

# Welsh Government Draft Budget 2023-24

February 2023

## 1. Introduction

1. This report sets out the Local Government and Housing Committee's views on the Welsh Government's draft budget 2023-24 in relation to the policy areas within our remit.
2. Along with the Finance Committee's report, and those of other Senedd committees, this report is intended to inform the Senedd's debate on the draft budget, which is scheduled for 7 February 2023.
3. We would welcome a response to our report and recommendations.

### **The Welsh Government's draft budget 2023-24**

4. On 13 December 2022, the Welsh Government published its draft budget proposals for 2023-24. The provisional Local Government settlement was published on 14 December 2022.
5. The Main Expenditure Groups ("MEG") that fall within our remit are Finance and Local Government and Climate Change. The specific investment areas within these MEGs which are relevant to our remit are Local Government and Housing.

### **The Committee's approach to scrutiny**

6. On 12 January 2023, we heard oral evidence from representatives of the Welsh Local Government Association ("WLGA") and the Minister for Finance and Local Government in relation to the provisional Local Government settlement and aspects of the draft budget relating to local government.



**7.** On 19 January, we heard evidence from the Minister for Climate Change in relation to aspects of the draft budget relating to housing.

## 2. Local Government

### Local government financial context

**8.** Rises in energy, goods and material costs have put huge strain on public service providers. These financial pressures are on top of existing challenges for local authorities, including pay inflation, continuous increases in demand for high cost services (such as social care) and recovering from a global pandemic. Councillor Andrew Morgan, Leader of Rhondda Cynon Taf County Borough Council and Leader of the WLGA, told us that the financial pressures faced by local authorities in this and the next financial year were on a scale not seen in recent years. Cllr Morgan told us:

*"If you consider food costs for things like school meals, our care home services and meals on wheels, food costs have gone up anything between 14 and 25 per cent. Our gas and energy costs are predicted for this financial year for local authorities in Wales to go up around 355 per cent for gas, and well over 100 per cent for electric. So, there are some real pressures on local authorities. I know every year we talk about the pressures on local government, whether it's service demand such as social services in particular, but this year I think it is quite exceptional."*<sup>1</sup>

**9.** Cllr Morgan also told us that local authorities in Wales are facing a £200 million collective overspend in the current financial year and will therefore be using reserves. He added that next year, despite "a very good settlement from the Welsh Government", there will "be significant pressure on local authorities to set a balanced budget".<sup>2</sup>

**10.** Councillor Llinos Medi, Leader of Anglesey County Council, told us that local authorities are now "making cuts to services that have previously been cut, so the options are very few and far between".<sup>3</sup> Cllr Medi went on to say:

*"What I would say is that what most local authorities are trying to do this year is to try and balance the books by using reserves and making minor cuts*

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<sup>1</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 3

<sup>2</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 4

<sup>3</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 20

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*and raising council tax in preparation for 2024-25. I think that's when we will see the real cuts kicking in to services. So, what we'll see is local authorities using reserves in order to prepare for that harder cut that's to come, because, as I noted earlier, we're all anticipating that next year will be even worse for us.”<sup>4</sup>*

## **Our view**

**11.** We are concerned by the overspend figure of £200 million for 2022-23 reported to us by local government, and acknowledge that authorities have faced an accumulation of pressures over recent years, which have already led to significant cuts to services. We note that, unlike other public bodies, local authorities have a statutory duty to balance their accounts each year, and we are concerned that relying on reserves to cover such a high overspend is not a long term sustainable solution.

**12.** It is a particular concern that local authorities are already fearful of the resources available for future financial years. We note that the indicative Wales-level core revenue funding allocation for 2024-25 is £5.69 billion, equating to an uplift of £169 million (3.1 per cent). The Welsh Government notes that this figure is indicative and dependent on both the current estimates of NDR income and any 2024-25 UK budgets, however we are concerned this may not be sufficient should current pressures continue to increase. We believe it is crucial that the Welsh Government and local government undertake work now in preparation for sustained pressures on local authority budgets in order to mitigate further cuts to already stretched services.

**Recommendation 1.** The Welsh Government should outline how it is working with local government in preparation for continued pressures on local authorities in future financial years.

## **The provisional local government settlement**

### **Aggregate External Finance (“AEF”)**

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**13.** The Welsh Government published its provisional local government settlement for 2023-24 on 14 December 2022. After adjusting for transfers, overall core funding (Aggregate External Finance) for local government in 2023-24 is £5.5 billion, an increase of 7.9 per cent on a like-

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<sup>4</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 97

for-like basis compared to 2022-23. This equates to an additional £406 million in overall funding for local authorities.

**14.** In 2022-23, the overall increase in AEF was 9.4 per cent on a like for like basis, or £437 million. AEF includes the local authority Revenue Support Grant ("RSG") and the distributable part of non-domestic rates ("NDR").

**15.** The Minister notes in her evidence paper that in a bid to protect public services, "no reductions to the local government settlement were considered as part of the wider Welsh Government exercise to repurpose budgets".<sup>5</sup>

**16.** The Minister acknowledged that local authorities will "have to take really difficult decisions in order to manage the budget", however she added that the Welsh Government had:

*"...done the best possible job that we could have done in the circumstances, and, obviously, it builds on a good settlement last year and in the previous years before that as well."*<sup>6</sup>

**17.** Cllr Morgan told us that local government had received "a relatively good settlement", with the average increase being "much more positive than was anticipated."<sup>7</sup> However, Cllr Morgan added:

*"...there's no getting away from the fact that there will be some tough decisions. There is a balance to be struck between council tax increases at a significant rate, making savings where possible without impacting on services, but, undoubtedly, there will be other cuts to services, or service changes that, I think I'm fair in saying, all 22 local authorities will have to consider to a certain extent."*<sup>8</sup>

**18.** Councillor Anthony Hunt, Leader of Torfaen County Borough Council went on to tell us:

*"...the settlement was incredibly welcome; it was more than we were talking about at the start, and I think it demonstrates that Welsh Government do*

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<sup>5</sup> Local Government and Housing Committee, 12 January 2023, [paper 2](#).

<sup>6</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 180

<sup>7</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 17

<sup>8</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 18

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*value the services that we provide. It doesn't make the challenge easy, but it gives us a fighting chance."*<sup>9</sup>

**19.** The Chief Executive of the WLGA told us:

*"In other circumstances, at any point over the last 20 years, a 7.9 per cent average settlement increase would seem incredibly generous.[ ] Authorities would have been really delighted with that situation. But, these are unprecedented circumstances. [ ] When inflation is 10.5 per cent or 11.5 per cent, a settlement of 7.9 per cent doesn't plug the gap. They have to look at using their reserves or balances, increasing council tax, and cuts in services. None of these choices are particularly palatable, and they are very difficult for authorities."*<sup>10</sup>

## Local authority distribution

**20.** As a result of the overall increase of 7.9 per cent in the settlement, no authority is expected to receive less than a 6.5 per cent increase in its budget allocation for 2023-24. This is higher than the indicative allocations in 2022-23 which showed an overall increase of 3.5 per cent in the AEF for 2023-24, and a further 2.4 per cent in 2024-25.

**21.** The authorities who will receive the biggest uplift in their allocation are Monmouthshire at 9.3 per cent, Cardiff at 9.0 per cent and Vale of Glamorgan and Newport (both at 8.9 per cent). Blaenau Gwent will receive the lowest increase at 6.5 per cent. Overall, 12 authorities will receive on or above average increases. The table below shows the provisional amount each local authority will receive in AEF for 2023-24, and the percentage difference compared to 2022-23<sup>11</sup>.

<sup>9</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 39

<sup>10</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 83

<sup>11</sup> Welsh Government, Local government revenue and capital statement: provisional 2023 to 2024, Table 1a. The table has been adjusted to display the percentage difference in rank order, from highest to lowest

**Table 1a: Change in Aggregate External Finance (AEF), adjusted for transfers, by Unitary Authority (£000)**

Unitary Authority	2022-23 Final Aggregate External Finance [Note 1]	2023-24 Provisional Aggregate External Finance	Percentage difference	Rank
Monmouthshire	112,020	122,490	9.3%	1
Cardiff	543,810	592,891	9.0%	2
The Vale of Glamorgan	185,931	202,535	8.9%	3
Newport	265,502	289,211	8.9%	4
Powys	210,090	228,388	8.7%	5
Cararthenshire	311,585	338,017	8.5%	6
Wrexham	207,279	224,621	8.4%	7
Flintshire	232,336	251,747	8.4%	8
Ceredigion	119,238	129,050	8.2%	9
Denbighshire	173,596	187,871	8.2%	10
Pembrokeshire	196,776	212,415	7.9%	11
Isle of Anglesey	114,490	123,555	7.9%	12
Bridgend	232,109	249,895	7.7%	13
Swansea	388,409	417,775	7.6%	14
Torfaen	160,218	172,223	7.5%	15
Conwy	184,915	198,413	7.3%	16
Neath Port Talbot	258,174	276,397	7.1%	17
Merthyr Tydfil	110,704	118,497	7.0%	18
Gwynedd	213,017	227,843	7.0%	19
Caerphilly	317,789	339,610	6.9%	20
Rhondda Cynon Taf	441,596	470,847	6.6%	21
Blaenau Gwent	131,057	139,597	6.5%	22
<b>Total unitary authorities</b>	<b>5,110,643</b>	<b>5,513,888</b>	<b>7.9%</b>	

## Multi-year settlement

**22.** The settlement for 2022-23 provided indicative figures for 2023-24 and 2024-25. This approach was welcomed by local government who have long called for multi-year settlements to provide local authorities with certainty and the ability to plan over the medium-term. During our scrutiny of the 2022-23 budget in January 2022, Cllr Hunt told us:

*"I think we can aim much higher than just standing still with this settlement [2022-23]... I think this settlement, alongside the fact that it is a multi-year settlement, gives us the chance... to really address some of those things in the longer term."*<sup>12</sup>

**23.** This year, Cllr Morgan acknowledged that having a provisional settlement for three years is something that local government have lobbied for, but added that "a longer term solution is needed". Cllr Morgan told us it would be helpful if the UK Government could provide a rolling three-year settlement to provide more certainty to the Welsh Government, who could provide the same certainty to local government. He explained:

<sup>12</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2022, paragraph 48

*"The problem is, on year one of the spending review, it's excellent, we get a three-year settlement, or at least indicative figures, but, of course, on the last year, it's only for that one year, and it's a continuous cycle of not knowing where we're going."*<sup>13</sup>

**24.** The Minister told us that she is:

*"...always in favour of giving as much certainty as we can to all partners in terms of our budgets and the length at which we set them. This is the first time since I've been in portfolio in terms of being able to set a budget that is beyond one year, because of course, for a number of years, we were having just one-year settlements from the UK Government, and it just doesn't give us the kind of certainty that we need to be able to pass that certainty on to colleagues and to partners in local government and in health and other places as well. So, absolutely, the more certainty that we have. So, I hope that when we come to the end of this three-year spending review, we will go into another spending review period that will be a multi-year period as well."*<sup>14</sup>

## **Our view**

**25.** We acknowledge that setting a draft budget whilst facing extreme economic pressures such as high inflation, increasing global energy costs and price rises across many commodities is a difficult challenge for the Welsh Government. We therefore welcome the Welsh Government's commitment to protecting public services, where possible, by ensuring that all local authorities receive an increase in their funding for 2023-24, and in particular, that the overall increase is higher than the indicative figures provided last year. However, we note that the increases are lower than the rate of inflation.

**26.** Although the settlement has been broadly welcomed by local government, local authority representatives and the Minister were clear that councils would still face difficult decisions which could impact on service delivery. Despite the increased funding, we are concerned that following several years of cuts, there is very little resilience left within the sector, which is likely to lead to authorities using greater amounts of reserves in order to balance their budgets.

**27.** Last year we welcomed the view from local government that the provision of indicative figures for the subsequent two years would enable local authorities to undertake longer term

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<sup>13</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraphs 34-35

<sup>14</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 158

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planning for services, rather than simply reacting to immediate pressures. However, we are concerned as to the extent this has been possible in light of the pressures experienced subsequently and as to their ability to plan for future years.

**28.** We note the comments made by local government around the benefits of multi-year settlements and welcome the Minister's commitment to providing more certainty where possible. We recognise that this is dependent on the UK Government providing multi-year settlements to the Welsh Government.

**Recommendation 2.** We recommend that the Welsh Government makes representations to the UK Treasury for a rolling three year settlement to provide public services with greater certainty.

## Preventative spend

**29.** We discussed with witnesses the benefits of spending money now to prevent future pressures and the extent that the draft settlement will allow local authorities to do so. We heard from Cllr Hunt that local authorities:

*"want to comply with the aims and objectives of the Well-being of Future Generations (Wales) Act 2015, and we can only do that by investing in those early intervention and prevention services."*<sup>15</sup>

**30.** The funding settlement at present does not seem to provide local authorities with the opportunity and certainty required to fully invest and address those long term solutions for future generations, with Cllr Hunt telling us:

*"...we all want to be planning for the long term; we want to be making sustainable long-term choices rather than just firefighting."*

*What I'd say is that the better the settlement is, the more it enables us to get into that space and not just in putting out fires all the time."*<sup>16</sup>

**31.** The Chief Executive of the WLGA referred to difficult choices ahead for local authorities, particularly on leisure services. This, at a time when more emphasis is being put on people leading more active lives:

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<sup>15</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 103

<sup>16</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraphs 38-39

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*"...in the current climate, we would like to see people lead more active lives, and yet local authorities are faced with the choice of having to cut back on their leisure services, leisure centres, swimming pools and so on."*<sup>17</sup>

**32.** Cllr Medi cited leisure services as an example of where reducing a non-statutory service could have a longer term impact on a statutory service:

*"...leisure and health are connected. If we close a leisure centre [...] that's going to have an impact on health in years to come."*<sup>18</sup>

**33.** The Minister told us that the preventative agenda had been part of the Welsh Government's budget-setting process for several years, and cited library and leisure services as examples of where local government are involved.<sup>19</sup> The Welsh Government official referred to regional partnership boards as a mechanism for "a great deal of work that goes on between local government and the health service", and added:

*"Those boards have funding and can use that funding in a way that will address their local preventative needs as well as the very short term priorities that you rightly recognise."*<sup>20</sup>

**34.** In response to our questions as to whether there are processes in place to ensure that preventative measures are not the first to be cut when resources are limited, the Welsh Government official told us:

*"...we don't have processes, but what we do have is this ongoing policy dialogue about prevention."*<sup>21</sup>

**35.** The official added that "local government are also very clearly committed to this agenda" but acknowledged the "real tensions" between how local authorities "get through some of these really acute short term pressures without taking their eye off that transformational and preventative ball", concluding:

*"That is a balance that I think only they can make locally in response to the pressures and priorities on each authority."*<sup>22</sup>

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<sup>17</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 84

<sup>18</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 98

<sup>19</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 184

<sup>20</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 187

<sup>21</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 188

<sup>22</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 188

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## Our view

**36.** We note the commitment from the Welsh Government to the preventative agenda, however we are concerned as to how allocations in this draft budget will meet that commitment as spending on preventative measures will often suffer when organisations are dealing with immediate pressures.

**37.** We are concerned that the current difficult financial situation faced by local authorities could result in cuts to non-statutory services such as leisure facilities, which may have a longer term impact on people's health and wellbeing. We are aware that the Welsh Government is keen to encourage people to live healthier and active lifestyles to reduce pressures on the health system, and whilst we support this aim, we are acutely aware of the difficult decisions being faced by local authorities around maintaining leisure facilities.

**38.** We would like the Welsh Government to provide further information setting out how the allocations in the draft budget have been prioritised to meet its commitment to the preventative spend agenda.

**Recommendation 3.** The Welsh Government should provide further detail to demonstrate how the allocations in the draft budget have been prioritised to meet its commitment to the preventative spend agenda.

**39.** We note the Minister's comments on regional partnership boards as a mechanism for local government and the health sector to collaborate, however we are unsure as to how effective the boards are in achieving these preventative aims. We acknowledge that there may be different approaches across Wales.

## Capital funding

**40.** Local government general capital funding will rise to £180 million in 2023-24, following a drop to £150 million in 2022-23. This was expected and in line with the indicative figure set out for 2023-24 last year. Wales Fiscal Analysis notes in its Welsh Budget Outlook 2022 that as there was no additional capital funding in the UK Government's Autumn Statement, the Welsh Government was "not able to top up its investment plans and mitigate the impact of higher inflation".<sup>23</sup> As a result, Welsh Government capital budgets are set to fall by 8 per cent in real terms by 2024-25.

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<sup>23</sup> "A perfect storm" – an initial analysis of the Welsh Government's Draft Budget for 2023-24, 15 December 2022

**41.** The WLGA, in its evidence paper, states that a tightened revenue settlement “will impact on capital programmes”. It goes on to note that it could lead to councils delaying or removing capital programmes in order to deliver key local priorities. There will be pressure on councils to contribute to match-funded projects too, and that overall, “it seems likely that council capital programmes will be downsized”.<sup>24</sup>

**42.** Cllr Morgan welcomed the increase in general capital funding, adding however, that highways are “probably a pressure area for most local authorities”. Cllr Morgan went on to say:

*“If there could be a possibility of further capital funding for our highways across Wales to see local authorities carrying out substantial resurfacing works, that does actually save us on revenue.”<sup>25</sup>*

**43.** Within the draft settlement, the amount of funding made available for the Resilient Roads Fund, which had stood at £4.6 million in 2022-23, has not yet been confirmed for the next two years. The Welsh Government official explained:

*“...the resilient roads fund budget is part of that local transport fund, so you can see the transport fund going up from £15 to £23 million. I believe the proposals for the resilient roads fund are due in at the beginning of February, so they'll be looking through those to see what's coming in through that, to then decide which bit of the budget gets allocated against that. So, that's why that's got a 'TBC' on there—the budgets are linked up.”<sup>26</sup>*

**44.** Despite welcoming the increase, local government representatives noted that inflationary pressures result in authorities being able to do less with the same amount of money. Cllr Morgan told us:

*“...because of the cost pressures with inflation, some of the costs in terms of new build for schools and renovation works have gone up by 25 per cent to 30 per cent at least. So, there is additional pressure on us, actually, because in effect our spending power with the capital money we have has diminished.”<sup>27</sup>*

**45.** Cllr Hunt added:

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<sup>24</sup> Local Government and Housing Committee, 12 January 2023, [paper.1](#)

<sup>25</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 55

<sup>26</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 201

<sup>27</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 56

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*"...the spending power that we have is really being cut from the other end of the equation, with costs for construction and all sorts of capital works really increasing and putting more pressure on council leaders to find match funding, to find other sources of funding, to top up to meet those increased costs, or, inevitably, you end up doing less with the same amount of money."*<sup>28</sup>

**46.** Cllr Medi went on to say:

*"It's important to note that the capital budget, although it's increased in terms of value, it is worth less to us. [...] the capital budget is very limited compared to what it was years ago, and that means that the transformational plans are getting lower on the list, which means that our public services are weakening and aren't moving into the twenty-first century as they should, because of capital issues. [...] So, the capital simply isn't sufficient, and this firefighting will continue."*<sup>29</sup>

**47.** The Minister acknowledged the concerns raised by local government representatives and agreed that "capital funding is a particular area of concern", adding:

*"The capital funding over the three-year spending review period falls by 11 per cent, and that was even starting from an insufficient base in the first place, so it's a real area of concern."*<sup>30</sup>

**48.** The Minister noted that there was no additional capital funding from the UK Government in the autumn statement, adding:

*"...we've got the spring statement, so maybe looking ahead to future years, there might be an indication in the spring statement of increased capital, because that's exactly the kind of money that we need to recover from the pandemic in terms of being able to invest in infrastructure, creating jobs, and so on."*<sup>31</sup>

**49.** The Minister went on to explain that there were no real changes to the capital allocations partly as there was no additional funding to allocate and partly due to the Welsh Government

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<sup>28</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 59

<sup>29</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 64

<sup>30</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 196

<sup>31</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 196

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undertaking “a zero-based review” of capital plans, which resulted in a refocusing of “capital investment towards those things that help deliver on our climate ambitions and take us further down that road to net zero”<sup>32</sup>.

## **Our view**

**50.** We noted our concern last year at the reduction in capital funding, in particular funding for highways maintenance. Maintaining highways that are safe for users of public transport, cyclists and pedestrians is crucial to encourage people to reduce private car use. It is therefore disappointing that there is no specific highways capital funding for local authorities, who expressed their concern that maintaining highways is a particular pressure on their resources. We note the Welsh Government’s comments that funding allocated to the Resilient Roads Fund has not yet been confirmed, which makes it difficult for us to scrutinise and come to a view on this aspect of the budget. We believe that the Welsh Government should look again at the overall allocations within the draft budget for the Local Transport Fund and make adjustments in order to ensure that the Resilient Roads Fund is funded sufficiently.

**Recommendation 4.** The Welsh Government should ensure there is sufficient capital funding within the settlement for local authorities to adequately maintain the highway and roads network.

**51.** We welcome the planned increase in general capital funding in line with indicative allocations presented in the 2022-23 budget. We are however mindful of the strong representations made by local government that inflationary pressures have diminished the value of capital allocations, and will result in councils doing far less with that funding. It is disappointing therefore that the general capital funding does not reflect the inflationary pressures, which is having significant impact on local authority expenditure. We note that the UK Government did not provide additional capital funding to the Welsh grant during its Autumn Statement. Should the Spring Statement result in additional allocations for Wales, the Welsh Government should pass the increase on to local authorities’ general capital.

**Recommendation 5.** The Welsh Government should continue to work with the UK Government to understand future increases to capital funding and should make the case for increases to be linked to the rate of inflation.

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<sup>32</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 197

## Council Tax and the Council Tax Reduction Scheme (CTRS)

### Council Tax

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**52.** Over the past decade, Council Tax has **increased by almost 30 per cent.** However, over the same period, despite the increase in Council Tax, overall spending has decreased by around 7 per cent in real terms. The WLGA noted in its paper that, before the draft budget 2023-24 was published, there was an assumption that the average council tax bill would increase at around 4 per cent, with councils required to “balance raising funding with cost-of living pressures faced by residents”.<sup>33</sup>

**53.** Cllr Hunt noted the difficult decisions councils face in setting council tax rates:

*“..you’ve got balancing people’s costs of living on one hand with the need to retain valuable local services on the other. So, it’s not an easy choice in any year, even more so this year, given the cost-of-living crisis and the huge pressures we’ve talked about.”<sup>34</sup>*

**54.** Cllr Hunt added:

*“Certainly, the better the settlement is, the more space it gives councils to have a lower council tax rise. You’ve seen in England there seems to be almost a uniform 5 per cent rise across the board because of the pressures on the services there. We’ve had a Government that’s talked to us about the pressures on those services and has tried to meet us halfway, so that puts us in a better position, but it’s still a very difficult situation, given the huge pressures that have been described before.”<sup>35</sup>*

**55.** Increases to the Council Tax inevitably place additional pressure on households. It also increases the likelihood of householders being unable to afford the payments. In the 2021-22 financial year, the Welsh Government provided £19 million, in response to the pandemic, to assist local authorities with council tax collection rates. No specific grant has been provided for this purpose in subsequent years, despite the current cost of living pressures on households.

**56.** We heard from the WLGA that council tax collection is a pressure, Cllr Hunt told us:

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<sup>33</sup> Local Government and Housing Committee, 12 January 2023, [paper.1](#)

<sup>34</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 77

<sup>35</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 77

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*"...there has been a pressure on collection rates from the pandemic and now into the cost-of-living crisis, and that's something that we've had to factor in. We reduced our assumed collection rate in our budget two years ago now, [...] so we didn't end up with a hole in our budget. That's a challenge, obviously, because if you reduce the assumed collection rate there's less money in your budget, but councils are doing all they can to ensure collection remains as high as possible."*<sup>36</sup>

**57.** The Minister told us that collection rates are generally high, at around 97 per cent, having fallen to an average of 95.7 per cent during the pandemic. The Minister explained the rationale for not providing specific funding to assist with collection rates:

*"The reason why we were able to support local authorities in that way during the pandemic was really because we recognised it was a very different circumstance. We recognised that lots of the teams who were normally involved in council tax collection had had their work diverted to, for example, distributing our Welsh Government grants to businesses and so on."*<sup>37</sup>

### **Council Tax Reduction Scheme ("CTRS")**

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**58.** Some households on low incomes are eligible to receive discounts or support with paying their council tax bill. The Council Tax Reduction Scheme, which replaced the Council Tax Benefit in Wales, supports around one in five households with reductions in their council tax. The Welsh Government has provided local authorities with £244 million annually to enable eligible households to receive the full entitlement to support. The figure of £244 million has remained unchanged for a decade. The [latest Welsh Government Annual Report on the Scheme](#) published in August 2022 notes that the total value of reductions provided through the CTRS from April 2021 to March 2022 was approximately £287.6 million.

**59.** Cllr Morgan told us the cap on the CTRS funding "is a pressure for local government", explaining:

*"...in our own local authority, for example, in Rhondda Cynon Taf, we always tell members that if we put up council tax by 1 per cent, we only actually get about 80 per cent of the additional income, because, in effect, almost 20 per cent of the additional income is lost because of the council tax reduction*

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<sup>36</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 91

<sup>37</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 214

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*scheme and those who don't pay council tax. So, in effect, we have to pay that element. So, we do lose around 20 per cent every time we put the council tax up. [...] So, it does have a bearing on it, but it's something that local authorities have had to manage for a number of years because that envelope of funding, as I say, has been capped probably for almost a decade now.”<sup>38</sup>*

**60.** The Minister told us that £244 million is “a significant investment in supporting some of our worst-off households”, adding that “it’s a shared commitment between local government and Welsh Government”. The Minister went on to say that having a national scheme in Wales reduces the administrative burden and cost to local authorities.<sup>39</sup>

**61.** We heard from Cllr Hunt that ensuring eligible households claim CTRS has “always been a challenge.” He told us how local authorities are trying to reach more people:

*“We’ve invested in our benefits advice team and financial inclusion teams, who help identify people who could be entitled to benefits or people who are going through financial crisis and make sure that they apply so that they can get that money in the door. I know that council revenues and benefits teams across the country have been really going above and beyond in the last two years to get money out to people during the pandemic and now, in this cost-of-living crisis, will be stepping up their efforts to try and make sure that people who are entitled to council tax reduction and entitled to other benefits claim as much as possible, rather than getting caught in a poverty trap.”<sup>40</sup>*

**62.** The Minister acknowledged that the number of people claiming CTRS since it was devolved has fallen, possibly due to the increase in the state retirement age and due to the need to apply for the scheme. The Minister referred to the Welsh Government’s ‘green pig’ campaign which aims to emphasise the importance of applying for the scheme.<sup>41</sup>

## **Our view**

**63.** We acknowledge that making decisions around increasing council tax will be difficult for local authorities in light of the wider cost of living pressures being felt by many households. We recognise that local authorities, when making their decisions, will need to be mindful of the

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<sup>38</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 94

<sup>39</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 210

<sup>40</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 92

<sup>41</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 211

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need to strike an appropriate balance between increasing their revenue to ensure service provision, without over burdening residents. Whilst we do not have a view on the rate of council tax increases, we recognise that increases will be needed, particularly given the need to plan now for the likelihood of further pressures next year.

**64.** We welcome the increase in council tax collection rates, following a reduction during the pandemic. Council tax is a crucial funding stream for local authorities, accounting for between 20 and 25 per cent of council funding. Maintaining high collection rates is therefore key to ensuring the delivery of effective public services. We note that the Welsh Government has not provided specific grant funding to assist collection rates as it had done during the pandemic. We believe collection rates should be monitored closely to assess whether cost of living pressures impact councils' ability to maintain the current high level of collection. The Welsh Government should ensure that local authorities have the systems and procedures in place to enable them to collect this vital funding.

**65.** We are concerned that the number of eligible people who claim CTRS is falling, particularly at a time when household finances are under pressure. We acknowledge the efforts being made by the Welsh Government and local authorities to raise awareness, but the message is clearly not reaching everyone. We recognise that council staff are already stretched and that dedicating more resource could cause further additional pressure on the workforce. We believe the Welsh Government must continue with its campaign to raise awareness of benefits available for residents to access, and ensure that the CTRS is emphasised as part of that campaign. We think it would be useful for a review of the campaign to assess its effectiveness in reaching the right people.

**Recommendation 6.** The Welsh Government should undertake a review of its campaign to increase awareness of benefits available for residents to access, including the Council Tax Reduction Scheme, to assess its effectiveness in reaching eligible residents.

## **Workforce and demand led pressures**

### **Social Care**

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**66.** The continuity of demand led services, such as Social Services, has been and continues to be of concern to local government. Service pressures have been compounded by the pandemic and now the economic challenges, with high inflation and increasing costs.

**67.** There remain short and long-term issues regarding the sustainability and shape of the sector. Welsh NHS leaders recently said there is a “national emergency”<sup>42</sup> in health and social care due to the lack of care workers. The Welsh NHS Confederation said in November 2022:

*“While we acknowledge the considerable financial challenges facing the whole of the public sector, governments must prioritise sustainable investment and funding for social care if we are to avoid whole-system collapse.”<sup>43</sup>*

**68.** We heard from Cllr Morgan that local authorities are “bending over backwards” to support the health service, and were informed of the pressures on staff:

*“Our staff are under more pressure now, I would suggest, than at any time, even during the pandemic. We've got staff who are working back-to-back shifts, who are working overtime, because there is a real crisis in social care.”<sup>44</sup>*

**69.** Cllr Morgan welcomed the recognition from the Welsh Government that “social services have to be funded alongside the health service” as both sectors “have to work hand in hand”. We heard from Cllr Morgan that “the pandemic has probably driven social care and NHS closer now than at any time previously” but that there is room to improve the relationship further. We were told:

*“...it is about working smarter and doing things better, but unfortunately, a lot of it does come down to funding. If we are to recruit and retain staff in social care, that means that it has to be funded.”<sup>45</sup>*

**70.** The Chief Executive of Caerphilly County Borough Council told us:

*“...the focus at the moment is very much on discharging people from hospital. But what is being missed is that 80 per cent of our demand is in the communities, and we are not able to meet the need within our communities at this moment in time, because the focus is on discharge from hospitals. And without us being able to meet that need within the community, there is more demand that is actually going to hit the front door of A&E in our hospitals. So, it's that vicious circle that we are trying to address at this moment in time.*

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<sup>42</sup> NHS Confederation, *It's not just a crisis, it's a national emergency*, 28 September 2022

<sup>43</sup> NHS Confederation, *NHS leaders urge governments to take action on social care now*, 10 November 2022

<sup>44</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 25

<sup>45</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 25

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*And we are working with health colleagues, because what we need to focus on is reducing the demand and the flow that's coming into the front door of our hospitals, as well as dealing with the back end of the system."*<sup>46</sup>

**71.** The Minister agreed that "social care would probably be one of the greatest pressures that local government faces" and committed to continuing to have regular meetings with local government around adult and children's social care.<sup>47</sup>

**72.** The Minister cited the Integrated Care Fund as "a really good example of joint working" and ensuring a "smoother process between health and social care".<sup>48</sup> The Integrated Care Fund has now been replaced by the Regional Integration Fund.

### **Recruitment, retention and pay**

**73.** Local government is facing increasing challenges around recruitment and retention of staff across many sectors; in particular, issues within the care sector are significant. This sector has, historically, been the poorer relation to primary health, and was particularly negatively impacted by the pandemic. The WLGA had previously stated that additional payments of £500 made following the pandemic to social care staff in recognition of their work did "not address the long-term low pay of social care staff".<sup>49</sup>

**74.** The Chief Executive of the WLGA told us:

*"Costs are increasing, demand is increasing, but in social care in particular, the legacy of long-term austerity, of long-term underfunding in social care is being felt at the moment. And in effect what happens is that the private and other sectors are able to respond in terms of pay pressures relatively quickly; local government and the public sector find it far more difficult to respond. As a consequence, the supply of domiciliary care staff and other social care and community care staff is incredibly difficult, and I don't think anybody should underestimate the challenges that local authorities face within the sector."*<sup>50</sup>

<sup>46</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 30

<sup>47</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 182

<sup>48</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 189

<sup>49</sup> Finance Committee, [WGDB 22-23 42, Welsh Local Government Association](#)

<sup>50</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 27

**75.** The Welsh Government has noted the challenging context for the social care sector, and has maintained the Social Care Workforce Grant at £45 million. The grant is used to fund aspects relating to adult and older people's services. The Draft Budget Narrative 2023-24 notes:

*"Introducing the Real Living Wage for social care workers is a key commitment in our Programme for Government and part of our wider work to build an economy based on the principles of fair work, sustainability and the industries and services of the future. Delivering improved pay by uplifting social care workers' pay to the Real Living Wage will help to address low pay associated with the sector, provide support during the cost of living crisis and aid recruitment and retention in social care."*<sup>51</sup>

**76.** The Minister's paper confirmed that there is additional revenue funding to "enable authorities to continue to meet the additional costs of introducing the Real Living Wage for care workers".<sup>52</sup> The Draft Budget Narrative sets out a "recurrent provision of £70m to meet the Real Living Wage for social care workers", which is within the allocations to the health and social care budget and local government settlement.<sup>53</sup>

**77.** Cllr Medi told us she did not believe that paying social care workers the real living wage was adequate in mitigating the risks of staff leaving the sector:

*"...the private sector have already overtaken us, quite significantly, and the real living wage hasn't taken into account inflationary costs and the impact that that has on households."*<sup>54</sup>

**78.** The Minister acknowledged that the Low Pay Commission has indicated that the real living wage should be significantly increased next year, adding:

*"...hopefully, it will have an impact on retention and recruitment into the sector, but we know that pay is only part of the picture for social care. The Deputy Minister for Social Services is doing work in terms of the kudos of the sector, making sure that people have appropriate learning and development*

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<sup>51</sup> [Welsh Government Draft Budget 2023-24](#), page 38

<sup>52</sup> Local Government and Housing Committee, 12 January 2023, [paper 2](#).

<sup>53</sup> [Welsh Government Draft Budget 2023-24](#), page 20

<sup>54</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 121

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*opportunities. [...] I think that the real living wage is important, but it's not the solution and it's only part of the picture.*"<sup>55</sup>

**79.** The Minister accepted that the Welsh Government would want to pay care workers more, however, she added:

*"...we can only pay what's available within the envelope that we have. So, I think this is the best that we could offer within the resources available to us. But, obviously, we would want to do more."*<sup>56</sup>

**80.** The Deputy Minister for Social Services updated the Health and Social Care Committee of the work being done by the Social Care Fair Work Forum to address the issues faced by the social care workforce, including pay and terms and conditions.<sup>57</sup>

**81.** We heard that other sectors within local government are also experiencing difficulties in recruiting and retaining staff. Cllr Morgan told us of "problems across most other services", citing engineers as a particular shortage:

*"There is a real shortage in terms of bridge engineers and highway engineers even for things like active travel routes, which, quite often, are complex in terms of some of the infrastructure that's alongside them. [...] Of course, because of the cost-of-living pressures and the cost of inflation, a lot of recruitment is driven by wage salaries, so we are competing with the private sector, and where we can't then recruit directly in-house, we end up having to go to agencies, or we have to go to consultants. To be quite frank about it, the prices that we pay to consultants are sometimes two or even three times the salary if we employed somebody."*<sup>58</sup>

**82.** Cllr Morgan told us that some local authorities have introduced graduate trainee programmes or apprenticeship schemes in order to recruit staff and build expertise.<sup>59</sup> Cllr Morgan also highlighted the shortage of HGV drivers to operate school transport, with many having been recruited by large companies and supermarkets who have been able to offer "golden hello" payments.<sup>60</sup>

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<sup>55</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 230

<sup>56</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 234

<sup>57</sup> Health and Social Care Committee, Record of Proceedings, 11 January 2023, paragraphs 110-113

<sup>58</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 70

<sup>59</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 70

<sup>60</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 129

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## **Our view**

**83.** Recruiting and retaining staff to work in the social care sector has been a significant challenge to local authorities for several years, and we are concerned that the situation has not improved, despite assurances of better pay and recognition for staff. Last year, despite welcoming an additional £60 million direct funding in the budget for reforming the care sector, we highlighted our concern about the long-term sustainability of the social care workforce, and asked how the Welsh Government would ensure this funding would achieve its aims. This year, we remain unclear as to how the additional funding has made a difference as we continue to hear of the same pressures around the social care workforce. Whilst additional money is always welcome, it is clear that the recruitment and retention difficulties cannot be solved by funding alone. We note the Minister's comments about work to professionalise the sector, however, we have heard such commitments previously with seemingly little improvement.

**84.** Recruiting and retaining staff to work in the social care sector must be a priority for the Welsh Government and every effort must continue to be made to attract people to this crucial profession. We note the comments made by the Deputy Minister for Social Services on the work of the Social Care Fair Work Forum to address the issues faced by the social care workforce. We agree with the Health and Social Care Committee that the Real Living Wage alone is not sufficient to address the longstanding and increasingly acute shortages in the social care workforce. We support its recommendation that the Welsh Government should commit to providing six-monthly updates on the work of the Social Care Fair Work Forum.

**85.** We are also concerned by the wider challenges in recruiting and retaining staff to work in local government roles, for example in entry level posts. We understand that elements of the private sector can offer more competitive packages to attract workers, which is why local government need to be able to demonstrate that working in the sector is a worthwhile profession. We welcome the steps taken by local authorities to offer graduate and apprenticeship schemes and believe this to be crucial in retaining its workforce. We would welcome a commitment from the Welsh Government to provide assistance to local authorities to expand these schemes.

**86.** We are aware that the Children, Young People and Education Committee and the Economy, Trade and Rural Affairs Committee have jointly recommended that the Welsh Government should supply both committees with details of how the Ministers for Economy and Education and Welsh Language are working together on incentives for young people to remain in education, employment or training. This should include any work being undertaken as a result

of the increased cost of living. We believe this could include a role for local authority apprenticeships and support this recommendation.

**Recommendation 7.** The Welsh Government should provide assistance to local authorities to expand graduate and apprenticeship schemes in order to retain skilled workforce.

## Sustainable local government

### Schools

**87.** Schools account for approximately 35 per cent of a local authority's budget. The Minister confirmed during the Draft Budget debate that £117 million received in consequential education funding following the UK autumn statement has been "passed on in full" to authorities.<sup>61</sup>

**88.** The WLGA set out the current inflationary pressures on schools in its evidence paper. When the Society of Welsh Treasurers conducted its survey in 2021, there was an estimated inflationary pressure in the region of £49 million on the education budget for 2023-24. However, its 2022 survey suggests that has now risen to £161 million. The estimates have built in energy prices and pay inflation, and also general trends in contracts being repriced at higher values when services or work are re-tendered. This WLGA states that this includes things like food and maintenance contracts and home to school transport:

*"There is a consistent message about pressures currently faced by councils who report that areas such as home to school transport, school catering and energy costs are already causing pressure on revenue budgets. One authority indicates that home to school transport inflationary pressure is £950k above the current budget. Inflation has seen the handing back of contracts by some transport providers. Inevitably there is a general trend of contracts being repriced at time of retender."*<sup>62</sup>

**89.** In addition to the difficulties in securing drivers, the WLGA noted its wider concerns around home to school transport, with one authority "facing market failure" as it has not received any bids from contractors. The WLGA noted that alternative arrangements are being sought, including "setting up their own market operators".<sup>63</sup>

<sup>61</sup> Plenary, Record of Proceedings, 13 December 2022, paragraph 160

<sup>62</sup> Local Government and Housing Committee, 12 January 2023, paper 1

<sup>63</sup> Local Government and Housing Committee, 12 January 2023, paper 1

**90.** Cllr Morgan told us that Rhondda Cynon Taf CBC had seen a 40 per cent increase in home to school transport costs, equating to over £4 million. We heard that the cost of fuel, inflation costs and an exacerbation of the driver shortage by Covid and flu have resulted in “almost a daily chore” for local authority transport departments to “make sure that every bus is operating the way it needs to”.<sup>64</sup>

**91.** The Minister acknowledged the difficulties around the availability of bus drivers and the inflationary pressures on delivering school transport services. She agreed to provide further information following a meeting between the Minister for Climate Change and the Minister for Education and Welsh Language on the issue.<sup>65</sup>

**92.** The Deputy Minister for Climate Change wrote to us on 31 January:

*“My officials have been in discussions with local authorities and school transport providers throughout Wales regarding the general cost of school transport, as they continue to discharge their statutory duties in providing home to school transport to learners. Local authorities confirm that the cost of school transport services has increased significantly.*

*There have been differences across Wales in the way local authorities have dealt with increases to school transport costs. Some automatically provide an annual inflationary rise to contract prices, some provide when requested, whilst others do not provide at all.*

*With regards to the availability of bus drivers, we continue to work closely with the bus industry and other government agencies to support and stimulate driver recruitment and retention.”<sup>66</sup>*

**93.** The Deputy Minister also said that told that “the volatility of fuel prices has also been a major issue for school transport providers” and that the Welsh Government has written to the UK Government expressing its deep concern about the increase in domestic energy price.

**94.** The Minister for Finance and Local Government also referred to a detailed review of the Learner Travel (Wales) Measure 2008, which is due to take place soon, and will include:

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<sup>64</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 130

<sup>65</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 246

<sup>66</sup> Local Government and Housing Committee, [Letter from the Deputy Minister for Climate Change to the Chair of the Local Government and Housing Committee 31 January 2023](#)

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*"consideration of the threshold of home-to-school travel, and also travel support for learners who are in Welsh-medium schools."*<sup>67</sup>

**95.** In his letter to us, the Deputy Minister for Climate Change said that he would be happy to share details of the timetable for that review with us when it becomes available.<sup>68</sup>

### **Our view**

**96.** Local authorities' ability to fulfil its school transport obligations is of concern to us. We welcome the forthcoming review of the Learner Travel (Wales) Measure 2008 and look forward to receiving a timetable for the review from the Deputy Minister for Climate Change when it becomes available. The provision of home to school transport is crucial to learners across Wales, especially those living in rural areas or those living greater distances from the schools, often to attend Welsh language or faith schools. We welcome that the review will consider the threshold of home to school travel, however, should any changes be recommended, the Welsh Government must ensure that local authorities have the resources to deliver any additional requirements, as it is clear that the current requirements are causing pressures.

### **Decarbonisation**

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**97.** Local authorities have made a number of commitments to contribute towards the target of Net Zero by 2030, which require significant capital investment in, for example, low carbon vehicles and retrofitting council property to ensure energy efficiency. The WLGA notes that a "wide range of funding streams will be required to make the sort of changes needed at the pace required."<sup>69</sup>

**98.** The Welsh Government has allocated £20 million in capital funding for both 2023-24 and 2024-25 financial years for local government decarbonisation programmes. There is also some revenue funding within the Improvement and Support BEL and Ystadau Cymru BEL, with the Minister noting in her paper that it will "assist with plans to decarbonise both the Local Government and Welsh Government estates."<sup>70</sup>

**99.** Cllr Morgan told us that some of the changes local authorities are making come "at a significant cost". We heard that most local authorities have commissioned reports on and

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<sup>67</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 247

<sup>68</sup> Local Government and Housing Committee, [Letter from the Deputy Minister for Climate Change to the Chair of the Local Government and Housing Committee 31 January 2023](#)

<sup>69</sup> Local Government and Housing Committee, 12 January 2023, [paper 1](#)

<sup>70</sup> Local Government and Housing Committee, 12 January 2023, [paper 2](#)

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committed to transitioning parts of their fleets to electric vehicles. However the high cost (around £20,000 to £25,000 more expensive), short battery life and lack of grid capacity were barriers to transitioning larger vehicles such as cleansing or highway pick-up trucks to electric.<sup>71</sup>

**100.** Cllr Hunt described the challenge of local authorities contributing towards achieving net zero by 2030 as necessary and vital, but added that “there are inevitable costs in the short term, even if there are sometimes savings in the longer term.”

**101.** Cllr Hunt cited a further example of building new schools:

*“Of course we'd hope to make a revenue saving if those are net-zero schools, because we look to be, in the longer term, paying less for the heating and lighting costs of those schools. But in the short term, there is a large construction cost to building them to those standards.”*

**102.** Cllr Hunt concluded, despite the challenges:

*“That doesn't make it any less necessary, but there are certainly costs attached to it in an environment [...] of significant pressures.”<sup>72</sup>*

**103.** The Minister acknowledged that “meeting net zero within the public sector by 2030 will be very challenging”, but argued that “doing the right thing can also be the affordable option.”<sup>73</sup> The Minister added there can also be “a cost to inaction”, citing flooding as an example, and referred to the preventative nature of active travel in terms of helping health and wellbeing and reducing pollution. The Minister was aware of issues with grid capacity in some local authority areas and agreed that the Minister for Climate Change would provide further information.

**104.** The Deputy Minister for Climate Change wrote to us on 31 January. He said:

*“Last July, National Grid ESO identified the need for a transmission link from North to South Wales, and National Grid Electricity Transmission will now have to look at options for routes. We are actively looking for the earliest opportunity to feed into this process and identify how it can deliver solutions for Wales's grid challenges.”<sup>74</sup>*

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<sup>71</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 136

<sup>72</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 140

<sup>73</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 238

<sup>74</sup> Local Government and Housing Committee, [Letter from the Deputy Minister for Climate Change to the Chair of the Local Government and Housing Committee 31 January 2023](#)

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**105.** The Welsh Government official told us of work being done by Ystadau Cymru with local authorities to decarbonise their estates and that money has been provided in the draft budget for that work.<sup>75</sup> The official went on to say that in relation to electrifying fleet vehicles:

*"...the power of the public sector to procure at a national level is much greater, and much cheaper, not just in terms of the procurement process itself, but also the vehicles or the products that are being procured, than any sort of single organisation could undertake on its own."*<sup>76</sup>

## **Our view**

**106.** Although transitioning to electric vehicles will bring long term financial and environmental benefits, we acknowledge that making financial commitments now is a challenge for local authorities. It is clear that local authorities accept that challenge and are working hard to make the changes it needs to make. We note the comments made by the Welsh Government official around the power of the public sector to procure at a national level and would like more information on the opportunities for local authorities to combine their purchasing power to secure cost-effective means of procuring electric vehicles.

**107.** The issues raised in relation to grid capacity in some local authority areas is a concern and must be addressed before authorities transition all of their vehicles. A solution is needed urgently to avoid a situation where new electric vehicles cannot be used due to a lack of charging capacity. We realise that the Welsh Government is aware of the concerns raised by local government. We therefore urge the Welsh Government to work with the National Grid, local authorities and other partners to ensure sufficient network capacity and charging points across Wales.

**Recommendation 8.** The Welsh Government should seek every opportunity to influence and input into plans to urgently develop the grid network across Wales to address network capacity for charging electric vehicles.

**108.** We are interested in the work being done by Ystadau Cymru with local government to decarbonise their estates. We ask that the Minister provides further information on this.

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<sup>75</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 240

<sup>76</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 241

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**Recommendation 9.** The Welsh Government should provide further information on the work being undertaken by Ystadau Cymru to decarbonise the local government estate, including how it expects the funding allocated in the draft budget for 2023-24 to be used.

## Gypsy and Traveller Sites Capital Grant

**109.** The allocation for the Gypsy and Traveller Sites Capital Grant is £3.19 million 2023-24 and rises to £3.44 million in 2024-24. This is lower than previous allocations: £3.5 million was allocated in 2021-22 and £3.69 million allocated in 2022-23. The Minister for Finance and Local Government told us:

*"the budget is for refurbishing existing accommodation, constructing new pitches and improving the sustainability of sites. The proposed budget for this financial year is £3.19 million. That is lower than in previous years, but as I understand it, that amount is deemed to be sufficient to meet the proposals that have been received and the commitments that have been made."*<sup>77</sup>

**110.** During our work on the provision of sites for Gypsy, Roma and Travellers we found that there was a lack of direct engagement and consultation with Gypsies, Roma and Travellers about their accommodation needs. The Minister told us that from a finance perspective, the funding provided is sufficient to meet the proposals received. However she said:

*"I think that the Minister for Social Justice would acknowledge that there's definitely more work to be doing in terms of engaging with the community themselves to understand what it is the community would like to see provided."*<sup>78</sup>

**111.** We received evidence as part of our inquiry that grant funding is generally underspent. The Minister told us:

*"If there are underspends emerging, then I need to understand the reason for that. This particular budget line has underspent in recent years, and that's because there haven't been sufficient numbers of projects coming forward. Those are the things that I need to understand to help ensure that we are delivering value for money."*<sup>79</sup>

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<sup>77</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 170

<sup>78</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 172

<sup>79</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 174

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**112.** The Equality and Social Justice Committee wrote to the Minister for Social Justice asking her to confirm the total amount spent from the Gypsy and Traveller Sites Capital Grant from 2022-23 budget.<sup>80</sup> She replied:

*"The Gypsy and Traveller Sites has a capital budget of £3.690m in the 22-23 financial year. To date, there has been no spend against this Budget Expenditure Line in this financial year and none is forecast to occur before 31 March 2023."*<sup>81</sup>

## **Our view**

**113.** We are concerned that the funding allocated to the Gypsy and Traveller Sites Capital Grant is lower than in previous years, particularly as during our inquiry into the provision of sites for Gypsy, Roma and Travellers, we heard and saw that some local authority sites are in urgent need of maintenance or refurbishment. In light of this, we were particularly shocked to hear that there has been no spend from the capital grant during this financial year and none is forecast to occur before the end of March. This is a stark illustration of why we decided to undertake work on the provision of sites for Gypsy, Roma and Travellers and shines a light on the extent of the problems in delivering sufficient and suitable accommodation.

**114.** We are concerned that the underspend is a consequence of a lack of consultation with communities on the improvements and facilities they need. During our inquiry we heard that engagement is too often tokenistic and we fear that the underspend in this area is evidence of that. Given the evidence that we heard and the state of some of the sites we saw, it is deeply troubling that the funding is available to make positive progress, but is clearly not being used. Unfortunately, it suggests that this is a low priority for the Welsh Government and local authorities, and is something that needs to be addressed as a matter of urgency.

**115.** We agree with the Equality and Social Justice Committee that the Welsh Government should urgently set out the reasons for the lack of progress to date and how it plans to work with local authorities to ensure take up of this important fund. We also agree that the Welsh Government should clarify what will happen to the unspent £3.690 million and that any unspent monies should be allocated to actions within this area. We are pleased to make a joint recommendation with the Equality and Social Justice Committee.

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<sup>80</sup> Equality and Social Justice Committee, [Letter from the Chair to the Minister for Social Justice 19 January 2023](#).

<sup>81</sup> Equality and Social Justice Committee, [Letter from the Minister for Social Justice to the Chair 24 January 2023](#).

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**Recommendation 10.** The Equality and Social Justice Committee and the Local Government and Housing Committee jointly recommend that the Welsh Government should urgently set out the reasons for the lack of progress on use of the Gypsy and Traveller Site Capital Grant and how it plans to work with local authorities to ensure take up of this important fund. Further, the Welsh Government should clarify what will happen to the unspent £3.690 million from the 2022-23 Budget, and confirm that it will be allocated to actions within this area.

## 3. Housing

### Homelessness and housing support

**116.** The Minister for Climate Change told us that homelessness and support services for homelessness have been prioritised in this budget.<sup>82</sup>

#### Homelessness

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**117.** The 2023-24 draft budget sees a revenue allocation for the homelessness Budget Expenditure Line of £46.147 million, an increase of £15 million on the 2022-23 final budget, and £10 million more than the previous indicative allocation. The Minister's paper notes:

*"Additional revenue funding of £10m in the Homelessness Prevention budget will boost investment in homelessness prevention and relief interventions across Wales, support local authorities to continue our 'no-one left out' approach, as well as continue to support the development of a national scheme restricting rent to local housing allowance levels for families and young people who are homeless or who are at risk of homelessness through the extension of our National Leasing Scheme."*<sup>83</sup>

**118.** The Minister's paper notes the "unprecedented" numbers of people currently in temporary accommodation and the resourcing pressures this causes local authorities. The latest data (published 19 January 2023) covers October 2022, and shows 1,567 people presenting as homeless were placed into temporary accommodation during the month, 53 more than in the previous month. As at 31 October 2022, there were 8,906 people in temporary accommodation – 2,672 were dependent children aged under 16. Nearly 800 people were moved into suitable

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<sup>82</sup> Local Government and Housing Committee, Record of Proceedings, 19 January 2023, paragraph 11

<sup>83</sup> Local Government and Housing Committee, 19 January 2023, Paper 1

long-term accommodation during October 2022. There were estimated to be 127 people sleeping rough on 31 October 2022, a decrease of 33 on the previous month.

**119.** Our current inquiry into homelessness has highlighted the severe pressures facing local authorities as they seek to ensure temporary accommodation is provided to those who need it. The WLGA's response to the Finance Committee's consultation on the draft budget notes that the upward trend in numbers of people accessing emergency temporary accommodation "shows no sign of reducing."<sup>84</sup> They also highlight cost of living pressures, such as private sector rents and increased mortgage costs, as potentially adding to pressures on temporary accommodation.

**120.** The Minister acknowledged the impact of the cost of living crisis on homelessness, stating "that the cost-of-living pressures that people are facing are adding to the drivers that drive people into home loss."<sup>85</sup> For that reason, she said that the Welsh Government, despite current financial pressures, is "not going to row back" on its 'no-one left out' policy and is instead investing an additional £10 million in the homelessness prevention budget:

*"We do not want to push individuals towards seeking homelessness support from the local authority; we want them to go into homelessness prevention support, and we want to try to keep people in their homes where at all possible."*<sup>86</sup>

**121.** The Minister explained that the Welsh Government's aim is to "get the prevention services ramped up" to enable it to:

*"...take money out of the sharp end, where it hopefully will no longer be needed [...] and put it back into the programmes and build the houses that keep people safe and secure in the first place."*<sup>87</sup>

**122.** The Minister and her officials discussed the importance of working with other Welsh Government departments on prevention measures. One of her officials gave the example of funding from the housing portfolio going via the education portfolio in order to have the most preventative impact:

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<sup>84</sup> Local Government and Housing Committee, 12 January 2023, paper 1

<sup>85</sup> Local Government and Housing Committee, Record of Proceedings, 19 January 2023, paragraph 11

<sup>86</sup> Local Government and Housing Committee, Record of Proceedings, 19 January 2023, paragraph 5

<sup>87</sup> Local Government and Housing Committee, Record of Proceedings, 19 January 2023, paragraph 29

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*"...in youth homelessness, the prevention angle is all-important, engaging with young people when they're starting to hit difficulties, and often school is the first place that can see those difficulties occurring. We direct funds through our colleagues in education and the youth support system in order to be able to try and identify and link up those young people who are starting to face the kind of difficulties that we know often lead to youth homelessness situations".<sup>88</sup>*

## **Housing Support Grant**

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**123.** The Housing Support Grant ("HSG") allocation remains at £166.8 million in cash terms, a real terms reduction. HSG is the Welsh Government's principal funding stream for preventing homelessness and supporting independent living. It helps around 60,000 people each year.

**124.** Cymorth Cymru contacted us after the Draft Budget was published highlighting a letter they along with Welsh Women's Aid and Community Housing Cymru had sent to the Welsh Government ahead of its budget announcement. While the letter notes the increase in HSG funding during the pandemic (there was a £40 million increase in 2021-22) it comments that:

*"...services funded by this grant are absolutely critical to the prevention and alleviation of homelessness, and we are deeply concerned that failure to increase the grant for 2023/24 will put them at significant risk at a time when they will be more important than ever."<sup>89</sup>*

**125.** In addition to other revenue costs, HSG provides funding for staff salaries. The Draft Budget Narrative document notes a report published by Cymorth on the impact of the cost of living crisis on frontline homelessness and housing support staff. That report found 44 per cent of staff were struggling to pay bills.

**126.** The Minister acknowledged that the Welsh Government could "put a lot more in" if it had the money:

*"Our own budget is eroded by inflation as well. It was an enormous struggle to maintain the increase in those budgets; those budgets were not what they call 'baselined' in the first place and we have managed to do that. And I know that that, on the outside, looks like a real-terms cut, because, of course, we're*

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<sup>88</sup> Local Government and Housing Committee, Record of Proceedings, 19 January 2023, paragraph 30

<sup>89</sup> Local Government and Housing Committee, 12 January 2023, Paper 7.

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*in an inflationary spiral and inflation erodes all of the money that we all have. But, I can assure you that I am acutely aware of the problems in housing support and my heart absolutely goes out to people on the front line. I pay tribute to them every single day; they do the most incredible job, particularly the housing outreach workers, who are amazing human beings. And, as soon as there is any available money, we will be putting more into this area.”<sup>90</sup>*

## **Local Housing Allowance**

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**127.** The Minister also told us that the freezing of the local housing allowance by the UK Government has been “catastrophic”. She said that:

*“...anyone who's on any kind of universal credit has had the housing part of their allowance frozen, and we know of people having to pay more than 50 per cent of their income on housing, and the housing allowance is actually paying for 3 per cent of it. It's just appalling, and I just do not understand the financial logic of that, because all that's doing is putting a further burden on the public purse.”<sup>91</sup>*

**128.** The Minister said that the Welsh Government is imploring the UK Government “to put the local housing allowances back, at least to the 30 per cent that they used to have it at”, but that it should actually be at 50 per cent.<sup>92</sup>

## **Our view**

**129.** We are deeply concerned by the unprecedented number of people currently in temporary accommodation in Wales and the severe resourcing pressures this causes support services. We welcome the additional revenue funding of £10 million for homelessness prevention but we are concerned that this is not sufficient to deal with the challenges currently being faced.

**130.** We agree with the Minister that preventing homelessness should be a priority and we are pleased that she is working with other Welsh Government departments, for example education, on prevention measures. We would therefore be grateful if the Minister could provide more detail about cross departmental work to prevent homelessness.

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<sup>90</sup> Local Government and Housing Committee, Record of Proceedings, 19 January 2023, paragraph 15

<sup>91</sup> Local Government and Housing Committee, Record of Proceedings, 19 January 2023, paragraph 112

<sup>92</sup> Local Government and Housing Committee, Record of Proceedings, 19 January 2023, paragraph 112

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**Recommendation 11.** The Welsh Government should set out how it is working with other departments on homelessness prevention measures.

**131.** We appreciate the challenges facing the Minister in setting this draft budget. However we are concerned that the Housing Support Grant allocation remains at £166.8 million in cash terms, a real terms reduction. As we heard from stakeholders, services funded by this grant are critical to the prevention and alleviation of homelessness. We are therefore concerned by the impact the cut will have on these essential services, at a time when we are relying on them more than ever, given the number of people presenting as homeless. It is also very worrying that frontline staff who are working incredibly hard are struggling to make ends meet.

**132.** We accept that there is simply not enough funding available for the current challenges and recognise that the Minister continues to scrutinise the budget every day for ways to increase allocations. Ahead of the final budget, we would urge the Minister to explore all available avenues to increase the allocation for the Housing Support Grant, especially given the importance of this essential fund during the cost of living crisis. The Housing Support Grant is a key area of preventative spending. The Minister's written evidence to us highlighted research that estimated for every £1 spent on the grant, public services save £1.40. The savings are even greater for mental health services.<sup>93</sup>

**Recommendation 12.** The Welsh Government must make providing additional funding for the Housing Support Grant allocation ahead of the final budget a priority and should explore all possible options for doing so.

**133.** We are concerned that as a result of spiralling energy costs and private sector rent increases, many people are struggling to pay their bills. We believe that the freeze by the UK Government on Local Housing Allowance rates is detrimental. We were reassured to hear that the Welsh Government is imploring the UK Government to put the allowances back to at least the 30th percentile of local market rents that they used to be set at, and we would urge the Welsh Government to do everything it can in this area.

**Recommendation 13.** The Welsh Government should set out what steps it is taking to influence the UK Government to increase the Local Housing Allowance rate to at least the 30th percentile of local market rents.

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<sup>93</sup> Local Government and Housing Committee, 19 January 2023, [Paper 1](#)

## Housing supply

### New affordable homes

**134.** The Draft Budget allocation for Social Housing Grants (“SHG”) in 2023-24 is £330 million. This is a £20 million increase from the 2022-23 Final Budget allocation and in line with previously announced indicative allocations.

**135.** The SHG programme is the Welsh Government’s main capital grant supporting the development of affordable housing. SHG is available to Registered Social Landlords (“RSLs”) as well as local authorities.

**136.** Community Housing Cymru commented in evidence to the Finance Committee’s consultation ahead of the draft Budget’s publication that “building homes has never been more difficult in Wales.”<sup>94</sup> They note some of the barriers to delivering more affordable homes:

- Inflationary cost increases and supply chain disruption, and their impact on the construction market in Wales;
- Post Covid retention and recruitment challenges, leading to lack of skilled specialists and other core staff across planning, environmental management and construction;
- Lack of strategic oversight and drive to tackle the housing crisis across key stakeholders that can influence the delivery of social housing development; and
- Misalignment between environmental management approvals and the planning system.

**137.** Given inflationary pressures, Ministers have addressed concerns that budget allocations will not deliver as many homes as previously thought, or it will take longer to deliver those homes. In evidence to the Finance Committee on 14 December 2022, the Minister for Finance and Local Government noted the impact of these pressures on capital projects. She noted that the 20,000 new low carbon social homes for rent target could include existing homes being brought back into occupation, rather than just new homes.<sup>95</sup>

<sup>94</sup> Finance Committee, [WGDB 23-24 27 Community Housing Cymru](#)

<sup>95</sup> Finance Committee, Recording of Proceedings, 14 December 2022, paragraph 12

**138.** This was confirmed by the Minister for Climate Change. She told us that the Welsh Government “absolutely will deliver 20,000 additional social homes for rent”<sup>96</sup> but will struggle “to get to 20,000 new build”:

*“What we will be able to do is ensure that we have 20,000 additional social homes for rent as a result of a number of other programmes that are also running, and because of the volatility of the housing market.”<sup>97</sup>*

**139.** She went on to say:

*“...we are still hoping and working towards the 20,000 new build. However, when we started I thought we would get to the 20,000 new builds no problem, and I would be happily telling the committee that we'd also got a number of empty homes and lease schemes and all the rest of it, and that is not the case now. The world has very much shifted and the inflationary spiral has made a huge, huge dent in that, there's no doubt.”<sup>98</sup>*

**140.** However, she noted that the situation could change “depending on the supply chains, depending on the availability of materials”.<sup>99</sup>

**141.** The Minister also told us that the Welsh Government is facing “a whole series of issues with sites held up” due to phosphates in rivers.<sup>100</sup> She explained that there have been a “series of meetings” to try and resolve the issues:

*“There's one this month now that's being chaired by the chair of Natural Resources Wales, and then there's another summit chaired by the First Minister on 6 February. We have a whole series of work streams going there, so I'm very hopeful indeed that we'll be able to action some of the solutions that are coming forward. I attended a number of the meetings myself, and I'm very, very hopeful that we will have an agreed action plan across the piece for that summit in February.”<sup>101</sup>*

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<sup>96</sup> Local Government and Housing Committee, Record of Proceedings, 19 January 2023, paragraph 41

<sup>97</sup> Local Government and Housing Committee, Record of Proceedings, 19 January 2023, paragraph 37

<sup>98</sup> Local Government and Housing Committee, Record of Proceedings, 19 January 2023, paragraph 39

<sup>99</sup> Local Government and Housing Committee, Record of Proceedings, 19 January 2023, paragraph 40

<sup>100</sup> Local Government and Housing Committee, Record of Proceedings, 19 January 2023, paragraph 34

<sup>101</sup> Local Government and Housing Committee, Record of Proceedings, 19 January 2023, paragraph 34

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**142.** The Minister went on to say that she hopes it “will unlock a number of housing sites across Wales, which we’ll then be able to accelerate, and we stand ready to do that.”<sup>102</sup>

**143.** In terms of funding for unlocking these sites, the Minister said that it is “unknown” what will be required from the Welsh Government until the action plan is signed off. She said:

*“It’s hard to imagine that there won’t be an investment programme needed for some areas, but we’ll have to have a look at what those areas are and how they’re currently supported by Welsh Government funding, and then we’ll have to have a look at what that funding is able to morph into in order to support the programme.”<sup>103</sup>*

## **Our view**

**144.** We recognise the barriers to delivering new affordable homes, including material cost increases and supply chain and workforce issues. We recognise the Minister’s optimism that the Welsh Government is on track to deliver 20,000 additional social homes for rent, even if those will not all be new builds, but we remain concerned whether it will actually be able to reach this target.

**Recommendation 14.** The Welsh Government should set out how it intends to reach the target of 20,000 additional social homes for rent given the envelope of funding available to it. The Welsh Government should also continue to show transparency as to how it is seeking to achieve its target of 20,000 homes and reflect on progress as data becomes available.

**145.** We are concerned that the development of some new affordable homes are on hold due to issues relating to phosphates. We hope that an action plan to resolve phosphate issues can be agreed at the First Minister’s summit in February 2023 so that work on these sites can be accelerated. Nonetheless, we are concerned that the cost implications for the Welsh Government is unknown. We therefore ask the Welsh Government to update us following the agreement of an action plan and provide us with estimated costs of implementation including where the funding will come from.

**Recommendation 15.** The Welsh Government should provide the Committee with an update following the summit in February 2023 to find a solution to the impact of phosphate issues on

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<sup>102</sup> Local Government and Housing Committee, Record of Proceedings, 19 January 2023, paragraph 35

<sup>103</sup> Local Government and Housing Committee, Record of Proceedings, 19 January 2023, paragraph 43

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house building. This update should include the likely costs of the action plan for the Welsh Government and where the funding will come from.

## Empty homes

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**146.** The Minister's paper highlights a draft budget allocation of £25 million in both 2023-24 and the following year for a National Empty Homes Grant Scheme. Local authorities will be required to contribute 10 per cent of their notional allocations each year. The grant seeks to bring up to 2,000 long-term empty properties back into occupation. There are currently over 22,000 long-term empty (for more than six months) properties according to council tax records.

**147.** The Minister told us that the Welsh Government has "ramped up the empty homes programme", stating that "it seems an absolute travesty" that there are empty homes in Wales and people in temporary accommodation.<sup>104</sup>

**148.** The Minister explained that there is "a series of different grants available, depending on what happens to the empty home":

*"...if you want to live in it yourself, you have to live in it for at least five years or you have to repay the grant. You can also hand it to Leasing Scheme Wales [...] and then Leasing Scheme Wales will allow you to access a different set of grants that will allow the property to be brought to standard so that it can be let out. And that's a minimum of five years and a maximum of 20, and we encourage people to do that for as long as possible, and then the grant varies depending on what the use is and how long we have the home for."<sup>105</sup>*

**149.** On 30 January 2023 the Minister issued a written statement announcing £50 million over the next two years to bring more empty properties across Wales back into use through a National Empty Homes Grant scheme.

**150.** We also heard that there is work being undertaken around enforcement to push empty properties back into use because there are owners who are "not overly proactive" in coming forward and accessing the grant. Therefore "enforcement action from the local authority is a real key way to leverage that action." We heard that about 850 members and officers across

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<sup>104</sup> Local Government and Housing Committee, Record of Proceedings, 19 January 2023, paragraph 36

<sup>105</sup> Local Government and Housing Committee, Record of Proceedings, 19 January 2023, paragraph 55

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local government have been trained “to help them to be able to use the enforcement action that is available to them to push those properties back into use”.<sup>106</sup>

## **Our view**

**151.** Given the current challenges and issues relating to housing supply, we are pleased to see the Welsh Government’s commitment to bring empty properties back into use. As the Minister said, it is a travesty that there are empty homes in Wales while the number of people living in temporary accommodation is increasing.

**152.** We were pleased to hear about all the work that is being undertaken in this area, including the variety of grants available and the recently announced National Empty Homes Grant scheme. However, given the issues relating to the cost and availability of labour and materials, we are concerned whether the allocation is sufficient to maintain progress.

**Recommendation 16.** The Welsh Government should set out what assessment was made of the impact of increased cost of labour and materials when determining the budget allocation for empty homes and whether the allocation is sufficient to maintain progress in this area given these increased costs.

**153.** While we welcome the Welsh Government’s commitment to supporting local authorities in dealing with empty properties, including the provision of training on the enforcement powers available to them, we also believe that estate agents and letting agents could play a role in supporting people to invest in empty homes.

**Recommendation 17.** The Welsh Government should set out how it is working with estate agents and letting agents to bring empty properties back into use.

## **Second homes**

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**154.** The Programme for Government contains a commitment to take forward actions to cap the number of second homes, bring more homes into common ownership and licence holiday lets. There was also a commitment to create a Welsh Language Communities Housing Plan.

**155.** The Minister’s paper notes specific budget allocations supporting this work, including:

- Additional revenue funding of an initial £0.6 million will support the various strands of activity within the Second Homes and Affordability Pilot in Dwyfor. This will fund a

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<sup>106</sup> Local Government and Housing Committee, Record of Proceedings, 19 January 2023, paragraph 58

Welsh Government senior pilot manager, two dedicated staff resource on the ground in the pilot area, evaluation and exchange of good practice; and

- An additional £8.5 million over three years to support Homebuy in the pilot area. There is a capital allocation of £2.5m in 2023-24, and £4m in 2024-25.

**156.** The Minister told us that the Second Homes and Affordability Pilot in Dwyfor “is going well” and that the Welsh Government is “very pleased, indeed, with some of the accelerated things that have happened in the pilot”. She went on to say:

*“We're going to be doing a lot of analysis coming out of the pilot work, and we've been doing a piece of work with Gwynedd Council about how much money they need to implement an article 4 direction, if that is what they decide to do. They have to do the evidential piece of work first, so we've been working with them to understand what the resource to put the evidence together looks like. Whether they then have the evidence or not, of course, will—. Whether they do the direction, will depend on what the evidence shows them. So, we're still in the process of working with the council to understand what that looks like. We made a commitment to Gwynedd Council that we would help them fund that, because that's the point of the pilot, and then we'll have to look at what would happen if we rolled that out across Wales. So, it's very much on train.”<sup>107</sup>*

**157.** The Minister said that the pilot is currently “sufficiently well funded” but was unable to tell us whether the Welsh Government will be able to roll it out as fast as it would want to until the results of the analysis are available.<sup>108</sup>

## **Our view**

**158.** We note that the Second Homes and Affordability Pilot in Dwyfor is ongoing and that the Welsh Government is pleased with some of the accelerated steps taken during the pilot.

**159.** We welcome that the Welsh Government will be undertaking an analysis of the pilot. We note that it accepted the recommendation in our report on Second Homes that it should provide updates to the Senedd every six months on developments in the Dwyfor pilot, including its assessment of the effectiveness of the measures and the basis of that assessment, and that the updates should include how the effectiveness is being evaluated. The first update on

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<sup>107</sup> Local Government and Housing Committee, Record of Proceedings, 19 January 2023, paragraph 143

<sup>108</sup> Local Government and Housing Committee, Record of Proceedings, 19 January 2023, paragraph 144

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progress in the pilot area was provided on 26 January and we look forward to receiving future updates.

## Building safety

**160.** To support building safety, there are revenue allocations of £6 million in 2023-4 and £6.5 million in 2024-25. There are capital allocations of £135 million in 2023-24, and £165 million in 2024-25.

**161.** The Minister's paper notes that the Welsh Building Safety Fund opened on 30 September 2021 and Welsh Government revenue funding is supporting digital and "intrusive" fire safety surveys. The fund had received 261 expressions of interest (as of 20 September 2022) and all properties have had a digital survey completed. 163 buildings require further intrusive surveys, with 105 completed as of the date of the Minister's paper.

**162.** However, the Welsh Government has also been in negotiations with developers "...to ensure that, wherever possible, developers pay to remediate fire safety issues."<sup>109</sup> This includes the agreeing of a Developers' Pact. Some support for leaseholders has also been made available. The Minister's paper notes that:

*"Capital funding will support the remediation of buildings and support to leaseholders."*<sup>110</sup>

**163.** The Minister told us that some buildings are now in remediation and most, if not all, of the surveys have been completed.<sup>111</sup> With regards to paying for remediation work, we asked the Minister whether the surveys undertaken to date have enabled the Welsh Government to estimate the total cost of building remediation works to be made. The Minister said that because "each building is absolutely unique [...] there's no way to project the cost as a result of some surveys being done."<sup>112</sup> In respect of funding allocated for remediation work, the Minister went on to say:

*"...we've got an envelope for it that we expect to be enough for that and we've obviously worked with the developers to make sure that they step up to*

<sup>109</sup> Local Government and Housing Committee, 19 January 2023, Paper.1

<sup>110</sup> Local Government and Housing Committee, 19 January 2023, Paper.1

<sup>111</sup> Local Government and Housing Committee, Record of Proceedings, 19 January 2023, paragraph 100

<sup>112</sup> Local Government and Housing Committee, Record of Proceedings, 19 January 2023, paragraph 99

*the mark. We're having a conversation with the developers at the moment; we're at the signing of the legal documents stage."*<sup>113</sup>

**164.** The Minister also told us that discussions are taking place with the developers about the best way to use Welsh Government funding, including whether it will be necessary, for cash flow purposes, to have an agreement where the Welsh Government pays upfront for remediation work and then receive the money back from the developers.<sup>114</sup>

**165.** Discussions are also taking place in relation to "orphan buildings":

*"What we mean by that is there's no developer to be traced [...] So, those buildings, we are just in the process of developing a scheme to cope with those buildings, and I'm hoping to make an announcement on that in the very, very near future, so that we can start the work on these so-called 'orphan buildings' as well."*<sup>115</sup>

## **Our view**

**166.** We appreciate that it continues to be a very worrying time for people living in medium and high rise buildings in Wales and also for leaseholders who are landlords. We were therefore pleased to hear that some buildings are now in remediation and most of the surveys have been completed. We would be grateful if the Minister could update us on the number of outstanding surveys.

**167.** Given that some surveys are yet to be undertaken, we are concerned that the Welsh Government is unable to determine the total cost of building remediation works to be made. The Minister told us that there is an envelope of funding for remediation work but we are concerned whether will this be enough and, given the current financial pressures on the Welsh Government, where any additional funding might come from.

**Recommendation 18.** The Welsh Government should set out how many surveys are yet to be undertaken and the timescales for completing this work. Once all surveys have been completed, the Welsh Government should update the Committee on the total cost of remediation works and whether it has sufficient funds in the building safety allocation.

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<sup>113</sup> Local Government and Housing Committee, Record of Proceedings, 19 January 2023, paragraph 99

<sup>114</sup> Local Government and Housing Committee, Record of Proceedings, 19 January 2023, paragraph 100

<sup>115</sup> Local Government and Housing Committee, Record of Proceedings, 19 January 2023, paragraph 103

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**168.** We note that the Welsh Government is in discussion with the developers about upfront the cost of remediation work for cash flow purposes. We are concerned that there are significant risks associated with this approach.

**Recommendation 19.** The Welsh Government should set out whether it has sufficient funds to upfront the cost of remediation work and what assessment has been made of the risks involved.

## Housing standards

### Social housing standards and decarbonisation

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**169.** The Welsh Government provides an annual capital allocation of £108 million through its Major Repairs Allowance and Dowry Gap Funding BEL to support social landlords achieve and maintain the Welsh Housing Quality Standard ("WHQS"). That BEL has remained at the same level in cash terms for many years. However, the majority of WHQS work (65 per cent of costs) is funded by social landlords themselves. A new standard, WHQS2, has been consulted on. The new standard is expected to be implemented in 2023, and the Minister's paper notes it is "anticipated" that it will adopt a new, higher, energy efficiency standard.

**170.** The social housing sector wrote to us in August 2022 raising concerns that the Welsh Government's "ambitious decarbonisation target of achieving EPC A on all social housing by 2033" was "not deliverable." They went on to say that it would "place colossal unfunded pressures on social landlords which would have a significant impact on services and the ability to build new homes."<sup>116</sup>

**171.** The Minister told us that the Welsh Government was in "the last throes of negotiating the next iteration of the Welsh Housing Quality Standard, and that's in agreement with our local authority and social landlord partners for what the next stage of retrofit will look like for social homes."<sup>117</sup>

**172.** There are capital allocations of £92 million for 2023-24 and 2024-25 to support residential decarbonisation. The Minister's paper notes this will predominantly be used to support the social housing sector through the Optimised Retrofit Programme ("ORP").

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<sup>116</sup> Local Government and Housing Committee, 29 September 2022, [Paper 5](#).

<sup>117</sup> Local Government and Housing Committee, Record of Proceedings, 19 January 2023, paragraph 67

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**173.** ORP is focused on social housing but it "...will facilitate test and learn to inform long term wider retrofit of all homes, across all tenures in Wales."<sup>118</sup> However, it is not clear what support budget allocations provide for private sector decarbonisation.

**174.** The Minister told us that the Welsh Government is:

*"...very keen to work with private sector landlords to make sure that they are able to bring their housing to standard, and, of course, because we've just implemented the Renting Homes (Wales) Act 2016 [...] it means, of course, that it will drive standards in the sector."*<sup>119</sup>

**175.** She went on to say:

*"...we have a number of schemes to encourage private sector landlords to bring their homes to standard. What we don't want to have is a situation where a private sector landlord basically decides that it's not worth investing in the house for the return that they have, and then comes out of the market, because we rely on the public sector to house a significant proportion of the population. So, we need to work with our private sector landlords, the vast majority of whom are excellent landlords, to make sure that they are able to access finance to bring the houses up to standard."*<sup>120</sup>

**176.** In terms of funding for private sector decarbonisation, we heard that Leasing Scheme Wales offers incentives linked to the ORP scheme for decarbonisation:

*"That's been quite successful. It's very, very new out, but we're hoping that it will be a real incentive for landlords to join the leasing scheme and to actually retrofit their homes."*<sup>121</sup>

**177.** In addition, the Welsh Government has just gone out to contract for a provider for its hub, which will "provide advice and guidance to all sectors, including the private rented sector, on where they can go for good-quality advice and products around retrofit".<sup>122</sup> It also has a couple of "early pilot projects" run by the development bank, looking at finance models and support in

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<sup>118</sup> Local Government and Housing Committee, 19 January 2023, [Paper 1](#)

<sup>119</sup> Local Government and Housing Committee, Record of Proceedings, 19 January 2023, paragraph 72

<sup>120</sup> Local Government and Housing Committee, Record of Proceedings, 19 January 2023, paragraph 72

<sup>121</sup> Local Government and Housing Committee, Record of Proceedings, 19 January 2023, paragraph 73

<sup>122</sup> Local Government and Housing Committee, Record of Proceedings, 19 January 2023, paragraph 75

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the private sector.<sup>123</sup> Finally we heard that there are “non-housing interventions in the energy field” to bring homes up to standard:

*“...what we’re looking to do is improve entire communities, rather than one home in each street. So, we’ve been running an audit with our local authorities across all homes in Wales, and then we’re looking to see where the least well insulated, the hardest to heat, the hardest to maintain homes are, and then looking for community initiatives as part of our energy programme to bring those homes up to standard as well.”<sup>124</sup>*

**178.** The Minister told us that the falling housing market with declining prices is actually helping to drive up standards:

*“...one of the interesting effects of a falling market is that our SME builders are very keen to sell to us off plan, and in an odd twist of fate, that means we can actually acquire more houses, and it also means that we can drive standards through, because, of course, unless they build them to the standard we require, we can’t buy them off plan.”<sup>125</sup>*

## **Our view**

**179.** As well as facing a cost of living crisis, we are also facing a climate change crisis. We are therefore pleased that despite the financial pressures on the Welsh Government at present, it is not rowing back on standards as a cost saving measure. We hope that discussions between the Welsh Government and social landlords about the next iteration of the Welsh Housing Quality Standard results in decarbonisation targets that are ambitious, but they must also be achievable given housing supply pressures across Wales. We believe that decarbonisation targets need to be balanced with the urgent need to provide more housing across Wales.

**180.** We also welcome the support the Welsh Government is providing for private sector decarbonisation through various schemes but more needs to be done. Our housing stock must be low carbon if the Welsh Government is to reach its net zero target, and must also be resilient to climate change, so we are pleased to see the Welsh Government investing now to help future generations. However a balance must be struck between meeting the demands of the climate crisis and addressing housing pressures.

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<sup>123</sup> Local Government and Housing Committee, Record of Proceedings, 19 January 2023, paragraph 75

<sup>124</sup> Local Government and Housing Committee, Record of Proceedings, 19 January 2023, paragraph 76

<sup>125</sup> Local Government and Housing Committee, Record of Proceedings, 19 January 2023, paragraph 35

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**Recommendation 20.** The Welsh Government should set out what steps it is taking to ensure a balance between meeting the demands of the climate crisis and addressing housing pressures.

## Adaptations

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**181.** Funding allocations for housing purposes within the Climate Change Main Expenditure Group can address health inequalities, support improved health outcomes and ease pressures on the NHS. A number of allocations are focused on housing adaptations.

**182.** The Rapid Response Adaptation Programme receives a capital allocation of £19.5 million in both 2023-24 and 2024-25. This supports local authorities in delivering the Enable programme using discretionary assistance powers, rather than through the statutory Disabled Facilities Grant process which would require a means test to be applied to the applicant. It also funds Care & Repair to deliver small adaptations and adaptations for housing associations. The other main source of adaptations funding is local authority Disabled Facilities Grants. These are funded from local authorities' own general capital resources.

**183.** The Minister issued a written statement on removing the means test on small and medium Disabled Facilities Grants in March 2021, in which she said:

*"Our most recent data shows us that small and medium sized adaptations made up the vast majority of DFGs – 1,507 small and 2,214 medium adaptations, compared with just 269 large adaptations. If we remove the means test, independent research calculates it would cost local government in Wales an additional £238,000, and estimates each local authority would save £6,000-£10,000 in annual administration costs."*

**184.** Care & Repair Cymru responded to the Finance Committee's consultation on the Draft Budget. While welcoming the increased funding they received in 2022-23, they noted that cost of living, and other cost increases, meant it was not possible to expand their services, despite an increase in demand partially caused by Covid backlogs. Care & Repair commented:

*"...the increased capital has been offset by large increases in contractor and materials costs caused by inflation, soaring energy prices, increased transport and supplies costs."<sup>126</sup>*

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<sup>126</sup> Finance Committee, WGDB 23-24 18 Care and Repair Cymru

**185.** The Minister highlighted increases to allocations that support adaptations at the Final Budget:

*"we've increased the final budgets for all of these schemes [...] And we've reflected in that the real need to keep people in their own homes, for a variety of reasons [...] and actually, this is an invest-to-save programme, really [...] where we've had some really searching conversations about is it better to put things into these preventative programmes, or is it better to help the people who already find themselves at the sharp end."*<sup>127</sup>

**186.** The Minister explained that funding has been put in place to allow small and medium adaptations to be done without a means tests. According to the Minister:

*"That increases the rapidity of the response and, of course, it keeps people in their own homes longer, relieves the pressure on the NHS—it absolutely does—and also, actually, of course, it's part of the whole push to keep people in their own homes for a variety of reasons, not least their mental health. We know that people are better off in their own homes."*<sup>128</sup>

**187.** Small and medium adaptations are administered by local authorities, and the Minister called on them "to come on board with this".<sup>129</sup>

## **Our view**

**188.** Housing adaptations play a very important role in people's lives, enabling them to stay in their own homes and relieving pressure on the NHS. However, we note the evidence from Care & Repair Cymru that it was not possible to expand their services due to increased costs. Adaptation services are a key area of preventative spending and Welsh Government resources should be targeted effectively to ensure that adaptations can be delivered quickly to those who need them.

**189.** We welcome the removal of a means test for small and medium adaptations, especially as these previously made up the majority of Disabled Facilities Grants. However we are concerned whether local authorities understand that such adaptations can now be made without a means test, given that the Minister used the Committee as publicity to call on local authorities to "come on board with this". We appreciate that removing the means tests has led to increased costs for

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<sup>127</sup> Paragraph 85

<sup>128</sup> Paragraph 78

<sup>129</sup> Paragraph 78

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local government, but as the Minister said, this is an “invest-to-save programme”. Supporting people to live at home reduces pressures on health and social care services. We therefore urge the Welsh Government to work with local authorities to ensure that they do not means test small and medium adaptations. We also ask that the Welsh Government shares the latest data on adaptations with us. We hope that this data will show that small and medium adaptations are being provided without a means test.

**Recommendation 21.** The Welsh Government must set out how it is working with local authorities to improve access to adaptations and reduce waiting times. It should also provide the Committee with the latest data on adaptations, including data on how many small and medium adaptations are being provided without a means test.

## Implementing and developing legislation

**190.** The Housing Policy revenue BEL, receives an allocation of £6.471 million in 2023-24 and supports a number of legislative proposals, as well as support for the Dwyfor second homes pilot, Care & Repair and Rent Smart Wales training for landlords. There are a number of legislative proposals within the Minister’s portfolio. Specific Programme for Government commitments include:

- Reform housing law and implement the Homelessness Action Group’s recommendation to fundamentally reform homelessness services to focus on prevention and rapid rehousing;
- Reform the current system of building safety, including a second phase of the Welsh Building Safety Fund, so that people feel safe and secure in their homes;
- Legislate to enact the recommendations of the Law Commission in relation to leasehold reform;
- Implement the Renting Homes Act to give renters greater security and develop a national scheme restricting rent to local housing allowance levels for families and young people who are homeless or who are at risk of homelessness; and
- Publish a White Paper to include proposals for a right to adequate housing including fair rents and new approaches to making homes affordable for those on local incomes.

**191.** We heard from the Minister that the legislation across her portfolio is “on track for the year that it’s scheduled for” but is “reliant on legislation that is currently in train and coming to



the Senedd passing, so that the Bill teams can be moved from there onto the next piece of work."<sup>130</sup>

**192.** One of the Minister's officials added:

*"I think the biggest issue is the skilled resource that is needed to do this as well. The Government's got a significant legislative programme, which they want us to get through, which is quite right, but it's getting the resources in the right place at the right time [...] And, also, the central services main expenditure group, which a lot of this is paid from, has had a reduction, like everywhere else within Government. We haven't been protected from that. So, again, it's getting the balance and the optimisation so that we can take some of this through, but, as the Minister said, everything is on track in her area at the moment."*<sup>131</sup>

**193.** We heard that a lessons-learned exercise from the Renting Homes (Wales) Act 2016 is being undertaken.<sup>132</sup>

**194.** The Welsh Government will also be conducting a review of Rent Smart Wales later in 2023. The Minister said:

*"One of the things we will be looking at is whether we want them to do more things for us, and whether the data we currently get from them enables us to do a number of other things with it."*<sup>133</sup>

## **Our view**

**195.** We were pleased to hear that the legislation across the Minister's portfolio is on track for the year that it's scheduled for. It would be useful if the Minister could update us on when housing legislation is expected to be introduced so that we can plan our work programme accordingly.

**Recommendation 22.** The Welsh Government should provide the Committee with a timeline for the introduction of legislation relating to housing.

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<sup>130</sup> Local Government and Housing Committee, Record of Proceedings, 19 January 2023, paragraph 131

<sup>131</sup> Local Government and Housing Committee, Record of Proceedings, 19 January 2023, paragraph 139

<sup>132</sup> Local Government and Housing Committee, Record of Proceedings, 19 January 2023, paragraph 134

<sup>133</sup> Local Government and Housing Committee, Record of Proceedings, 19 January 2023, paragraph 125

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**196.** Although the Minister said that legislation is currently on track, we were concerned to hear that the biggest challenge in delivering the legislative programme is the “skilled resource that is needed”. We will draw this concern to the attention of the Legislation, Justice and Constitution Committee.

**197.** We welcome the lessons learned exercise being undertaken in relation to the Renting Homes (Wales) Act 2016 and we ask that the Welsh Government shares the findings with the Senedd in due course, including how any lessons learned will be acted upon in upcoming legislation.

**198.** We also welcome the review of Rent Smart Wales and we ask that the Welsh Government shares its findings with us. We would also encourage the Welsh Government to consider as part of its review whether Rent Smart Wales could do less, as well as more.

## 4. Supporting people from Ukraine

**199.** The Welsh Government has allocated £40 million in 2023-24 and £20 million in 2024-25 to local authorities for them to continue delivering services to those fleeing the war in Ukraine. The Minister for Finance and Local Government told us that, according to the Welsh Government’s original assessment of the money required to continue to deliver its Homes for Ukraine supersponsor scheme in 2023-24 and 2024-25, the allocated funding would be sufficient.<sup>134</sup> The Minister for Climate Change told us that the supersponsor scheme, including accommodation and wraparound support was funded through Welsh Government reserves, and that the £40 million allocated in 2023-24 is “to ensure that people fleeing the war continue to have a place of safety and sanctuary in Wales”. The Minister for Climate Change added that the £20 million committed for 2024-25 is “to ensure that our really hard-pressed local authorities are able to continue offering the services that we’ve put in place”.<sup>135</sup>

**200.** The Minister for Finance and Local Government referred to the UK Government’s announcement on 14 December 2022 that it will not be providing year 2 funding for the Homes for Ukraine visa holders as “extremely disappointing” and a lack of clarity about any year 3 tariff or alternative fund to continue to support people coming from Ukraine also as “of concern”. The Minister for Finance and Local Government told us that the overall costs of supporting people coming from Ukraine are declining, explaining:

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<sup>134</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 176

<sup>135</sup> Local Government and Housing Committee, Record of Proceedings, 19 January 2023, paragraph 6

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*"We are able when people arrive from Ukraine to support them to access benefits. I know lots of people from Ukraine are now in work and so on, so we are seeing people become more settled, and as they become more settled, the costs to the Government decrease over time."*<sup>136</sup>

**201.** The Minister for Finance and Local Government added that the Welsh Government will:

*"have to keep a very close eye on the spend that is required for supporting people from Ukraine, but overall, there's no more room within the budget for further allocations within the next financial year."*<sup>137</sup>

## **Our view**

**202.** We have been looking into the support being provided to Ukrainians since March 2022 and have welcomed the Welsh Government's supersponsor scheme and other actions it has taken to provide homes for people in need. We welcome the funding allocations in the draft budget and the Welsh Government's continued commitment to the scheme. We know that significant additional responsibilities are being placed upon local authorities at a time when finances are already under pressure, therefore it is vital that the Welsh Government ensures that the funding made available to local government for these purposes is sufficient.

**203.** We are aware that the funding tariffs provided to local authorities are based on previous tariffs for refugee schemes, such as for those from Syria and Afghanistan. We are unclear as to why the UK Government has taken the decision to reduce the tariff and whether this is based on the type of support needed for this particular group, for example to take account of the differing demographics between schemes or higher rates of employment. We would like further information from the Welsh Government, including a detailed breakdown of the funding allocations.

**204.** We heard, through our work on supporting people from Ukraine, of the need to be mindful of refugees from other countries who may feel that they do not receive the same level of support as those from Ukraine. We urge the Welsh Government to be aware of such perceptions and to ensure sufficient funding is allocated to meet its commitment to being a Nation of Sanctuary.

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<sup>136</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 176

<sup>137</sup> Local Government and Housing Committee, Record of Proceedings, 12 January 2023, paragraph 177

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**Recommendation 23.** The Welsh Government should provide further information on the funding provided in the draft budget to support people from Ukraine, including a detailed breakdown of the allocations.

**Recommendation 24.** The Welsh Government should provide further information as to how funding in the draft budget has been allocated to meet its commitment to being a Nation of Sanctuary, including how the budget will support refugees from countries other than Ukraine.