in the community, and short to medium term accommodation e.g. for children on the edge of care, young people leaving care, and people with a learning disability learning to live independently.

Housing with care schemes will be subject to the same assessment process as Social Housing Grant schemes, with additional allowance made for accessibility, communal spaces etc.

Financial Implications:

There are no new/additional funding implications relating to this response.

Recommendation 9

We recommend that the Welsh Government continues to work with the UK Government on how work to improve the safety of mid and high-rise building can be progressed at pace to provide certainty for leaseholders and tenants. We further recommend that the Welsh Government ensures that leaseholders will not have to cover the cost of remediation.

Response: Accept in Principle

We believe effective collaboration is essential if we are to provide those affected by the issues of building safety with meaningful and long-lasting solutions. This means developing UK-wide responses where our policy intent aligns, as well as learning from the other devolved administrations. We are working with the UK Government on the UK Building Safety Bill to ensure a number of clauses that align with our policy intent will apply in Wales. We also worked closely with the Home Office on the Fire Safety Act 2021, which corrects some of the most serious deficiencies in fire safety law as it stood, and which is now fully in force in Wales.

However, we have committed to taking a more holistic approach to the remediation of existing buildings in Wales. Whilst this broader approach does make matters even more complex it is only by addressing the range of fire safety issues in an holistic manner that we can be confident that affected buildings are returned to a 'fit for purpose' condition.

We are currently reviewing the 248 expressions of interest received between September and the end of December, under the first phase of the Wales Building Safety Fund. These will be used to inform the development of building remediation passports. The scheme remains open for submission of further expressions of interest. To ensure consistency and value for money we are procuring surveyors and technical expertise to undertake the passport surveys which will commence very soon. Initial survey work will not necessarily involve intrusive investigation on site, however this will follow in some cases but will of course be preceded by consultation with leaseholders and residents.

Survey outcomes will be made available to all interested parties in a building, including residents and will provide the 'entry' point for buildings seeking support for remediation works in due course.

We maintain our firm line that developers should be putting forward funding and/or undertaking works to remediate the buildings they built. We recognise that some have engaged and provided funding – they are an example to others who have declined to engage.

Engagement with the UK and other Devolved Governments continues on a regular basis. We are exploring the implications of recent announcements and developments at both Ministerial and official level to ensure joint working and collaboration where appropriate.

Financial Implications: There are no new / additional financial implications as a result of this approach. The Welsh Government's Draft Budget includes provision to deliver the full programme of work relating to building safety between 2022/23 – 2024/25 which includes the development and implementation of building remediation passports, remediation and leaseholder support schemes as well as supporting long term policy development and legislative change programmes.

Recommendation 10

We recommend that the Welsh Government outlines how the allocations for building safety will be used to implement the UK government's Building Safety Bill.

Response: Accept in Principle

We are working closely with the UK Government to ensure elements of their Building Safety Bill apply to Wales where they align with our policy intention and vision as set out in our White Paper. This is particularly the case where aspects of the UK Building Safety Bill relates specifically to reforms improving the design and construction of new high-risk buildings and strengthening the way fire risk assessments are carried out. The UK Building Safety Bill also includes provisions which will amend the Defective Premises Act which will see extensions to the time within which a claim can be brought before the courts for defective construction work and will in certain cases have retrospective effect. This is likely to have implications for many developments in Wales.

We took the decision to draw on the LCM process to apply aspects of the UK Building Safety Bill to Wales, as it enabled an expedient way of bringing forward necessary legislation for the design and construction of high-risk buildings in Wales.

In addition to the Building Safety Bill we have committed to taking a holistic approach to the remediation of buildings over 11m in height that goes beyond cladding to compartmentation, fire suppression and evacuation/alert systems. In addition we have committed to an ambitious programme of legislative change. This approach was reflected in the proposals which we consulted on last year, and which achieved wide-spread support.

The Welsh Government's response to the consultation, [Safer Buildings in Wales: A Consultation – A Building Safety White Paper](#) was published in December 2021. The White Paper set out ambitious reforms at every stage of a building's lifecycle; and included proposals for a new regulatory framework; increased accountability for those who design, build, own and manage buildings; and requirements on resident engagement.

We were not provided with the profile of the £3bn funding announced last year specifically for cladding remediation. So there is a lack of clarity on the specific financial implications for Wales of the UK Government's cladding remediation announcements.

However, the £375m we have allocated to spend on building safety over the next three years is more than double what a consequential would have been of the £3bn the UK Government announced for building safety in the Spending Review. The Welsh Government's Budget allocations for Building Safety will be directed towards delivering the full programme of reform and remediation work we have committed to.

Financial Implications: There are no new / additional financial implications as a result of this response. The Welsh Government's Draft Budget includes provision to deliver the full programme of work relating to building safety, which includes the implementation of the UK Government's Building Safety Bill, where relevant.

Recommendation 11

We recommend that the Welsh Government provides detail on how the budget allocation for decarbonisation is sufficient to support local authorities and registered social landlords to progress retrofitting work at the level and pace required.

Response: Accept in Principle

Current funding for decarbonising social homes is available through the Optimised Retrofit Programme (ORP), which has provided funding to 4,500 social homes across Wales to date. ORP also invests funding to address the underpinning factors required to effectively decarbonise homes.

Channelling ORP investment through social landlords supports a ‘testing and learning’ approach to how to effectively and efficiently decarbonise homes. As well as evaluating the technical and tenant aspects of the work, actual costs will be monitored and used in the assumptions of future models of residential decarbonisation.

This will provide the springboard to rapidly start the decarbonising homes in other tenures by 2023. 1.2 million private homes will need to be decarbonised to meet Net Zero Wales targets and ambitions.

By 2024-2025, ORP investment will have contributed to the decarbonisation journey of 148,000 homes by plugging the finance gap between what social landlords can afford to invest in decarbonising each social home and the current costs of such works.

The Welsh Quality Housing Standard (WHQS) sets the standard for existing social homes in Wales. It is a statutory requirement which applies for both Local Authority and RSL landlords. Currently LA's receive Major Repairs Allowance to support Councils to bring their stock up to the current standards. LSVT landlords receive Dowry payments to ensure homes meet and maintain WHQS. Traditional RSLs fund WHQS works from their own private finance.

The WHQS, is being update to incorporate a new part 3 relating to decarbonisation. Formal Consultation on the proposed standard is expected after local elections are concluded in May 2022. The new standard will not only raise the bar in terms of the quality of social housing in Wales, but will add new elements to make it the most demanding standard for existing social homes in the UK.

Only once the standard is finalised can a fair and equitable funding model be confirmed. The Optimised Retrofit Programme will enable a greater understanding of the pathway to decarbonisation of homes and the actual costs which will be help to develop an evidence base for the cost assumptions to be used in future models of residential decarbonisation.

Financial Implications: Welsh Government is working with partners to consider appropriate funding models to support wide spread, all tenure decarbonisation of homes.

Recommendation 12

We recommend that the Welsh Government provides an update on how the budget allocation for decarbonisation will be monitored and evaluated to demonstrate value for money.

Response: Accept

The budget for residential decarbonisation is being channelled primarily through the Optimised Retrofit Programme. Value for money is a critical selection criteria for the panel on all schemes approved for ORP funding, in line with Grants Centre of Excellence expectations.

The programme has an independent evaluation and monitoring contract with the Active Building Centre, at Swansea University, which considers scheme technical evaluation, the tenants' lived experience and various cost and value for money analysis.

The innovative housing network, comprising around 300 individuals and organisations meets every 6 weeks to share learning and reflection from innovative housing activity, including decarbonisation. This is peer to peer learning, facilitated by Welsh government enables each contributor sharing their experiences and reflect on costs and value issues. The aim of this activity is to expedite learning amongst the sector, and better understand costs and value amongst practitioners.

Similarly, the formal ORP Community of Practice involves groups of social landlords reflecting and sharing good practice between themselves and WG. Cost/value for money being a key theme. This information is beginning to be shared more widely with Welsh Government and is helping inform decarbonisation funding models to ensure continued value for money from the programme.

Financial Implications: The costs of monitoring and evaluation to ensure value for money are met within existing budget lines.

Recommendation 13

We recommend that the Welsh Government provides us with an update on how the new WHQS will be monitored and what measures will be put in place to ensure value for money.

Response: Accept

WHQS is currently monitored using a relationship-based model. This demonstrably effective model will be mirrored and expanded when the new standard is launched in 2023.

Financial and statistical information is used by WG to provide assurance that WHQS continues to represent good value. Data from landlords is analysed to understand the costs of the programme, landlord by landlord, to understand value for money from the programme and compare and contrast financial performance of landlords, identifying outliers. The information is shared with Local Authorities so practitioners can understand their own costs and value from WHQS programme provide, which provides context and challenge to their own WHQS activity.

In order to ensure Major Repairs Allowance & Dowry is spent appropriately in line with grant requirements, regular (at least quarterly) meetings are held with landlords to ensure WHQS compliance and identify and respond to delivery and financial risks to the programme as they emerge.

Welsh Government oversight will be reviewed as part of the development of the new standard to ensure it provides the right level of engagement, technical support and challenge and value for money monitoring.

Financial Implications: The costs of monitoring and evaluation to ensure value for money are met within existing budget lines.

Recommendation 14

We recommend that the Welsh Government sets out how it monitors the standards of service for adaptation services and the impact those standards have made.

Response: Accept

We collect and publish a high level analysis of over 34,000 adaptations completed each year. The most recent publication is on the Welsh Government website. This records key measures for types of adaptations, time taken, age of service user, and tenure. Data for 2020-21 has been collected and validated, and will be published in spring 2022. Data collected from 2021-22 will have additional fields to enable us to report on equalities data and more granular geographic data.

Financial Implications: There are no financial implications associated with this response.

Recommendation 15

We recommend that the Welsh Government explores ways of allocating the budget for regeneration to enable the Welsh Government to introduce legislation to bring empty properties back into use. We further recommend that the Welsh Government promptly publishes a delivery plan, to include a timeline and targets, of how the budget allocations for regeneration will be used.

Response: Accept in principle

There is already significant legislation in place which enables bringing empty properties back into use. Through our Transforming Towns programme, we are supporting local authorities to use the full range of these powers. Our industry expert has provided specialist enforcement training on tackling long-term empty properties for all local authorities in Wales – around 850 officers and councillors across Wales have undertaken the training. The industry expert also provides a floating resource and support to assist local authorities in dealing with individual empty properties, including determining which legislation is most appropriate. In addition, we have established a £15.2 million enforcement fund to support local authorities in taking enforcement action on empty and dilapidated buildings in town centres.

The Welsh Government's regeneration investment is delivered through the Transforming Towns programme. Chapter 6 of our Infrastructure Finance Plan published along-side the draft budget sets out what we want to achieve through the Transforming Towns programme over the next three years.

Funding under Transforming Towns is available as a rolling-programme to all local authorities and other local delivery partners in any town centre that they wish to prioritise. Individual towns can benefit by identifying the mix of interventions which best suits their specific characteristics, local strengths, culture and heritage, including:

- Support for local authorities and other local delivery partners to develop town/place plans to enable the development of projects, linked to other interventions in that place.

- Enabling local authorities to take enforcement action on empty properties.
- Loan and grant funding to bring vacant and underutilised commercial buildings back into use.
- Grant funding for green infrastructure and biodiversity projects.
- Grant funding for smaller scale ‘place-making’ interventions.
- Loan and grant funding for new build projects.

This approach provides our local authority partners the flexibility to be responsive to the needs and priorities identified by individual towns, but within a strategic framework set by us. Local authorities will be asked to develop project proposals against the three-year budget allocation for regeneration. Details of approved projects and their achievements against the targets we have set in the Infrastructure Finance Plan will be published over the delivery period of the programme.

Financial Implications: There are no financial implications associated with this response

Recommendation 16

We recommend that the Welsh Government provides us with an update on what interim arrangements will be introduced to protect tenants from no fault evictions until the implementation of the Renting Homes Act.

Response: Accept

The Welsh Government has put in place, and extended, the Tenancy Hardship Grant scheme for tenants who have suffered financially as a result of the pandemic. The Tenancy Hardship Grant (THG) is a £10m grant to support both private and social rented sector tenants who are struggling to repay significant rent arrears which are Covid-related and accrued up until December 2021. The THG is part of a package of support developed at pace during the pandemic, and complements other support provided through the Early alert scheme delivered by Citizen’s Advice Cymru, and support and advice offered by Shelter Cymru.

Additional funding of £4.1m across 2020-21 and 2021-22 has also been provided to local authorities to top up DWP allocations for Discretionary Housing Payments to mitigate against cuts to this funding by DWP. This funding is to help those in receipt of housing related benefits and who have arrears to avoid eviction and sustain their tenancies.

The increased notice period of six months that currently applies to ‘no fault’ evictions was put in place as part of the response to the pandemic under powers provided for in the Coronavirus Act 2020. ‘No fault’ evictions can, therefore, currently take place but are subject to a longer notice period. As set out above, additional support has already been provided to minimise ‘no fault’ evictions. We will keep under review whether additional arrangements are required to help prevent evictions.

The increased notice period requirement is currently due to end on 24th March 2022. Any extension of this requirement would need to be taken on the basis of the public health situation and a decision in relation to this will be taken nearer the time.

Financial Implications: There are no financial implications resulting from this response.