

Welsh Government draft budget 2020-21

January 2020

Introduction

1. This report sets out the Equality, Local Government and Communities Committee's views on the Welsh Government's draft budget 2020-21 in relation to the policy areas within our remit.
2. Along with the Finance Committee's report, and that of the other Assembly committees, this report is intended to inform the Assembly's debate on the draft budget, which is scheduled for 4 February 2020.
3. We would welcome a response to our report and recommendations to inform our on-going budget scrutiny and wider policy and financial scrutiny.

The Welsh Government's draft budget 2020-21

4. On 16 December 2019, the Welsh Government laid the outline and detailed draft budgets simultaneously. They also published the provisional Local Government settlement on the same day. The delay in publishing the budget and the simultaneous publication of all relevant documentation was as a result of the UK General Election.
5. The Main Expenditure Group (MEG) that falls within our remit at the time the draft budget was published is Housing and Local Government. The specific elements within this MEG which are relevant to our remit are Local Government, Communities, Equality, Housing, Regeneration and Community Safety. There are also elements relevant to us in the Central Services and Administration MEG (those that relate to equalities).



The Committee's approach to scrutiny

- 6.** In previous years, we have taken oral evidence from the WLGA after the publication of the draft budget, but before taking evidence from the Welsh Government. Due to the change in the budget timetable, along with capacity constraints placed upon us as a result of our scrutiny of the Local Government Bill, we were unable to take oral evidence from the WLGA. However, the WLGA provided us with written evidence which informed our scrutiny.
- 7.** In advance of the budget being published we took evidence from the Wales Centre for Public Policy and Wales Fiscal Analysis on their recent reports looking at the picture for local government finance.¹ This was done before the Welsh Government published their draft budget but was invaluable to us in our budget scrutiny preparation.
- 8.** Our scrutiny was also informed by the work we undertook last year alongside the Finance and Children, Young People and Education committees. We looked at the Welsh Government's approach to the Strategic Integrated Impact Assessment (SIIA). We published a joint report in March 2019 calling for a significant shift in the approach to assessing the impact of budget decisions.²
- 9.** On 9 January 2020 we took evidence from the Minister for Finance and Trefnydd. The Minister for Finance was attending in place of the Minister for Housing and Local Government who was unable to attend. We had expected to take evidence from the Deputy Minister for Housing and Local Government, alongside the Minister for Finance, but we were advised the evening before that the Deputy Minister would not be attending. The tight timetable for budget scrutiny meant we were unable to reschedule this evidence session. There are clearly circumstances where Ministers are unable to attend committee but it is far from ideal that we were unable to take evidence from either the Minister or the Deputy Minister. It would have been helpful if the Deputy Minister for Housing and Local Government had attended alongside the Finance Minister.
- 10.** We also held a separate session with the Deputy Minister and Chief Whip looking at equality aspects of the budget.

¹ [Wales Centre for Public Policy, At the tipping point, June 2019](#) and [Wales Fiscal Analysis, Wales Governance Centre, Cut to the Bone? February 2019](#)

² [CYPE, ELGC and Finance committees, Assessing the Impact of budget decisions, March 2019](#)

Housing and Local Government Main Expenditure Group

11. The Housing and Local Government MEG includes funding for:

- councils through the Local Government settlement. This is the largest single allocation within the MEG;
- Police and Crime Commissioners. This is through the Police Grant Settlement;
- three inspectorates (Healthcare Inspectorate Wales; Care Inspectorate Wales and Estyn).

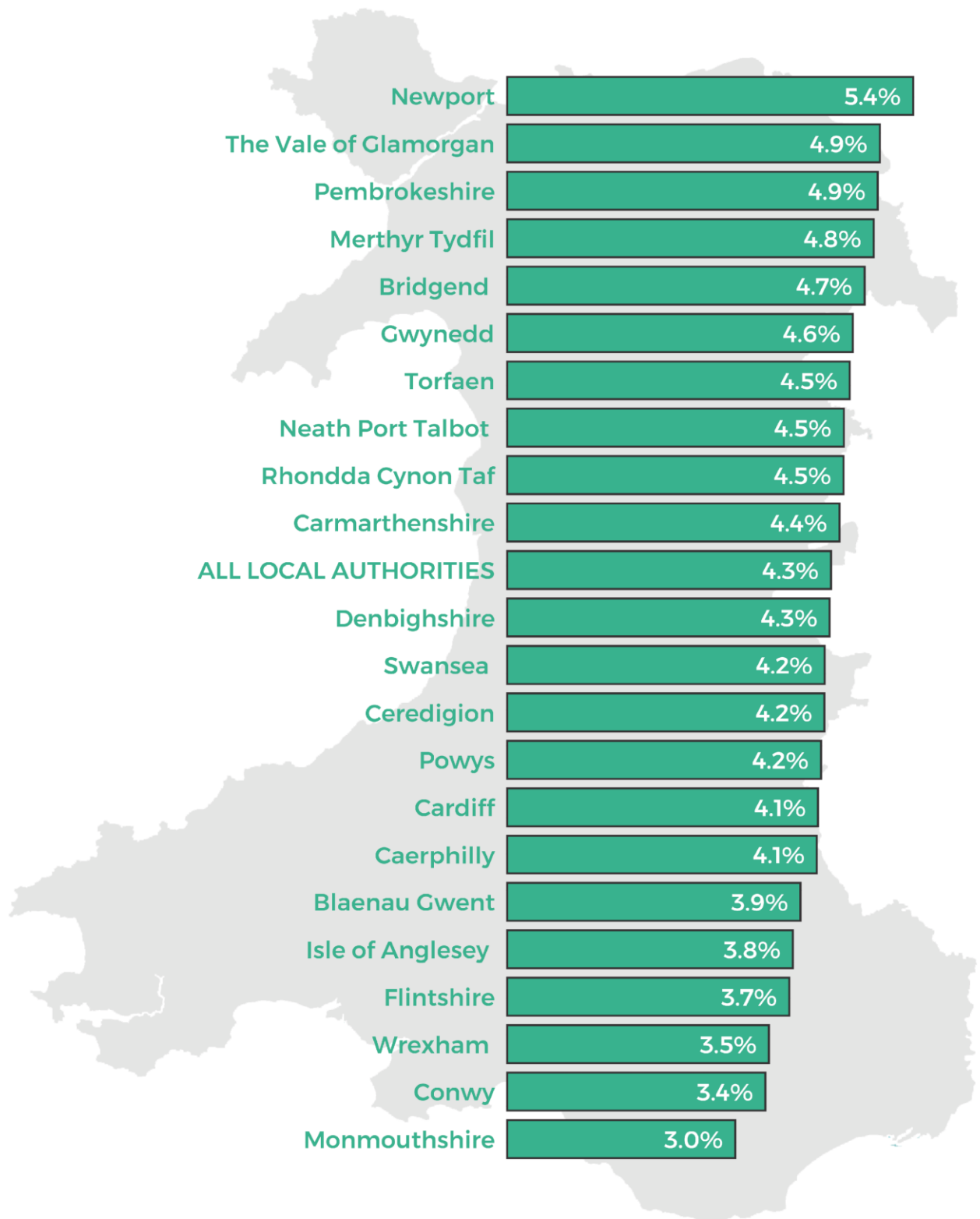
12. It also provides a number of funding streams for housing, including the Housing Support Grant³ and the Social Housing Grant Programme⁴; as well providing capital funding and a number of other grants.

13. The Welsh Government has allocated £5.86 billion to this MEG in 2020-21. This is an increase of 4.6% in cash terms from the 2019-20 supplementary budget. The total allocation encompasses revenue and capital funding, as well as the money derived from non-domestic rates (NDR), otherwise known as business rates. The NDR contribution to the settlement has increased by £75million to £1.136 billion.

14. The local authority settlement is made up of both un-hypothecated funding and specific grants, for both resource and capital purposes. Core revenue funding is set to increase by 4.3% to £4.474 billion. Each local authority will see an increase of at least 3% in funding. Figure 1 outlines the percentage increase for each local authority:

³ The Housing Support Grant supports a range of interventions to prevent homelessness.

⁴ The Social Housing Grant Programme supports the development of the majority of affordable housing.



15. In previous years, a funding floor has been set to mitigate against reductions of more than 1% in funding. The Minister for Housing and Local Government said in her letter to local authorities that after giving “careful consideration” to the need for a funding floor that:

“Given that every authority will see an increase of at least 3% over 2019-20 on a like-for-like basis, I have concluded that a funding floor is not necessary in this particular instance. This will also enable us to reset the settlement base and fund authorities according to relative need, and not to make up for the implementation of historic floors.”⁵

Local Government settlement

16. This is clearly a significant settlement for local government. The Wales Fiscal Analysis called it “the fastest growth” for local government in “over a decade”.⁶ The WLGA welcomed the settlement as “positive” but said that despite the respite “the financial outlook remains very challenging”. They highlighted that councils will continue to make “tough decisions to prioritise services”.⁷

17. The Minister for Finance when giving evidence said that it was the intention that this increase would help provide some breathing space for local authorities. She acknowledged though that a one year increase could not “undo a decade of cuts”⁸.

18. We explored with the Minister for Finance and Welsh Government officials the extent the funding formula reflected local need, and the extent it ensured fair distribution of funds across Wales. This has been an issue we have explored during previous budget rounds, but, this is the first time in this Assembly, it has been within the context of increased funding for all local authorities. The Minister for Finance explained that the funding formula had been adjusted this year to take account of population changes and the potential impact of the Universal Credit roll-out.⁹ She believed it was a fair distribution to meet local needs, saying “the formula does take into account so many factors that are important in terms of local authorities being able to deliver the services they need to.”¹⁰ She emphasised that decisions on how this funding should then be spent, were matters for individual local authorities.¹¹

⁵ [Welsh Government, Correspondence from the Minister for Housing and Local Government to Council Leaders, 18 December 2019](#)

⁶ [Wales Fiscal Authority, Wales Governance Centre, Austerity is over – for now, December 2019](#)

⁷ [WLGA Briefing, Welsh Government Draft Budget and Provisional LGF Settlement, 16 December 2019](#)

⁸ ELGC Committee, 9 January 2020, RoP [15]

⁹ ELGC Committee, 9 January 2020, RoP [16]

¹⁰ ELGC Committee, 9 January 2020, RoP [21]

¹¹ ELGC Committee, 9 January 2020, RoP [9]

19. The Welsh Government provided further detail to us about the population data used to inform the funding formula. They stated that “over 25% of the [Local Government] settlement is distributed on population projections or estimates.” They clarified that using the 2018 population statistics would “have made very significant changes to the distribution” of the settlement in a single year. Therefore:

“After considering a number of options the Distribution Sub Group recommended that while the population data set used for the 2019-20 settlement was the 2014-based population projections; for the 2020-21 provisional settlement an average of the 2018 mid-year ONS estimates and the 2014 based local authority projections for 2019 should be used. A two year phasing was agreed.”¹²

20. The Minister for Finance and Welsh Government officials were very clear to emphasise that there is a clear and transparent process behind the funding formula, which involves local government (through the WLGA and the Distribution Sub-Group). While an independent review of the formula has not been conducted in nearly 20 years, we note that the sector have not pressed for such a review to take place. We are mindful of comments by the former Chief Executive of the WLGA during our 2019-20 budget scrutiny, noting that the issue was not with the formula, but the quantum of money going to local government.¹³ Despite the proposed increase in funding for 2020-21, there are clearly more fundamental issues around the state of local government finances.

21. From statements made by the Welsh Government during this budget round,¹⁴ and in previous rounds¹⁵ it would seem that if local authorities called for a fundamental review of the funding formula, it would be considered. We do not believe that there is currently such a need. Mark Isherwood does not agree with this view. However, if local authorities wanted one, we would encourage the Welsh Government to look favourably on such a request.

22. We are pleased that the draft budget provides local authorities with an overall increase in funding. As we have noted in previous budget reports, we are acutely aware of the pressures that local authorities have faced in the past, and

¹² [Letter from Minister for Housing and Local Government; Minister for Finance and Deputy Minister and Chief Whip to ELGC Committee, 21 January 2020](#)

¹³ ELGC Committee, 25 October 2018, RoP [67].

¹⁴ ELGC Committee, 9 January 2020, RoP [18]

¹⁵ ELGC Committee, 15 November 2019, RoP [296].

the impact this can have on the delivery of essential services. However, one year cannot reverse the impact of a decade of austerity on local authorities. We hope that this will not be a temporary reprieve for local authorities, and that more generous settlements will continue in future budgets.

Capital funding

23. Local authorities will see an uplift in the general capital fund, with the Welsh Government providing an additional £15 million for 2020-21. This is in addition to the existing three year programme of increases to the general capital funding package which concludes with an additional £20m in 2020-21. This builds on the additional £80million made available across the 2018/19 and 2019-20 budget rounds.¹⁶ Although the Welsh Government have indicated that the additional £15million is “modest”, it is of the view that it will help accelerate some capital plans, and to allow for lower borrowing costs for local authorities.¹⁷

24. The Minister for Finance highlighted that this £15million is to be “spread across local authorities” and as a result is a “relatively small amount”. However, this funding stream was not the only one available to local authorities wishing to fund capital projects, saying the additional £15 million was “by no means the beginning and the end of the story.”¹⁸

25. The Welsh Government subsequently provided further information on the total amount of overall funding available to local authorities in grants to fund capital projects. They stated that for 2020-21 “including the un-hypothecated general capital grant local authorities will receive over £640m.”¹⁹

26. In relation to the funding available for decarbonisation, the Welsh Government stated that while there is “a specific package” of over £140m funding for these projects, there are also other grants available as part of the overall capital grant of £640m which “support decarbonisation as part of their wider aims”. They cited the 21st Century Schools Programme and grants to improve social housing as particularly relevant.²⁰

¹⁶ [Welsh Government. Draft Budget Scrutiny 2020-21 Evidence Paper, 9 January 2020.](#)

¹⁷ [Welsh Government. Draft Budget Scrutiny 2020-21 Evidence Paper, 9 January 2020.](#)

¹⁸ ELGC Committee, 9 January 2020, RoP [45]

¹⁹ [Letter from Minister for Housing and Local Government; Minister for Finance and Deputy Minister and Chief Whip to ELGC Committee, 21 January 2020](#)

²⁰ [Letter from Minister for Housing and Local Government; Minister for Finance and Deputy Minister and Chief Whip to ELGC Committee, 21 January 2020](#)

27. Capital projects play a vital role in decarbonisation. We are concerned that this modest increase to capital funding may not provide sufficient levels of funding to enable local authorities to decarbonise. The WLGA said that in previous and current budgets the allocation of spend on decarbonisation “has been around 1%....which is nowhere near enough to fund the challenges that a climate emergency presents.”²¹ The WLGA also highlighted that local government is “best placed” to ensure that decarbonisation is at the heart of decision making within planning, public sector procurement and the “responsible investment” of pension fund assets.²²

28. The Welsh Government declared a Climate Emergency in 2019. We would therefore expect to see this reflected in the budget allocations. We note that the Future Generations Commissioner in her initial response to the budget said that:

“There appears to be a disconnect between policy commitments that have been made....and budget allocations”.²³

29. In relation to those elements of the budget which we have scrutinised, it does not seem as if the budget allocations demonstrate this climate emergency. The Welsh Government itself describes the increases as “modest”. Local authorities play a key role in funding and delivering vital capital projects across Wales; they need to have sufficient access to funding, both grants and other funding mechanisms such as borrowing, to ensure that capital projects help deliver the decarbonisation agenda.

30. The Minister for Finance in discussing how best local authorities can respond, recognised that it was “challenging”. She cited the Welsh Government’s own experiences with undertaking carbon impact assessments, as demonstrating the complexities, especially when the body trying to introduce changes may not have the handle on all the available policy levers.²⁴ We were interested to hear about the joint work being undertaken by the Welsh Government and the WLGA to better understand the decarbonisation work done by local authorities.²⁵

²¹ [WLGA, Evidence to the ELGC Committee: Welsh Government Draft Budget 2020-21, paragraph 36, November 2019](#)

²² [WLGA, Evidence to the ELGC Committee: Welsh Government Draft Budget 2020-21, paragraph 37, November 2019](#)

²³ [Future Generations Commissioner for Wales, How the Welsh Government draft budget 2020-21 is taking account of the Well-being of Future Generations Act, December 2019](#)

²⁴ ELGC Committee, 9 January 2020, RoP [49]

²⁵ ELGC Committee, 9 January 2020, RoP [54]

31. Looking at a specific area of capital spend: retro-fitting of existing homes. Improving energy efficiency has two potentially positive impacts: it can address fuel poverty, as well as reducing carbon emissions. Yet we were not convinced that the Welsh Government are really tackling this issue with the necessary vigour. There are a range of different schemes to help owners in improving energy efficiency of their homes. However, they do not seem to be very well co-ordinated and are delivered at different levels, some local, some Wales wide, and others across Great Britain. This is an area where the Welsh Government could take some action, so that the public are well informed about the grants and help available and are supported in accessing those schemes which may be appropriate. The Welsh Government officials were very honest when we asked about the funding needed for retro-fitting, calling it “eye-watering” and saying that they were “confident we do not have enough money” at this point to do all that needs to be done.²⁶ We acknowledge that it is not the role of the Welsh Government to ensure all homes are retro-fitted, but they do have a role to ensure that funding is being leveraged to best effect and in helping the public understand what options are available to those who wish to make improvements.

Recommendation 1. We recommend that the Welsh Government set out what actions it is taking to ensure that information is easily accessible to the public on the support that is available to make improvements to their home in relation to reducing the carbon footprint of their home.

Workforce pressures

32. Workforce costs account for a significant portion of local authority spend. The analysis by Wales Fiscal Analysis and the Wales Centre for Public Policy show that one of the responses by local authorities to austerity has been to reduce the wage bill, through a range of means, including job losses. ONS data suggests that up to 37,000 jobs have been lost in local authorities between December 2009 and September 2018, equivalent to around 20% of the workforce.²⁷ The Local Government wage bill is the second largest in Wales (after the NHS) while the combined teaching and non-teaching pay bill for 2017/18 was £3.6 billion. As the WLGA notes, even modest pressures such as increased pay or pension contributions “ends up having significant impact on the paybill.”²⁸

²⁶ ELGC Committee, 9 January 2020, RoP [231]

²⁷ [Wales Fiscal Analysis, Wales Governance Centre, Cut to the Bone? Chapter 3, February 2019.](#)

²⁸ [WLGA, Evidence to the ELGC Committee: Welsh Government Draft Budget 2020-21, paragraph 8, November 2019.](#)

33. One of the key themes of our 2019-20 budget scrutiny was the impact on local authorities in particular of decisions on teachers pay and pensions. We note that the Welsh Government funded 100% of these costs “despite only receiving an 85% contribution from the UK Government”²⁹ Alongside this were the pressures arising from the removal of pay restraint more generally in the public sector.

34. In their written evidence, the Welsh Government stated that “a significant factor” in the decision to increase funding to local government was to “recognise the impact of teachers’ pay and pensions”.³⁰ However, this additional funding is un-hypothecated and as the Welsh Government itself notes, it is “for each local authority to determine its own priorities.”³¹ The Welsh Government’s Director – Local Government told us that Councillor Anthony Hunt, WLGA Finance Spokesperson has given “some very clear undertakings” that the additional funding for teachers pay and pensions will be used for this purpose.³²

35. We were expecting further information from the Welsh Government on this issue, however it had not been received at the time of writing.

36. More generally on workforce pressures, the WLGA have calculated that if pay deals and pension costs are similar to those experienced in 2019-20, the workforce pressures will “rise from £147m in 2020-21 to £424m by 2022-23.”³³ The Minister for Finance told us that while the increase was specifically to address the pressures arising from teachers’ pay and pensions, it was:

“important to recognise that the revenue support grant is only one of the forms of funding that local authorities can avail themselves of.....so local authorities will consider all of their revenue-raising opportunities in responding to the pressures they face.”³⁴

37. We also highlighted the issues raised by the WLGA survey of the pressures faced by local authorities, in relation to the social care workforce. One of the issues is that salaries for local authorities social care staff has not kept pace with salaries

²⁹ [Welsh Government, Draft Budget Scrutiny 2020-21 Evidence Paper, 9 January 2020](#)

³⁰ [Welsh Government, Draft Budget Scrutiny 2020-21 Evidence Paper, 9 January 2020](#)

³¹ [Welsh Government, Draft Budget Scrutiny 2020-21 Evidence Paper, 9 January 2020](#)

³² ELGC Committee, 9 January 2020, RoP [71]

³³ [WLGA, Evidence to the ELGC Committee: Welsh Government Draft Budget 2020-21, paragraph 9, November 2019](#)

³⁴ ELGC Committee, 9 January 2020, RoP [73]

more widely in Wales or particularly in the NHS, leading to recruitment and retention issues.³⁵

38. The Director – Local Government told us that to address some of these issues, the Welsh Government is establishing a “fair work forum for social care” to look at these issues.³⁶ In correspondence to the Committee, the Minister for Health and Social Services said that as part of this, they have been “engaging with partners” about the priorities for this forum. They are also “looking closely” at the outcomes from recent consultations on social partnership and the implementation of the socio-economic duty.³⁷

39. On the specific issue of disparity in pay, terms and conditions and status between those employed in the NHS and local authorities, the Minister emphasised that “job packages are made up of different terms and conditions beyond pay”. We note that the Social Care Workforce and Sustainability Pressures Grant has been used by 11 local authorities in 2019-20 to increase wages across the sector.³⁸

40. The Minister for Health and Social Services also highlighted the work being done by Social Care Wales on the development of the role of a social worker, including “opportunities for post qualifying learning and development” which forms part of the wider package of terms and conditions. He also said the Government are consulting with Social Care Wales and BASW as to whether action is needed to address the different pay scales prevalent in social work.³⁹

41. We support the actions that are being taken by the Welsh Government, and would like to see further updates in the future on the outcomes and improvements made to recruitment and retention in the social care and social services sector.

Recommendation 2. We recommend that the Welsh Government provide us with an update in autumn 2020 on the actions being taken to address pay, terms and conditions and status of those employed in the social care sector outside the NHS.

³⁵ [WLGA, Evidence to the ELGC Committee: Welsh Government Draft Budget 2020-21, paragraph 37, November 2019](#)

³⁶ ELGC Committee, 9 January 2020, RoP [78]

³⁷ [Letter from Minister for Health and Social Services ELGC Committee, 21 January 2020](#)

³⁸ [Letter from Minister for Health and Social Services ELGC Committee, 21 January 2020](#)

³⁹ [Letter from Minister for Health and Social Services ELGC Committee, 21 January 2020](#)

Preventative spend

42. The 2019-20 budget was the first Welsh Government budget with a commonly agreed definition of prevention. As part of scrutiny of that budget, we were keen to see more examples of how preventative spend would be prioritised.

43. The Welsh Government said that councils are a “key deliverer of preventative spending”.⁴⁰ The Minister for Finance acknowledged that local authorities have had to focus on acute services, reducing their ability to deliver preventative services. However, she argued that this settlement should provide local authorities with the “breathing space” to plan and refocus to preventative services.⁴¹

44. In her assessment of the application of the definition of preventative spend in the 2020-21 budget, the Future Generations Commissioner says that there is “some evidence” of the Welsh Government asking other public services to apply it to their spend, but there is “far greater scope” for it to be meaningfully “considered across services, with Local Government being a particular gap”. She added that there is “no evidence that WG are considering a ‘whole government’ approach to prevention” as she has recommended.⁴²

45. We explored the relationship between preventative spend and budget allocations across a number of different policy areas, but in particular by reference to the Integrated Care Fund. We noted the recent Auditor General for Wales report on the ICF which said that despite some positive examples, the “overall impact... in improving outcomes for services users remains unclear.”⁴³

46. We note that much of the discussion has been focused on inputs, as opposed to outcomes and impact. There needs to be a clearer focus on ensuring that preventative spend meets the desired outcomes, and that these outcomes are then used to inform future budget decisions.

Legislation

47. The Welsh Government have allocated £8.9 million for transformation and legislation. This is an increase of £2.6 million. They state that part of this budget will be used for implementing the Local Government and Election (Wales) Bill. We

⁴⁰ [Welsh Government, Draft Budget Scrutiny 2020-21 Evidence Paper, 9 January 2020](#)

⁴¹ ELGC Committee, 9 January 2020, RoP [38]

⁴² [Future Generations Commissioner for Wales, How the Welsh Government draft budget 2020-21 is taking account of the Well-being of Future Generations Act, December 2019](#)

⁴³ [Auditor General for Wales, Integrated Care Fund, July 2019](#)

are currently scrutinising this Bill. Welsh Government officials said that they are “fairly confident” about the costings in the Regulatory Impact Assessment.⁴⁴

48. The WLGA said that an issue continually raised by local authorities are the burdens placed upon them as a result of new legislation and policy. The WLGA have said that there has been “mixed” experience in relation to the impact of legislation. They highlighted the Additional Learning Needs Act 2018, as one in which there are concerns that there may be “a greater financial and resource impact on authorities...than the impact assessment suggested.”⁴⁵

49. We asked the Minister for Finance whether lessons had been learnt from this Act, in relation to the Local Government Bill. The Director – Local Government told us:

“I am confident that we have developed those costs in partnership and through consultation, and can be as confident as we can be that they are a reasonable estimate of the costs of implementing that Bill.”⁴⁶

50. It was disappointing that the Minister and officials could not highlight in more detail the lessons that have been learnt from the passing of previous Bills. In particular, when this is an issue that has been repeatedly highlighted by local authorities and the WLGA.

Recommendation 3. We recommend that the Welsh Government ensure that in the preparation of RIAs for proposed legislation that lessons learnt through scrutiny and implementation of previous legislation are acted upon.

Housing and regeneration

51. Within the Housing and Local Government MEG there are a number of individual budget expenditure lines (BEL) which are specifically for housing. Of particular interest to the Committee are:

- The Housing Support Grant, which is static at £126.76 million. The Homelessness prevention line also remains static at £17.9 million;
- Financial Inclusion. It sees an £1 million increase to £13.20 million;

⁴⁴ ELGC Committee, 9 January 2020, RoP [138]

⁴⁵ [WLGA, Evidence to the ELGC Committee: Welsh Government Draft Budget 2020-21, paragraph 30 November 2019](#)

⁴⁶ ELGC Committee, 9 January 2020, RoP [142]

- Housing Policy (previously Independent Living). It increases by just over half million to £5.429 million.
- Social Housing Grants increase by £35 million to £223.219 million;
- Help to Buy. It increases by £6.37 million to £68.5 million;
- Rapid Response Adaptations Programme capital allocation. It remains static at £5.660 million.
- A new funding stream of £0.5 million has been allocated to Building safety to take forward the recommendations in the Road Map to Safer Buildings in Wales.

52. All the comparisons above are with the 2019-20 Supplementary Budget.

Homelessness

53. Both the Housing Support Grant and the homelessness budget have been maintained at 2019-20 levels. This is in effect a real terms cut. The Minister for Finance told us that maintenance of funding levels is against a backdrop of an increased baseline over recent years, and this provided a “good basis to implement” the new Homelessness Strategy. She also said that arrangements had been optimised for the Housing Support Grant.⁴⁷ The Welsh Government stated that they have “worked hard to revise the arrangements”...“in a co-productive way with stakeholders”.⁴⁸ Yet we note that ahead of the budget a number of organisations including Cymorth Cymru, Community Housing Cymru and Welsh Women’s Aid called for this funding to be increased.⁴⁹ These three organisations subsequently wrote to us outlining their concerns about budget allocation to the Housing Support Grant fund has been maintained. They highlighted that all partners have “worked hard” to make savings, despite a backdrop of increasing costs due to increasing complexity of need and inflation. They said:

“Our Members are telling us that services have now reached a tipping point – and a cash flat settlement in 2020/21 will not be enough to

⁴⁷ ELGC Committee, 9 January 2020, RoP [145-146]

⁴⁸ Welsh Government. Draft Budget Scrutiny 2020-21 Evidence Paper. 9 January 2020

⁴⁹ Cymorth Cymru, Community Housing Cymru, Welsh Women’s Aid. Housing Matters. Welsh budget 2020/21

achieve the shared ambitions of Welsh Government, landlords and support providers.”⁵⁰

54. When we raised that the funding was a real terms cut, the Director of Housing and Regeneration told us that there had been “significant increases” over recent years which were now “coming through the system.” He also said that discussions are underway with local authorities about how they “approach these issues in a different way...and how do we use the funding that we’ve already got in a more targeted and effective way.”⁵¹

55. An area of particular interest to us over recent years has been rough sleeping. In April 2019, we wrote to the Minister for Housing and Local Government stating that we did not believe the pace of change was sufficient.⁵² We therefore welcomed the establishment of the Homelessness Action Group in July 2019, and the publication of a new homelessness strategy in October 2019. We felt that this demonstrated the Welsh Government’s desire to really tackle these important issues with pace and vigour.

56. Yet the budget allocations do not seem to reflect this prioritisation. We are concerned that the system changes that we and others, including the Homelessness Action Group believe are essential to meeting the Welsh Government’s pledge, cannot be delivered without sufficient funding. The budget allocations mean local authorities and others will be asked to make changes in service design and delivery (in some places with quite radical change) without sufficient funding to do this properly. This may also present particular challenges in ensuring that services are maintained while broader changes are made.

57. At the current point in time, there is still a need for a sizable amount of spend on reactive services, bringing people sleeping rough into sustainable accommodation, as well as for increasing the range and impact of preventative services to ensure people do not end up homeless. It is exactly in this space where local authorities are struggling to make the shift from reactive to proactive services. Both the Ministers for Finance and Housing and Local Government have stated that the local government settlement has been increased in this year partly to deal with this issue: the shift from reactive to preventative spend. But we also

⁵⁰ [Letter from Cymorth Cymru, Community Housing Cymru, Welsh Women’s Aid to ELGC Committee, 23 January 2020](#)

⁵¹ ELGC Committee, 9 January 2020, RoP [149]

⁵² [Letter from ELGC Committee Chair to Minister for Housing and Local Government, 23 April 2019](#)

know that much of this increase has already been primarily earmarked to meet the increases in teachers' pay and pensions.

58. We therefore believe that the Welsh Government should consider increasing the money available to fund homelessness and housing support. If it is a priority for the Welsh Government, it should be funded sufficiently. It is clear that a major shift in how support services are delivered, such as the suspension (and potential abolition) of local connection and priority need could lead to an increase in costs to local authorities. However, as we move towards meeting the Welsh Government's pledge to make homelessness rare, brief and unrepeated these costs should start to reduce. The increase in funding should be temporary. There is an opportunity now to more effectively deal with this issue and without sufficient funding there is a real risk this opportunity could be lost.

Recommendation 4. We recommend that the Welsh Government increases the allocation of funding to the Housing Support Grant and the Homelessness prevention budget line in the 2020-21 budget to ensure that the Welsh Government's ambition on reducing homelessness to be rare, brief and unrepeated can be delivered.

59. Money spent on housing support, is the very definition of preventative spend. Evidence Cymorth Cymru provided to the Public Accounts Committee in 2018 detailed the range of evaluation done on Supporting People spend, all of which showed that for every pound that was spent on such services, there were broader savings to other public services.⁵³ The Future Generations Commissioner in her initial analysis of the budget outlined how she had looked at investing in prevention through the prism of homelessness. She stated:

“Whist I have found that conversations are happening across Government this is not clear in the budget narrative, and these conversations are largely focused in the space of tertiary prevention with little consideration given to collaborative opportunities for primary and secondary prevention. I believe there are further opportunities to align funding and consider whether it is achieving the best outcomes in terms of preventing homelessness.”⁵⁴

⁵³ Public Accounts Committee, *Inquiry into Supporting People Programme. Evidence from Cymorth Cymru, 20 November 2017*

⁵⁴ Future Generations Commissioner for Wales, *How the Welsh Government draft budget 2020-21 is taking account of the Well-being of Future Generations Act, December 2019*

60. We also sought assurances that the budget would provide sufficient flexibility for the Government to reallocate funding as a result of the outcomes from the final report of the Homelessness Action Group and the development of the new Action Plan. The Director of Housing and Regeneration told us that the Government was “working hard” to ensure there is flexibility to deliver on the action plan.⁵⁵ We would like to seek stronger reassurances that additional funds will be made available, if necessary to deliver on the action plan.

Recommendation 5. We recommend that the Welsh Government provide a firm commitment that if the Homelessness Action Plan has actions which require additional funding, that this funding is provided by the Welsh Government.

61. In the 2019-20 budget, the Welsh Government announced an additional £10million to tackle youth homelessness. We welcomed this, and recommended that the Welsh Government commit to provide similar levels of funding, as a minimum, in future budgets. The Minister for Finance told us that this funding has been “mainstreamed” and that all the activities funded in 2019-20 are continuing, but there is no longer a discreet budget line for this funding.⁵⁶ Officials explained that having a separate budget could create “artificial barriers” between services for young people and the general population, but that the full £10million has been incorporated into the homelessness budget.

Recommendation 6. We recommend that the Welsh Government ensure effective monitoring of the outcomes of spend relating to youth homelessness services to ensure the effective delivery of these services, and in particular those services supporting young people as they transition to adult support services.

Building Safety

62. Another area of particular interest to us over the last two years has been the issue of fire safety in high rise buildings. The 2020-21 budget has a new funding stream of £0.5million allocated, which the Welsh Government state will “allow us to make progress” in responding to the work of the Building Safety Expert Group’s Road Map to Safer Buildings in Wales. The Government states that the budget will be “targeted at primary and secondary prevention” with an initial focus on “those involved in the management and regulation of high rise residential buildings (18m/7 storeys +), as well as those who reside in or own flats within high rise

⁵⁵ ELGC Committee, 9 January 2020, RoP [183]

⁵⁶ ELGC Committee, 9 January 2020, RoP [168]

buildings”⁵⁷ It is not, however, a “single fund for distribution” but will “assist the development of building safety policy and longer term legislative reforms.”⁵⁸

Poverty reduction

63. There are a range of additional budget allocations across portfolios, totalling around £18 million targeted at poverty reduction. They include:

- Period poverty projects;
- The Discretionary Assistance Fund, to which an additional £1 million has been allocated in 2020-21. In evidence the Minister for Finance confirmed that the total budget for this would be £11.2 million in 2020-21⁵⁹;
- Time credits;
- Pupil Deprivation Grants;
- Holiday hunger and free school meal programmes; and
- Fuel poverty schemes.

64. We note that ahead of the budget, the Bevan Foundation published a report calling for six key principles to underpin the 2020-21 budget and which put poverty at the core of the budget.⁶⁰ In evidence to the Finance Committee, the Bevan Foundation said while the budget “does more to address poverty than in previous years” there was not yet a coherent strategy. In particular, they had “reservations” as to whether the budget allocations will support interventions that “address the root causes”, such as sufficient decent jobs, affordable housing and the way in which the social security system operates.⁶¹

65. This chimes with our previous work on poverty, and in particular our on-going concerns about the prominence poverty reduction receives. We have repeatedly called for a Poverty Strategy, which we believe would give the necessary

⁵⁷ [Welsh Government. Draft Budget Scrutiny 2020-21 Evidence Paper. 9 January 2020](#)

⁵⁸ [Letter from Minister for Housing and Local Government, Minister for Finance and Deputy Minister and Chief Whip to ELGC Committee, 21 January 2020](#)

⁵⁹ ELGC Committee 9 January 2020, RoP [241]

⁶⁰ [Bevan Foundation. Putting Poverty at the centre of the Welsh Government's 2020/21 budget. 6 August 2019](#)

⁶¹ Finance Committee, 9 January 2020, RoP [10-11]

Government focus on this vital issue. However, we welcome the additional £18 million. We hope that this is a starting point, and that future budgets will build on this and ensure that poverty reduction is absolutely central to budget allocations.

66. We would reiterate our recommendations from previous reports on the need for an tackling poverty strategy, and for the Welsh Government to publish their expenditure on devolved benefits. We note that the Deputy Minister for Housing and Local Government in correspondence to us said that the Welsh Government are currently investigating how they could include expenditure information on devolved benefits where it is possible and practical.⁶²

67. In relation to uptake of the DAF, we note the comments made by the Bevan Foundation to Finance Committee, in which they said that they had “discovered that half of applications are turned down.”⁶³ We would like clarity from the Welsh Government on the percentage of DAF applications that have been declined, and the grounds for these refusals.

Recommendation 7. We recommend that the Welsh Government provides us with a breakdown of the number of DAF applications received; accepted, and declined in 2019-20, including the grounds on which applications were declined.

68. The Children and Communities Grant is being maintained. This means both Communities for Work Plus and the Communities First legacy fund will continue. The Director for Housing and Regeneration said that this funding was being extended because “history suggests” these projects would not be self-sustaining.⁶⁴ We welcome this funding being extended, in our report on the closure of Communities First we sought clarity on how long this legacy funding would be available.⁶⁵ It would be helpful to know which Communities First projects are continuing to be funded through this fund and what support is being provided to make them self-financing in the future.

Recommendation 8. We recommend that the Welsh Government provides details of all the Communities First projects receiving legacy funding and what work is being done to support them to become self-sustaining.

⁶² [Letter from Deputy Minister for Housing and Local Government to ELGC Committee, 13 January 2020](#)

⁶³ Finance Committee, 9 January 2020, RoP [41]

⁶⁴ ELGC Committee 9 January 2020, RoP [256]

⁶⁵ [ELGC Committee, Communities First – lessons learnt, 25 July 2017](#)

Equality considerations in the budget

69. As part of our 2019-20 budget scrutiny, we undertook joint scrutiny with the Finance and Children, Young People and Education committees looking at the strategic integrated impact assessment. We had a number of serious concerns, which we detailed in our report.⁶⁶ Our recommendations were endorsed by Chwarae Teg as part of their review into the Welsh Government's gender equality policies.⁶⁷

70. The Welsh Government commissioned Chwarae Teg to review these policies as part of their aim to become a "feminist government". The Phase 2 report was critical of the budget process saying that it was "not aligned to policy making processes" and this could lead to budgets that are focused on financial pressures "rather than impact or even need." They added that "failure to address this disconnect will result in an inability to meet desired aims around gender equality, and also wider Welsh Government ambitions."⁶⁸ We note that the Welsh Government have agreed to accept almost all of the recommendations made by Chwarae Teg.⁶⁹

71. As part of the 2020-21 budget, the Welsh Government published a Budget Improvement Plan which "sets out how [it] intend[s] to change and improve the way [it] allocate funding for a more equal, prosperous, and greener Wales."⁷⁰ This Plan gives a date of 2023+ to "implement an improved impact analysis of the Budget that effectively considers all the developments in previous years..." This will be four years after the publication of our report. When we queried this with the Deputy Minister she said it should not be this long before we see improvements and that "next year, you should see a better one." However, despite our report, we do not believe the SIIA has improved at all, in fact it could be argued that it has got worse.

72. The Deputy Minister described the Improvement Plan as "very important" and that it was part of an "evolving process". Welsh Government officials explained that the plan was "a rolling plan" which would see a number of iterations, and on-

⁶⁶ [Children, Young People and Education Committee: Equality, Local Government and Communities Committee: Finance Committee, Assessing the impact of budget decisions, March 2019](#)

⁶⁷ [Chwarae Teg, Deeds not Works, Review of Gender Equality in Wales, Chapter 7, June 2019](#)

⁶⁸ [Chwarae Teg, Deeds not Works, Review of Gender Equality in Wales, Chapter 7, June 2019](#)

⁶⁹ [Welsh Government, Response to Phase 2 Gender Equality Review report and roadmap, 8 January 2020](#)

⁷⁰ [Welsh Government, Draft Budget Scrutiny 2020-21 Evidence Paper, 9 January 2020](#)

going learning to inform each budget cycle. The Government subsequently stated that the “Plan will be refined and updated annually, and published alongside the annual draft Budget”. This will include an update on the actions taken since the last budget and the impact that will have on subsequent actions.⁷¹

73. While we welcome the publication of the Budget Improvement Plan, it is disappointing that the changes we believe are vitally important have not yet been implemented. We published our report with the hope that we would see improvements in this budget round. Sadly, we cannot see such improvements. As the Deputy Minister acknowledged the Welsh Government first published an equality impact assessment in 2011. Nearly 10 years on, it is disappointing that the current SIIA feels like a backward step. It is very clear from the numerous reports and good practice examples of what needs to be done to improve decision making around the budget. This issue becomes even more pressing as newer requirements are placed on the Government and other bodies, such as the introduction of the socio-economic duty, and the push towards Carbon Impact Assessments.

74. During the evidence session with the Deputy Minister, she highlighted the gender budgeting pilot, and said she was “keen” to have more than one.⁷² She told us that as part of this pilot, that they would be looking to countries which have already implemented gender budgeting, such as Iceland. She believed that “our gender budget on personal learning accounts will be very fundamental”.⁷³ We note that in 2007, the Welsh Government ran a two year project on gender budgeting. According to the Welsh Government this work “helped us understand the complexities” of carrying out impact assessments, as well the need to have “necessary gender disaggregated data”. They also cited it as informing their steps in being the first UK administration to publish a “comprehensive” equality impact assessment as part of the 2011-12 budget, and to the Strategic Integrated Impact Assessment approach now taken.⁷⁴

75. We intend to pursue the issues surrounding the impact assessment of the budget. Initially, we will discuss with the Finance and Children, Young People and

⁷¹ [Letter from Minister for Housing and Local Government; Minister for Finance and Deputy Minister and Chief Whip to ELGC Committee, 21 January 2020](#)

⁷² ELGC Committee, 9 January 2020, RoP [275]

⁷³ ELGC Committee 9 January 2020, RoP [297]

⁷⁴ [Letter from Minister for Housing and Local Government; Minister for Finance and Deputy Minister and Chief Whip to ELGC Committee, 21 January 2020](#)

Education committees their views on the SIIA. These discussions will then inform what further steps we will take.