

Welsh Government Draft Budget 2022-23

February 2022

1. Introduction

1. This report sets out the Local Government and Housing Committee's views on the Welsh Government's draft budget 2022-23 in relation to the policy areas within our remit.
2. Along with the Finance Committee's report, and that of the other Senedd committees, this report is intended to inform the Senedd's debate on the draft budget, which is scheduled for 8 February 2022.
3. We would welcome a response to our report and recommendations.

The Welsh Government's draft budget 2022-23

4. On 20 December 2021, the Welsh Government published its draft budget proposals for 2022-23. The provisional Local Government settlement was published on 21 December 2021.
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 2022, 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 21 January 2022, we heard evidence from the Minister for Climate Change in relation to aspects of the draft budget relating to housing.

2. Local Government

COVID-19 response and financial support

8. Local government has been at the forefront of the response to the pandemic, providing leadership and coordinating the local effort. The sector's resources have been stretched to the limit, against what was already a challenging financial backdrop for local authorities.

9. The pandemic brought about a sudden increase in demand for certain local government services, and a rapid reduction in income generation. As a result, the Welsh Government established the **Local Government Hardship Fund**, providing a safety net for local authorities. At the beginning of 2021, over £600 million had been allocated to local authorities via the hardship fund. As part of the Welsh Government's Final Budget 2021-22, an additional £206.6 million was allocated.

10. In written evidence prior to appearing before our Committee in September 2021, the Minister stated:

*"I do not anticipate continuing specific funding for the Hardship Fund in 2022-23. Authorities will need to plan now for changes in service delivery and demand as a result of the ongoing nature of our response to Covid-19 and our discussions on pressures and opportunities as part of the budget process will need to reflect this."*¹

11. This approach was confirmed by the Minister in her written evidence on the draft local government settlement, which stated that:

*"There is no separate local government hardship fund for 2022-23 onwards as there has been no specific funding from the UK Government for Covid recovery. However, the increase in the settlement is such that it gives local authorities flexibility to continue to manage additional costs and loss of income."*²

¹ Local Government and Housing Committee, 22 September 2021, [Paper 2](#).

² Local Government and Housing Committee, 12 January 2022, [Paper 2](#).

12. We heard from WLGA representatives who said they understood the Minister's position and rationale for discontinuing the hardship fund, Councillor Anthony Hunt told us:

*"we've got concerns about the hardship fund coming through, but we completely understand the situation that Welsh Government are in, with the uncertainties about the pandemic. [] We do recognise, though, that at some point it has to come to an end, and at some point it's our responsibility as councils to plan for the demand that's going to not just stop all in one go, coming from the pandemic."*³

13. However, Councillor Hunt added that the impact of discontinuing the hardship fund would have been a greater concern had the local government settlement been less favourable; he also added that the unpredictability of the pandemic resulted in uncertainty:

*"I would be a lot more emphatic in my concerns if it was the case that the hardship fund had been withdrawn after a much lower settlement. I'd hope the settlement that's been given this year gives councils the ability to plan going forwards themselves, but that said, we don't know what's coming around the corner in terms of this pandemic."*⁴

14. Councillor Richard John concurred:

*"I'd echo what Anthony said about the hardship fund. While it's been a great support for our services, I think it was the right decision to move away from it. We'd all like to think we're moving into a very different stage of the pandemic now, but I think having a more generous settlement gives us greater flexibility to manage whatever is going to be thrown at all of us as public servants over the next 12 months. I think it's the right thing to do."*⁵

15. The Minister explained the reasons for her decision to discontinue the hardship fund:

"I think it would have been a difficult decision to make had the settlement for local government been more challenging. [] But the fact that we don't have any COVID-specific funding from the UK Government for next year or for future years helped in that decision in the sense that UK Government has now subsumed COVID responses and the funding for it into departmental

³ Local Government and Housing Committee, [Record of Proceedings, 12 January 2022, p11](#)

⁴ Local Government and Housing Committee, [Record of Proceedings, 12 January 2022, p13](#)

⁵ Local Government and Housing Committee, [Record of Proceedings, 12 January 2022, p23](#)

budgets [] the only way realistically I could have created a hardship fund would have been to remove money from the RSG.”⁶

16. The Minister went on to say:

“In terms of whether or not there would be additional funding next year, I suppose this partly depends on where the pandemic takes us and what the UK Government’s response is.”

17. The Minister added that she would be pressing the UK Government as to whether a spring statement can be expected, and that:

“I will have to consider, then, how to deploy any additional funding for next year as a result of that. So, there are still some moving parts in this, although, on the whole, from our perspective with the budget that we have, then that’s been allocated, so there isn’t significant scope for additional funds at this point.”⁷

Our view

18. We note the Minister’s rationale for discontinuing the Local Government Hardship Fund and the acceptance from local government of this approach. However, we also recognise that the pandemic is not yet over, and further increases in the number of cases could result in additional pressures on local government. Although local government recognise the need to mainstream their planning for COVID pressures, the hardship fund provided dedicated resources to respond to the demands placed upon them. We believe that additional flexibility and support from the Welsh Government may still be required should cases of COVID increase again. The uncertainties around the pandemic make it difficult for local government to plan for all scenarios, therefore the Welsh Government should be ready to provide additional funding, should authorities need to respond to further increases in cases.

The provisional local government settlement

19. In its response to the Finance Committee’s consultation (26 November 2021), the WLGA notes that rising energy costs, along with increasing costs of goods and materials will affect councils through “direct running cost increases”.⁸

⁶ Local Government and Housing Committee, [Record of Proceedings, 12 January 2022, p157](#).

⁷ Local Government and Housing Committee, [Record of Proceedings, 12 January 2022, p160](#).

⁸ Finance Committee, [WGDB_22-23 42, Welsh Local Government Association](#)

20. The WLGA estimates that total pressures, including COVID related pressures for 2022-23 to be £407 million. The table below, included in the WLGA's evidence, provides a breakdown of estimated pressures by theme over the next three years⁹:

Pressure by theme (£m)	22-23	23-24	24-25
Pay inflation	105,380	95,445	95,003
Non pay inflation	75,962	70,540	70,554
Fees and Charges	- 8,482	-7,788	-7,007
Demand related pressures	101,740	90,423	85,833
Capital financing pressures	11,066	15,915	27,625
Reduction in specific grants	9,504	4,030	3,348
Local priorities	13,335	6,313	4,635
Other	23,347	26,168	16,022
Covid Pressures	75,529	26,168	16,022
Total Pressures	407,381	314,451	304,979

Source: SWT Survey 2021

21. The Minister told us that funding for the delivery of some of the Welsh Government's specific Programme for Government policies by local government would be provided separately, and cited council tax reform as an example:

*"In terms of specific items within the programme for government, there are some specific items relating to local government that we'll be delivering over the course of the Senedd term and many of them are actually funded separately. [] So, we're looking to ensure that the settlement provides local authorities with a strong foundation to deliver the services that they deliver, whilst also looking at additional funding and separate funding for some of the other items within the programme for Government."*¹⁰

Aggregate External Finance

22. The Welsh Government published its provisional local government settlement for 2022-23 on 21 December 2021. After adjusting for transfers, overall core funding (Aggregate External Finance ("AEF")) for local government in 2022-23 is £5.1 billion, an increase of 9.4% on a like-for-like basis compared to the current year. This equates to an additional £437.5 million in overall funding for local authorities.

⁹ Finance Committee, WGDB_22-23_42, Welsh Local Government Association

¹⁰ Local Government and Housing Committee, Record of Proceedings, 12 January 2022, p146

23. In 2021-22, the overall increase in AEF was 3.8% on a like for like basis, or £172 million. AEF includes the local authority revenue support grant ("RSG") and the distributable part of non-domestic rates ("NDR").

Revenue Support Grant

24. The RSG is the Welsh Government's un-hypothecated grant distributed to local authorities via a needs-based formula. The total grant funding support available to local authorities in 2022-23 is £3.97 billion. This is an increase of £368 million (10%) from the current settlement.

25. The Minister in her evidence paper notes that the increase in the settlement gives local authorities the resources to start addressing the many challenges facing them. This funding, according to the Minister is "sufficient to meet increased wage forecasts and inflation". However, the Minister recognises that local authorities will inevitably continue to face pressures.

26. The increase in the RSG was welcomed by the local government representatives. Councillor Hunt told us:

*"it is an exceptionally generous settlement; it is a settlement that we welcome very much."*¹¹

27. Despite welcoming the "generous settlement", Councillor John added:

*"There are some significant pay and inflationary pressures that will erode most of that, about 70 to 80 per cent of it. The complexity and the nature of the challenges in, particularly, social care and additional learning needs will erode much of the rest."*¹²

28. Councillor Hunt went on to say that he believed the settlement would enable local authorities to do more than "standing still", but to make wider changes:

*"I think standing still, whilst an achievement in itself, coming out of this pandemic – I think we can do better than that with this settlement. I think we can both address the pressures that are there in the system, both post austerity and post pandemic, and we can address some of the structures."*¹³

¹¹ Local Government and Housing Committee, [Record of Proceedings, 12 January 2022, p28](#)

¹² Local Government and Housing Committee, [Record of Proceedings, 12 January 2022, p34](#)

¹³ Local Government and Housing Committee, [Record of Proceedings, 12 January 2022, p48](#)

Local authority distribution

29. As a result of the overall increase of 9.4% in the AEF, no authority is expected to receive less than an 8.4% increase in its settlement for 2022-23. In comparison, in 2021-22, Newport City Council received the highest increase in funding of all local authorities (5.6%) whilst Ceredigion County Council received the lowest increase at 2%. The table below shows the provisional amount each local authority will receive in AEF for 2022-23, and the percentage difference compared to 2021-22¹⁴.

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

Unitary Authority	2021-22 Final Aggregate External Finance [Note 1]	2022-23 Provisional Aggregate External Finance	Percentage difference	Rank
Monmouthshire	101,003	112,275	11.2%	1
Cardiff	492,095	544,715	10.7%	2
The Vale of Glamorgan	168,128	186,011	10.6%	3
Newport	240,957	265,612	10.2%	4
Conwy	167,356	183,308	9.5%	5
Powys	192,088	210,257	9.5%	6
Wrexham	189,233	207,060	9.4%	7
Pembrokeshire	179,422	196,253	9.4%	8
Swansea	353,571	386,585	9.3%	9
Torfaen	146,560	160,117	9.3%	10
Carmarthenshire	285,262	311,597	9.2%	11
Isle of Anglesey	104,872	114,549	9.2%	12
Bridgend	212,755	232,364	9.2%	13
Flintshire	212,608	232,174	9.2%	14
Denbighshire	159,060	173,637	9.2%	15
Merthyr Tydfil	101,493	110,616	9.0%	16
Gwynedd	195,905	213,210	8.8%	17
Neath Port Talbot	237,289	258,068	8.8%	18
Ceredigion	110,006	119,419	8.6%	19
Caerphilly	292,712	317,453	8.5%	20
Rhondda Cynon Taf	407,050	441,433	8.4%	21
Blaenau Gwent	120,657	130,795	8.4%	22
Total unitary authorities	4,670,080	5,107,507	9.4%	

30. While Monmouthshire County Council will receive the highest percentage increase in Aggregate External Finance for 2022-23 (11.2%), in terms of *per capita* AEF funding (that is the amount of grant funding available per resident), Monmouthshire receives the lowest at £1,176 per resident. Blaenau Gwent County Borough Council, which is in receipt of the lowest overall increase in AEF at 8.4%, has the highest per capita funding at £1,881 per resident. This equates to a difference of £705 in grant funding per resident.¹⁵ In the final local government settlement

¹⁴ Welsh Government, [Local government revenue and capital settlement: provisional 2022 to 2023, Table 1a](#). The table has been adjusted to display the percentage difference in rank order, from highest to lowest

¹⁵ Welsh Government, [Local government revenue and capital settlement: provisional 2022 to 2023, Table 1c](#)

for 2021-22, the difference in per capita grant funding between the highest and lowest ranked authorities was £663.¹⁶

31. Councillor John raised concern at the widening of this gap:

*"My concern would be that the gap between the highest and lowest funded councils has widened again; it's been getting wider year on year for many years now and I think we've reached a stage where the gap is simply too wide. You've got a situation where councils like Monmouthshire receive £1,174 per resident, compared to £1,881 in a neighbouring council."*¹⁷

32. Councillor John emphasised:

*"I also don't think that the formula sufficiently recognises the challenge of delivering services in rural areas."*¹⁸

33. There was recognition however, that different local authorities have differing perspectives on the funding formula, Councillor Hunt stated:

*"If you start talking about shares and slices of the pie as opposed to the pie in collective, as you can imagine, different councils will have different views."*¹⁹

Multi-year settlement

34. The local government sector has long called for multi-year settlements to provide local authorities with certainty and the ability to plan over the medium-term. Giving evidence to our predecessor committee in the Fifth Senedd, the WLGA stated:

*"What everybody wants is some degree of certainty, security and predictability... we always lobby for multi-year settlements to enable authorities to plan into the future in terms of how they deliver their services."*²⁰

¹⁶ Welsh Government, [Final local government revenue and capital settlement 2021 to 2022, Table 1c](#)

¹⁷ Local Government and Housing Committee, [Record of Proceedings, 12 January 2022, p32](#)

¹⁸ Local Government and Housing Committee, [Record of Proceedings, 12 January 2022, p34](#)

¹⁹ Local Government and Housing Committee, [Record of Proceedings, 12 January 2022, p45](#)

²⁰ Equality, Local Government and Communities Committee, [Record of Proceedings, 14 January 2021, p12](#)

35. The UK Spending Review provided a Wales Resource Departmental Expenditure Limit (“RDEL”) for each of the next three years. As such, the Welsh Government has provided indicative allocations to local government up to 2025.

36. The Minister explained the benefits of the multi-year settlement:

“I think what's different this year is that we've provided three years' funding to local government, and that does allow local government to think differently, to plan differently and to take decisions that can be more cost-effective, and I think that they've recognised that as well. So, that does put them on a stronger footing for the future to make decisions that financially could benefit them as well.”²¹

37. The provision of a multi-year settlement was welcomed by Councillor Hunt as an opportunity for local government to take a longer term approach in its planning:

“I think this settlement, alongside the fact that it is a multi-year settlement, gives us the chance, if we think to the long term, if we don't just take the easy options this year, to really address some of those things in the longer term.”²²

Our view

38. We welcome the provisional local government settlement for 2022-23, and acknowledge the sector’s view that this is a generous settlement, providing an increase in excess of the pressures identified by the WLGA. We note that the provision of indicative settlements for the following two years have been broadly welcomed by local government, and welcome the sector’s stance that this will enable local authorities to undertake longer term planning for services, rather than simply reacting to immediate pressures. Despite this, we acknowledge that local government are still under significant pressure as they continue to face growing demand for services and increased costs.

39. We are concerned that, as locally elected and accountable representatives, councils should have the resources to deliver their own priorities for their areas. We therefore welcome the increase in the un-hypothecated RSG, however we have concerns that the legislative framework under which local government operates is resulting in increased direction and less freedom as to how that funding is allocated.

²¹ Local Government and Housing Committee, [Record of Proceedings, 12 January 2022, p185](#)

²² Local Government and Housing Committee, [Record of Proceedings, 12 January 2022, p48](#)

Capital funding

40. The draft budget allocates £150 million in capital funding to local authorities. This is £47.8 million lower than the amount provided in 2021-22. This is partly due to the conclusion of a time limited grant of £20 million for highways refurbishment and a reduction of £27.8 million in general capital funding. The Minister's evidence paper states that the decrease is to:

*"enable the overall management of capital budgets and commitments across Welsh Government including specific grants to local government such as Sustainable Communities and Learning (formerly 21st century schools)."*²³

41. Indicative capital allocations for 2023-24 and 2024-25 increases to £200 million per year.

42. Councillor John voiced his "regret" about the cut in capital funding "because we're at a point whereby inflationary costs, building costs are going up at a significant rate". He added:

*"we're seeing at the same point as costs are escalating significantly our ability to invest in capital projects is diminishing. I mentioned leisure centre investment earlier on. That's more important than ever now."*²⁴

43. Councillor John also raised concerns around funding for road maintenance:

*"Potholes are far more dangerous to pedestrians and cyclists than they are to motorists, so I'm concerned that there's no money at all for the resilient roads fund. I understand there's a cut to the local transport fund as well. We have got to maintain the roads we already have. Even if we're encouraging more people to use public transport and more investment in active travel, that road maintenance is really important."*²⁵

44. Councillor Hunt requested that the Welsh Government works with local government should opportunities for further capital funding arise as a result of UK Government spending decisions:

"if and when other capital announcements are made that have direct consequential, that we work together on things like climate changes and

²³ Local Government and Housing Committee, 12 January 2022, [Paper 2](#)

²⁴ Local Government and Housing Committee, [Record of Proceedings, 12 January 2022, p66](#)

²⁵ Local Government and Housing Committee, [Record of Proceedings, 12 January 2022, p67](#)

things like flooding, road safety, public transport, 20 mph implementation, road resurfacing, coal-tip remediation."²⁶

45. The Minister acknowledged the reduction in capital funding for local government, coupled with the cessation of the £20 million grant for highways maintenance, and accepted that "there has been some disappointment at the capital funding settlement". The Minister added:

*"that really is a reflection of the capital settlement that we received from the UK Government."*²⁷

Our view

46. The reduction in the capital funding is a real concern to us, particularly as it coincides with the cessation of the £20 million grant for highways maintenance. Maintaining highways that are safe for users of public transport, cyclists and pedestrians will be crucial in encouraging people to reduce private car use.

47. We note that the reduction in capital funding for local government is part of an overall reduction in capital spend across the Welsh Government's draft budget. We are concerned by this reduction, and would urge the Welsh Government to work with the WLGA to explore alternative approaches of prudently supporting a larger capital budget for local government in future.

Recommendation 1. We recommend that the Welsh Government and WLGA work together to explore alternative ways of supporting larger capital budgets for local government in future, including the role of supported borrowing.

Council Tax and the Council Tax Reduction Scheme

Council Tax

48. Despite recent increases in the overall settlement for local authorities, council tax has continued to rise. Local government representatives told us they were mindful of the financial pressures on households, and would wish to strike an appropriate balance between increasing tax and providing public services. Councillor Hunt explained:

"Obviously, we will be cognisant of the need to try and keep bills down, especially at this time when people are facing rises in so many other key bills,

²⁶ Local Government and Housing Committee, [Record of Proceedings, 12 January 2022, p69](#)

²⁷ Local Government and Housing Committee, [Record of Proceedings, 12 January 2022, p210](#)

*from food to heating and things like that, because of the general rate of inflation. And we will certainly do all we can to keep council tax rises as low as possible. But it's not a binary choice of whether to raise council tax or not; we'll do all we can. [] It would be very tempting, before an election, for us to throw something at council tax in the view that it would be, in the short term, popular, whereas I'd much rather look to the longer term and how do we put services on a sustainable footing, going forwards, whilst keeping council tax as low as possible. So it's that balance that we'll all be trying to strike across different councils."*²⁸

49. Councillor John added:

*"most of the increase in that settlement will be eroded by inflationary and workforce pressures, additional learning needs and social care complexity, which has increased significantly in the last few years. That will eat up the rest. And, obviously, we're going into a very challenging year with, obviously, the COVID hardship fund disappearing, for justifiable reasons. So, we've got to be responsible. So, it's a very difficult balance, I think, for local authorities to strike."*²⁹

50. We also heard that council tax increases can be particularly unpopular as they are not linked to rates of inflation, Councillor Hunt explained:

*"It's one of the only taxes that you have to raise just to stand still. Other taxes, like income tax, for example, will go up with inflation as wages go up as a consequence, and the inflation comparison is one we get thrown at us each year when, of course, the pressure on our services doesn't really necessarily relate to inflation. I think it's one that will get thrown at us a lot less this year, now that inflation is much higher and hopefully council tax rises will be much lower. But it's a difficulty, as there's a difficulty because of the fact that council tax is not an at-source tax, and therefore people see it much more up and close, because they get a bill for it, as opposed to income tax, which gets taken off before they ever get the money."*³⁰

²⁸ Local Government and Housing Committee, [Record of Proceedings, 12 January 2022, p83](#)

²⁹ Local Government and Housing Committee, [Record of Proceedings, 12 January 2022, p86](#)

³⁰ Local Government and Housing Committee, [Record of Proceedings, 12 January 2022, p90](#)

51. Councillor John went on to say that more could be done to inform the public as to how council tax is spent:

*"I think we do need to do more to ensure that the public understand what they're paying for in their council tax. Sometimes, people think they're only paying for street lights and roads, and forget that we're paying for education and social care, and some really quite expensive services for vulnerable people. You pay your council tax not for what benefits you, but what benefits the whole of society."*³¹

52. The Minister emphasised that decisions on council tax increases are for local authorities to make:

*"this is a matter for local authorities, and it's not something that I want to express a view on, because it is entirely within their gift to decide what to do with council tax, and, obviously, they'll be considering this alongside those pressures that we've discussed. So, it's not for Welsh Government to meet it all; there is a role for local authorities to think about whether council tax should play a part in their response as well. But I'm not going to tell local authorities what I think they should be doing in terms of raising council tax or otherwise."*³²

Council Tax Reduction Scheme ("CTRS")

53. The reduction in local tax collection rate over the course of the pandemic has been significant. During 2020-21, **billing authorities collected 95.7 percent of council tax billed**. This equates to a 1.3 percentage point decrease from the previous year.

54. All authorities recorded a year-on-year decrease in their collection rates, mainly due to the suspension of debt recovery during the pandemic. In parallel to a falling collection rate, a **report on the impact of COVID-19 on the CTRS** in Wales concluded that caseload and the total value of CTRS reductions had increased.

55. Since the CTRS replaced the Council Tax Benefit in Wales, 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 over the last decade. The **latest Welsh Government Annual Report on the Scheme** published in August

³¹ Local Government and Housing Committee, [Record of Proceedings, 12 January 2022, p98](#)

³² Local Government and Housing Committee, [Record of Proceedings, 12 January 2022, p191](#)

2021, notes that the total value of reductions provided through the CTRS from April 2020 to March 2021 was approximately £295 million. This is an increase of £24.2 million on the previous year.

56. The Minister told us she was confident that maintaining support for CTRS at £244 million was sufficient:

*"we've maintained the provision of that fund at the £244 million. That is a significant amount of funding. I think the funding arrangements for the council tax reduction scheme do reflect the fact that it is jointly owned by the Welsh Government and by local government. It's my understanding that the caseload—although there was a blip, I understand, during the pandemic—the caseload generally has been declining over recent years."*³³

57. On the reduction in council tax collection, Councillor Hunt commented:

*"We have been encouraging conversations with the Minister for Finance and Local Government about how we can continue to work together to ensure that that doesn't undermine people's budgets going forwards."*³⁴

58. The Minister acknowledged the reduction in council tax collection rates since the start of the pandemic, and that the Welsh Government "tried to recognise that with additional funding last year". The Minister added that Welsh Government officials are:

*"in discussion with local government at the moment as to what the impact has been this year and whether or not we need to provide some additional recognition of that again, but those discussions are ongoing as I understand it."*³⁵

Our view

59. We note the evidence that, whilst imposing smaller increases in council tax rates may be a popular approach with taxpayers, local authorities have a responsibility to ensure the services they deliver are adequate for the need, and sustainable for the future. We also note the comments that local authorities, when making their decisions, will need to be mindful of the wider financial pressures on taxpayers and the need to strike an appropriate balance. Whilst we

³³ Local Government and Housing Committee, [Record of Proceedings, 12 January 2022, p245](#)

³⁴ Local Government and Housing Committee, [Record of Proceedings, 12 January 2022, p105](#)

³⁵ Local Government and Housing Committee, [Record of Proceedings, 12 January 2022, p245](#)

do not have a view on the rate of council tax increases, we believe this to be a prudent approach.

60. We welcome the Minister's commitment to ongoing discussions with local government about the reduction in council tax collection rates during the pandemic and the impact on councils' finances. The reduction in collection rates could vary significantly between local authorities, therefore it is important for the Welsh Government to understand the extent of the situation and tailor support accordingly.

Workforce and demand led pressures

Social Services

61. The continuity of demand led services, such as social services, has and continues to be of concern to local government. Existing service pressures have been compounded by the pandemic, with demand on statutory children and adult services increasing significantly over this time. The WLGA notes that "demand continues to grow exponentially in comparison to capacity", while the "added complexity of those presenting to social care services is unique and unprecedented".

62. The draft budget narrative states that the Welsh Government is providing an:

*"additional £250m for social services, including £180m funding provided within the Local Government settlement, direct investment of £45m plus £50m of additional social care capital relative to 2021-22."*³⁶

63. The Minister explained why she believed the settlement should be sufficient to meet pressures around social services:

*"I've been clear in my letter, which accompanied the provisional settlement for local government, what we expect to be delivered through that, and of course social services is a key element of that. We worked very closely with local government to identify the quantum of funding that was needed in local government to support social services and to put them a sustainable footing for the future, and then also work very carefully to identify the sum of money that would be needed to introduce the real living wage for social care workers."*³⁷

³⁶ Welsh Government, Draft Budget 2022-23, Foreword

³⁷ Local Government and Housing Committee, [Record of Proceedings, 12 January 2022, p145](#)

64. Councillor Hunt believed that the budget “recognises the situation that services are in and the need to fund them properly”, and added:

“Will it have an impact on those services? I believe it will have a positive impact as compared to previous years or what councils were maybe forecasting ahead of the conversations.”³⁸

65. However, both Councillor Hunt and Councillor John emphasised the “huge number of pressures”³⁹ and the “many challenges” councils will face in order to deliver services. Councillor John explained:

“In terms of social care, while we already fund the real living wage, ensuring that the independent sector that we use for a significant proportion of our provision, ensuring that that is funded to a level whereby their care workers can be paid the real living wage is a challenge. And even meeting that, which I know is a Welsh Government aspiration, rising to £9.90 across Wales, is still going to leave us with significant workforce challenges because, at the moment, there just aren't enough care workers out there.”⁴⁰

Recruitment and retention

66. The pressures on local authority social services are well-documented, especially that of the social care sector. This sector has been particularly negatively impacted by the pandemic, with the delivery of some services still affected by it according to the WLGA. It goes on to note that the “toll of the pandemic on the workforce cannot be underestimated”.

67. Attracting new workers and retaining current social care staff is a significant challenge for local authorities. The WLGA states that additional payments of £500 to social care staff in recognition of their work “does not address the long-term low pay of social care staff”. Exacerbating the issue is the competition from other sectors, such as the NHS, who can offer “better terms and conditions” and staff making lifestyle choices such as reducing their work hours.

68. To respond to some of the recruitment and retention issues within the sector, the Welsh Government states that it has:

³⁸ Local Government and Housing Committee, [Record of Proceedings, 12 January 2022, p111](#)

³⁹ Local Government and Housing Committee, [Record of Proceedings, 12 January 2022, p111](#)

⁴⁰ Local Government and Housing Committee, [Record of Proceedings, 12 January 2022, p113](#)

*"included funding through the Local Government settlement to enable authorities to meet the additional costs of starting to pay the Real Living Wage of £9.90 an hour to social care workers from April 2022."*⁴¹

69. Councillor John told us that retaining staff to work in the social care sector remained a difficulty for his own authority, despite it already paying the real living wage to its social care staff:

*"Here in our local authority, we already pay above the real living wage to our care workers, but, obviously, we do use the independent sector as well. So, there will be discussions there to make sure that the real living wage can be paid there as well. But I think the Welsh Government are right to recognise there is a long-term issue here. And the fact that, as a country, we're still paying people who provide palliative care to some of the most vulnerable people in our country below what we would pay someone to stack shelves in a supermarket or work in a bar—you know, that feels wrong as a country."*⁴²

70. Councillor John also emphasised the importance of local government and the Welsh Government working together to address recruitment and retention issues:

*"Recruitment and retention are significant problems we're facing. [] I suppose that long-term change of making it a more attractive industry is something where local government and Welsh Government need to work together."*⁴³

71. The Minister referred to an additional £60 million direct funding provided in the budget to "drive forward wider reforms to the sector and to try and put it on that sustainable, longer-term footing". The Minister referred to work being led by the Deputy Minister for Social Services, which includes:

"the professionalisation of the workforce, for example, through the registration of the social care workforce, to give it that kudos, to give it a more formal path through employment in terms of training opportunities and professional development and so on.

So, I think that there's lots that needs to be done, both in terms of recognising the sector through pay, but also through kudos and respect,

⁴¹ Welsh Government, Draft Budget 2022-23, [Page 19](#)

⁴² Local Government and Housing Committee, [Record of Proceedings, 12 January 2022, p35](#)

⁴³ Local Government and Housing Committee, [Record of Proceedings, 12 January 2022, p113](#)

because I think most people have had a new understanding of the importance of social care through the pandemic, and we need to build on that now."⁴⁴

Our view

72. We are concerned by the continuing difficulties faced by local government in recruiting and retaining staff across all service areas, but particularly in social care. We welcome the commitment to paying all care staff employed by local authorities the real living wage, however many of those providing care on behalf of authorities will be employed by external providers. Social care workers provide essential services to some of the most vulnerable people in society, therefore attracting suitable staff to fill those roles is crucial and that they feel valued and want to remain in the sector. Competitive pay and opportunities for career progression are key to retaining good staff. We are particularly concerned at the increasing difficulties faced by care providers in retaining staff who are able to achieve better terms and conditions working in the retail and hospitality sectors. We welcome the additional £60 million direct funding in the budget for reforming the care sector and the Minister's comments around professionalising the workforce. Despite this additional funding, we remain concerned about the long-term sustainability of the social care workforce, and would like to know how the Welsh Government will ensure this funding will achieve its aims.

Recommendation 2. We recommend that the Welsh Government, ahead of the debate on the final budget, provides further information as to how it envisages the £60 million identified by the Minister for reforming the care sector will contribute to the long-term sustainability of the sector.

The future of local government

73. There are many challenges facing local government, from pandemic recovery to a changing landscape following the UK's withdrawal from the EU. It has also embarked on a journey of digital transformation and is expected to implement various reforms and new statutory provisions.

74. Some of the key reforms came about with the passing of the **Local Government and Elections (Wales) Act 2021**. It gives local authorities new tools and powers to deal with some of the many challenges facing the sector. For example, the Explanatory Memorandum to the legislation states that the general power of competence within the Act enables local authorities

⁴⁴ Local Government and Housing Committee, [Record of Proceedings, 12 January 2022, p251-252](#)

“to consider more transformative approaches to service delivery”.⁴⁵ The Act also lays the groundwork for Corporate Joint Committees (“CJCs”), designed to enable greater regional working and collaboration in areas like education and transport.

75. Digital transformation has been part of the local government programme for many years, but there is now real momentum in developing and using digital tools to improve services for users. The previous Welsh Government established a Local Government Digital Transformation Fund to “maximise and identify opportunities to progress the digital transformation of local government in Wales”.⁴⁶

76. The **Digital Strategy for Wales**, launched in March 2021, is another step in this journey. It sets out a national vision for digital transformation and seeks a cultural shift in how public bodies deliver and modernise services that are designed around user needs. The draft budget allocates £8.4 million for transformation and legislation in 2022-23, rising to £9 million by 2024-25.

77. The Transformation and Legislation BEL is specific to local government, providing support to implement reforms and service transformation. It has previously been used to prepare for the extension of the franchise to 16 and 17-year-olds, to assist with the implementation of CJCs and funding for digital transformation.

78. The Minister told us she believed the settlement would enable local government to make progress with digital transformation and work collaboratively through CJCs:

“I do think that the budget does provide now for effective local government, going forward. [] I think, particularly in terms of digital transformation, there is so much going on at the moment. We're supporting continued work to implement the local government and elections Act, and we do that through the transformation and legislation budget. That does provide for transformation in a number of areas, including digital transformation.”⁴⁷

“in terms of CJCs—again, an exciting agenda—there's lots going on there. We have provided specific grant funding to help the local authorities and the regions put their plans in place, but of course, we would envisage now that

⁴⁵ Local Government and Elections (Wales) Bill, [Explanatory Memorandum](#), paragraph 10.31

⁴⁶ Welsh Government, [Local Government Digital Transformation Fund Prospectus 2020/21](#), p1

⁴⁷ Local Government and Housing Committee, [Record of Proceedings, 12 January 2022](#), p265

*their work would be funded via local authorities going forward, as things start to develop and gain some pace.*⁴⁸

79. Local government representatives were confident that the local government settlement would enable authorities to be ambitious in their aims for digital transformation and collaborative approaches. Councillor Hunt told us:

*"Yes, I believe that we can do that, both in terms of the settlement and in terms of the funding that Welsh Government's given us, and there is £1 million to support the development of CJsCs. So, in terms of our regional working, I believe that we can move forward with that and develop that. And in terms of our internal workings as well, we're looking at three categories around digital customer services in communities, and I believe this budget gives us the space to try and properly develop those themes to improve services in the longer term and to improve outcomes too."*⁴⁹

Our view

80. We welcome the comments from local government representatives that the settlement will enable authorities to continue to develop collaborative approaches across different service delivery areas, and their commitment to do so. We would seek the Welsh Government's continued commitment to ensuring the funding provided for the establishment of CJsCs is appropriate, and that the future funding of these is not to the detriment of existing demands within local government.

3. Housing

Homelessness and housing support

81. The Welsh Government launched its new **homelessness strategy** in October 2019. It pledged to make homelessness "rare, brief and unrepeated". The strategy advocates a more individualised approach and a desire to get a range of public services, not simply housing services, working collaboratively to prevent and alleviate homelessness. In November 2021, the Welsh Government published **Ending Homelessness in Wales: a high level action plan 2021 to 2026** (the "Ending Homelessness Action Plan").

⁴⁸ Local Government and Housing Committee, [Record of Proceedings, 12 January 2022, p268](#)

⁴⁹ Local Government and Housing Committee, [Record of Proceedings, 12 January 2022, p124](#)

82. The Programme for Government commits to:

"Reform housing law and implement the Homelessness Actions Group's recommendation to fundamentally reform homelessness services to focus on prevention and rapid rehousing."⁵⁰

83. The draft budget includes an additional revenue allocation for homelessness prevention of £13.24m (from a revised baseline that excludes temporary COVID funding), giving a total allocation of £31.147m in 2022-23. Indicative allocations increase by £5m in each of the subsequent financial years to a total allocation of just over £41m in 2024-25.

84. The Minister told us that the Welsh Government has "been working very closely with the sector to understand what the prevention agenda looks like as well as the acute end of making sure that people aren't rough-sleeping". She said that the prevention grant is:

"intended to enable all council services to include the 'no one left out' approach and wraparound support services, and it also funds the Housing First programme, the youth innovation fund, advice services, the private sector leasing scheme and a range of homelessness prevention activities in the third sector."⁵¹

85. The Housing Support Grant ("HSG") is the Welsh Government's principal funding stream for preventing homelessness and supporting independent living. Following an uplift of £40m in 2021-22, the draft budget allocation for the HSG sees its budget for 2022-23 maintained in cash terms at £166.8m. The Minister said:

"We've worked very closely with third sector partners across the system as well as our statutory partners, and, again, I want to just pay tribute to the way the sector pulled together through the pandemic and has taken the learning from that forward. We're all absolutely determined across Wales to make sure that we fundamentally reform the services going forward."⁵²

86. The Minister's evidence paper notes the "unprecedented" numbers of people currently in temporary accommodation.⁵³ The **latest data** is for October 2021, and show 1,187 people presenting as homeless were placed into temporary accommodation during the month, 172

⁵⁰ Welsh Government, [Programme for Government](#)

⁵¹ Local Government and Housing Committee, [Record of Proceedings, 21 January 2022, p20](#)

⁵² Local Government and Housing Committee, [Record of Proceedings, 21 January 2022, p20](#)

⁵³ Local Government and Housing Committee, 21 January 2022, [Paper 1](#)

fewer than in the previous month. As at 31 October 2021, there were 7,076 people in emergency temporary accommodation – 1,728 were dependent children aged under 16. Almost 600 people were moved into long-term permanent accommodation during the month. There were estimated to be 132 people sleeping rough on 31 October 2021, an increase of 4 on the previous month.

87. Acknowledging that “we have over 1,000 presentations a month still coming out of the pandemic”, the Minister told us that £10 million will be given to councils to ensure that they are able to continue providing temporary accommodation, but also to encourage a shift towards a preventative and permanent rehousing focus. She added:

“we need to make sure that we've got the right support in place to allow council and registered social landlord—councils' in particular—homelessness services to make sure that they're supporting people to stay in their current tenancy or their current housing if that's at all possible and appropriate, rather than allowing them to fall out particularly of private sector tenancies only to then go back through the loop with all of the personal trauma that that entails, but also, quite often, the increased finance requirement that that entails.”⁵⁴

88. The Strategic Integrated Impact Assessment that accompanies the draft budget notes that “many ethnic minority parents have presented themselves as homeless to local authorities”⁵⁵. This is attributed to many temporary housing arrangements previously offered by friends or community members, being withdrawn following the government’s advice to isolate during lockdown. The Minister told us that she was “not familiar with that particular line in the strategic impact assessment.”⁵⁶ However, she went on to say:

“we do know that some ethnic minority people in communities are disproportionately likely to be living in poverty, and more susceptible, therefore, to being homeless.”⁵⁷

89. The Minister also expressed concern that, as the pandemic comes to an end, the Welsh Government will not be able to help people with no recourse to public funds. She explained:

⁵⁴ Local Government and Housing Committee, [Record of Proceedings, 21 January 2022, p22](#)

⁵⁵ Welsh Government, Draft Budget 2022-23, [Para 36](#)

⁵⁶ Local Government and Housing Committee, [Record of Proceedings, 21 January 2022, p27](#)

⁵⁷ Local Government and Housing Committee, [Record of Proceedings, 21 January 2022, p28](#)

"...we've been able to use public health legislation in order to extend help and support to people with no recourse to public funds on the grounds of the public health emergency. Once the public health emergency is no longer with us, we will no longer be able to use those powers. We'll revert to the previous situation where there's a long list of funding that's not available to people with no recourse to public funds—a desperate situation for many that we are very unhappy about. So, we're putting pressure on the UK Government to enable us to continue to assist people who are in that position. It's one of the deep political divisions, I have to say, between the Welsh and Scottish Governments in particular and the current UK Government. So, we continue to make that point, but we've been able to do it through the pandemic, because of the public health emergency."⁵⁸

Our view

90. We welcome the commitment to reform homelessness services to focus on prevention and rapid rehousing. We further welcome the commitment from the Welsh Government that there will be no return to the pre-pandemic approach to homelessness. However we are concerned that there is currently an “unprecedented” number of people in temporary accommodation and each month significant numbers are continuing to present as homeless. People need to be moved into long-term permanent accommodation if homelessness is to be “rare, brief and unrepeated”. This would also provide longer term certainty to those delivering and accessing homelessness services. There is also a risk that local authorities may face financial challenges if the number of people in temporary accommodation continues to increase.

Recommendation 3. We recommend that the Welsh Government continues to take forward the recommendations from the Homelessness Action Group, and actions outlined in the recently published Ending Homelessness Action Plan. We further recommend that the Welsh Government closely monitors the pressures on emergency temporary accommodation to ensure that local authorities have the necessary financial resources and access to sufficient accommodation to continue with the “everyone in” approach.

91. We were concerned that the Strategic Integrated Impact Assessment highlighted that during the pandemic many ethnic minority parents have presented themselves as homeless to local authorities. We wrote to the Minister on this following our scrutiny session and she provided a **response** on 26 January.

⁵⁸ Local Government and Housing Committee, [Record of Proceedings, 21 January 2022, p35](#)

92. We note the Actions in the Ending Homelessness Action Plan, including the Action to improve early intervention and targeted prevention measures, and hope the plan will be effectively implemented.

93. We are also concerned that as the pandemic comes to an end, local authorities will not be able to help people with no recourse to public funds. The introduction of public health legislation to extend help and support to people with no recourse to public funds has provided a lifeline to many during the pandemic. However, we are concerned that some people will soon fall through the gaps and not be eligible for support once the public health emergency is over. We note the Minister's **additional information** provided to us on this matter which outlines what the Welsh Government is doing to address this issue. We are also pleased that the Minister told us she is putting pressure on the UK Government to find funding for people in this situation, and would strongly support the Welsh Government in this approach.

Recommendation 4. We recommend that the Welsh Government works with the UK Government to ensure that, after the public health emergency, it is still able to extend housing related help and support to people with no recourse to public funds.

Housing supply

94. The Programme for Government contains a commitment to build 20,000 new low carbon social homes for rent. In oral evidence to the Finance Committee on 19 January 2022, the Bevan Foundation said that the 20,000 commitment will not be enough to deal with some of the issues that they see.⁵⁹

95. The Minister explained that 20,000 is the target and "if we can get it up above that, that would be great."⁶⁰ However, she went on to say that the increase in budget does not directly translate into that many more homes because of the rapid increase in costs and supply chain issues. She said:

"I have to say, though, that it's pretty ambitious given what we know has been able to be achieved elsewhere in the supply chain and so on. And you will be very aware, I know, of the difficulties in rising supply-chain problems, costs, availability of labour and so on. So, it's already costing us somewhere around 30 per cent more to build each social home. So, we're having to put

⁵⁹ Finance Committee, [Record of Proceedings, 19 January 2022, p112-113](#)

⁶⁰ Local Government and Housing Committee, [Record of Proceedings, 21 January 2022, p38](#)

*about 30 per cent more social housing grant into those to make them viable, and we're experiencing some difficulty."*⁶¹

96. In addition to issues relating to costs and availability of labour to build the social housing, the Minister said that there are also "real issues with skilled labour and making sure we have viable SMEs". The Minister outlined some of the work going on to try and address these problems:

*"We've got a housing construction forum, talking to our SME builders, just trying to understand what the issues are for them. Obviously, I've met with the registered social landlords and very recently with the council and Cabinet members across Wales for housing, to just discuss how we can use our combined effort to try and overcome some of these issues."*⁶²

97. The Minister explained that the Welsh Government is also encouraging co-operative and community land trust housing to be built in order to increase the availability of non-private sector housing.

98. The Social Housing Grant ("SHG") programme is the Welsh Government's main capital grant supporting the development of affordable housing. SHG is available to registered social landlords and now also to local authorities. In evidence to the Finance Committee before the draft budget was published, Community Housing Cymru, the representative body for housing associations, called for a £300m allocation.⁶³ In the draft budget there is a capital allocation of £310m in 2022-23 for Social Housing Grants, an increase of around £10m from 2021-22.

99. Following the Co-operation Agreement, there are now additional commitments relating to housing supply in the Programme for Government, including to establish Unnos, a national construction company "to support councils and social landlords to improve the supply of social and affordable housing". The draft budget includes a revenue allocation of £1m to the development of Unnos in 2022-23. The Minister's evidence paper notes:

*"We will explore opportunities to establish Unnos within this envelope, with further details to be scoped as we undertake feasibility studies and the required due diligence."*⁶⁴

⁶¹ Local Government and Housing Committee, [Record of Proceedings, 21 January 2022, p39](#)

⁶² Local Government and Housing Committee, [Record of Proceedings, 21 January 2022, p44](#)

⁶³ Finance Committee, [WGDB 22-23 18, Community Housing Cymru](#)

⁶⁴ Local Government and Housing Committee, 21 January 2022, [Paper 1](#)

100. The Minister explained the concept of Unnos to us. She noted that “this is a gap-filling expert resource, an ability to recruit people, perhaps, centrally instead of everybody trying to recruit the same two people across Wales and driving the price up.”⁶⁵

101. We asked the Minister whether she was confident that the Welsh Government has the measures in place to ensure value for money from that investment. The Minister responded:

“we haven't got it in place yet, because we haven't got the company in place yet. But part of the discussion, of course what we're doing is making sure that we get value for money out of it. The amount of money that we allocated to it is based on some of the ideas we got for what it might be able to do, and we'll obviously monitor that closely. If it's not enough, then obviously I'll be looking for more.

And, if we've overestimated it, which seems extremely unlikely, then obviously we've got plenty of use for it elsewhere in the MEG and we'll be moving it around. But, there are a number of things that we think an arm's-length company could do that the Welsh Government can't do because of financial constraints, and so on, including working with the SME sector, as I said. So, none of this is finalised, Chair, I would like to just emphasise that. It's subject to an ongoing discussion, both with our co-operation agreement partners and inside the Welsh Government and, indeed, with sector partners, and so on. So I just wanted to put any hares that have been set running to bed, because there's no need for them.”⁶⁶

102. The Minister for Finance and Local Government has noted that the higher residential rates of Land Transaction Tax (“LTT”) will be kept at 4 percentage points to support the investment in social housing. A **consultation** was launched on 20 December 2021 on proposed local variation to LTT rates for second homes, short-term holiday lets and potentially other properties.

103. We asked the Minister how the allocations within the draft budget reflect the work and the progress that the Welsh Government would like to see in relation to second homes issues. The Minister explained that the draft budget reflects the fact that they are still in consultation phase for a very large number of the components of that, including the draft Welsh Language

⁶⁵ Local Government and Housing Committee, [Record of Proceedings, 21 January 2022, p49](#)

⁶⁶ Local Government and Housing Committee, [Record of Proceedings, 21 January 2022, p52-53](#)

Communities Housing Plan.⁶⁷ She went on to say that “no doubt there will be changes in the budget as those consultations come in” and the policy would be adjusted accordingly.⁶⁸

104. Previous budgets have seen significant allocations of financial transactions capital for the Help to Buy scheme. This scheme supports home buyers by allowing them to purchase a new build property with a 5% deposit and a shared equity loan of up to 20% of the purchase price. It also supports the construction industry. The current phase of Help to Buy is due to end in **March 2023** but no allocations are highlighted in the Minister’s paper for the 2022-23 financial year. However, the draft budget narrative document notes that further financial transactions capital allocations will be made in the Final Budget, due to be published on 1 March 2022.⁶⁹

105. Furthermore, the Minister told us that the Welsh Government, going forward, would like to use the Help to Buy scheme, not only to help people get onto the housing ladder, but also to encourage SME and major house builders to “shift their standards”. According to the Minister, “we’re basically saying, ‘You can’t have Help to Buy unless you meet some minimum standards that we require’.”⁷⁰ However, it is an “ongoing conversation” as to how many financial transactions capital allocations the Welsh Government will receive.⁷¹

106. The Integrated Care Fund (“ICF”) receives a capital allocation of £62.34m in 2022-23 with indicative allocations for the following two years staying at the same level. This funding programme provides housing and accommodation to meet care needs including extra care and other accommodation for older people and people with dementia. The Minister’s evidence paper notes that the Welsh Government’s main aim is to increase the existing stock by approximately 930 units over a three year period.⁷² This will count towards the target of 20,000 new low carbon social homes for rent.

107. We asked the Minister whether 930 units will be enough to meet demand given that the over-65 population is likely to increase significantly over the next five years. The Minister and her officials told us that the ICF is “a really important element” but “just one part of an ever-

⁶⁷ Local Government and Housing Committee, [Record of Proceedings, 21 January 2022, p75](#)

⁶⁸ Local Government and Housing Committee, [Record of Proceedings, 21 January 2022, p76](#)

⁶⁹ Welsh Government, [Draft Budget 2022-23](#), Annex E

⁷⁰ Local Government and Housing Committee, [Record of Proceedings, 21 January 2022, p55](#)

⁷¹ Local Government and Housing Committee, [Record of Proceedings, 21 January 2022, p56](#)

⁷² Local Government and Housing Committee, 21 January 2022, [Paper 1](#)

much bigger picture."⁷³ The Minister described a "housing-based solution" to a number of issues around social care, explaining:

"The reason that we want the standards of housing to come up is we want people to have houses for life, houses that are adaptable so that you do end up with mobility difficulties, that your house caters for that. If you have an expanding and then declining family, your house caters for that. It caters for the ability of carers to stay with you, and so on. So, there is a thing about getting the housing supply right in the first place, so you don't need some of this specialist stuff.

*But also, of course, we are working with health and social care colleagues across the board to make sure that we have this integrated system in place."*⁷⁴

108. We heard that one of the things the Minister is keen to do is integrate the Social Housing Grant and ICF more closely as local authorities become more skilled at the detailed planning of future needs, so that the Welsh Government is ready with the right funding to support the building and adaptation of the homes that are needed in the future.⁷⁵

Our view

109. We heard that the Welsh Government is having "real problems" with material price inflation, supply chain disruption and a shortage of skilled labour in trying to build new low carbon social homes for rent. We are concerned that these issues will have an impact on the Welsh Government's ability to reach its target of 20,000 affordable houses, especially as we heard that this number may not be sufficient to address problems with housing supply in Wales. We are therefore concerned that the allocation for the Social Housing Grant may not be enough, especially given the additional costs involved in making these homes low carbon.

Recommendation 5. We recommend that the Welsh Government sets out how it will address issues relating to material prices, the supply chain and a skilled workforce in order to meet its target of delivering 20,000 new affordable homes.

110. We welcome the Welsh Government's decision to establish Unnos and we look forward to hearing more details about this new national construction company and how it will support

⁷³ Local Government and Housing Committee, [Record of Proceedings, 21 January 2022, p66](#)

⁷⁴ Local Government and Housing Committee, [Record of Proceedings, 21 January 2022, p63-64](#)

⁷⁵ Local Government and Housing Committee, [Record of Proceedings, 21 January 2022, p66](#)

registered social landlords to improve the supply of social and affordable housing. We are also keen to know how the company will work with private sector developers. As with all investment decisions, it is important to ensure that value for money will come from the creation of Unnos.

Recommendation 6. We recommend that once Unnos has been established, the Welsh Government provides an update to the Committee on how it will be monitored and measures put in place to ensure value for money from the investment.

111. We are concerned that the current phase of the Help to Buy scheme, which has given a number of people a foot onto the property ladder and supported the construction sector, is due to end in March 2023 but that there are no allocations in the draft budget. We also heard from the Minister that the scheme could be used in future to drive up standards by requiring SME and major house builders to conform with minimum housing standards in order to be eligible for the scheme.

Recommendation 7. We recommend that the Welsh Government, ahead of the debate on the final budget, prioritises the allocation of funding for the Help to Buy scheme.

112. The Integrated Care Fund has been invaluable in delivering housing and accommodation that meets people's needs. We welcome plans to integrate the fund and Social Housing Grant more closely to help drive forward the integration of health, social care and housing services. We request that the Welsh Government keeps us updated on progress. However, given that the over-65 population is likely to significantly increase over the next five years, we are concerned that the ICF capital allocation of £62.34m in 2022-23 may not be sufficient to meet demand. This figure has not increased since last year and the indicative allocations for the following two years are staying at the same level.

Recommendation 8. We recommend that the Welsh Government sets out how the budget allocation for the Integrated Care Fund will be used to meet increased demand for suitable housing for an ageing population.

Building safety

113. In terms of building safety, there is an additional revenue allocation of £5m in 2022-23 giving a total allocation that year of £8.545m. Indicative revenue allocations increase by a further £1m in 2023-24, and a further £500k in 2024-25. There are capital allocations of £75m in 2022-23, £135m in 2023-24, and £165m in 2024-25 which will support the remediation of buildings.

114. The Minister's evidence paper notes that revenue funding will support fire safety surveys and the creation of Building Remediation Passports for all mid and high-rise buildings across Wales.⁷⁶ The Welsh Government's **Building Remediation Fund** will provide access to grants to fund building surveys, for which over 100 expressions of interest have been received.

115. The Minister most recently made a **statement** on building safety in December 2021 when responses to the consultation on the Welsh Government's White Paper, **Safer Buildings in Wales**, were published. The Minister reiterated what she has said on multiple occasions, that "leaseholders should not have to pick up the bill to make good their buildings". The Minister also confirmed in that statement that, in a "limited number of cases", the Welsh Government would provide leaseholders facing financial hardship access to a new scheme that would enable them to sell up.

116. In response to our question on whether leaseholders who are landlords will receive support to fund repairs in deficient building, the Minister said that the Welsh Government is yet to make any decision about how the funding is going to be worked out, as it is currently in the process of taking forward the Building Remediation Passport system. She explained:

*"At this point in time, we're still trying to figure out what's wrong with the buildings. We don't know that for every building. That's the whole point of the building passport system. We also aren't going to be able to just fix all of these things in one go. Some of these buildings have really complicated problems, which will require a number of attempts at remediation. Obviously, we need to understand what the worst cases are and put those right first and so on. So, this is no short-term fix to some of this."*⁷⁷

117. She went on to say:

*"I am very worried about investment, unscrupulous investment companies taking advantage of people buying their things at rock bottom and then hoping the public purse will make their investment good, if I'm honest, and we will be looking to see what we can do about that. But much more important is just to get the things corrected."*⁷⁸

⁷⁶ Local Government and Housing Committee, 21 January 2022, [Paper 1](#)

⁷⁷ Local Government and Housing Committee, [Record of Proceedings, 21 January 2022, p112](#)

⁷⁸ Local Government and Housing Committee, [Record of Proceedings, 21 January 2022, p114](#)

118. The Minister explained that the Welsh Government needs to see the results of the surveys to “try and figure out how much money we're talking about and how best to tackle it.”⁷⁹ According to the Minister:

“what we're doing, I think, is a very measured attempt to make sure that we put the leaseholders into the best possible position to protect their investment as well as make sure that their homes are fit for purpose and safe going forward.”⁸⁰

Our view

119. We welcome the additional revenue in the draft budget to support fire safety surveys and the creation of Building Remediation Passports for all mid and high-rise buildings across Wales. We appreciate that the Welsh Government’s priority is to determine what’s wrong with these buildings and that there may not be quick answers. Providing leaseholders and tenants with solutions as well as information about the safety of their buildings must be a priority for the Welsh Government, therefore we urge the Minister to ensure that the surveys are progressed at pace.

120. We note the Minister’s openness in describing the complexities of the situation in relation to funding remediation work for leaseholders who are landlords. However, this is a very worrying time for them as well as for those living in properties with building safety issues. The Welsh Government must make it a priority to provide leaseholders and tenants with answers about how the funding will be used as soon as possible in order to provide clarity and certainty for those affected.

Recommendation 9. We recommend that the Welsh Government continues to work with the UK Government on how work to improve the safety of mid and high-rise building can be progressed at pace to provide certainty for leaseholders and tenants. We further recommend that the Welsh Government ensures that leaseholders will not have to cover the cost of remediation.

121. As a Committee, we have been considering the legislative consent memoranda relating to the Building Safety Bill and published our **report** on 15 December 2022. Some Members remain concerned whether a UK Bill is the most appropriate way of bringing forward reforms to protect

⁷⁹ Local Government and Housing Committee, [Record of Proceedings, 21 January 2022, p116](#)

⁸⁰ Local Government and Housing Committee, [Record of Proceedings, 21 January 2022, p117](#)

people living in high rise building in Wales. However, we hope that there is sufficient funding to deliver these reforms.

Recommendation 10. We recommend that the Welsh Government outlines how the allocations for building safety will be used to implement the UK government’s Building Safety Bill.

Housing standards

Social housing standards and decarbonisation

122. Net Zero Wales notes the Welsh Government’s expectation that by 2025 around 148,000 houses across Wales will receive retrofit measures to reduce heat loss. The **Optimised Retrofit Programme** (“ORP”) is open to registered social landlords and local authorities to install a variety of home decarbonisation measures in existing social housing stock. However, it “...will facilitate test and learn to inform long term wider retrofit of all homes, across all tenures in Wales.” A capital allocation of £72m in 2022-23 is made for residential decarbonisation, along with a total revenue allocation of £0.773m. The Minister’s evidence paper notes that the “Capital funding will predominantly be used to support the social housing sector, through the Optimised Retrofit Programme”.⁸¹

123. In response to our question on whether the budget for retrofitting is adequate to meet the needs of the housing associations, the Minister said:

“For the moment, absolutely, but, of course, the whole point of ORP is to find out what works and how much it costs. So, as we go forward, we’ll be able to look at that. We’re still working on the announcement for the next stage of the Welsh housing quality standard as well, and part of the calculation for that will be how much money is needed to put into that and over what time period to bring the houses up to whatever the next iteration we want to have. They’re up to EPC D now; will the next Welsh housing quality standard bring them up to B or A—whatever it is? That’s part of the ongoing conversation, and part of that, of course, is understanding what would need to be done to the houses in order to get them there. So, this is an ongoing conversation.”⁸²

⁸¹ Local Government and Housing Committee, 21 January 2022, [Paper 1](#)

⁸² Local Government and Housing Committee, [Record of Proceedings, 21 January 2022, p123](#)

124. We also asked the Minister whether the funding allocated for retrofitting is sufficient to enable housing associations to retrofit properties without increasing rent to the 3.1 per cent cap. She responded:

*"I've made absolutely clear to the sector that the rent cap is not a target; it is a ceiling [...] You need to do a calculation about what the affordability envelope looks like for your tenants, and what your income stream needs to look like in order to build the social homes that we need, and to keep your housing stock in the condition it wants to be in, and we've policed that, so I have difficult conversations where necessary...to make sure that people aren't just regarding it as a cash cow, so to speak. But it's a very difficult one, isn't it? It's a very difficult thing to calibrate, because we both want those social homes building that we just had the discussion about whether our target is even ambitious enough. Well, that money's got to come from somewhere, and we've put a social housing grant into that, but the rest of it, of course, comes from the registered social landlords and the councils themselves. So, it's a very important calibration and a very difficult one to do."*⁸³

125. The Minister also assured us that the Welsh Government is working with registered social landlords and local authorities to ensure that tenants moving in to new low-carbon social housing are going into houses that are fit for them and fit for purpose:

*"Sometimes, there's tech that they have to get their heads around, sometimes, the heating systems are slightly different and so on. So, we absolutely do want to make sure that the people going into the houses are happy to be there, that the houses fit their needs and that includes, obviously, the planting and so on.....we're working very hard to make sure that our RSL and council partners have the right skills and budgets in order to maintain that, as well."*⁸⁴

126. As well as decarbonising homes, ORP is intended to bring a range of economic benefits including skills, training and support to supply chains. The Minister explained:

"So, what we're doing is, we're running a programme to make sure that we understand what best fits each type of house....And so, what we're doing is we're trialling that, de-risking it for people and we're also doing it in

⁸³ Local Government and Housing Committee, [Record of Proceedings, 21 January 2022, p120-121](#)

⁸⁴ Local Government and Housing Committee, [Record of Proceedings, 21 January 2022, p16](#)

conjunction with economy and education colleagues so that we build both a knowledge database for what works, but also a skills database for the people who are skilled in putting in the equipment and interventions that matter."⁸⁵

127. A new Welsh Housing Quality Standard will be introduced in 2022. The Minister's evidence paper notes that it is "...anticipated that this will incorporate an increased energy efficiency standard and decarbonisation standard."⁸⁶ The Minister highlighted the benefits of having such standards for private sector housing:

*"once we know what works, we can start to roll that out with our social landlords. And again, as they did in the last one, they will over-skill the workforce and that workforce will become available in the private sector for people. Then, at that point, we will of course have to look at incentives—systems to assist homeowners to do that."*⁸⁷

128. Asked whether the Welsh Government had considered linking council tax to the energy performance rating of properties to incentivise people to carry out decarbonisation work themselves, the Minister said that they are not currently considering it, as they are in the early stages of the ORP programme. However she acknowledged that they will have to work at "both incentives and sticks to get people to move".⁸⁸

129. In written evidence to our consultation on priorities for the Sixth Senedd, Audit Wales highlighted concerns about WHQS, including how progress in achieving it was monitored and how value for money was demonstrated. Audit Wales noted:

*"Given the challenges that have been seen in realising the Welsh Government's ambitions for the existing WHQS, it will be important that lessons are learnt and applied to the way any new standard is planned, funded and monitored."*⁸⁹

Our view

130. Whilst we welcome the Optimised Retrofitting Programme, we are concerned that tenants may have to carry a significant proportion of the costs if their rent is increased to enable social

⁸⁵ Local Government and Housing Committee, [Record of Proceedings, 21 January 2022, p99](#)

⁸⁶ Local Government and Housing Committee, 21 January 2022, [Paper 1](#)

⁸⁷ Local Government and Housing Committee, [Record of Proceedings, 21 January 2022, p102](#)

⁸⁸ Local Government and Housing Committee, [Record of Proceedings, 21 January 2022, p107](#)

⁸⁹ Local Government and Housing Committee, [SSP 33 Audit Wales](#)

landlords to meet retrofitting costs. We would urge the Welsh Government to ensure that tenants are not detrimentally impacted by retrofitting existing social housing.

131. We heard that the new Welsh Housing Quality Standard is also likely to incorporate an increased energy efficiency standard and decarbonisation standard. Going forward, budget allocations must provide sufficient levels of funding to enable registered social landlords and local authorities to decarbonise their stock. Given that the Welsh Government has declared a climate emergency, this should be reflected in the budget allocations.

Recommendation 11. We recommend that the Welsh Government provides detail on how the budget allocation for decarbonisation is sufficient to support local authorities and registered social landlords to progress retrofitting work at the level and pace required.

Recommendation 12. We recommend that the Welsh Government provides an update on how the budget allocation for decarbonisation will be monitored and evaluated to demonstrate value for money.

132. We are aware of concerns about how progress in achieving the original Welsh Housing Quality Standard was monitored and how value for money was demonstrated. Given that the new standard is likely to incorporate a decarbonisation standard, we consider it essential to have an effective monitoring and evaluation system in place.

Recommendation 13. We recommend that the Welsh Government provides us with an update on how the new WHQS will be monitored and what measures will be put in place to ensure value for money.

Adaptations

133. The Minister told us the budget for adaptations has increased from £17.66 million in 2021-22 to £19.5 million in 2022-23. The Minister's evidence paper notes that this supports a range of adaptation services across tenures.⁹⁰

134. The Minister notes in her evidence paper that the Physical Adaptions Grant ("PAG") will change from a demand led scheme to an allocation based grant scheme from April 2022.⁹¹ The Minister notes that at present, PAGs account for about 17% of the total spend on adaptations

⁹⁰ Local Government and Housing Committee, 21 January 2022, [Paper 1](#)

⁹¹ Local Government and Housing Committee, 21 January 2022, [Paper 1](#)

on “just 5.5% of the housing stock.” The Minister told us that the Welsh Government has given housing associations control of the physical adaptations grant budget:

“to allow them to take a more strategic approach to adaptations and increase the stock of accessible housing in Wales more generally. So, this is to make sure that they upfront change the housing so that it's accessible rather than waiting for each individual person to come along.”⁹²

135. The Minister’s evidence paper notes there is an additional revenue allocation in 2022-23 of £0.5m (giving a total allocation of £4.8m) to allow Care & Repair agencies “to extend their services to support rapid hospital discharge of complex case”.⁹³ The Minister told us that this will:

“support complex hospital discharge cases, where adaptations can't be installed until other essential repairs have been made, or where there are other complex issues such as hoarding and so on. So, sometimes, these budgets have to go to very arcane things to allow people to come out of hospital and back into their home, and it sometimes brings to light unexpected housing problems that also have to be sorted out.”⁹⁴

136. We asked the Minister to address concerns about long waiting times for adaptations being linked to where they live. The Minister assured us that there “should not be a postcode lottery” system for adaptations.⁹⁵ She told us that devolving the adaptations budget to various agencies should speed the process up.⁹⁶ The Minister also outlined other steps taken to accelerate the process, including removing the means test for medium-sized adaptations such as stair lifts and wet rooms and an “ongoing conversation” with local authorities to ensure that the right pot of money is being spent on adaptations

137. Monitoring data on the adaptations system is now published annually. Prior to this, the Welsh Government’s Director of Housing and Regeneration told us that the data was “quite patchy”. She went on to say:

“It didn't allow us to see where there were differences in experiences for users, so we've improved that data, and there is now data published on the Welsh Government website. And we're doing further work to make sure that we

⁹² Local Government and Housing Committee, [Record of Proceedings, 21 January 2022, p84](#)

⁹³ Local Government and Housing Committee, 21 January 2022, [Paper 1](#)

⁹⁴ Local Government and Housing Committee, [Record of Proceedings, 21 January 2022, p83](#)

⁹⁵ Local Government and Housing Committee, [Record of Proceedings, 21 January 2022, p77](#)

⁹⁶ Local Government and Housing Committee, [Record of Proceedings, 21 January 2022, p88](#)

*enhance that so that it gives us better equalities and geographic data, so that we can monitor where those anomalies are and where the user experience may not be as good as it ought to be.*⁹⁷

Our view

138. Housing adaptations play a very important role in people's lives, enabling people with disabilities and older people to live in their own homes. We therefore welcome the steps taken to speed up the process of housing adaptations and we hope that monitoring data and research into how the programme has performed will further improve the experience for users.

139. We hope that the budget allocation for adaptations is sufficient to support a consistent approach to adaptations across Wales. We note the Director of Housing and Regeneration's comments to us that in 2019 minimum standards of service were set for providers of adaptation services to provide a more consistent experience for users.⁹⁸

Recommendation 14. We recommend that the Welsh Government sets out how it monitors the standards of service for adaptation services and the impact those standards have made.

Regeneration

140. Capital allocations to the Regeneration BEL total £20m in 2022-23 with indicative allocations of £40m for the following two years. An additional revenue allocation of £1.556m gives a total revenue allocation of £2.116m in 2022-23. The Minister's evidence paper notes this will support a number of the Welsh Government's regeneration objectives with a focus on town centres.⁹⁹ The Minister's paper also notes that revenue funding will support cooperative housing, community-led initiatives, and community land trusts.

141. The Minister and her officials told us that the Welsh Government has been working with local authorities to bring 510 vacant buildings into beneficial use. The Minister said:

*"it can either be a beloved building, or it can frankly be a real scar on the town and nobody can do anything about it. So, in both of those circumstances, we want to assist the local authority to be able to do that. I think I'm right in saying that the programme is over three years."*¹⁰⁰

⁹⁷ Local Government and Housing Committee, [Record of Proceedings, 21 January 2022, p90](#)

⁹⁸ Local Government and Housing Committee, [Record of Proceedings, 21 January 2022, p90](#)

⁹⁹ Local Government and Housing Committee, 21 January 2022, [Paper 1](#)

¹⁰⁰ Local Government and Housing Committee, [Record of Proceedings, 21 January 2022, p126](#)

142. The Minister also said that the Welsh Government is committed to looking at Compulsory Purchase Order (“CPO”) regulations “to make sure that all of the things we would want an authority to be able to CPO a building for are included in the purposes for which you can do that, including beneficial community use and so on.”¹⁰¹ The Director of Housing and Regeneration told us that local authorities have undertaken training on the use of enforcement powers for empty buildings “to help them to see how they can use the current legislative framework to improve matters”.¹⁰²

143. The Director of Housing and Regeneration also explained that there’s a “really vibrant conversation” happening about town centre regeneration and how things are joined up:

“having the town master plans that we’ll be funding over the next few years as well in place will be a really significant move, enabling towns to look much more holistically and strategically at everything that’s happening there, rather than looking from simply a retail or an economic viewpoint, but actually, looking in a much more holistic and joined up way so that actually, when investment goes into any part of a town, it is clear about what part that plays in the long-term regeneration and future of the town and the space.”¹⁰³

Our view

144. We welcome initiatives that bring empty properties back into use and the use of regeneration funding for this purpose. However we are unclear exactly how this funding will be spent.

Recommendation 15. We recommend that the Welsh Government explores ways of allocating the budget for regeneration to enable the Welsh Government to introduce legislation to bring empty properties back into use. We further recommend that the Welsh Government promptly publishes a delivery plan, to include a timeline and targets, of how the budget allocations for regeneration will be used.

¹⁰¹ Local Government and Housing Committee, [Record of Proceedings, 21 January 2022, p126](#)

¹⁰² Local Government and Housing Committee, [Record of Proceedings, 21 January 2022, p130](#)

¹⁰³ Local Government and Housing Committee, [Record of Proceedings, 21 January 2022, p129](#)

Implementing and developing legislation

145. There are a number of legislative proposals within the Minister’s portfolio. The draft budget narrative document notes that £60,000 has been set aside in 2022-23 in the Housing Policy BEL for implementing the Renting Homes (Wales) Act 2016.¹⁰⁴

146. The Minister told us that nobody could be more delighted than the Welsh Government to be finally in the countdown to implementing the Act. She went on to say:

“We've managed to keep our stakeholders on board, and an enormous amount of work has gone into making sure—that's partly why we've had such problems implementing it—that it actually fits together with all the other legislation in a seamless way and fits with our ambitions to transform the housing agenda in Wales later on in this Senedd term as well.”¹⁰⁵

147. The Minister also told us that she will be undertaking a “lessons learned” exercise in relation to the Act.

148. The Act, which gives renters greater security, is due to be commenced on 15 July 2022. However, the emergency legislation requiring landlords to provide six months’ written notice in most cases is due to end on 24 March. In terms of the arrangements in place between these dates, the Minister said that she’s working closely with the sector to put interim arrangements in place “to keep our homelessness provision in place while we reform the housing Act provisions, and to make sure that we don’t have any unintended consequences”. The Minister described keeping the protection of the extended-notice eviction rules in place as “one of the only benefits...of the pandemic lasting so long”.¹⁰⁶

Our View

149. We welcome the Minister’s commitment to undertaking a lessons learned exercise in relation to the Renting Homes Act. We note that there are a number of legislative proposals within the Minister’s portfolio and we would strongly encourage the Welsh Government to ensure that, in the preparation of future legislation, lessons learned through scrutiny and implementation of previous legislation are acted upon.

¹⁰⁴ Welsh Government, Draft Budget 2022-23 [Page 79](#)

¹⁰⁵ Local Government and Housing Committee, [Record of Proceedings, 21 January 2022, p149](#)

¹⁰⁶ Local Government and Housing Committee, [Record of Proceedings, 21 January 2022, p151](#)

150. We are concerned that tenants will not have the protection of extended notice periods between the expiry of the emergency measures at the end of March and the implementation of the Renting Homes Act 2016 in mid-July. We note that the Minister told us that she is working closely with the sector on interim arrangements and we would urge her to ensure that these are confirmed as soon as possible.

Recommendation 16. We recommend that the Welsh Government provides us with an update on what interim arrangements will be introduced to protect tenants from no fault evictions until the implementation of the Renting Homes Act.