

# Welsh Government Draft Budget 2019-20

November 2018

## Introduction

1. This report sets out the Equality, Local Government and Communities Committee's (the Committee) views on the Welsh Government's draft budget 2019-20 in relation to the policy areas within the Committee's remit.
2. Together with the Finance Committee report and those of other scrutiny committees, this report is intended to inform the Assembly's debate on the draft budget, which is scheduled for 4 December 2018.

## The Welsh Government's draft budget 2019-20

3. On 2 October 2018, the Welsh Government laid its outline proposals for the draft budget, which set out the allocations for the main expenditure groups (MEGs). The detailed draft budget, which included the individual areas of expenditure within each MEG, was laid on 23 October 2018. This included the government's spending plans for 2019-20. The provisional Local Government settlement was published on 9 October 2018.
4. The MEG that falls within the Committee's remit at the time the draft budget was published was the Local Government and Public Services MEG. Within the overall MEG, the specific elements relevant to our Committee are Local Government, Communities, Equality, Housing, Regeneration and Community Safety.

## The Committee's approach to budget scrutiny

5. On 25 October 2018, the Committee took evidence from representatives of the Welsh Local Government Association (the WLGA) on the priorities and pressures facing local government in Wales. This evidence was used to inform the Committee's budget scrutiny.



- 6.** On 15 November 2018, the Committee took evidence from Alun Davies AM, Cabinet Secretary for Local Government and Public Services and Rebecca Evans AM, Minister for Housing and Regeneration on their budget proposals.
- 7.** We also took part in a concurrent meeting with the Finance Committee and Children, Young People and Education committees on 15 November 2018, looking specifically at the Welsh Government's approach to the Single Strategic Integrated Impact Assessment. The Members representing each of the three committees agreed that they will consider the evidence gathered in this session and produce a joint output in due course. The aim of this output will be to inform the development of the Welsh Government Draft Budget 2020-21, and future draft budgets thereafter, to ensure that robust and transparent processes are in place to assess the impact of financial decisions.
- 8.** We would welcome a response to our report and recommendations to inform our ongoing budget and wider financial scrutiny.

## Local Government Main Expenditure Group

### Overview

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- 9.** The Local Government Main Expenditure Group (MEG) comprises the total Departmental Expenditure Limit (DEL) (resource and capital) and Annually Managed Expenditure (AME) in the form of Non-domestic Rates also known as Business Rates. The allocated funding for the Local Government MEG for 2019-20 at the time the draft budget was published was £5.389 billion. This may now change in light of the recent statement by the Cabinet Secretary for Finance detailing additional funding for local government (see paragraph 17).<sup>1</sup>
- 10.** The Local Government MEG includes funding for local authorities through the Local Government Settlement, funding for Police and Crime Commissioners, funding for Health Inspectorate Wales, Care Inspectorate Wales and Estyn, along with other spending programmes.
- 11.** The Local Government MEG is the second largest single MEG, after the Health and Social Care MEG.

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<sup>1</sup> Welsh Government, [Written Statement, Draft Budget 2019-20 – Proposals for additional funding for local authorities, 20 November 2018](#)

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## Provisional Local Government settlement 2019-20

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- 12.** The largest allocation within the Local Government MEG is the funding to local authorities via the Local Government Settlement. This details the revenue and capital funding allocated to each of the local authorities in Wales.
- 13.** The settlement is distributed to councils on the basis of a needs based formula which considers a range of characteristics of a local authority. The WLGA told us that that formula is “held together by duct tape and sticking plasters”, although they went onto to say the issue was not the formula but “the quantum coming into local government”.<sup>2</sup> When we raised the issue of the funding formula with the Cabinet Secretary he told us that the formula is reviewed on an annual basis. He went onto say he has not received any requests “seeking a fundamental review of the formula”.<sup>3</sup>
- 14.** The Provisional Local Government Settlement 2019-20 was published separately from the draft budget on 9 October 2018. Seven councils would have received an increase in funding, with Cardiff receiving the largest increase of 0.4%. The remaining 14 authorities would have received a reduction in funding of between 0.3% and 1%. This settlement has not been superseded by the announcement made by the Cabinet Secretary for Finance on 20 November.
- 15.** In 2016-17 the Welsh Government implemented a funding floor. For 2019-20, it was set to ensure no authority would experience a decrease of more than 1%. The Welsh Government has allocated £2.5 million in top up funding in 2019-20. All five local authorities subject to the 1% decrease will receive top up funding. An announcement by the Cabinet Secretary for Finance on 20 November stated that the funding floor would be raised to 0.5%.
- 16.** On 20 November 2018, the Cabinet Secretary for Finance issued a written statement detailing proposals for additional funding local authorities. For the 2019/20 budget this will include:
- An additional £13m in the revenue support grant to provide local government with a cash flat settlement;
  - £1.2m to raise the funding floor so no local authority faces a reduction of more than 0.5%;

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<sup>2</sup> ELGC Committee, 25 October 2018, RoP [67]

<sup>3</sup> ELGC Committee, 15 November 2018, RoP [299]

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- A further £7.5m to help local authorities meet the cost pressures associated with implementing the teachers' pay award;
- Allocating the full £2.3m consequential from the UK Autumn Budget for children's social services – to help prevent children from being taken into care; and
- An extra £30m capital for the local authorities' general capital fund – this is the second instalment of a £100m increase over three years to the general capital fund.<sup>4</sup>

**17.** Before this statement was made, the WLGA had called for the funding floor to be raised from -1% to -0.5%. They said this would only cost £4million but would “show a level of commitment to local services that would be very welcomed”.<sup>5</sup>

**18.** The Leader of the WLGA further called for the Welsh Government to ensure a cash flat settlement in the 19-20 budget, highlighting that it would cost only £12million, which in the context of the Welsh Government budget is “a very reasonable figure”.<sup>6</sup>

**19.** When we put these suggestions to the Cabinet Secretary, he told us that consideration had been given to the level of the funding floor. He stated it had been set at -1% as this was the planning assumption used from the budget for 2018-19. As local authorities had been planning on this level, it was considered “reasonable”.<sup>7</sup>

**20.** We welcome the Cabinet Secretary's announcement on 20 November. In particular, the additional funding to raise the funding floor, and the additional £13m to provide local government with a cash flat settlement. But we recognise that in real terms, local government is still facing a reduction in funding.

**21.** In our budget report last year we stated that we were acutely aware of the impact prolonged austerity has had on local government. This continues to be the case. We do not underestimate the challenges that are faced by local authorities across Wales, while they seek effective and sustainable ways to deliver public services. We continue to believe it is incumbent on both the Welsh Government and local authorities to work collectively to identify solutions that will ensure

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<sup>4</sup> Welsh Government, [Written Statement, Draft Budget 2019-20 – Proposals for additional funding for local authorities, 20 November 2018](#)

<sup>5</sup> ELGC Committee, 25 October 2018, RoP [37]

<sup>6</sup> ELGC Committee, 25 October 2018, RoP [38]

<sup>7</sup> ELGC Committee, 15 November 2018, RoP [233-234]

sustainable funding for all services delivered by local authorities. This is true for both statutory and non-statutory services.

**22.** We also note that Local Government reform is still very much a live issue. We continue to await the outcomes of the Welsh Government's work on this, as we did last year. We look forward to further developments in the new year, which we hope will help put local authorities on a more sustainable footing.

**23.** We also acknowledge the points raised by both the Cabinet Secretary and the WLGA about the need for service transformation to put services on a more sustainable footing. The reality is that we cannot expect the financial context to change in the coming years, and that local authorities will continue to face difficult decisions. They need to be supported in every possible way to deliver new ways of working.

### Workforce pressures

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**24.** As we note in paragraph 18, we heard that this was a particularly challenging budget round due to a range of workforce cost pressures. The WLGA highlighted that as well as having to fund pay increases, there were also increased pension contributions.<sup>8</sup>

**25.** The WLGA told us that for many local authorities, they have only been able to balance the books because of the pay restraint shown by local government workers.<sup>9</sup> Now that pay restraint has been lifted a low settlement or "anything approaching a cash flat really isn't adequate and isn't going to cover the workforce pressures we are facing".<sup>10</sup>

**26.** The Cabinet Secretary told us that as some of these decisions on pay and pensions are taken at a UK level, they should be funded by the UK Government. The UK Government has committed to cover the costs of increases above 1% in teachers' pay in Wales. We welcome the additional funding announced by the Cabinet Secretary for Finance<sup>11</sup> to help local authorities meet the cost pressures arising from the increase in teacher's pay. We note that the additional £7.5 million is being made available in both the current financial year (2018-19) and the next financial year. However we are unclear as to whether this will cover the pressures

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<sup>8</sup> ELGC Committee, 25 October 2018, RoP [50]

<sup>9</sup> ELGC Committee, 25 October 2018, RoP [54]

<sup>10</sup> ELGC Committee, 25 October 2018, RoP [50]

<sup>11</sup> Welsh Government, [Written Statement, Draft Budget 2019-20 - Proposals for additional funding for local authorities, 20 November 2018](#)

faced by local authorities in funding the increases in teacher's pay. We would like the Welsh Government to clarify if this funding is sufficient.

**Recommendation 1.** We recommend that the Welsh Government clarifies whether the additional money allocated meets the needs of local authorities to provide for the increase in teacher's pay.

**27.** In addition to that, there is still a lack of clarity on funding the increases in pension contributions. The Cabinet Secretary told us that the Welsh and Scottish Governments had written jointly to the Chief Secretary to the Treasury on this matter in September, and that it was still under active consideration.<sup>12</sup> We welcome news that the Welsh Government will be writing jointly with the WLGA to the Chancellor repeating calls for the UK Government to fully fund the increased pension contributions.<sup>13</sup>

**28.** Having heard from the WLGA that if the money for pensions is not forthcoming from the UK Government that "all bets are off...We're down again on our budgets, so if you add a further cut of £40 million into an already tough situation, I'm not quite certain where you go with that"<sup>14</sup> we would like to have heard more from the Cabinet Secretary about what contingencies are in place if this money is not forthcoming from the UK Government.

**Recommendation 2.** We recommend that the Welsh Government considers what alternative arrangements would be needed if the UK Government does not provide additional funding for teachers' pension contributions.

## Preventative spending

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**29.** We were pleased to see the Welsh Government draw up a common definition of prevention as part of this budget round, in collaboration with stakeholders:

Prevention is working in partnership to co-produce the best outcomes possible, utilising the strengths and assets people and places have to contribute.

Breaking down into four levels, each level can reduce demand for the next:

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<sup>12</sup> ELGC Committee, 15 November 2018, RoP [276]

<sup>13</sup> Welsh Government, [Written Statement, Draft Budget 2019-20 – Proposals for additional funding for local authorities, 20 November 2018](#)

<sup>14</sup> ELGC Committee, 25 October 2018, RoP [177]

- Primary prevention (PP) – Building resilience – creating the conditions in which problems do not arise in the future. A universal approach.
- Secondary prevention (SP) – Targeting action towards areas where there is a high risk of a problem occurring. A targeted approach, which cements the principles of progressive universalism\*.
- Tertiary prevention (TP) – Intervening once there is a problem, to stop it getting worse and prevent it reoccurring in the future. An intervention approach.
- Acute spending (AS) – Spending, which acts to manage the impact of a strongly negative situation but does little or nothing to prevent problems occurring in the future. A remedial approach.

\* progressive universalism is a determination to provide support for all, giving everyone and everything a voice and vested interest, but recognises more support will be required by those people or areas with greater needs.<sup>15</sup>

**30.** The WLGA described local authorities as the “preventative service” particularly in relation to social care.<sup>16</sup> They said it is long-term, unglamorous and unseen, and therefore under-appreciated and acknowledged.<sup>17</sup> This, they believe, can impact on budgetary decisions.<sup>18</sup>

**31.** When we asked the WLGA about the new definition:

“I saw the definition yesterday. I’m content with the definition, but whether Welsh Government meet their own definition—”<sup>19</sup>

**32.** It was disappointing that when we asked the Cabinet Secretary for specific examples of primary, secondary or tertiary preventions within his budget, he was unable to provide a single example.

**33.** However, we note the Cabinet Secretary’s comments about how he wants to prioritise making preventative working “more the norm”. We would like to see more detail on what form this will take.

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<sup>15</sup> [Welsh Government, Draft Budget 2019-20 Detailed Proposals, page 43](#)

<sup>16</sup> ELGC Committee, 25 October 2018, RoP [11]

<sup>17</sup> ELGC Committee, 25 October 2018, RoP [75]

<sup>18</sup> [Written evidence, WLGA, paragraph 7](#)

<sup>19</sup> ELGC Committee, 25 October 2018, RoP [115]

## Funding for essential services – schools

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**34.** Local authorities are responsible for education spend within their area. According to Welsh Government figures, councils delegate between 75% and 90% of overall gross schools budgeted expenditure.

**35.** We heard very stark evidence from the WLGA about the potential impact of the draft budget allocations on schools funding. They said that the financial issues are “as acute as social care”.<sup>20</sup> The draft budget stated that the additional funding being provided for teachers pay means that local authorities will not need to make efficiencies or reduce the number of teachers to meet the pay rises. However, in oral evidence, the WLGA told us that the pressures facing schools do not solely relate to the pay pressures:

“We will be reducing the number of teachers and teaching assistants. We cannot make ends meet. This is a huge cost for us, and the view that schools won't need to make efficiencies or redundancies is not just about covering the pay rise; it ignores the wider situation where some authorities are telling us privately that school budgets could plummet by about 5 per cent from next year...”<sup>21</sup>

**36.** In light of the very stark picture presented by the WLGA, we do not feel it is acceptable for the Cabinet Secretary to simply state that this is a matter for each individual local authority. While acknowledging and recognising the importance of local decision making, the reality is that local authorities are having to work within the overall quantum of funding that is provided by the Welsh Government. This is similar to the way that the Welsh Government has to operate within the overall quantum provided by the UK Government.

## Funding for essential services – social care

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**37.** We echo our findings from last year in relation to social care. We continue to acknowledge the difficult position both local authorities and the Welsh Government are in, as a result of the on-going austerity policies of the UK Government. But we would also repeat our calls that the future financing of social care in particular, albeit a challenging issue, is not one that anyone should shy away from.

**38.** It is listed as one of the six priority areas in the Welsh Government’s national strategy, Prosperity for All, and in the Local Government Settlement, the Welsh

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<sup>20</sup> [Written evidence, WLGA, paragraph 14](#)

<sup>21</sup> ELGC Committee, 25 October 2018, RoP [164]



Government note that it is providing an “additional £50million in the draft budget to support social care”.<sup>22</sup> £20million will be provided through the RSG, and £30million as targeted funding”.

**39.** The WLGA welcomed the additional £20million for social care, but were concerned about the possible conditionalities that may be put on the targeted £30million fund. Notwithstanding this additional money, they told us that they are still left with £250 million worth of pressures. These were described as the “most disproportionate pressures we face”.<sup>23</sup>

**40.** We note the letter from the WLGA to the First Minister calling for the designation of the £30million aligned to the Regional Partnership Boards to be set as a “Local Government Prevention Fund”.

**41.** We note the Cabinet Secretary’s statement that the Cabinet Secretary for Health and Social Services and the Minister for Children, Older People and Social Care will seek to ensure the “right balance of conditionality and flexibility” and that this clarity will be set out in a “reasonable framework of time”.<sup>24</sup>

**42.** We appreciate his candour in relation to his “considerable concerns” about the sustainability of the structures. We support his drive for closer and better integration with health. We believe pooled budgets and the integration of services and service planning are an important steps forward in doing this. However, we also acknowledge that ensuring that all parties involved step-up and take the appropriate level of responsibility can often be down to the individuals involved at the local level.

**43.** We are aware of good practice in Cardiff, but it is unclear if it is happening across Wales. To ensure consistency across Wales, there should be a clear framework and commitment from health services as well as local government to ensure that budgets are pooled in a way that delivers the best services for the people accessing them.

**Recommendation 3.** We recommend that the Welsh Government provides a framework for local government and health boards to help improve the pooling of budgets so that seamless services are delivered.

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<sup>22</sup> Welsh Government, Written Statement, Provisional Local Government Settlement 2019-20

<sup>23</sup> ELGC Committee, 25 October, RoP [122]

<sup>24</sup> ELGC Committee, 15 November 2018, RoP [334]

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## Capital funding

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**44.** Local authorities have been allocated £142.8 million in general capital funding for 2019-20. There is an additional £60million allocated over the next three years in support of road refurbishment.

**45.** We note the announcement on 20 November, which stated that an additional £30m capital for the local authorities general capital fund would be made available in 19-20. This is the second instalment of a £100million increase over three years to the general capital fund.<sup>25</sup>

**46.** We note the findings of the Williams Commission in which it was highlighted that the costs of highway maintenance varies depending on the type of road and the level of traffic. Notwithstanding these differences, they highlighted a significant difference in the maintenance costs between Ceredigion and Powys, which are both similar areas (albeit with Ceredigion having a much shorter road network.) We note that the Commission report concludes that that while potential savings are hard to estimate, they are likely to be “very significant”.<sup>26</sup>

**47.** When we explored with the Cabinet Secretary the opportunities for sharing best practice, and ensuring all local authorities are maximising value of the money, his evidence was vague. While accepting the Cabinet Secretary’s view that it is not appropriate for the Welsh Government to intervene in individual local decisions, we do believe there is a clear role for the Cabinet Secretary to ensure that local authorities are sharing best practice. It is also unclear as to why the £60 million road refurbishment funding sits within the Local Government MEG, as it was highlighted by officials that Welsh Government transport colleagues were in discussion about the grant.

**48.** We believe that in those cases, where there is a clear outlier who could learn from best practice elsewhere in the local government sector, the Cabinet Secretary should seek to make it clear to the relevant local authority that they need to improve.

## Inspectorates

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**49.** Three inspectorates are funded through the Local Government MEG; Care Inspectorate Wales (CIW); Healthcare Inspectorate Wales (HIW) and Estyn. The final 2018/19 budget had indicative budget cuts of 5.4% in revenue funding for all

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<sup>25</sup> [Welsh Government, Written Statement, Draft Budget 2019-20 – Proposals for additional funding for local authorities, 20 November 2018](#)

<sup>26</sup> [Williams Commission, paragraph 3.39](#)

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three in the 2019/20 budget. However, the draft budget provides for a cash flat settlement for CIW and HIW, with Estyn receiving a 1.8% reduction in its overall revenue funding.

**50.** The Inspectorates all undertake important work, and we believe it is important that they have the right levels of funding to do this. We explored how the inspectorates approach identifying and securing efficiency savings. Welsh Government officials were able to describe some of the work being done at CIW who have made administrative savings by digitising some of their work, and explained that HIW are looking to do something similar.

**51.** We welcome the work being done by the Inspectorates to ensure that they can focus their limited resources on the vital inspection work that they undertake.

## Reserves

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**52.** The latest figures published while we have been conducting our budget scrutiny show that at the end of March 2018, earmarked reserves for all local authorities in Wales amounted to £866 million. These are reserves set aside for specific projects or purposes. Authorities also hold £198 million of non-earmarked reserves to deal with unforeseen situations.

**53.** The WLGA told us that they are using their general reserves as “part of a bridging plan until some future event generates savings”.<sup>27</sup> In their oral evidence, they were keen to stress to us that “we cannot rely on those [reserves] as a long term funding mechanism”.<sup>28</sup>

**54.** The Cabinet Secretary was clear that reserves were a matter for local authorities.<sup>29</sup>

# Housing and Regeneration

## Well-being of Future Generations Act

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**55.** We welcome the assurances of the Minister that the Well-being of Future Generations Act, and the five ways of working set out in the Act, are fully

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<sup>27</sup> [Written evidence, WLGA, paragraph 31](#)

<sup>28</sup> ELGC Committee, 25 October 2018, RoP [63]

<sup>29</sup> ELGC Committee, 15 November 2018, RoP [369]

embedded within the working of her department, not simply when determining budget allocations, but also when developing policy.<sup>30</sup>

**56.** We particularly welcome the commitments to prevention, long-term solutions and integration. The commitment to the Act, and the five ways of working, is on-going and the Committee will continue to monitor how the Act is contributing to future policy and budgetary decisions within its remit.

### Welfare reform and the Discretionary Assistance Fund

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**57.** In previous years, the Discretionary Assistance Fund (DAF) has been under-claimed. However, the Minister's paper states that "the overall DAF spend during 2017-18 was £8.69m, which was £40,000 over budget", and "demand has continued to increase this financial year (2018-19) with August seeing the highest number of applications received in a single month since the DAF started in 2013". As a result, an additional £2 million has been allocated from reserves in 2019-20 to address the increasing demand.<sup>31</sup> We note that the increasing demand is attributable to a number of factors including extending eligibility criteria and the continued roll-out of Universal Credit, as well as welfare reform generally.

**58.** The Minister told us that the additional funding allocation for 2019-20 had been estimated on the basis of the actual monthly spend since April 2018 which shows demand increasing month-on-month. We welcome the commitment to continue to monitor expenditure on DAF and note that, if demand increases more than expectations, there is "flexibility across the budgets to move money to be able to cover such eventualities".<sup>32</sup>

**59.** We recognise the impact of decisions made by the UK Government relating to welfare reform are having a direct impact on demand for DAF payments. We also note connected developments, such as funding provided by the UK Government to Citizens Advice to fund the *universal support* programme from April 2019. We urge the Welsh Government to continue to engage with the UK Government at official and ministerial levels on all aspects of welfare reform. Continued engagement by the Welsh Government with the UK Government at official and ministerial levels will help ensure welfare reforms directly impacting on Welsh Government resources, including those provided to the third sector for advice services, can be fully reflected within budget allocations.

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<sup>30</sup> ELGC Committee, 15 November 2018, RoP [5]

<sup>31</sup> Written evidence, Cabinet Secretary for Local Government and Public Services and Minister for Housing and Regeneration.

<sup>32</sup> ELGC Committee, 15 November, RoP [22]

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**60.** We will write to the UK Government to highlight the impact of welfare reform on people living in Wales. We note the recent UN Rapporteur's initial findings into extreme poverty and human rights in the UK said it was "outrageous" that devolved administrations have to spend resources to shield people from government policies.<sup>33</sup> We note the Secretary of State for Work and Pensions comments on 19 November saying "I know that there are problems with Universal Credit, despite its good intentions. I have seen them for myself. I will be listening and learning from the expert groups in this area who do such good work. I know it can be better".<sup>34</sup>

### Credit Unions and financial inclusion

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**61.** We welcome the continued support of the credit union sector in Wales and recognise not only their role in improving access to affordable credit and encouraging saving, but the wider role they play in the community by promoting financial inclusion and improving financial capability.

**62.** We note the recent failure of a credit union in Swansea and a number of mergers in the sector. We recognise the importance of Welsh Government financial support, and the wider community benefits that are delivered from that expenditure. We want to see the Welsh Government continue to work closely with the sector to ensure its sustainability in the long-term.

### Housing Support Grant

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**63.** We note the proposal to create a new Housing Support Grant from April 2019. We welcome the decision, following evaluation of the pathfinder projects, not to merge housing related grants with a range of other grants that provide support to families and children.

**64.** We recognise that the Welsh Government's objective in proposing the combined Early Intervention and Prevention Grant (EIPG) was to improve the outcomes for the people benefiting from the programmes supported by the grants and to enable better integration of services. However, we also recognise that the proposed merger and efficiency savings (which were to result in an equivalent reduction in the overall EIPG allocation in 2019-20) caused considerable uncertainty and anxiety within the housing sector. This led to the

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<sup>33</sup> UN Rapporteur for Extreme Poverty and Human Rights, [Statement on visit to the United Kingdom](#), 16 November 2018

<sup>34</sup> Hansard, House of Commons, Volume 649, 19 November 2018

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sector mounting a persuasive, and ultimately successful, campaign for a two grant solution.

**65.** The Supporting People programme budget allocation forms the bulk of the new Housing Support Grant. The Minister told us that the Welsh Government had responded to criticism that it was not able to demonstrate how the programme delivered value for money: an outcomes framework was developed and a data linkage project is underway. Modelling by the Welsh Government suggests that every £1 spent on Supporting People provides a saving of £1.68 to other services.<sup>35</sup> We welcome this commitment to demonstrating value for money and preventative spend.

## Homelessness

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**66.** The *Housing (Wales) Act 2014* introduced a new framework for preventing and alleviating homelessness in April 2015. In July 2018, the Welsh Government published an evaluation of the new legislation undertaken by the University of Salford and Wrexham Glyndwr University. The final report found that progress in implementing the Act is variable across Wales.<sup>36</sup>

**67.** The Minister told us that this study, and another published over the summer, had provided a “useful evidence base in terms of allocating future spend on the homelessness agenda”. Additional funding had been allocated in the current financial year to address specific issues. For example, for the prisoner pathway. Additional funding had also been focused on areas where there are “pressure points” for homelessness. Individual areas have been able to develop their own approaches to utilising this funding.<sup>37</sup>

**68.** We note that an additional £10 million will be made available to tackle youth homelessness in 2019-20. While this draft budget only proposes allocations for the 2019-20 financial year, the Committee would like to see a continued commitment to providing funding specifically to prevent, combat and ultimately eradicate youth homelessness in future budgets.

**Recommendation 4.** We recommend that the Welsh Government makes a commitment to provide, as a minimum, similar levels of funding in future

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<sup>35</sup> ELGC Committee, 15 November 2018, RoP [46-48]

<sup>36</sup> Welsh Government, [Evaluation of Homelessness Legislation \(Part 2 of the Housing Act \(Wales\) 2014\)](#), July 2018

<sup>37</sup> ELGC Committee, 15 November 2018, RoP [70]

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budget rounds specifically to prevent, combat and ultimately eradicate youth homelessness.

## Housing Supply

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**69.** The Minister told us that she was confident that the target of 20,000 additional affordable homes by the end of the current Assembly would be met. They will be delivered by housing associations, local authorities and the private sector (both volume housebuilders and SMEs). An independent review of affordable housing supply is underway and expected to report to the Minister in April 2019. However, the Minister told us that she did not think it would result in any immediate changes needing to be made to budget allocations.<sup>38</sup>

**70.** Since the review began, the UK Government announced that the Housing Revenue Account (HRA) borrowing cap will be lifted in Wales. The review will therefore be able to consider the impact that decision will have on local authorities contribution to delivery.

**71.** Social Housing Grant (SHG) is capital and the primary source of funding for new affordable housing. £138 million has been allocated in 2019-20, around £69 million less than the year before. However, the allocation in 2018-19 (£207.1 million) was significantly higher than in previous years. The Housing Finance Grant (HFG) is available to assist housing associations, and local authorities who are developing homes, with the cost of private finance. HFG is a revenue grant and increases by £1.7 million in cash terms to £13.1 million in 2019-20.

**72.** We welcome the Welsh Government's continued commitment to supporting the delivery of affordable housing and efforts to improve their ability to predict spend on the SHG programme to ensure resources are fully utilised. The Welsh Government has started sharing "future budget scenarios so that [local authorities and housing associations] were prepared for this level of spend this year". We welcome this approach and await the findings of the affordable housing review in relation to how effective the current system of grants is in terms of efficiency and effectiveness.

**73.** Increasing the supply of affordable homes does not just mean building new homes, and we are particularly keen to see initiatives that bring empty properties back into occupation, and welcome ongoing support. We are particularly interested in promoting schemes that enable flats above shops in town centres to be re-occupied, and welcome the use of regeneration funding for this purpose.

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<sup>38</sup> ELGC Committee, 15 November 2018, RoP [84]

**74.** We explored with the Minister the definition of affordable homes, which now covers homes to purchase and those available at intermediate rents, as well as more traditional social housing for rent. The Government indicated that of the target of 20,000 more affordable homes, between 6,000 and 7,000 were for sale, with the majority available for rent.<sup>39</sup> We believe it is important there remains an increase in the number of homes available to rent in the social housing sector.

### Housing standards

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**75.** We welcome the Minister's assurance that the Welsh Housing Quality Standard will be met by 2020<sup>40</sup> and note that Welsh Government funding is used not only to improve the condition of the social housing stock, but also to maximise community benefits such as creating jobs and training opportunities.

**76.** Developing low and zero carbon homes is a priority, and the Innovative Housing Programme has the potential to deliver on this in partnership with the Welsh SME private sector. We accept that developing new types of housing can initially be expensive, but there is the potential to achieve long-term savings, including for future occupiers. Finding low-carbon housing solutions that work for Wales is essential.

**77.** We believe the revision of Part L of the Building Regulations (Conservation of Fuel and Power) could play an important role in ensuring the Welsh Government gets the maximum value for money from any money provided for house building.

**78.** We continue to take a close interest in high-rise fire safety. The Minister noted that taking forward the recommendations of the Hackitt Review is likely to incur costs, but "it is too early at the moment to understand what those costs might be".<sup>41</sup> The Committee would expect the Welsh Government to prioritise any necessary funding to ensure properties are safe in the event of fire.

### Adaptations and tenant participation

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**79.** The Welsh Government, through its Enable review, has sought to address some of the weaknesses in delivering adaptations through the introduction of a new system for monitoring and reporting performance. The WAO found that the new system had significant gaps. The Welsh Government launched a consultation on housing adaptation service standards in September 2018.

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<sup>39</sup> ELGC Committee, 15 November 2018, RoP [100]

<sup>40</sup> ELGC Committee, 15 November 2018, RoP [127]

<sup>41</sup> ELGC Committee, 15 November 2018, RoP [136]



**80.** The Minister told us that the aim of those standards is to set the level of service that is expected of those people delivering the adaptations, but also give some clarity to the people who are in need of those adaptations as to what they should expect.<sup>42</sup> They will commence in April 2019. The Minister said that a more standardised approach would help deliver better outcomes for people.

**81.** The role, and importance of giving a voice to tenants was brought into focus following the tragedy at Grenfell Tower. In our recent inquiry into fire safety, we heard how social landlords in Wales, and Newport City Homes in particular, responded admirably in the aftermath to reassure tenants. We are keen to find out about other examples of best practice in the area of tenant engagement, and look forward to receiving examples from the Minister.

**82.** The Regulatory Board for Wales is currently carrying out a piece of work on tenants' rights and tenants' participation in Wales. It will result in recommendations for the Welsh Government to take forward. Tenant Participation Advisory Service Cymru is currently funded by the Welsh Government to provide that link with tenants. However, the Minister said that there will be another competitive grants process in 2019.

## Regeneration

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**83.** We are keen to see how expenditure under the four regional regeneration strategies will be aligned with the three regional business plans that are currently being developed by the Cabinet Secretary for Economy and Transport's department.

**84.** The Minister agreed this was necessary and should be straightforward given they are aligned with local authority boundary areas.<sup>43</sup> We are keen to see joined-up working across government, and between local authorities and government, and welcome this approach.

**85.** As such, we would be grateful for the Minister to clarify how the Welsh Government's approach to regeneration will work with and actively support the established and potential City and Growth Deals in Wales. We would also be grateful to receive clarification of the Welsh Government's position in relation to the funding of the North Wales Growth Deal Bid, particularly in light of the fact that the Bid has been submitted to the UK Government and that the UK

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<sup>42</sup> ELGC Committee, 15 November 2018, RoP [138]

<sup>43</sup> ELGC Committee, 15 November 2018, RoP [159]

Government recently announced its intention to support the Growth Deal with £120 million of funding.

**86.** Allocating resources in a way that best reduces inequalities should play a part in the budget process, and Regeneration is no exception. We note that the application process for funding through the targeted regeneration programme requires local authorities to detail the benefits, and there are clear links to the Well-being of Future Generations Act goals. As the programme develops, we will seek to ensure the budget allocations are contributing to reducing inequality and those goals.